
CHAPTER - 5

A COMPARISON OF CORPORATE REPORTING PRACTICES WITH INTERNATIONAL ACCOUNTING STANDARDS (IAS) / INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

This chapter “compares International Financial Accounting Standards (IFRS) with local Generally Accepted Accounting Principles (GAAP) for countries. It touches in part convergence by the Financial Accounting Standard Board (FASB) and International Accounting Standard Board (IASB) in bringing IFRS and GAAP to become one international set of standards. Countries will adopt IFRS in response to this global convergence. Asian countries have started compliance with these standards as early as June 2003 when first time adoption was issued by London International Accounting Standards Board. This chapter will present the compliance of selected Asian countries such as Australia, China, Hong Kong, India, Japan and Korea with the IFRS as of 2009-2010.” (www.questia.com, 2014).

This chapter reviews the selected countries’ experience of implementation of IFRS. It provides an overview of the financial reporting system in these countries, and discusses key IFRS implementation issues and lessons learned. Some of the principal technical implementation issues were in relation to (1) Components of financial statements; (2) Comparative information; (3) Reporting Period; (4) Format of Balance sheet; (5) Statement of Comprehensive Income; (6) Extraordinary items (events that don’t occur on a regular basis); (7) Bank overdrafts; (8) Deferred taxation; (9) Depreciation on Property, Plant and Equipment; (10) Accounting Basis; (11) Changes in Accounting Policies; (12) Consolidated Financial Statements; (13) Recognition of Government Grants; (14) Functional currency; (15) Exchange Differences; (16) Recognition of Borrowing Cost; (17) Financial Reporting in Hyperinflationary Economies; (18) Presentation of Earning Per Share (EPS) in Financial Statements; (19) Interim Financial Reporting; (20) Disclosure of Contingent Assets; (21) Measurement of Intangible Assets; (22) Disclosure of discontinued operations; (23) Segment Reporting; (24) Types of business combinations; (25) Cost of Inventories (Usage of LIFO Method); (26) Scope of Agriculture; (27) Types of
Hedging Relationship; (28) Presentation of Interests Received and Paid; (29) Presentation of Dividend Received and Paid; and (30) Non-controlling Interests.

5.1 Introduction

5.1.1 Corporate Financial Reporting Practices

“The advent of industrial revolution and growth of corporations in the 19th century gave rise to the idea of setting out accounting standards and regulations by nations to guide their business dealings. Most importantly was the introduction of a standard for financial information disclosure by institutions and organizations to various stakeholders, which led to the formulation of various standards setting bodies. Towards the advents of these various standards setting bodies, accounting bodies normally releases bulletins, notes and guidance notes to their members.” (www.americanessays.com, 2012)

5.1.2 General Accepted Accounting Principle (GAAP)

A widely accepted set of rules, conventions, standards, and procedures for reporting financial information used in any given jurisdiction; generally known as accounting standards or accounting practices or GAAP. These are a combination of authoritative standards (set by policy boards) and simply the commonly accepted ways of recording and reporting accounting information. Companies are expected to follow GAAP rules when reporting their financial data through financial statements.

5.1.3 International Reporting Standards (IAS)/International Financial Reporting Standards (IFRS)

IAS or IFRS are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. These are “issued by the London-based International Accounting Standards Board (IASB), an independent standard-setting board, was established on 1st April, 2001. The first IFRS was issued in 2003. The purpose of the IASB is to develop a single set of high quality accounting standards that are accepted globally, so that financial statements may be produced, read and understood by both local and international market players. The IASB has also adopted the International Accounting Standards (IAS) issued between 1973 and 2001 by its predecessor, the Board of the International Accounting Standards Committee (IASC) and Standing Interpretations Committee standards (SICs) during its first meeting. These continue to be designated International Accounting Standards (IAS) but are being...

