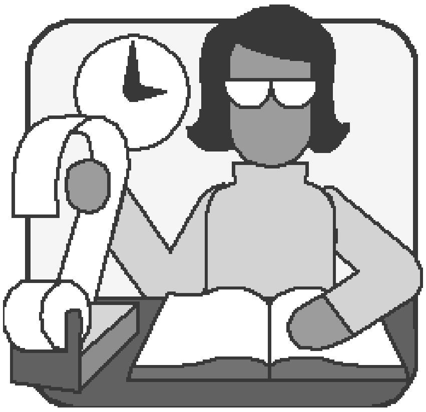
Indian Accounting Standards and IFRSs: A Comparative Study



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Global Harmonization

The idea of global harmonization of accounting standards stems from lack of comparability of financial statement across the country. In particular, a company having presence in different countries has to prepare financial reports as per generally accepted accounting principle of the country of operation and then it is required to reconcile all such reports for the purpose of consolidation as per GAAP of the country to which the parent belongs. This increase the cost of preparing the financial report and also performance measurement across the geographical region becomes difficult because of non-comparable accounting rules. As global diversification of portfolio has become an important issue of fund management with more and more countries accept capital account convertibility or restricted fund flow on capital account a uniform GAAP thought out the world would have helped to increase understandability of financial statement. This would also help in cross border rising of funds. **The expanding globalization of business and investment is driving increase interest and as well as pressure, to enhance the quality of financial reporting throughout the world – to compare apples with apples,** so to speak- so that effective evaluation between companies can be made.

This article made a comparative study between Accounting Standard issued by ICAI and latest version of IFRS / IAS.

International Accounting Standards (IASs) were issued by the International Accounting Standards *Committee* **(IASC)** from 1973 to 2000. The International Accounting Standard *Board* **(IASB)** replaced the IASC in 2001. Since then, the IASB has amended some IASs, has proposed to replace some IASs with new International Financial Reporting Standards (IFRSs), and has adopted or proposed certain new IFRSs on topics for which there was no previous IAS. Through committees, both the IASC and the IASB also have issued ***Interpretations of Standards***. Financial statements may not be described as complying with IFRSs unless they comply with all of the requirements of each applicable standard and each applicable interpretation.

❑ What is International Financial Reporting Standard (IFRSs)?

IFRSs refer to the entire body of IASB pronouncements, including standards and interpretations approved by the IASB and IASs and SIC interpretations approved by the predecessor International Accounting Standards Committee (IASC).

It means IFRS includes:

➢ IFRS issued by IASB (Currently 5 IFRS has been issued)
➢ IAS issued by IASC
➢ Interpretation issued by SIC
➢ Interpretations issued by IFRICs

❑ Is International Financial Reporting Standards (IFRSs) mandatory for all companies of all countries?

The IASB has no authority to require compliance with its accounting standards. However, many countries require the financial statements of publicly traded

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companies to be prepared in accordance with IFRSs, and (where necessary) to give particulars of any material departure from those standards and the reasons for it.

Companies and/or securities legislation in many countries requires management and directors of publicly traded companies (and, in many cases, all companies) to prepare financial statements in accordance with IFRSs because it gives a true and fair view of the financial position of the company at the end of the financial year.

❑ What is " IAS Regulation?

The Council of the European Union has adopted an 'IAS Regulation' requiring listed companies, including banks and insurance companies, to prepare their consolidated accounts in accordance with IAS from 2005 onwards. Member States may defer application until 2007 for those companies that are listed both in the EU and elsewhere and that currently use US GAAP or other GAAP e.g. Indian GAAP as their primary basis of accounting, as well as for companies that have only publicly traded debt securities.

❑ What is Acceptance level of standard issued by IASB

Contrary to the US and UK position, acceptance level of IASB standards are very positive within the European Commission, G4+1 group of standard setters, World Bank etc.

a. Member Countries of European Commission (As on …….)
b. G4+1 Group of standard setters comprise of representative of the national accounting standard bodies of Australia, Canada, New Zealand, the UK and the USA.

❑ FASB and IASB

In a joint meeting between FASB (Authority who issues US-GAAP) and IASB in September 2002, both have acknowledged their commitment to the development of high quality, compatible accounting standard that could be used for both domestic and cross –border financial reporting. Both the FASB and IASB pledge to used their best efforts to:

a) Make their existing financial reporting standards fully compatible as soon as it is practicable and
b) To co-ordinate their future work programs to ensure that once achieved , compatibility is maintained.

❑ Are all IFRSs issued by IASB is covered by IAS Regulation?

