

IFRS - COMPARATIVE ANALYSIS OF IAS 16 AND AS 10. A STUDY ON WIPRO LTD.

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ABSTRACT

Globalization has laid down a way for all the countries to adopt a single set of accounting standards. Recent years have seen major changes in financial reporting Worldwide under which the most obvious is the continuing adoption of IFRS worldwide. More than 100 countries have either adopted or converged to IFRS. IFRS are the globally accepted accounting standards and interpretations adopted by the IASB. India being an upcoming economy on global economic map has decided to converge to International Financial Reporting Standards (IFRS).

Converting to IFRS has represented much more than a change in accounting rules, and the firms main concern has been to understand the extent to which accounting differences between National GAAP and IFRS could affect their Financial statements. The purpose of the paper is to address this concern by providing evidence of the nature and size of the differences between Indian GAAP and IFRS in respect to IAS 16 and AS 10. The findings indicate a more relevant impact of such a transition on Net Income. The Componentization and Depreciation show a more significant discrepancy between the two set of standards in the accounting treatment of Property, Plant and Equipment and its impact on the Net Income. This paper produces some differences in accounting rules among the Indian GAAP and IFRS in respect to Property, Plant and Equipment by making a study on WIPRO Ltd., which is a Global leader in IT services and has a track record of over 25 years.

Key words: Property, Plant, Equipment, Componentization, Depreciation, Accounting differences.

Introduction :

Globalization has laid down a way for all the countries to adopt a single set of accounting standards. Recent years have seen major changes in financial reporting Worldwide under which the most obvious is the continuing adoption of IFRS worldwide. More than 100 countries have either adopted or converged to IFRS. IFRS are the globally accepted accounting standards and interpretations adopted by the IASB. India being an upcoming economy on global economic map has decided to converge to International Financial Reporting Standards (IFRS).

What is IFRS?

"A single set of high quality, understandable and enforceable global accounting standards that

require high quality, transparent and comparable information in financial statements and other financial reporting to help the stake holders around the world make economic decisions"

IFRS in INDIA

IFRS had been put on hold by the government due to issues raised by corporates, and unresolved taxation issues. Industry bodies had sought postponement arguing the industry needed more time to prepare. However after the enactment of the Companies Act, 2013, the Ministry of Corporate affairs, Government of India has now shifted its focus on rolling out international reporting standards for Indian companies which were to be implemented originally beginning April 1, 2011.

According to the draft plan, the ministry wants to implement the international financial reporting standards (IFRS) beginning with companies that have a net worth of over Rs 1,000 crore from April 1, 2015. In the second phase, both listed and unlisted companies with a net worth of over Rs 500 crore but less than Rs 1,000 crores will have to converge with the international accounting standards from the financial year beginning April