IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN INDIAN BANKING INDUSTRY

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ABSTRACT

With the implementation of International Financial Reporting standards (IFRS), all the scheduled banks are required to convert their opening balance sheets as of 1st April 2013 as per the new reporting standards. Banks are currently following the prudential norms of Reserve Bank of India (RBI) and Institute of Chartered Accountants of India (ICAI), which are very prescriptive and require limited use of judgment. IFRS on the other hand requires a case by case assessment of the facts and circumstances regarding future cash flows. This clearly shows that convergence to IFRS will pose significant challenges for banks involving higher disclosures by banks.

The purpose of this paper is to analyze the impact of the new accounting system involving a major shift from prescriptive norms to the system involving greater judgment. It is a conceptual paper discussing various aspects of new accounting system and its comparison with the existing IAS with its effect on the financial statements of banks. The paper describes the preparedness on Indian Banks to adopt the new accounting system, the challenges before it and the areas on which the banks must focus on to adopt the system.

Keywords: *IFRS, Convergence to IFRS, challenges before Indian banks, Financial reporting.*

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INTERNATIONAL FINANCIAL REPORTING STANDARDS: CURRENT STATUS

IFRS (International Financial Reporting Standards) are recognized as the global financial reporting standards adopted by more than 113 countries worldwide. In India, The Ministry of Corporate Affairs (MCA) has issued the roadmap for convergence to IFRS recently that is applicable to all companies excluding banking and insurance companies. Accordingly, all the companies need to reconvert their opening Balance Sheet in accordance to the IFRS in phased manner. The industry that is most affected by the adoption of IFRS in India is the banking industry. All insurance companies will convert their opening balance sheets with IFRS from April, 2012, while non-banking finance companies (NBFCs), which are part of the NSE or BSE or have a net worth of over Rs 1,000 crore, will converge their opening books of accounts with IFRS norms from April 1, 2013. With respect to banking companies, requires all scheduled commercial banks to convert their opening balance sheets as of April 1, 2013

This convergence of International Financial Reporting Standards shall change the entire scenario of the organization structure of the company. The major impact will be seen in the method of evaluation of company’s performance including earnings, management information & control system, reporting practices, valuation policies. As far as the organization structure is concerned the convergence is not the sole responsibility the finance and accounts department. It requires a combined effort of all departments of the organization. The adoption of IFRS will have significant change in treatment of advances, Investments, financial instruments, hedge accounting valuation including enhanced regulatory compliances, evolution of information technology systems, methods of tax calculations and other areas. Currently, various bodies regulate accounting of the bank in India. Banks are liable for the compliances with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) in addition to certain mandatory accounting principles prescribed by the Reserve Bank of India (RBI). Reserve Bank of India has prescribed certain accounting guidelines for investments and prudential norms for non performing loans. While RBI’s guidelines are prescribed on the basis of prudence IFRS are emphasizes on the fair presentation, IFRS require a case by case assessment of the facts and circumstances relating to the recoverability and timing of future cash flows with respect to the credit exposure. Therefore the guidelines issued by RBI are not in compliances with the IFRS. In

India, there are only seven out of 32 applicable accounting standards compliant with IFRS. There are 12 standards where there are conceptual differences and 10 standards where the regulatory changes are required.

MAJOR SHIFT

In order to address the complications in the convergence the Reserve Bank of India has constituted a Working Group under the Chairmanship of Shri P R Ravi Mohan, Chief General Manager, Department of Banking Operations & Development (DBOD), Reserve Bank of India to address the issues related to implementation and to facilitate formulation of operational guidelines in the context of International Financial Reporting Standards (IFRSs) convergence for the Indian banking system. The members of the Group included representatives from the Indian Banks' Association (IBA), Institute of Chartered Accountants of India (ICAI) and various regulatory and market related departments of the Reserve Bank of India along with professionals with core competence, expertise and experience in IFRS implementation. The major areas that need direction were recognized and divided into the following groups:

1. Classification and measurement of financial assets
2. Classification and measurement of financial liabilities and hedge accounting. This group would also look into the balance sheet issues of corporate and their implications.
3. Amortized cost and impairment
4. Fair value measurement
5. Presentation, disclosures and balance sheet formats
6. De-recognition, consolidation and residuary issues.

