JOURNAL OF ACCOUNTING, FINANCE AND AUDITING STUDIES

http://www.jafas.org

Convergence of IFRS in Global Accounting System: Where do SAARC Countries stand for?

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Keywords
IFRS, SAARC Countries, Convergence, Global Cccounting System, Globalisation, Financial Statement.

Jel Classification
M41, M42, M49.

Abstract
The International Financial Reporting Standards (IFRS) has become universal financial reporting language as it is currently used by 166 (85%) (out of 195) countries in the Africa, Americas, Europe, Middle East and Asia and Oceana. Similarly, all eight country members of the South Asian Association for Regional Cooperation (SAARC) include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka have accepted IFRS for presentation of financial statements of their public companies. In the era of globalistaion and liberalistion, IFRS are performing mounting significant role in the global accounting system. Therefore, this paper was intended to portray the process of convergence of IFRS in global accounting system and to identify the status of SAARC countries in convergence of IFRS. For this reason, secondary sources and review of literature were taken into consideration. The study demonstrated that IFRS set by International Accounting Standards Board (IASB) adopted by all countries have been altered slightly before accepting. The SAARC countries have also made minor modifications in IFRS and accepted in phased manner. The study concluded that the SAARC countries are facing number of problems that should be resolved for better convergence of IFRS.

1. Introduction

Accounting is believed most important language of business. In this liberalisation, privatisation and globalisation era businesses need to speak in global language. Over the years, majority of the countries have developed individual accounting principles that are exclusive for the country. These accounting principles utilized for presentation of financial statements are normally termed as Generally Accepted Accounting Principles (GAAP). There are fundamental changes in the field of accounting in recent times. The GAAP have criticized by many of the experts and now become obsolete. The companies with international locations across the globe have to face inimitable challenges while applying accounting principles of the concerned countries that are not uniform across the globe. In this globalised marketing and manufacturing era, there is a growing call for globally accepted accounting system. Global accounting system has now become one of the developing fields for tackling these issues. Therefore, there was a need for single set of universally accepted accounting system. The universal standards applied in global accounting system help in making comparison between companies of different countries and assist them for expansion by removing barriers. As a set of standards is prepared by one body, reduces disagreement between countries as well as international regulatory bodies. Thus, accounting standards prepared by the International Accounting Standards Board (IASB) are referred as the International Financial Reporting Standards (IFRS). IASB established in 2001 having office in London (United Kingdom) has prepared and applied IFRS standards by its different member countries around the world. The individual accounting standards used at country level have been gradually replaced by the IFRS. Some countries have planned to accept IFRS fully while some countries have a preference of convergence approach. Of course, the importance of IFRS has been increasing at global level. Most of the countries in Africa, Europe, Middle East, Asia and Oceana and Americas have been switched of accounting standards towards IFRS. Acceptance of IFRS has gained much concentration in all types of economies and countries as there is growing business at international level among countries.

2. Review of Literature

There are number of studies on IFRS around the world. However, some of the pertinent and recent studies are reviewed to find out the relationship between this study and the previous studies that are related to IFRS.

Kwon (2018) investigated the value relevance change prior to and after adoption of Korea's IFRS in listed Korean financial markets. In his opinion, there is a major alteration before and after implementation of K-IFRS in the operating income, accounting earnings and cash flows. Moritz (2018) evaluated the financial statements of 3000 German private firms and suggested that advantages of IFRS depend upon financial need, governance system and organizational complexity. Adoption of IFRS would provide private firms growth opportunities and external capital. Parvathy P.R. (2017) focused on the convergence of IFRS with national accounting standards used in India. The paper studied utility of IFRS, its issues and challenges faced by the stakeholders. The study says that sufficient time is needed to react to new amendments. It concluded that proper time required for IFRS and government should promote the IFRS. Sruthiya (2017) studied the difficulties occurred in implementing IFRS in India. It suggests that proper training and education to accounting professionals and employees should be provided. The tax system according to IFRS needs to be restructured. It concludes with the lack of knowledge regarding convergence of IFRS with IndAS. Limijaya (2017) analysed the IFRS application in Southeast Asian countries in general and Indonesia in particular. The study states that several aspects need to be considered in IFRS implementation process. The conclusion of the study is that quality of financial statements depends upon the standards, which are one of the features of the quality development. Gupta (2016) discussed the adoption procedure of IFRS in India, its utility and impact. The study declares that investment in infrastructure needs to be ensured for compliance of IFRS by the ICAI. He also discussed the challenges in IFRS implementation. Shukla (2015) scrutinized the effect of acceptance of IFRS for financial activities on Indian companies with the help of 10 Indian companies. This paper was concentrated on four financial areas such as financial risks, investment activities, operating activities and debt covenants. No significant change in financial activities was found after implementing IFRS standards. According to Srivastava and Rawat (2015), IFRS would help in bringing excellence in financial reporting in India. It will transform the particulars of financial statements and get better information comparability across the countries.