5.1.4 Reason for the Adoption of the IAS / IFRS

The “primary objective of financial reporting is to provide decision-useful information to investors and other capital providers. Many investors and other users support the goal of a single, high-quality global accounting language as a means of improving the quality and comparability of financial reporting internationally.” (www.americanessays.com, 2012)

The use of different accounting framework in different countries “creates confusion for the users of financial statements regarding the treatment and presentation of the same underlying economic transactions. This confusion leads to inefficiency and Information asymmetry in capital markets across the world.” (Van Hulle, Karel Kravitt, Jason H.P.. "International convergence of accounting standards: a comment on Jeffrey.(response to article by Pete", Duke Journal of Comparative & Internatio, Spring 2002 Issue) Therefore the increasing complexity of business transactions and globalization of capital markets demands for a single set of high quality standards of financial reporting which strengthen the trust of investors in given Financial and non-financial information.

5.2 Compliance of Asia-Pacific Countries to IFRS

5.2.1 Australia’s Compliance with IFRS

In 2004, Australia became one of the first countries to adopt IFRS with full compliance taking place for the 2005/06 financial year. The Australian Accounting Standards Board (AASB) has adopted IFRS by issuing them as “Australian equivalents” (AIFRS). Some of the Australian equivalent standards are different to their international counterparts, because the AASB has disallowed some of the options available in IFRS, and retained some existing guidance from previous Australian standards (Price Waterhouse Coopers, 2005). The introduction of IFRS accounting standards is applicable to all sectors of the Australian economy, which means that such standards are sector neutral. The same standards are applicable to all entities including public and not-for-profit entities. Public sector entities are
different compared to their private sector counterparts, not least, in terms of ownership and organizational objectives (Ahmed and Alam, 2012).

5.2.2 Hong Kong’s Compliance with IFRS

The Hong Kong Institute of Certified Public Accountants (HKICPA) is responsible for regulating the accountancy profession in Hong Kong. Since January 2005, Hong Kong Financial Reporting Standards (HKFRSs) are modeled on IFRS, issued by the IASB.

5.2.3 India’s Compliance with IFRS

The “Ministry of Corporate Affairs (MCA) a part of the Government of India had in January 2010 announced a multi-phase plan for transition beginning April 1, 2011 to the new Converged Indian Accounting Standards (India’s attempt to converge to IFRS, which has carve outs that distinguish it from IFRS, and is now known as “Ind AS”). The MCA has finalized thirty-five Ind AS in February 2011. The actual date of application of these Ind AS is yet to be notified.” (www.fse.tibiscus.ro, 2013).

The ICAI has announced that IFRS will be mandatory in India for financial statements for the periods beginning on or after 1 April 2012, but this plan has been failed and IFRS/IND-AS (Converged IFRS) are still not applicable. There was a roadmap as given below but still Indian companies are following old Indian GAAP. There is no clear new date of adoption of IFRS. Reserve Bank of India has stated that financial statements of banks need to be IFRS-compliant for periods beginning on or after 1 April 2011 (Wikipedia, 2013).

The original phased transition plan was as follows (revised dates are awaited):

“Phase I (Companies moving from April 1, 2011)

- Companies on the BSE Sensex 30 and NSE Nifty 50
- Companies having listed securities outside of India
- Companies having net worth in excess of Rs. 1000 crores as computed on March 31, 2009, computed based on standalone entity financial statements per original Indian GAAP

Insurance companies are scheduled to transition on April 1, 2012.

Phase II (Companies moving from April 1, 2013)

- Companies with net worth in excess of Rs. 500 crores

[5.4]
• Non-Banking finance companies (“NBFC”) on the NSE – Nifty 50 or BSE – Sensex 30, non-listed NBFC with net worth above Rs. 1000 crores

• Commercial banks and urban co-operative banks with net worth above Rs. 300 crores

Phase III (Companies moving from April 1, 2014)

• Listed companies having net worth of Rs. 500 crores” (www.pwc.com, 2012) or less

• “Urban co-operative banks having a net worth in excess of Rs. 200 crores but not exceeding Rs.300 crore.” (“TAXATION: Coordinated regulation.”, Business Line, April 10 2010 Issue).

5.2.4 Japan’s Compliance with IFRS

Japan is ranked 3rd in the world’s economy. Japan’s accounting practices are consistent with the US Generally Accepted Accounting Principles (U.S.GAAP), known as Japanese Generally Accepted Accounting Principles (JGAAP). The J-GAAPs are similar to IASB/FASB conceptual framework in order to make it easy to deliberate common interests in financial accounting, objectives of financial reporting, characteristics of accounting information, elements of financial statements and recognition and measurement in financial statements (Ibarra and Suez-Sales, 2011).