In India, banking is regulated by the generally accepted accounting principles as issued by the ICAI and prudential norms issued by the sector regulator, viz., the Reserve Bank of India (RBI). It has been observed from the global experience that Convergence to IFRS is likely to pose significant challenges for banks. Certain large Indian banks, which have the benefit of going through the process of international GAAP such as US GAAP in the past, have recognized the challenges of convergence.

The major shift will be in the area of investments, where fair value is also considered as an input in addition to the financial/ credit standing of the issuer under the new IFRS system. The International Financial Reporting Standards gives preference on consolidation of financial statements for reporting purposes. However in India, such consolidation of accounts is not presently required in any accounting standards. The International Financial Reporting Standards gives emphasis over the ratios showing the indication of financials and performances of the organization. Various ratios which are key indicators of the business performance and earnings are required to be disclosed. It also requires the disclosure of the managerial remuneration including any other benefits given to management personnel including bonus, ex – gratia, commission or by whatever name called. Currently, banks consider provisions on loans based on RBI guidelines, which are very prescriptive and require limited use of judgment while in IFRS more of judgment will be used.

MAJOR CHALLENGES FOR INDIAN BANKING INDUSTRY

Replacement of IAS39 with a new standard, IFRS9: The existing shift from the IAS 39 with new accounting standard in three phases**:**

- Recognition and measurement
- Impairment
- Hedge accounting

RBI has included the assessment of the impact on the banking sector as an item within the 2010–11 RBI Annual Policy statement keeping in mind the complexities associated with the IFRS standards, particularly in light of requirements peculiar to India. The convergence of IAS 39 to IFRS 9 was one of the primary reasons cited by the RBI in obtaining an extended roadmap of 2013 for the sector. In order to take note of the technicalities RBI has formed a working group to understand IFRS implications for the sector.

IMPACT OF IFRS 9 ON CLASSIFICATION OF FINANCIAL ASSETS

IFRS – 9 is applicable on all types of financial assets. Classification and Measurement prescribes two options for the classification of financial assets, i.e. amortized cost or fair value. Amortized cost classification is only permitted if two conditions are met. The first being that the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flow. Second, the contractual terms of the financial asset gives rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. When there are more than an infrequent number of sales in a portfolio held at amortized cost, the entire portfolio would have to be accounted for at fair value. The advances of the banks for the financial year 2009 – 2010 has been given in the Table – A. At the end of the

financial year 2009 – 2010 the total advances was Rs. 3497054 Crore. The bank that has more advances shall be required do more work on the valuation and their appraisal during the conversion of IFRS.

From bank's perspective, the most significant items that are affected include investments in government & other securities and loan assets. At initial recognition, all financial assets are measured at fair value. The subsequent measurement is based upon the classification of such assets. IFRS – 9 allows little flexibility over the classification of the assets. To be classified at an amortized cost, an instrument must be qualifying in the business model and financial characteristics tests. It is unlikely that an entity can easily change its business model for a particular portfolio to attain a specific classification on initial application of the standard. A key point to note is that a single entity may have more than one business model for managing its financial instruments, i.e. an entity may hold a portfolio of debt securities that it manages in order to collect contractual cash flows and another portfolio of similar debt securities that it manages in order to trade and realize fair value changes

The banking industry shall take various measurement of credit risk in order to avoid any loss in loan assets due to measurement at fair value at the time of implementation of IFRS. It shall start the credit risk management internally as well as externally. Although, the bank's internal department measure and assign the risk for all the borrowers before sanctioning and loans and advances. It shall also start getting measurement of risk by external agencies such as CRISIL, CARE and other related for all those entities that enjoy the borrowing facility of 10 Crore or more as group borrower or individual borrower. This practice shall reduce the impairment loss in the advances.

1. CONSOLIDATION OF FINANCIAL STATEMENTS

Accounting Standard – 23 (AS – 23) provides for the consolidation of Financial Statement of entities based upon the ownership and control over the organization. As per the existing Accounting Standards, consolidation is not mandatory for all organization however, with the implementation of IFRS, the consolidation will become mandatory for all the organization. The measurement and test of ownership shall also be change in the IFRS. It considers the potential voting rights that includes all those whose debts or shares are required to be converted in to equity capital of the company other than the actual stakeholders. Currently the Indian companies are not following this practice and IFRS shall have impact on this aspect also.