A US study suggests that the transition to prepare financial reports in accordance with international standards (IFRS) allows even small businesses to reduce operating costs that are associated with foreign businesses. Also, it limits investment's risk (Etnyre & Singhal. 2011). Moreover, other studies have suggested that the use of international standards makes companies able to deal with customers and suppliers effectively (Hail. Leuz. & Wysocki. 2010).

For EU companies, profit has generally increased due to the transitioning to international standards (IFRS) while preparing financial reports. This has been reflected in many studies. For instance, an academic study involving (241) companies registered in the UK, excluding banks, insurance companies and pension companies, showed that the application of international standards (IFRS) has generally improved profit measures; such as, operating and net margins profits. In addition, earnings per share were higher while using the international standards (IFRS) than in the case of the use of the publicly accepted accounting principles (GAAP) in the UK (Iatridis. 2010).

Again, another study considered the impact of transitioning to international standards (IFRS) on shareholders' equity in various industrial companies. It has been shown that this effect is different even among companies operating within the same industry. In other words, the impact of the transition depends largely on the accounting policies of each company individually within the industrial sector (Aisbitt. 2006). For example, a research studied the impact on shareholders' equity when the companies, operating in the consumer services sector, moved to international standards. The results showed that 8 out of 25 companies had increased their shareholders' equity under the use of international standards. On the other hand, shareholders' equity in the remaining 17 companies has declined.

It is clear from the above literature review that all the studies across the globe have concentrated on implementation, challenges and benefits of IFRS for a particular country. However, no study based on particular region in the world has been found. Therefore, this study talks about the convergence of IFRS in global accounting system around the world and status of SAARC countries in the convergence of IFRS.

3. Objectives

The main aim of the paper is to study the convergence of IFRS in global accounting system around the world in general and SAARC countries in particular. Keeping this in mind, the following objectives were framed.

1. To portray the process of convergence of IFRS in global accounting system
2. To study the extent of convergence of IFRS in member states of SAARC countries
3. To propose some recommendations for better convergence of IFRS in SAARC countries.

4. Methodology

This study is totally relied upon the secondary data and literature review available in public domain. For collecting secondary data various journals, research papers, working papers, published reports and data available on public domain were referred. The conclusion and suggestions were drawn on the basis of available information. Since it is qualitative in nature, no quantitative tools have been used for analysis.

As the study was carried on the basis of secondary data and available literature, the conclusions drawn are purely based on the available information.

5. Result and Discussion

This part of the paper discusses the convergence of IFRS in accounting system across the globe and status of implementation of IFRS in SAARC countries. These countries include Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka. The group of SAARC countries is also called as South Asian countries. The status of IFRS among SAARC countries is also compared to each other, followed by major features to be considered in the process of convergence of IFRS standards.

IFRS around the World:

The world comprises 195 countries according to the United Nations (UN) out of which 193 countries are member states of UN and remaining 2 countries (Holy See and State of Palestine) are non-member observer states. All these countries recognize each other as sovereign states. In addition, Taiwan, Western Sahara, Kosovo, South Ossetia, Abkhazia and Northern Cyprus are 6 partially recognized countries and called as 'Diplomatic Recognition' not included in 195 lists. There are 3 more self declared countries (Nagorno-Karabakh, Transnistria and Somaliland) that operate independently but not recognized by the UN and called as "de facto" sovereign states. Further, there are 206 Olympic nations for Olympic Games while in football game, 211 countries are known as FIFA countries. However, out of the total countries across the globe mentioned above, the countries that adopted IFRS standards cover the following locations and areas of the globe.