In Japan, based on the “Tokyo Agreement” between the Accounting Standards Board of Japan (ASBJ) and the IASB signed in August 2007, convergence between Accounting Principles Generally Accepted in Japan (JGAAP) and IFRS is under progress (Price Waterhouse Coopers, 2012). In June 2009, a draft roadmap towards the use of IFRS in Japan was approved by the Business Accounting Council (BAC: an advisory body to the FSA) indicated that mandatory adoption of IFRS might start in 2015 or 2016. Due to the disaster that hit Japan in March 2011, the prompt recovery of the industry has become the focal point rather than the adoption of IFRS. So that the mandatory application of IFRS to all the Japanese listed companies will be postponed for a while. It is expected that there may be 2 to 4 year delay in IFRS adoption.

5.2.5 Korea’s Compliance with IFRS

Korea is officially called Republic of Korea. The Republic of South Korea is a developing country where domestic and foreign investors are encouraged. It is one of the countries caught up in the movement towards globalization of accounting standards. The Korean Financial Supervisory Commission (FSC) and the Korea Accounting Institute (KAI)
announced a roadmap for the adoption toward IFRS adoption in Korea in March 2007. The translation of IFRS into the Korean language was finalized in 2008. These new standards known as Korean-International Financial Reporting Standards (K-IFRSs) are a "word for word translation" IASB standards, guidance, and interpretations. It was also in the same year (Ibarra and Suez-Sales, 2011). “From the start of 2011, listed companies are required to prepare their annual financial statements under K-IFRSs. Listed companies, other than financial institutions, have the option to report under the new standards from the beginning of 2009.” (www.frsglobal.com, 2010).

5.2.6 People’s Republic of China’s Compliance with IFRS

“China is a Communist party-led state that has executive, legislative, and a judicial branch, China has different political and legal system compared to other countries. Though the Chinese Communist Party was formed in 1921, it subsequently led to the formation of the People’s Republic of China (PRC) in 1949. Since then China adopted socialism as its political system. In 1993, China had worked closely with Deloitte Touche Tohmatsu as a consultant to develop the Chinese Accounting Standards (CAS) that would generally be in line with international accounting and financial reporting practices.” (www.questia.com, 2014).

CAS “are the accounting rules used in mainland China. They are unique because they originated in a socialist period in which the state was the sole owner of industry. Therefore unlike Western accounting standards, they were less a tool of profit and loss, but an inventory of assets available to a company. So they were less suitable for management control than for accounting for tax purposes. This system of accounting was widely considered to be unsuitable for managing corporations in a market economy. In 2006, the Chinese government introduced a revised accounting law. This was the fruit of considerable discussion and protracted debate, involving the Ministry of Finance (MoF), members of the International Accounting Standards Board (IASB) and representatives of some Chinese firms.” (en.wikipedia.org, 2014).

Standard setting “is the main responsibility of the Ministry of Finance (MoF) and in early 2006 the Ministry issued a set of new Chinese Accounting Standards – Accounting Standards for Business Enterprises (ASBEs) that were substantially in line with IFRS. The ASBEs cover almost all of the major topics found in the IFRS literature, albeit with some notable exceptions, and have been applicable to all listed Chinese companies since the
beginning of the year. In the future, other firms are likely to be mandated to conform to the reformed standards in the MoF’s plans. Companies that are not listed are being strongly advised to adopt the new measures, or at least prepare in some part to make their finances more transparent and to international investment.” (www.frsglobal.com, 2010). “As of February 2010, the Chinese accounting standard systems is composed of Basic Standard, 38 specific standards and application guidance.

This revised law marked a large step forward for the continuing integration of world trade and capital markets, with China adopting a significant number of the accounting standards laid out by the IASB. The old CAS were largely replaced by IFRS, to bring China more in line with the rest of the world. The similarity between the new Chinese accounting standards and the IFRS is almost 90–95%.”(en.wikipedia.org, 2014).