2. INFORMATION TECHNOLOGY

The new system of IFRS is expected to have wide-ranging effects at different levels of the IT systems architecture. The updating of the baking's information systems will pose a real challenge for their IT department. With most of the banking being done on computers with the computer based solution the information technology department of the bank will need to take into account the external factors such as local and international regulations, financial consolidation of subsidiaries, stock markets, and external auditors. This change shall require an investment of bulky amount. The Indian banks will need a separate provision for meeting out these investments which will have a major impact over liquidity of the banks. Practical experience from other countries has proved that transition to IFRS can take 18-24 months to fully embed and implement. In the new regime of excessive disclosure under IFRS the use of spreadsheets may become risky and quite cumbersome to manage information from disparate sources and systems. The key issue is, whether the bank is looking at system updates or a major overhaul to alleviate the risk of missing the deadline. A 'dry run' into the IFRS migration project plan can provide a solution to this problem. An early start would also be beneficial for Indian banks to fully understand the implications of IFRS adoption on their business practices.

3. FAIR VALUE

As per IFRS, balance sheets have to be fair valued as against the recent practice in which we carry it at historical cost that comes out to be lower than the cost or fair value. The fair value methodologies and practices are to be re-examined and analyzed in order to ensure that they are current, up to date and valid. These are to be tested back in current market scenario. IFRS emphasized on increasing use of judgment and extensive use of unobservable valuation of inputs and assumptions. Banking sector needs to undergo regulatory reviews and inspections along with the advantage of minimum capital requirements. In addition to the above, the use of IFRS results in higher loan losses and impairment charges and hence affecting the available capital and capital adequacy ratios, as said by KPMG report. It also added that the regulatory review process demands adjustment in order to acknowledge judgments inherent in IFRS applications.

According to the report,"Fair value measurement is infrequently used under Indian GAAP and in most cases, primarily to capture the lower cost of fair value measurement base. Under IFRS, there may be significant differences as all financial assets and liabilities will be measured at fair value. Banks will need to adopt fair value methodologies to ensure that they are updated in current market conditions. Profit planning and budgeting will need to be fine-tuned to incorporate the expected increase in income statement volatility arising out of fair value."

STATISTICS RELATING TO COMMERCIAL BANKS AT A GLANCE

Indicators	**March 2003**	**March 2004**	**March 2005**	**March 2006**	**March 2007**	**March 2008**	**March 2009**	**March 2010**	**March 2011**
Number of Commercial Banks	293	291	288	222	182	173	170	167	167
(a) Scheduled Commercial Banks	288	286	284	218	178	169	166	163	163
of which: Regional Rural Banks	196	196	196	133	96	90	86	82	82
(b) Non-Scheduled Commercial Banks	5	5	4	4	4	4	4	4	4
Number of Bank Offices in India	68500	69170	70373	72072	74653	78787	82897	88203	93080
(a) Rural	32283	32227	30790	30251	30409	30927	31598	32529	33602
(b) Semi-Urban	15135	15288	15325	15991	16770	18027	19337	21022	23048
(c) Urban	11566	11806	12419	13232	14202	15566	16726	18288	19156
(d) Metropolitan	9516	9750	11839	12598	13272	14267	15236	16364	17274
Population per Office (in thousands)	16	16	16	16	15	15	15	14	13
Aggregate deposits of Scheduled Commercial Banks in India (Rs. crore)	1311761	1504416	1700198	2109049	2611934	3196940	3834110	4492826	5207969
(a) Demand deposits	187837	225022	248028	364640	429731	524310	523085	645610	641705
(b) Time deposits	1123924	1279394	1452171	1744409	2182203	2672630	3311025	3847216	4566264

Bank credit of Scheduled Commercial Banks in India (Rs. crore)	746432	840785	1100428	1507077	1931190	2361913	2775549	3244788	3942082
SLR investments of Scheduled Commercial Banks in India (Rs. crore)	547546	677588	739154	717454	791516	971714	1166410	1384753	1501619
Deposits of Scheduled Commercial Banks per office (Rs. lakh)	1925	2265	2574	3047	3675	4344	4980	5479	6090
Credit of Scheduled Commercial Banks per office (Rs. lakh)	1143	1330	1700	2209	2757	3222	3615	3983	4575
Per capita Deposit of Scheduled Commercial Banks (Rs.)	12253	14089	16281	19130	23382	28610	33919	39107	46321
Per capita Credit of Scheduled Commercial Banks (Rs.)	7275	8273	10752	13869	17541	21218	24617	28431	34800
Deposits of Scheduled Commercial Banksas percentage to Gross National Productat factor cost (at current prices)	58.8	59.4	60.0	65.4	70.1	74.4	78.0	73.7	71.9
Scheduled Commercial Banks' Advances to Priority Sectors (Rs. crore)	218251	276621	370603	512790	655317	781476	908929	1091510	1315861
Share of Priority Sector Advances in Total Advances of Scheduled Commercial Banks (per cent)	29.5	32.0	32.2	33.8	33.1	31.6	30.3	31.2	30.6