Table 1: Countries Adopted IFRS Around The World

Sr.	**Location/Area**	**No. of Countries adopted IFRS**	**% to IFRS Countries**
1	Europe	44	27%
2	Africa	38	23%
3	Middle East	13	8%
4	Asia & Oceana	34	20%
5	Americas	37	22%
	Total	**166**	**100%**

(Source: http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis)

Out of the total 195 IFRS countries in the world, 54 (27%) countries are located in Africa, followed by Asia (48), Europe (44), Latin America and the Caribbean (33), Oceana (14) and Northern America (2). It is clear from the table that of the total 195 countries, 166 countries have adopted IFRS standards. Out of these 166 countries, 44 (27%) countries belong to Europe, followed by 38 (23%), Americas 37 (22%), Asia and Oceana 34 (20%) and Middle East 13 (8%).

It means out of 38 countries from Europe all 38 means 100 per cent countries have adopted IFRS standards while out of 54 countries from Africa, 38 (70%) countries have accepted IFRS standards.

Table 2: Region Wise Status Of IFRS Standards

Region →	Europe	Africa	Middle East	Asia-Oceania	Americans	Total	% to 166
In the Region	44	38	13	34	37	166	100%
IFRS Require for all Domestic Pub. Cos.	43	36	13	25	27	144	87%
%to Total in the Region	98	95	100	74	73	87	--
IFRS Require/ Permitted Some Cos.	1	1	0	3	8	13	8%
IFRS Neither Permitted nor Required for Domestic Cos.	0	1	0	6	2	9	5%

(Source: http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis)

IASB, an independent standard setting board at global level has developed IFRS standards. The board prepared IFRS standards, which are expected to apply for-profit businesses across the globe. At present, 166 countries or jurisdictions have these IFRS standards, which include all 31 countries of the EU and the European Economic Area. IFRS standards are needed for all listed companies. Out of 166 countries, 144 (87%) countries require IFRS for all their domestic listed public companies and financial institutions. These 87% countries also include Australia, Hong Kong, New Zealand and South Korea accepted exactly IFRS as their countries' accounting standards. Out of 144 jurisdictions, most of them like Australia, Hong Kong, South Korea and New Zealand have accepted IFRS standards word for word as their national accounting standards while Macedonia, Myanmar and Venezuela have accepted recent IFRS standards and they are working to revise the same to the latest IFRS standards. These 144 countries include 18 countries without stock exchange such as Afghanistan, Angola, Belize, Brunei, Cameroon, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Equatorial Guinea, Gabon, Gambia, Guinea, Kosovo, Lesotho, Liberia, Republic of the Congo, Yemen but these countries need IFRS for all financial institutions. Argentina, El Salvador, Israel, Mexico, Peru, Uruguay these 6 countries having stock exchanges do not want IFRS for their listed companies while rest of all 138 countries are required IFRS for all their listed companies. Roughly 65 per cent (out of 144) countries that require IFRS for all domestic public companies also want IFRS for large unlisted companies and financial institutions. Further, above 90 per cent (out of 126) countries that need IFRS for all or most listed domestic companies also need or permit IFRS for most unlisted companies. Uzbekistan is the only country that requires IFRS standards for financial institutions only. It is the fact that all countries have made small changes to IFRS standards.