No. All IFRSs and interpretation issued for IFRSs are not mentioned in IAS regulation. Only those pronouncements i.e. IFRSs and IFRICs are mandatory to comply with, ***which are ENDORSED by EU parliament.***

❑ Endorsement of IFRS

To ensure appropriate political oversight, the IAS regulation establishes a new EU mechanism to IFRS adopted by the IASB, to give them legal endorsement for the use within the EU. On the basis

of Accounting Regulatory Committee (ARC) and considering the technical advice of EFRAG, the commission will take decision to endorse IFRS/ IAS.

❑ Who are various Parties associated with issuance of IFRS and what are their roles?

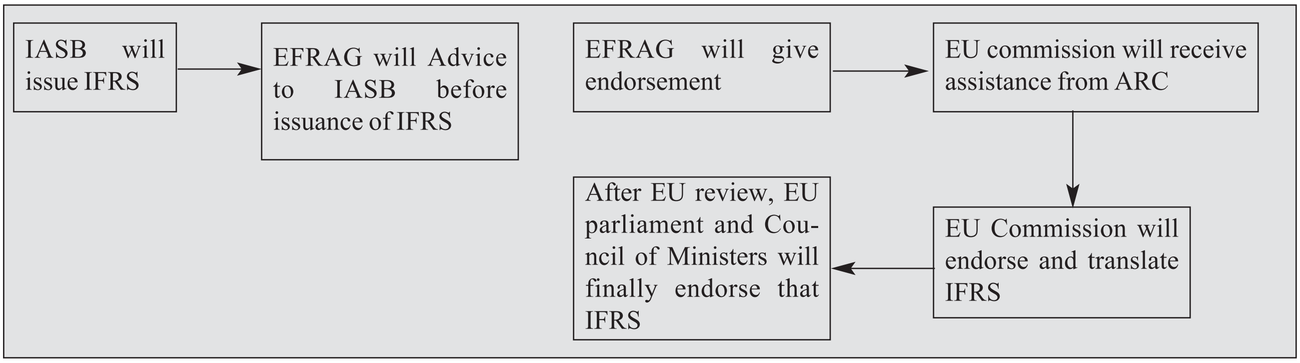
❍ IASB (Framing and issuing IFRS)

❍ The European Financial Reporting Advisory Group (EFRAG)
The IAS Regulation foresees an accounting technical committee, which shall provide support and expertise to the Commission in the assessment of international accounting standards. The committee is called the European Financial Reporting Advisory Group (EFRAG). Main role is to contribute to and influence IASB standard setting process before a standard is issued and to give endorsement advice to the European Commission (EU)

❍ Accounting Regulatory Committee (ARC)
According to Article 6 of the IAS Regulation, the European Commission (EC) shall be assisted by an Accounting Regulatory Committee (ARC) composed of representatives of the Member States (the political level of the endorsement process). The Commission shall submit draft-implementing measures concerning international accounting standards to the ARC for its opinion.

❍ The Committee of European Securities Regulators (CESR)
CESR was established in June 2001 by a Decision of EU commission. The role of CESR is to improve coordination among European Securities Regulators and to act as an advisory group to assist the European Commission, in particular in its preparation of draft implementing measures in the field of securities (See figure 1)

Figure 1



❑ Importance of IFRS

As per European commission the requirement of compliance of IFRS by all listed companies in their CFS from 2005 (IAS Regulation) onwards will help eliminate barriers to cross boarder trading in securities by ensuring that company accounts through out the EU are more reliable and transparent and that they can be more easily compared. This will in turn increase market efficiency and reduce the cost of raising capital for companies, ultimately improving competitiveness and helping boost economy.

❑ Exposure drafts issued / Projects under IASB

- Exposure Draft – 6: Exploration for and Evaluation of Mineral Resources
- Exposure Draft – 7: Financial Instruments: Disclosures
- Amendment to IAS-39: Financial Instrument- Recognition and measurement: The fair value Option
- Proposed amendment to IFRS 3 Business combination: Combination by contract alone or involving mutual entities
- Proposed amendment to IAS 19 Employee benefits: Acturial gains and losses, group plans and disclosure

Accounting Standards issued by ICAI v/s recent version of IFRS/IAS: A Comparative Study