Credit-Deposit Ratio (per cent)	56.9	55.9	62.6	70.1	73.5	74.6	73.8	73.7	76.5
Investment-Deposit Ratio (per cent)	41.3	45.0	47.3	40.0	35.3	35.5	35.7	36.4	34.1
Cash-Deposit Ratio (per cent)	6.3	7.2	6.4	6.7	7.2	9.7	7.3	7.7	8.2

Notes:-

1. Number of bank offices includes Administrative Offices
2. Classification of bank offices according to population, for years up to March 2004 it is based on 1991 census. For March 2005 to March 2011, classification of bank offices is based on 2001 census.
3. Population per office, per capita deposits and per capita credit are based on the estimated population figures as on March 01, supplied by the Office of the Registrar General, India.
4. Aggregate deposits, bank credit and SLR investments of Scheduled Commercial Banks in India are as per "Form-A" return under Section 42(2) of the Reserve Bank of India Act, 1934 and relate to the last Friday of the reference period.
5. Scheduled Commercial Banks' advances to priority sectors and the related ratios are exclusive of Regional Rural Banks.
6. For working out cash-deposit ratio, cash is taken as the total of 'cash in hand' and 'balances with the Reserve Bank of India'
7. Investments of Scheduled Commercial Banks in India include only investments in government securities and other approved securities.

4. DERIVATIVES AND HEDGE ACCOUNTING

Hedge accounting will no doubt reduce the fluctuations and volatility in Income statement. However, it requires stringent documentations, mandatory effectiveness tests as well as determination of fair value based on observable inputs. According to IFRS, all derivatives are presented on balance sheet at fair values. On the other hand India GAAP system does not address specifically the provisions which are difficult to apply and hedge accounting. The Financial assets and consolidation entities which are not guided by ownership structure will be de-recognized.

5. DE-RECOGNITION OF FINANCIAL ASSETS

Under IFRS, de-recognition of financial assets follows the principle of transfer of risks and rewards thereby making it a complex and multi layered area. When the same is applied in Indian context, it will affect the securitization activity. Securitization transactions-where credit collaterals are provided or guarantee is provided to cover credit losses in excess of the losses inherent in the portfolio of assets securitized-may not meet the de-recognition principles enunciated in IAS 39. It is expected that it may result in failure of de-recognition test under IFRS and lead to collapse of securitization vehicles into the transferor's balance sheets. Banks are required to assess the impact and judge its impact on capital adequacy and related ratios.

6. CASH FLOW CHARACTERISTICS

The assessment of contractual cash flow characteristics of financial asset is the requirement of IFRS9.The concept put forward that to qualify for amortized cost measurement only instrument with contractual cash flows of principal and interest on principal should be present.IFRS9 mentioned interest as the consideration in lieu for time value of money and credit risk associated thereby. Hence, investment in convertible debt form will not qualify this as it carries the conversion option, which is not liable to the payment of principal and interest. The criterion of cash flow characteristics is fulfilled if cash flows on loan are fixed or if interest is floating or if the interest is the combination of fixed and floating. But the assets that fail to meet the given criterion are measured at fair value, like investments in equity, trading assets, derivative assets etc. Loans, receivables and debt securities are also measured at fair value in case they do not meet the above two criterion.

According to RBI norms, investment in equity instruments are valued at market price, whereas as per IFRS9, investment in equity instruments are fair valued. According to RBI norms, net losses are recognized but net gains are ignored. Whereas under IFRS9 the gains and losses are recognized either in the Income Statement or in the Reserve account, the choice is to be made at inception level, on instrument by instrument basis and it is irrevocable. With respect to the Impairment of loans, in the proposed reporting standard the IASB is looking forward at the model based on expected losses rather than incurred losses. To understand clearly, the proposed reporting standard requires estimated credit losses to be included for the purpose of determining effective interest rate, for amortization accounting.