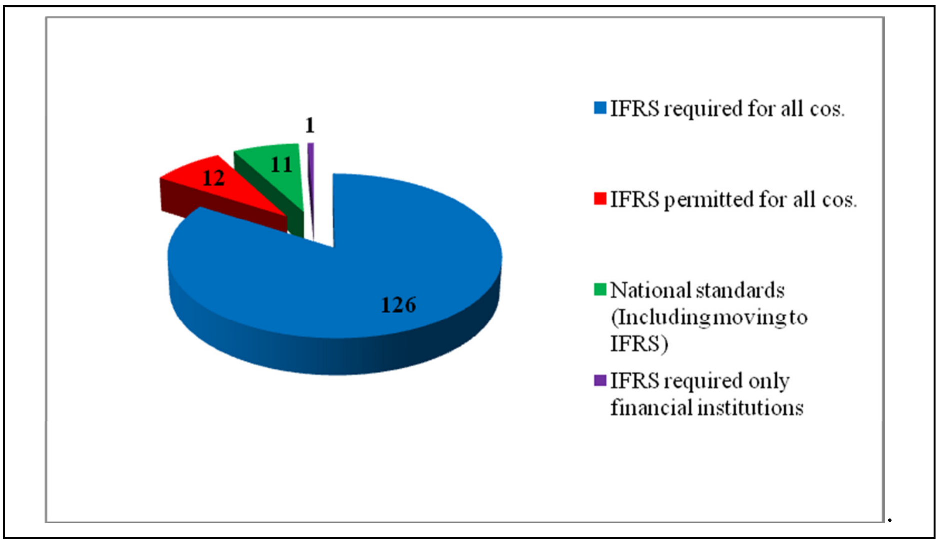

Figure I: Jurisdiction Profile regarding IFRS

Out of 166 countries, 156 countries means almost all of the countries except Albania, Bermuda, Cayman, Islands, Egypt, Macao, Paraguay, Suriname, Switzerland and Vietnam have promised to give practical help for a single set of global accounting standards. The concerned bodies of 158 countries except Belize, Bermuda, Cayman Islands, Egypt, Macao, Suriname, Switzerland and Vietnam have made a public promise to IFRS as one set of global accounting standards. The countries such as Belize, Bermuda, Cayman Islands and Switzerland use IFRS for their listed companies and financial institutions in the lack of public statement.

Table 3: GDP of IFRS Countries

Particulars	US$ Billion	% to World GDP	% to IFRS Countries
Total World GDP	73,026	100	--
GDP of 166 IFRS countries	72,214	98.9	100%
GDP of countries require IFRS for all public cos.	34,384	--	47.6%
GDP of countries require IFRS for some domestic public cos.	66	--	0.1%
GDP of countries require IFRS for at least some domestic public cos.	4,990	--	6.9%
GDP of countries do not permit IFRS for any domestic public co.	32,748	--	45.3%

(Source: http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis)

According to 2015 data as mentioned above, the 166 countries stand for 98.9 per cent of the world's GDP. The GDP of countries that need or permit the use of IFRS for listed companies and financial institutions represents 55 per cent of GDP of all IFRS countries. The GDP of countries do not permit the use of IFRS for any domestic listed companies comprise 45 per cent of the GDP of all IFRS countries. China, India and USA constitute almost 94 per cent of the GDP of IFRS countries that do not permit the use of IFRS for any listed domestic companies.

The following table outlines the issues and major amendments in IFRS standards made by IFRS Foundation and the IASB.

Table 4: Original Issue and Amendments in IFRS

IFRS No.	IFRS Standard	Year of Issue/ Amendment
IFRS 1	First-time Adoption of International Financial Reporting Standards	2003
IFRS 2	Share-based Payment	2004
IFRS 3	Business Combinations	2004
IFRS 4	Insurance Contracts*	2004
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	2004
IFRS 6	Exploration for and Evaluation of Mineral Resources	2006
IFRS 7	Financial Instruments: Disclosures	2005
IFRS 8	Operating Segments	2006
IFRS 9	Financial Instruments	2014
IFRS 10	Consolidated Financial Statements	2011
IFRS 11	Joint Arrangements	2011
IFRS 12	Disclosure of Interests in Other Entities	2011
IFRS 13	Fair Value Measurement	2011
IFRS 14	Regulatory Deferral Accounts	2014
IFRS 15	Revenue from Contracts with Customers	2014
IFRS 16	Leases	2016
IFRS 17	Insurance Contracts	2017

(Source: Pocket Guide to IFRS Standards: The Global Financial Reporting Language 2017)

IFRS in SAARC Countries:

This part highlights the convergence of IFRS standards in member states of SAARC countries on the basis of accessible information in alphabetically ordered manner. The SAARC is the regional intergovernmental organisation and geopolitical union of nations in South Asia. South Asia is described as the eight nations around the Indian subcontinent. Afghanistan, Bangladesh, Bhutan, India, Nepal, Maldives, Pakistan and Sri Lanka these 8 countries are the member states of the SAARC. It consists of 24 per cent (1.749 billion) of the world population and 3.4 per cent of the world's terrain. SAARC is treated as the most densely populated place on the planet. The above mentioned eight countries together called as 'South Asia' according to the UN. Iran is also added in the list by the UN for statistical convenience but it is considered to be in Western Asia. The following table V depicts the extent of convergence of IFRS in SAARC countries.

Table 5: Extent of IFRS Application in SAARC Countries

Country		**Extent of IFRS Application**			
		IFRS required for domestic public cos.	***IFRS required or permitted for listings by foreign cos.***	***The IFRS for SMEs required or permitted***	***The IFRS for SMEs under consideration***
Afghanistan	1	Yes	--	--	--
	2	No Stock Exchange. IFRS required for all listed companies & banks	No Stock Exchange.	National law required to adopt full IFRS	No
Bangladesh	1	Yes	Yes	Yes	--
	2	IFRS adopted as BFRSs required.	Required	IFRS for SMEs adopted entirety as the BFRS for SMEs.	--
Bhutan	1	Yes	Yes	Yes	--
	2	Permitted in 2021 for all companies	Permitted	Required for all public cos.	--
India	1	--	--	--	--
	2	IndAS based on and substantially converged with IFRS. Neither adopted nor committed to adopt IFRS for domestic cos.	No	No	No
Nepal	1	Yes	Yes	--	--
	2	IFRS adopted as NFRS required	Required	No. SMEs may use either full NFRS or NASs	No
Pakistan	1	Yes	Yes	Yes	--
	2	Domestic companies require IFRS. Not applied IFRS 1 First-time Adoption of IFRS	Foreign companies IFRS	Permitted	--
Sri Lanka	1	Yes	Yes	Yes	--
	2	All domestic listed companies required SFRSs with some modifications	SFRSs required with some modifications	Permitted	--

1= Status, 2= Additional Information (Source: Compiled by Authors)

It is clear from the table that no any SAARC country has accepted IFRS fully as it is. IFRS standards have not been accepted by India. All domestic listed and unlisted companies employ Indian Accounting Standards (IndAS) which were significantly converged with IFRS since 1st April, 2015. As per the government directions, all banks, insurance companies, non-bank financial institutions need to put in order their financial statements by applying

IndAS beginning from 1st April 2018. While in Pakistan, domestic listed companies have to apply IFRS standards. Even Pakistan has not applied IFRS 1. The country has made some modifications in IFRS 7 and has not been accepted by Pakistani banks and financial institutions. IFRS standards have been adopted by Securities and Exchange Commission of Pakistan (SECP). Whereas, Sri Lankan domestic companies have need of converged Sri Lanka Financial Reporting Standards (SLFRS). The country has accepted IFRS 9 to IFRS 13 but not implemented effectively. Bangladesh has accepted IFRS standards as BFRS. It has accepted IFRS 39 after due modifications. Nepal has accepted IFRS standards as NFRS in 2014 which was fully implemented in 2016. At present, companies in Bhutan apply GAAP system. The government has planned to accept IFRS standards in three stages which will be finished in 2021. In the meanwhile, the standards will be termed as Bhutanese Accounting Standards. Maldives, one of the member states of SAARC is also required IFRS standards to all listed companies and financial institutions in Maldives.

All 166 countries have made minor changes in IFRS standards before accepting the same. The SAARC countries have also made some modifications in the same which affect a company's compliance with IFRS standards. Bangladesh has omitted small part in IAS 39 while Pakistan has not accepted (IFRS 1. Pakistani banks have not accepted IAS 39, IAS 40 (IFRS 7). Sri Lanka has modified IAS 34, IAS 40 and IFRS 7 even as accepted IFRS 9 to IFRS 13 but not made them effective. Bangladesh has not accepted Section 31 of IFRS for SMEs as the country is not a hyperinflation economy. The SAARC country wise convergence of IFRS is explained in brief as follows.