AS by ICAI	IFRS / IAS	Position under IAS / IFRS After considering recent changes	Position as per Indian GAAP
AS-1	**IAS 1**	**Disclosure of Accounting Policies**	
		IAS 1, inter alia, deals with overall considerations, including fair presentation, off-setting, comparative information.	AS 1 does not deal with these aspects.
		IAS 1 **prescribed minimum structure of financial statements** and contains guidance on related issues viz. current liabilities etc.	AS 1 does not prescribe any minimum structure.
		Under IAS 1, financial statements includes Statement showing changes in equity	AS 1 does not prescribe any such statement to be prepared.
		Under IAS 1, there is a presumption that application of IFRS would lead to fair presentation	There is no such presumption under AS 1.
		IAS 1 requires specific disclosure for departures from IFRS	There is no such specific provision in AS 1.
		IAS 1 requires disclosure of critical judgements made by management in applying accounting policies	There is no such specific disclosure requirement in AS 1
		IAS 1 prohibits any items to be disclosed as extra-ordinary items.	AS 5 specifically requires disclosure of certain items as Extra-ordinary items.

AS 2	IAS 2	**Valuation of Inventories:** IAS 2 prescribes same cost formula to be used for all inventories having a similar nature and use to the entity. ***There are certain additional requirement in IAS 2 which are not contained in AS 2 which are as under:*** 1. Purchase of inventory on deferred settlement terms - excess over normal price is to be accounted as interest over the period of financing. 2. Measurement criteria are not applicable to commodity broker-traders. 3. Exchange differences are not includible in inventory valuation. 4. Inventory pledged as security for liabilities requires separate disclosure.	AS 2 requires that the formula used in determining the cost of an item of inventory needs to be selected with a view to providing the fairest possible approximation to the cost incurred in bringing the item to its present location and condition. However, there is no stipulation for use of same cost formula in AS 2 as compared to IFRS
AS 3	IAS 3	**Cash Flow Statements:** Bank overdrafts are to be treated as a component of cash / cash equivalents under IAS 7. IAS 7 allows interest and dividend paid to be classified either under Operating Activities or Financing Activities. IAS 7 requires additional disclosure of cash payments by a lessee relating to finance lease under Financing Activities. IAS 7 deals with issues relating to disclosure in cash flow statement in consolidated financial statements viz. Undistributed profits of associate & minority interests, Forex cash flows of foreign subsidiary etc. IAS 7 prohibits separate disclosure of extraordinary items in Cash Flow Statements. In case of acquisition of subsidiary, IAS 7 requires two Additional disclosures on acquisitions viz. Cash/ cash equivalents of acquired subsidiary and all other assets acquired.	AS 3 has no such stipulation AS 3 mandates disclosure of interest and dividend paid under Financial Activities only. No such disclosures required under AS 3. AS 3 was issued prior to AS 21, hence issues relating to consolidate financial statements are not dealt with. AS 3 mandates such disclosure. No such provision in AS 3
AS 4	IAS 10	**Contingencies and Events occurring after the Balance Sheet Date:** IAS 10 provides that proposed dividend should not be shown as liability. IAS 10 requires date of authorization for issue of financial statements to be specifically mentioned in the financial statements itself. IAS 10 also requires disclosure of contingent liability to be updated in the light of new information received after the balance sheet date.	AS 4 specifically requires such disclosure as the same is mandated by statutory requirement. AS 4 has no such stipulation. AS 4 requires adjustments to figures stated in financial statements for events occurring after the balance sheet date, if such events relate to conditions existing at the balance sheet date.
AS 5	IAS 8	**Prior Period Items and Changes in Accounting Policies:** In case of change in accounting policy IAS 8 requires **retrospective effect** to be given by adjusting opening retained earnings. The **definition of prior period Items is broader** under IAS 8 as compared to AS 5 since IAS 8 covers all the items in the financial statements. IAS 8 requires retrospective restatement of prior period figures by restatement of opening balances of assets, liabilities and equity for the earliest period practicable. IAS 8 requires disclosure of any impending change in accounting policy viz. change mandated by a new accounting standard which is yet to come into effect.	AS 5 requires only prospective change in accounting policy with appropriate disclosures. AS 5 covers only incomes and expenses in the definition of prior period items. AS 5 requires prior period items to be included in the determination of net profit or loss for the current period. AS 5 does not require such disclosure

