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International Financial Reporting Standards to be mandatory

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The much-anticipated International Financial Reporting Standards (IFRS) is likely to be rolled out only partially in India from April 1, 2011.

That's because a core group on IFRS implementation set up by the ministry of company affairs and headed by renowned chartered accountant Y H Malegam, is set to recommend that it be made mandatory only for big corporates in the first phase.

The panel has prepared a report recommending IFRS-based reporting only for Nifty 50, Sensex 30 and companies with a net worth of over Rs 1,000 crore.

These companies may have to prepare their financial statements under IFRS for financial year 2011-2012.

In the second phase starting 2013-14, all listed companies and companies with net worth greater than Rs 500 crore will be covered. As per the IFRS convergence road map prepared by the Institute of Chartered Accountants of India (ICAI), all listed companies were to file IFRS accounts for 2011-12.

Some core group members, who spoke to Bloomberg-UTV on the condition of anonymity, said both companies and a vast majority of chartered accountants are not adequately trained to implement IFRS on such a large scale.

The group is keen to avoid the chaos that IFRS implementation created in Europe a few years ago.

Indian companies currently prepare accounts on a historical cost basis, whereas IFRS is based on fair value or mark-to-market accounting.

Shailesh Haribhakti, chartered accountant, and one of the members of the IFRS convergence committee of ICAI, said

"Voluntary adoption of IFRS should be strongly encouraged. Let us also focus on small and medium enterprises IFRS as historical cost accounting is obsolete."