7. COMPLIANCES BURDEN

Banks and capital institutions have to follow a number of regulations prescribed by RBI. The provisions regarding valuation of loans and advances, capital adequacy, net worth etc are governed by these regulations. Besides this, the compliances of other laws shall also affect the Indian Banking Industry. For example, IFRS states that assets should be depreciated over the useful life of assets, whereas, Indian Companies Act 1956, states the minimum rates of depreciation for all assets under different categories of assets. All the companies at present are charging only prescribed rate of depreciation on assets, even when they have the option to charge higher rate of depreciation. The compliances burden will no doubt enhance the non-operating costs of the banks e.g. the auditors and consultants have to certify various categories of compliances like banking regulations, compliances of IFRS, guidelines by RBI, provisions of Income Tax Act etc.

8. TAX REPORTING PRACTICES

Like other conversion aspects, the tax considerations involved in the conversion of IFRS are also complex. The tax accounting differences are of great importance as far as banks are concerned. As a matter of fact, the effect of IFRS conversion are beyond these complex tax matters and include pre tax accounting changes, tax information systems and global planning strategies. In case the conversion is properly implemented and well in time done, it has the potential to strengthen entity’s tax function and provide ample opportunity for detailed tax review and related matters including the processes.

Banks are required to answer following questions with regard to the pre tax accounting methods, they are:

1. Is IFRS is a permissible tax accounting method under Income Tax Act 1961?
2. Does Income tax Act 1961 allow the new book method?
3. Is it required to report changes in methods of accounting after IFRS conversion?
4. Is it bringing a change in the computation of permanent and temporary differences of deferred tax?
5. Does Income Tax Act 1961 allow losses due to fair valuation as expenditures?

9. HUMAN RESOURCES

IFRS is much wider than mere reorganizing the chart of accounts. It presents a change well beyond the finance department, which results in bigger human resource issues. IFRS conversion process will demand trained professional personnel to handle the system and work on it. Obviously, it will increase the cost of wages as a percentage of total expense. SBI and its associates incurred 15.06% on wages out of total expense in the financial year2007-08 which has increased to 15.89% in the year 2008-09 and 17.03% in 2009-10.

This cost of human resource will further increase after the appointment of trained and professional staff well versed with the knowledge of IFRS.

TABLE 10.1: STATE-WISE DISTRIBUTION OF EMPLOYEES OF SCHEDULED COMMERCIAL BANKS - 2010

State/Union Territory	Officers		Clerks		Sub-ordinates		Total	
	Number	Share (%)	Number	Share (%)	Number	Share (%)	Number	Share (%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
NORTHERN REGION	**78435**	**19.56**	**56588**	**16.20**	**29568**	**16.84**	**164591**	**17.77**
Haryana	11285	2.81	8581	2.46	4328	2.46	24194	2.61
Himachal Pradesh	3016	0.75	2703	0.77	1679	0.96	7398	0.80
Jammu & Kashmir	4890	1.22	2545	0.73	2076	1.18	9511	1.03
Punjab	16912	4.22	13068	3.74	6840	3.90	36820	3.98
Rajasthan	15747	3.93	12331	3.53	7301	4.16	35379	3.82
Chandigarh	3555	0.89	1995	0.57	948	0.54	6498	0.70
Delhi	23030	5.74	15365	4.40	6396	3.64	44791	4.84
NORTH-EASTERN REGION 8758		**2.18**	**8417**	**2.41**	**4678**	**2.66**	**21853**	**2.36**
Arunachal Pradesh	265	0.07	281	0.08	156	0.09	702	0.08
Assam	5975	1.49	5667	1.62	3184	1.81	14826	1.60
Manipur	262	0.07	304	0.09	145	0.08	711	0.08