		IAS 8 prohibits disclosure of any items as extra-ordinary item.	AS 5 requires separate disclosure of extra-ordinary items.
AS-6	**No corresponding IAS (covered by IAS which discuss about assets)**	**Depreciation Accounting (AS 6):** In case of change in method of depreciation, IAS 16 requires effect to be given prospectively. Change in method of depreciation is treated as change in accounting estimate under IAS 16. IAS 16 requires estimation of Residual value without considering inflation effects i.e, residual value has to be estimated assuming that the asset were already of the age and in the condition expected at the end of its useful life	AS 6 requires retrospectively re-computation of depreciation and any excess or deficit on such re-computation is required to be adjusted in the period in which such change is effected. AS 6 considers this as change in accounting policy There is no such stipulation in AS 6 although it prescribes use of realisable value of similar assets, which have reached the end of their useful lives and have operated under conditions similar to the asset as one of the basis of estimating residual value.
AS-7 (Revised)	**IAS 11**	**Construction Contract (AS 7):** Contract Revenue under IAS 11 is measured at the fair value of the consideration received or receivable.	AS 7 does not refer to fair value and states that Contract revenue is measured at the consideration received or receivable
AS-9	**IAS-18**	**Revenue Recognition (AS 9):** Under IAS 18, revenue from sale of goods cannot be recognised when entity retains continuing managerial ownership or effective control over the goods sold. In case of revenue from rendering of services, IAS 18 allows **only percentage of completion method.** IAS 18 requires effective interest method prescribed in IAS 39 to be followed for interest income recognition. Under IAS 18, payments received in advance for goods yet to be manufactured or third party sales, cannot be recognized as revenue **until such goods are delivered to the buyer.**	AS 9 does not contain any such stipulation. AS 9 allows completed service contract method or proportionate completion method. AS 9 requires interest income to be recognised on a time proportion basis. AS 9 permits recognition when the goods are manufactured, identified and ready for delivery in such cases.
AS-10	**IAS 16**	**Accounting for Fixed Assets:** Under IAS 16, if subsequent costs are incurred for replacement of a part of an item of fixed assets, such costs are required to be capitalized and simultaneously the replaced part has to be de-capitalized.	AS 10 provides that only that expenditure which increases the future benefits from the existing asset beyond its previously assessed standard of performance is included in the gross book value, e.g., an increase in capacity.
AS 11 (Revised)	**IAS 21**	**Effects of changes in Foreign Exchange Rates:** The revised IAS 21 makes **no distinction between an integral foreign operation and non-integral foreign operation** as done in AS 11. In fact, the factors of distinction between an integral operation and a non-integral operation are incorporated as considerations for determining functional currency. Revised IAS 21 requires an entity to determine functional currency and measure results and financial position in that currency. Functional currency is the currency of the primary economic environment. Under the revised IAS 21 states that if functional currency of a foreign operation is other than reporting currency, the provisions of translation of such operation are similar to that prescribed for a non-integral foreign operation under AS 11. If financial statements are presented in any other currency other than functional currency, the revised IAS 21 requires Assets /Liabilities to be translated at Closing Rate and Income / Expenses at Average Rate.	AS 11 provides separate treatment for integral operations and non-integral operations. There is no concept of functional currency under AS 11. Absence of functional currency concept does not enable AS 11 to provide for such a stipulation. AS 11 does not contain any guidance on this issue.