Afghanistan:

Da Afghanistan Bank is the Central Bank of Afghanistan which is also a regulating body of banks and financial institutions in Afghanistan. The bank executes the banking law and all banks have to follow IFRS standards in the financial reports. The country has made a public commitment regarding one set of global accounting standards. The IFRS standards are accepted by the Law of Banking and the Corporations and Limited Liability Companies Law. According to Articles 28 and 101 of the Central Bank Law, IFRS should be applied by the Central Bank of Afghanistan. For all companies except micro sized companies in Afghanistan, the country has accepted IFRS. All banks in Afghanistan have to apply accounting standards i.e. IFRS set by the Central Bank. At present, there is no stock exchange in Afghanistan. However, IFRS standards issued by IASB are the need of all companies and banks by both laws in Afghanistan. The law requires all new and amended IFRS. There is no need fo individual new or amended IFRS to incorporate into regulations or law of Afghanistan. Even, IFRS for SMEs have not been accepted for use of Afghanistan.

Bangladesh:

The Institute of Chartered Institute of Bangladesh (ICAB) is the national supreme body for development of accounting standards in Bangladesh. The functions of ICAB are the acceptance and enhancement of accounting standards. Actually, there was a development of accountancy profession in Bangladesh during the British colonial period. These days, accounting profession is managed by ICAB and Institute of Cost and Management Accountants of Bangladesh (ICMAB). The convergence process of IFRS has been executed by ICAB and the required standards have been updated for enhancing comparability and reliability of financial information. Bangladesh also has made a public commitment for one set of global accounting standards and IFRS. There is a provision in Bangladesh Securities and Exchange Rules 1987, to prepare the financial statements in line with International Accounting standards accepted by ICAB. It is recommended that ICAB Council should reform three boards such as Accounting Standard Board, Auditing Standard Board and Financial Reports Review Board (Hossain et. al. 2015:22). The country has accepted IFRS and IFRS for SMEs. IFRS have been accepted as BFRS. All companies listed on the Dhaka Stock Exchange and the Chittagong Stock Exchange need to follow IFRS as accepted by BFRS. However, IAS 39 issued by IASB is not accepted in Bangladesh.

Bhutan:

The Accounting and Auditing Standards Board of Bhutan (AASBB) is the professional organisation and standard setting body. The board sets accounting standards on the basis of IFRS in Bhutan. The country has publicly committed for touching towards one set of quality global accounting standards and IFRS. The Finance Minister of Bhutan announced on 16th February 2012 to accept IFRS. However, the country has not accepted IFRS but in April 2012 the country started the process of accepting IFRS in three phases to attain entire acceptance of IFRS until 2021. For that the government had approved to establish AASBB in April 2010. There is a copyright waiver agreement between AASBB and IFRS Foundation regarding the acceptance of IFRS in a phased manner by 2021. The AASBB issued 18 standards in the first phase include IAS/BAS 01, 02, 07, 10, 11, 12, 16, 18, 20, 21, 23, 24, 27, 33, 34, 37 and IFRS 8 implemented from January 2013 to end of 2015. All these 18 standards were in accordance with IAS /IFRS. The phase II covers 9 standards which were accepted on 1st January 2016 while in phase III, 10 standards were accepted from 1st January 2018.

All domestic listed companies in Bhutan are required or permitted to use IFRS in their financial statements. The Companies Act of 2000 of Bhutan needs all companies listed on Royal Securities Exchange of Bhutan should present financial statements in fulfillment of GAAP system for which companies are allowed to utilize IFRS in full. But the Act has not clarified which GAAP should be used. Even, there is no incorporation of IFRS in laws or regulations of Bhutan. The AASBB has also accepted IFRS for SMEs as BAS from 2014.

India:

IFRS standards are not accepted by India but the country has adopted IndAS based on and converged with IFRS to a large extent. It means India's Accounting standards applied by Indian companies are converged with IFRS. India has selected the way of IFRS convergence instead of adoption. The IndAS is applicable to those companies that based on the listing status and net worth of the company which were applied in phased manner as below.