Meghalaya	778	0.19	725	0.21	455	0.26	1958	0.21
Mizoram	263	0.07	269	0.08	139	0.08	671	0.07
Nagaland	415	0.10	322	0.09	174	0.10	911	0.10
Tripura	800	0.20	849	0.24	425	0.24	2074	0.22
EASTERN REGION	**57782**	**14.41**	**55908**	**16.00**	**31408**	**17.89**	**145098**	**15.67**
Bihar	14068	3.51	11335	3.24	7721	4.40	33124	3.58
Jharkhand	6938	1.73	5977	1.71	3235	1.84	16150	1.74
Orissa	10771	2.69	8798	2.52	5108	2.91	24677	2.66
Sikkim	263	0.07	181	0.05	126	0.07	570	0.06
West Bengal	25602	6.38	29459	8.43	15160	8.63	70221	7.58
Andaman & Nicobar Islands	140	0.03	158	0.05	58	0.03	356	0.04
CENTRAL REGION	**64508**	**16.08**	**54764**	**15.68**	**31697**	**18.05**	**150969**	**16.30**
Chhattisgarh	4838	1.21	3621	1.04	1933	1.10	10392	1.12
Madhya Pradesh	16893	4.21	14007	4.01	7823	4.45	38723	4.18
Uttar Pradesh	38471	9.59	33316	9.54	19567	11.14	91354	9.87
Uttarakhand	4306	1.07	3820	1.09	2374	1.35	10500	1.13
WESTERN REGION	**81086**	**20.22**	**71847**	**20.57**	**33214**	**18.91**	**186147**	**20.10**
Goa	2148	0.54	2034	0.58	722	0.41	4904	0.53
Gujarat	21142	5.27	22419	6.42	10701	6.09	54262	5.86
Maharashtra	57585	14.36	47235	13.52	21723	12.37	126543	13.67
Dadra & Nagar Haveli	125	0.03	73	0.02	26	0.01	224	0.02
Daman & Diu	86	0.02	86	0.02	42	0.02	214	0.02
SOUTHERN REGION	**110491**	**27.55**	**101836**	**29.15**	**45043**	**25.65**	**257370**	**27.79**
Andhra Pradesh	32041	7.99	24579	7.04	13527	7.70	70147	7.58

Karnataka	26694	6.66	25456	7.29	11307	6.44	63457	6.85
Kerala	18933	4.72	19722	5.65	7474	4.26	46129	4.98
Tamil Nadu	32145	8.02	31406	8.99	12463	7.10	76014	8.21
Lakshadweep	30	0.01	26	0.01	19	0.01	75	0.01
Puducherry	648	0.16	647	0.19	253	0.14	1548	0.17
ALL-INDIA	**401060**	**100.00**	**349360**	**100.00**	**175608**	**100.00**	**926028**	**100.00**

PREPAREDNESS OF INDIAN BANKS

Ernst & Young has conducted a survey across the banking industry on IFRS. The objective of this survey is to get a perspective of the key IFRS implementation challenges and issues as perceived by the banking sector**.** The results of the feedback were received from 20 banks that represent almost 60% of the banking sector (by asset size). The coverage is well spread across the banking spectrum of the public sector (seven banks), private sector (seven banks) and foreign banks (six banks). The key questions were:

- How would you rate the difficulty of conversion to IFRS (IND-AS) in specific areas on a scale of 1 to 5 (5 being the most difficult)?
- What is your preparedness for reporting under IFRS-converged standards (IND-AS) in India?
- Do you think your bank has skilled resources for converging to IFRS (IND-AS)?

The majority of the banks surveyed perceive the IFRS (IND-AS) convergence process as a moderate-to-high priority project, with primary drivers being the pervasive impact of the standards as well as complexities associated in a pan-organization implementation.

CONCLUSION:

The Institute of Chartered Accountants of India(ICAI), known as accounting regulatory body advocated the prudential norms and said that RBI may accept global accounting practice IFRS but should not give up the prudential norms altogether because they saved Indian banks from global financial meltdown. The prudential norms consist of regulations made and issued by RBI to avoid defaults by banks. The norms contain maintaining minimum capital adequacy ratio of 9% keeping a portion of deposits with RBI in cash and other sectoral regulations.

The concept of dry run was strongly favored. There is strong ad vocation towards the adoption of immigration timeline that incorporates a dry run. The banks that have already adopted IFRS conversion can take advantage of extension in the timeline so as to develop best practice and experience with dry run for the F.Y 2012-13. All those remaining entities that have not yet begun the IFRS conversion are well advised to start soon with full awareness of the extent of impacts of IFRS conversion. No doubt the whole implementation process is costly and time consuming, but the countries like India will be definitely benefited from the adoption of globally acceptable accounting standards in accessing the international capital markets.

The convergence will not only impact the financial statements presentations or finance only but will also transcend various other functions. To start with India banks have successfully taken first few steps in the right direction. It recognized the need for IFRS convergence. Even being aware of enormity of the job, Indian banks show eagerness towards time bound implementation, giving top priority to the convergence process. The regulatory bodies RBI, IBA, ICAI etc took keen interest in the convergence which threw a positive impact on the common industry approach emerging towards convergence.

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