AS-12	IAS 20	**Government Grants:** The concept of extra-ordinary item is deleted under all standards of IFRS. In case of non-monetary assets acquired at nominal / concessional rate, IAS 20 permits accounting either at fair value or at acquisition cost In respect of grant related to a specific fixed asset becoming refundable, IAS 20 requires retrospective re-computation of depreciation and prescribes charging off the deficit in the period in which such grant becomes refundable. IAS 20 requires separate disclosure of unfulfilled conditions and other contingencies if grant has been recognised.	AS 12 requires disclosure of government grants for financial support / compensation for losses as extra-ordinary items in P&L. AS 12 requires accounting at acquisition cost. AS 12 requires enterprise to compute depreciation prospectively as a result of which the revised book value is provided over the residual useful life. AS 12 has no such disclosure requirement.
AS-14	IFRS 3 (IFRS 3 supersedes IAS 22)	**Accounting for Amalgamations:** IFRS 3 allows **only purchase method.** Option of pooling method given under IAS 22 has been withdrawn. IFRS 3 requires valuation of assets & liabilities at **Fair Value**. IFRS 3 requires Goodwill to be tested for impairment. IFRS 3 requires recognition of negative goodwill immediately in P&L A/c. IFRS 3: Reverse Acquisition is accounted assuming acquirer is the acquiree. IFRS 3 requires valuation of Financial Assets to be dealt with as per IAS 39. Under IFRS 3, provisional values can be used provided they are updated retrospectively within 12 months with actual values.	AS 14 allows both Pooling of Interest Method and Purchase Method. AS 14 requires valuation at carrying value. AS 14 requires amortization of Goodwill AS 14 requires it to be credited to Capital Reserve AS 14 does not deal with reverse acquisition AS 14 contains no such similar provision. There is no such provision in AS 14.
Exposure Draft issued on AS-15	IAS 19	**Employee Benefits:** IAS 19 provides an option to recognise actuarial gains and losses either by following "**Corridor Approach"** or immediately in P&L A/c. Under IAS 19, the discount rate used to discount post-employment benefit obligations should be determined by reference to market yields of **high quality corporate bonds** or, in case there is no deep market in such bonds, on the basis of market yields of Govt. bonds. Under IAS 19, the liability for termination benefits has to be recognized on constructive basis for e.g. Announcement of a formal plan. IAS 19 provides a choice to recognize the incremental liability on first time application either immediately in P&L or over a period of five years on SLM basis.	Exposure draft on revised AS 15 (AS 15 ED) does not admit "Corridor Approach". Exposure draft on revised AS 15 allows use of only market yields on Govt. bonds. AS 15 ED requires an entity to follow AS 29 in this regard. AS 15 ED requires adjustment against opening balance of revenue reserves.
AS-16	IAS 23	**Borrowing Costs :** **IAS 23 prescribes borrowing costs to be recognized as expense as benchmark treatment.** It requires capitalization as an allowed alternative. IAS 23 requires disclosure of capitalization rate used to determine the amount of borrowing costs.	AS 16 mandates capitalization of borrowing costs. AS 16 does not require such disclosure.
AS-17	IAS 14	**Segment Reporting:** IAS 14 prescribes treatment of revenue, expenses, profit/loss, assets and liabilities in relation to Associates & Joint Ventures in consolidated financial statements. IAS 14 encourages reporting of vertically integrated activities as separate segments but does not mandate the disclosure. IAS 14 provides that a business segment can be treated as reportable segment only if, inter alia, majority of its revenue is earned from sales to external customers.	AS 17 is silent on the aspect of treatment in consolidated financial statements. AS 17 does not make any distinction between vertically integrated segment and other segments AS 17 does not contain any such stipulation.

		Under IAS 14, if a reportable segment ceases to meet threshold requirements, than also it remains reportable for one year if the Management judges the segment to be of continuing significance.	Under AS 17, this is mandatory irrespective of the judgment of Management.
		In case of change in identification of segments, IAS 14 requires restatement of prior period segment information. In case it is not practicable, IAS 14 requires disclosure of data for both the old and new bases of segmentation.	AS 17 requires only disclosure of the nature of the change and the financial effect of the change, if reasonably determinable.
AS-18	**IAS 24**	**Related Party Disclosures:**	
		The definition of related party under IAS 24 includes **Post employment benefit plans (e.g. gratuity fund, pension fund)** of the enterprise or of any other entity, which is a related party of the enterprise.	AS 18 does not include this relationship.
		The definition of Key management persons (KMPs) under IAS **24 includes any director whether executive or otherwise** *i.e. Non-executive directors are also related party.*	AS 18 read with ASI-18 excludes non-executive directors from the definition of key management persons.
		Further, under IAS 24, if any person has indirect authority and responsibility for planning, directing and controlling the activities of the enterprise, he will be treated as a key management person (KMP)	AS 18 does not specifically cover indirect authority and responsibility.
		The definition of related party under IAS 24 includes close members of the families of KMPs as related party as well as of persons who exercise control or significant influence.	AS 18 covers only relatives of KMPs
		IAS 24 requires compensation to KMPs to be disclosed category-wise including share-based payments.	AS 18 read with ASI 23 requires disclosure of remuneration paid to key management persons but does not mandate category-wise disclosures.
		IAS 24 mandates that no disclosure should be made to the effect that related party transactions were made on arms length basis unless terms of the related party transaction can be substantiated	AS 18 contains no such stipulation.
		No concession is provided under IAS 24 where disclosure of information would conflict with the duties of confidentiality in terms of statute or regulating authority.	AS 18 provides exemption from disclosure in such cases.
		Under IAS 24, the definition of "control" is restrictive as it requires power to govern the financial and operating policies of the management of the enterprise	Under AS 18, the definition is wider as it refers to power to govern the financial and /or operating policies of the management.
		The definition of "control" under IAS 24 is restrictive on the count that it does not include control over composition of Board of Directors	AS 18 includes control over composition of Board of Directors in the definition of "control"
		The disclosure requirement under IAS 24 are applicable when related party relationship exists as on the date of balance sheet	Under AS 18 the standard applies if related party relationship exist at any time during the year.
		IAS 24 requires disclosure of terms and conditions of outstanding items pertaining to related parties.	No such disclosure requirement is contained in AS 18.
		IAS 24 does not define "significant influence" which is to be considered while determining related party relationship.	AS 18 prescribe a rebuttable presumption of significant influence if 20% or more of the voting any party holds power.
AS-19	**IAS 17**	**Leases**	
		Under IAS-17 it has been clarified that land and buildings elements of a lease of land and buildings need to be considered separately. The land element is normally an operating lease unless title passes to the lessee at the end of the lease term. The buildings element is classified as an operating or finance lease by applying the classification criteria.	AS-19 - " Accounting for Leases" at it stands at present does not deal with lease agreements to use lands. Hence, the classification criteria are applicable only to buildings as a separate asset. To be in line with IAS-17, a suitable modification is required in AS-19 to bring lease agreements for use of land within the purview and prescribe separate classification criteria for land as stated in revised IAS-17.
		The definition of residual value is not included in IAS 17.	AS 19 defines residual value.