Table 6: Phase Wise Adoption of IFRS Convergence in India

Phase	Companies	Date
I	Net worth Rs. 500 crore or more	1st April 2016
II	Listed Cos & having net worth Rs. 250 crore or more	1st April 2017

(Source: Compilation)

The companies had freedom to accept IndAS voluntary from 1st April, 2015. However, once accepted there was no alternate to company to switch back. All the IndAS are based on IFRS and hence, nomenclature (names and numbers) of IndAS is same as that of IFRS. There is a disparity between IndAS and Indian GAAP framework in respect of fair valuation, substance of legal form and importance on the balance sheet.

Non-Banking Financial Companies (NBFCs) will have to comply with IndAS in phased manner as per roadmap for implementation of IndAS. NBFCs having net worth less than Rs. 250 crore but not covered in phase I and II will carry on with the continuing accounting standards.

Table 7: Phase Wise Adoption of IFRS Convergence to NBFCs in India

Phase	NBFCs	Date
I	Net worth Rs. 500 crore or more	1st April 2018
II	Listed NBFCs having net worth Rs. 500 crore or more	1st April 2019
	Unlisted NBFCs net worth between Rs. 250 & 500 crore	

(Source: Compilation)

Maldives:

The Capital Market Development Authority (CMDA) is a body in Maldives responsible for the growth and regulation of capital market and the pension industry. The country has also publicly committed for a sole set of global accounting standards. Companies in Maldives incorporated under the Companies Act No. 10 of 1996 should have to apply IFRS for preparing and presenting statutory financial statements. Further the Maldives Banking Act No. 24 of 2010 made compulsory to the entire banks and financial institutions to fulfill IFRS. The Maldives Inland Revenue Authority (MIRA) has accepted the IFRS, IFRS for SMEs and standards for Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) under the Business Profit Tax Act No. 5 of 2011.

According to the corporate governance code issued by CMDA, all companies listed on Maldives Stock Exchange should prepare and present their financial statements in line with IFRS. The unlisted companies have a choice to apply full IFRS or IFRS for SMEs as the country has accepted both IFRS and IFRS for SMEs. The auditor’s report does not allow practicing dual report in the country. IFRS are incorporated into the Companies Act, Business Profit Tax Act, regulations issued by MIRA and CMDA.

Nepal:

Nepal accounting standards are developed by the Accounting Standards Board (ASB) established in 2003 in Nepal. The board is an independent statutory body of Nepal which prepares and issues accounting standards for preparation of financial statements on the basis of IFRS. The ASB has assigned additional responsibility by the Nepal government to prepare accounting standards for public sector on the basis of the International Public Sector Accounting Standards (IPSASs). The basic requirements related to financial reporting of companies in Nepal are provided by the Companies Act 2006. According to the Act, financial statements should be prepared on the basis of accounting and auditing standards set by ASB. Further, the audit of all companies should also be conducted from a member of the Institute of Chartered Accountants of Nepal.

The ASB set the Nepal Financial Reporting Standards (NFRS) in line with the 2012 version of IFRS which made mandatory by the government to listed multinational manufacturing companies and state owned enterprises since July 2014. In July 2015, the standards made compulsory to commercial banks and all other state owned enterprises. However, the financial statements should be prepared by all other financial institutions on the basis of NFRS. NFRS is nothing but accounting standards set by ASB in line with IFRS. It is a common accounting and reporting language. It brings common base for evaluation of financial events. Nepal has accepted IFRS as NFRS for listed companies and state owned entities from 2014. It was phased out over 3 year period from 2014-2017.

Pakistan:

The Institute of Chartered Accountants of Pakistan is accountable for setting accounting and auditing standards in Pakistan. Except IFRS 1 (First time adoption of IFRS) majority of the IFRS standards have are accepted by Pakistan. The country has not accepted the practice that was followed by other countries. IFRS require to listed domestic companies as accepted in Pakistan. The SECP issued legal notification on 15th November 2015 accepting the framework of financial accounting reporting for Pakistani companies.