		IAS 17 specifically excludes lease accounting for investment property and biological assets.	There is no such exclusion under AS 19.
		IAS 17 does **not prohibit upward revision** in value of un-guaranteed residual value during the term of lease.	AS 19 permits only downward revision
		In case of sale & lease back, IAS 17 requires excess of sale proceeds over the carrying amount to be deferred and amortised over lease term.	AS 19 requires excess **or deficiency** both to be deferred and amortised over the lease term in proportion to the depreciation of the leased asset.
		IAS 17 does not require any separate disclosure for assets acquired under finance lease segregated from assets owned.	AS 19 mandates such separate disclosure.
		IAS 17 prescribes initial direct costs incurred by lessor to be included in lease receivable amount in case of finance lease and in the carrying amount of the asset in case of operating lease and does not mandate any accounting policy related disclosure.	AS 19 requires initial direct cost incurred by lessor to be either charged off at the time of incurrence or to be amortised over the lease period and requires disclosure for accounting policy relating thereto in the financial statements of lessor.
		IAS 17 requires assets given on operating leases to be presented in the Balance Sheet **according to the nature** of the asset.	AS 19 requires assets given on operating lease to be presented in Balance Sheet under Fixed Assets.
AS-20	**IAS 33**	**Earnings per Share (EPS):**	
		IAS 33 requires separate disclosure of basis and diluted EPS for continuing operations and discontinued operations.	AS 20 does not requires any such separate computation or disclosure.
		IAS 33 deals with computation of EPS in case of Share based payment transactions.	AS 20 does not contain any such provision.
		IAS 33 prescribes treatment of written put options and forward purchase contracts in computing EPS.	AS 20 is silent on this aspect.
		IAS 33 requires changes in accounting policy to be given retrospective effect for computing EPS, which means EPS to be adjusted for prior periods presented.	AS 20 does not prescribe such treatment.
		IAS 23 does not require disclosure of EPS with and without extra-ordinary item	AS 20 requires EPS / DPS with and without extra-ordinary items to be disclosed separately.
		IAS 33 does not deal with the treatment of application money held pending allotment.	Under AS 20, application money held pending allotment should be included in the computation of diluted EPS.
		IAS 33 requires disclosure of anti-dilutive instruments even though they are ignored for the purpose of computing dilutive EPS.	AS 20 does not mandate such disclosure.
		IAS 33 does not require disclosure of normal face value of share	Disclosure of normal face value is required under AS 20.
AS-21	**IAS 21**	**Consolidated Financial Statements (CFS):**	
		Under IAS 27, it is mandatory to prepare CFS and an entity should prepare separate financial statements in addition to CFS only if local regulations so require.	Under AS 21, it is not mandatory to prepare CFS.
		Under IAS 27, exemption from preparation from CFS if certain conditions are fulfilled.	There is no such exemption under AS 21.
		Under IAS 27, a subsidiary cannot be excluded from consolidation under any circumstances.	Under AS 21, a subsidiary can be excluded from consolidation if (1) the subsidiary is acquired and held with an intention to dispose; or (2) the subsidiary operates under severe long term restrictions impairing its ability to transfer funds to parent.
		Under IAS 27 while determining whether entity has power to govern financial and operating policies of another entity, potential voting rights currently exercisable should be considered.	AS 21 does not provide for such eventuality.
		Under IAS 27, the definition of "control" is restrictive as it requires power to govern the financial and operating	Under AS 21, the definition is wider as it refers to power to govern the financial and

		policies of the management of the enterprise Use of uniform accounting policies for like transactions while preparing CFS is mandatory under IAS 27. **Under IAS 27, minority interest has to be disclosed within equity but separate from parent shareholders equity.** Under IAS 27, Goodwill / capital reserve on consolidation is computed **on fair values of assets / liabilities** Under IAS 27, **3 months**' time gap is permitted between Balance Sheet dates of financial statements of subsidiary and parent. IAS 27 prescribes that deferred tax adjustment as per IAS 12 should be made in respect of timing difference arising out of elimination of unrealised profit. IAS 27 requires drawing up of financial statements as on the date of acquisition for computing parent's portion of equity in a subsidiary. IAS 27 does not require additional disclosure of list of all subsidiaries including the name, country of incorporation, proportion of ownership interest and if different, proportion of voting power held.	/or operating policies of the management. AS 21 gives exemption from following uniform accounting policies if the same is not practicable **Under AS 21, minority interest has to be separately disclosed from liability and equity of parent shareholder.** **Under AS 21**, Goodwill / capital reserve on consolidation is computed on the basis of carrying value of assets/ liabilities. Under AS 21, six months time gap is allowed. AS 21 is silent on this aspect. Under AS 21, for computing parent's portion of equity in a subsidiary at the date on which investment is made, the financial statements of immediately preceding period can be used as a basis of consolidation if it is impracticable to draw financial statement of the subsidiary as on the date of investment. AS 21 requires additional disclosure of list of all subsidiaries including the name, country of incorporation, proportion of ownership interest and if different, proportion of voting power held.
AS-22	**IAS 12**	**Accounting for Taxes on Income:** IAS 12 is based on **Balance Sheet approach** and therefore **temporary difference** (for e.g. Difference on any upward revaluation of assets, leads to creation of deferred tax liability) Under IAS 12, deferred tax liability for differences associated with investments in subsidiaries, associates and Joint Ventures may not be provided, if the parent is able to control the timing of reversal and it is probable that difference will not reverse in foreseeable future.	 AS 22 is based on **income statement approach** and only ***timing differences*** leads to creation of deferred tax asset or liability. AS 22 provides no such exception as it does not deal with temporary differences
AS-23	**IAS 28**	**Accounting for Associate in Consolidated Financial Statement:** Under IAS-28, Potential voting rights currently exercisable to be considered in assessing significant influence. As per IAS 28, difference between Balance sheet date of investor and associate can not be more than three month. In case uniform accounting policies are not followed by investor & Investee, necessary adjustments have to be made while preparing consolidated financial statements of investor. While recognizing losses of associates / joint ventures under IAS 28, carrying amount of investment in equity and other long term interests to be considered For identification of goodwill / capital reserve , IAS-28 envisages **net fair value basis** on acquisition Under IAS 28 it is necessary to subject the investments in associates / joint ventures to the test of impairment . While defining Significant influence under IAS 28 participation in the financial and operating policy decisions is envisaged.	 AS-23 is silent on this. Under AS 23, no period is specified. Only consistency is mandated Under AS 23, if it is not practicable to make such adjustments, exemption is given, provided appropriate disclosures are made. Under AS 23, losses are to be recognised to the extent of investment plus incurred obligations plus payments made towards guaranteed obligations. AS-23 prescribes **historical cost basis** on acquisition , for computation of goodwill. If decline in value of investment in an associate is permanent, provision for diminution to be made. Impairment testing is not required under AS23. As per AS-23, participation in the financial and / or operating policy decisions is required