Table 8: Adopted Financial Reporting Framework

Types of Companies	IFRS Adoption
• Listed companies (including foreign companies listed in Pakistan) • Public interest companies (public sector company, public utility, financial institution, company in process of listing) • Large-sized non-listed companies (paid-up capital exceeding 200 million rupees (approximately US$2 million) or annual turnover exceeding 1 billion rupees (approximately US$9.5 million)	• Full IFRS Standards as adopted in Pakistan
• Medium-sized entities (all companies other than listed, public interest, large-sized, and small-sized)	• IFRS for SMEs Standard is required. These companies may choose instead to use full IFRS Standard as adopted in Pakistan.
• Small-sized entities (paid-up capital not exceeding 25 million rupees (approximately US$250,000) and turnover not exceeding 100 million rupees (approximate US$950,000)	• Accounting and Financial Reporting Standards for Small-sized Entities (AFRS for SSEs) as issued by the Institute of Chartered Accountants of Pakistan is required. These companies may choose instead to use either the IFRS for SMEs Standard or full IFRS Standards as adopted in Pakistan.

(Source:http://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/pakistan/#extent22/03/2018)

Sri Lanka:

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is the regulatory body in Sri Lanka. It is made powerful with solitary authority to set accounting standards under Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. The country has already accepted IFRS for all companies and SMEs from 1st January, 2012. Sri Lanka Financial Reporting Standards (SLFRS) are accepted by Sri Lanka which is equal to IFRS after making some alteration. All listed domestic companies have to apply these SLFRS, which necessitate comparative information. But Sri Lanka is not in the need of comparative information beginning from 1st January 2013. Therefore, in case of IFRS 7 financial instruments: Disclosures as SLFRS 7, Sri Lanka enjoyed transitional relief. Similarly, the country has accepted substitute action regarding right of use land on lease and adopted substitute action for accounting for new super gain tax required by law. Sri Lanka has translated SLFRS into Sinhala and Tamil languages as well as published along with English.

Benefits of IFRS for SAARC Countries:

The convergence of IFRS puts forward number of benefits for the countries adopted IFRS in general and SAARC countries in particular. IFRS standards convergence helps in:

1. Raising straightforwardly capital from abroad
2. Increasing transparency in accounting of a company.
3. Improving the quality of information about financial situation for shareholder and investors
4. Facilitating cross border investment for speedy economic growth
5. Reducing complexity in accounting of a company
6. Increasing opportunities in mergers and acquisitions
7. Comparing easily financial data with international competitors
8. Scrutinising on universal platform possible of all companies in a cluster
9. Facilitating effective management of global operations
10. Acquiring better access to global capital markets
11. Eradicating of multiple reporting and improving financial reporting quality
12. Ensuring easy fulfillment of reporting required to overseas stock exchanges
13. Helping in calculation of tax assessment about foreign income
14. Minimising the cost of audit
15. Increasing labour market efficiency

Of course, the above benefits are perceived benefits of convergence of IFRS. It is beneficial to global investors, multinational companies, domestic companies, governments and national standard setting bodies of SAARC as well as other countries across the globe.

6. Conclusion

In this globalised era with the development of information technology, nano technology; multinational companies have started their businesses in different countries of the world. There is a remarkable impact of cross border investments and globalization on quality and nature of financial reporting. Convergence of IFRS facilitates in standardizing and making comparable the financial statements prepared in SAARC or even different countries. Therefore, the governments, multinational as well as domestic companies and regulatory bodies have to play very important role in the process of convergence of IFRS. Various studies concluded that convergence of IFRS positively affects on information comparability, information quality, operating situations in the capital market, analyst's ability, information cost and use of information (Estima et.al. 2015). All member states of SAARC have not adopted IFRS standards. However, they have accepted regional accounting standards based on the basis of IFRS or equivalent. In SAARC countries, the regulatory/ professional bodies have to support in convergence of IFRS through professional education and develop awareness. The SAARC countries are facing the problems of qualified professionals, problem of fair value and historical cost, new software and its cost, lack of technical knowledge, training to employees, advisory fee etc.

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