AS-25	**IAS 34**	**Interim Financial Reporting:**	
		Under IAS 34, minimum components of Interim Financial Report includes - **Statement showing changes in Equity**	No such disclosure is required under AS 25.
		Under IAS 34, in case of any change in accounting policy, figures of prior interim periods of the **current financial year** and comparable figures of corresponding **previous periods** to be restated.	AS 25 requires restatement of figures of prior interim periods of the **current financial year** only
		Under IAS 34, separate guidance is available for treatment of Provision for Leave encashment, Interim Period Manufacturing Cost Variances, Foreign Currency Translation Gains and Losses.	AS 25 does not address these issues specifically.
AS 26	IAS 38	**Intangible Assets:**	
		There is no presumption under IAS 38 as regards useful life of an intangible asset	Under AS 26, there is a rebuttable presumption that the useful life of intangible assets will not exceed 10 years.
		IAS 38 does not exclude intangible assets arising in insurance enterprise from contract with policy holder	Intangible assets arising in insurance enterprise from contract with policyholder are excluded from scope of AS-26.
		Under IAS 38, intangible assets having ***"Indefinite useful life"*** cannot be amortized. Indefinite useful life means where, based on analysis, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the entity. Indefinite is not equal to Infinite. Such assets should be tested for impairment at each Balance sheet date and separately disclosed	There is no such restriction in AS 26
		IAS 38 does not require any impairment testing if there are no indications of impairment.	AS 26 requires test of impairment to be applied even if there is no indication of that the asset is impaired for following assets: -Intangible asset not yet available for use -Intangible asset amortised over > 10 years.
		Under IAS 38, if Intangible Asset is 'held for sale' then amortization should be stopped.	There is no such stipulation under AS 26.
		Under IAS 38, R&D expenditure that relates to an in-process R&D project acquired separately or in a business combination shall be accounted as per normal principles considering the research phase and development phase.	AS 26 is silent on this.
		Under IAS 38, Revaluation Model is allowed for accounting Intangible Asset provided active market exists.	AS 26 does not permit revaluation model.
AS- 27	**IAS 31**	**Financial Reporting of Interests in Joint Ventures:**	
		Under IAS 31, when the investments are made by venture capital organization, mutual funds, unit trusts and similar entities when those investments are classified as held for trading and accounted for as per IAS 39.	There is no such provision under AS 27.
		IAS 31 not to apply if parent is exempt from preparing CFS under IAS 27. Similar exemption for investor satisfying same conditions as parent.	There is no such specific provision under AS 27.
		IAS 31 permits both proportionate consolidation method and equity method for recognizing interest in a jointly controlled entity in CFS. Equity method prescribed in IAS 31 is similar to that prescribed in AS 23.	AS 27 permits only proportionate consolidation method.

AS-28	IAS 36	**Impairment of Assets:**	
		Under IAS 36, for determining net selling price, cost of disposal to be reduced only in cases where asset is intended to be disposed off.	AS 28: For determining net selling price, cost of disposal to be reduced from fair value of assets in all cases.
		IAS 36 does not permit reversal of impairment losses.	AS 28 permits reversal of impairment losses.
		IAS 36 suggests only **bottom-up approach** for allocation of goodwill in case of a cash-generating unit.	AS 28 allows both bottom up and top down methods
AS- 29	IAS 37	**Provisions, Contingent Assets and Contingent Liabilities**	
		IAS 37 permits discounting of provisions.	AS 29 does not permit any discounting
		IAS 37 requires that provisions for onerous contracts to be recognized	AS 29 does not mandate it.
		IAS 37 requires provisioning on the basis of construction obligation on restructuring.	AS 29 prohibits the same.
		IAS 37 requires disclosure of Contingent Assets in Financial Statements.	AS 29 allows such disclosure only in approving authority report.
		IAS 37 provides certain basis and statistical methods to be followed for arriving at the best estimate of the expenditure for which provision is recognised.	AS 29 does not contain any such guidance and relies on judgement of management.
		IAS 37 defines only obligation but does not define present obligation and possible obligation.	AS 29 defines present obligation and possible obligation as well. ■

HELP US TO SERVE YOU BETTER

For the attention of Members

Restoration of Membership and Certificate of Practice

Attention of members was drawn to Regulation 6 of the Chartered Accountants, Regulations, 1988, which provides, interalia, for payment of annual membership fee and certificate of practice fee on 1st April each year. Individual notices to members requesting them to pay their annual membership and certificate of practice fee for the year 2004-05 were also sent. Announcements drawing attention of members to the requirement of payment of said annual fees for the current year were also published in the past issues of our Journal.

The names of members who had not paid their fees within the stipulated period are in the process of being removed and/or their certificates of practice being cancelled. The notifications for removal of name and cancellation of certificate of practice w.e.f. 1.10.2004 are under issue.

In the event of removal of member's name or cancellation of his certificate of practice on account of non-payment of fees, the member concerned ceases to have the right to practise the profession of Chartered Accountancy and also the right to train articled clerks under him.

Regulation 19 and Regulation 11 of the Chartered Accountants Regulations, 1988, provide for restoration of membership and restoration of certificate of practice, respectively, with retrospective effect, provided the application, complete in all respects, together with the necessary fees is received from the member concerned by the Secretary of the Institute before the expiry of the relevant financial year. Members may note that Restoration Fee of Rs. 100/- is a part of the fees payable by the members before the expiry of the relevant financial year, as prescribed in Regulation 19. Members whose names are removed or certificate of practice cancelled may, if they so desire, apply in the appropriate form (Form No 9/101)* along with necessary fees in accordance with these Regulations for restoration of membership and/or certificate of practice.

* Form 109/101 are available on the website of the Institute at www.icai.org