5.3 Comparison among IAS/IFRS and Local GAAP

In this section, the attention have laid out some major areas in which IFRS could have a material impact on reporting scenario, and have summarized the key similarities and differences with the accounting frameworks currently adopted in Asia-Pacific region, including the following:

- Accounting principles generally accepted in Australia (AUS GAAP)
- Hong Kong Financial Reporting Standards (HKFRS)
- Accounting principles generally accepted in India (INDIAN GAAP)
- Japanese Accounting Standards (JGAAP)
- Accounting principles generally accepted in Korea (KGAAP)
- Chinese Accounting Standards (PRC GAAP)

5.3.1 Components of Financial Statements

Financial statements describe the profitability and value of a business. Various components make up a standard set of financial statements. The purpose of financial statements is to communicate the financial information to its stakeholders.

AUS GAAP: Similar to IFRS. AASB 101 requires some additional disclosures, including auditor’s remuneration and details of franking credits (Price Waterhouse Coopers, 2005).

HKGAAP: “Appendix E of the Code requires the following: 1) A statement of assets and liabilities, 2) A revenue statement, 3) A distribution statement, 4) A statement of movements in capital account, 5) Notes to the financial statements, including principal accounting policies, transactions with connected persons as defined in the code, soft commission arrangements, borrowings, contingent liabilities and commitments, negotiability of assets and other explanatory notes.” (www.pwc.com, 2014).


KGAAP: 1. Balance sheets, 2. Income statements, 3. Statements of appropriations of retained earnings (or statements of disposition of deficit), 4. Statement of cash flows, 5. Statement of changes in equity and including notes. Under KGAAP, nonconsolidated financial statements are the primary statements. However, an entity is required to prepare consolidated financial statements if certain criteria are met (Price Waterhouse Coopers, 2008).


5.3.2 Comparative Information

It refers to the amounts and disclosures included in the financial statements in respect of one or more prior periods in accordance with the applicable financial reporting framework. International Standard on Auditing (ISA) deals with the auditor’s responsibilities relating to comparative information in an audit of financial statements. There are two different broad approaches to the auditor’s reporting responsibilities in respect of such comparative information: corresponding figures and comparative financial statements ISA 710, “Comparative Information — Corresponding Figures and Comparative Financial Statements”.

[5.8]
IAS/IFRS (IAS 1): Comparative figures are presented for one year (Deloitte, 2008).

AUS GAAP: Not retrieved.

HKGAAP: Comparative figures for the previous period are required according to the Appendix E of the Code (Price Waterhouse Coopers, 2009).

INDIAN GAAP: One year comparative information is required (Deloitte, 2008).

JGAAP: A comparison between two accounting periods is presented (Ministry of Economy, Trade and Industry, 2004).

KGAAP: Comparative figures are presented for more than one year (Price Waterhouse Coopers, 2008).

PRC GAAP: Comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements (Deloitte, 2006).

5.3.3 Reporting Period

Reporting period is the time period covered by a set of financial statements. The reporting period is typically either for a month, a quarter, half-year or a year.

IAS/IFRS (IAS 1): Reports must be prepared at least annually. Semi-annual or quarterly reports are not required. Requirements of national regulatory authorities should be heeded (Ministry of Economy, Trade and Industry, 2004).

AUS GAAP: Not retrieved.

HKGAAP: Not retrieved.

INDIAN GAAP: Not retrieved.


KGAAP: Requires annual and semi-annual reports. Quarterly financial reporting is required for an entity under the Korean Securities and Exchange law (Price Waterhouse Coopers, 2008).

PRC GAAP: Not retrieved.

5.3.4 Format of Balance sheet
The balance sheet shows what the company owns, and what the company owes. Now a days, we call this statement a “statement of financial position” which sums up the economic resources (non-current assets and working capital), obligations (debts and other non-current liabilities) and owners’ equity at a particular point of time. It also shows how the economic resources contributed by lenders and shareholders are used in the business. The new name reflects its function more accurately.

**IAS/IFRS (IAS 1):** Requires separation of current and noncurrent assets and liabilities, as separate classification of financial position except when a presentation based on liquidity provides information that is more reliable and is more relevant (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** HKAS presenting assets and liabilities on a liquidity basis is only acceptable when such a presentation provides information that is reliable and more relevant than a current / non-current presentation. A mixed presentation is acceptable when an entity has diverse operations. (KPMG, 2011).

**INDIAN GAAP:** The Companies Act, 1956 and other relevant statues prescribe the form and content of balance sheet. These statues specify the order in which the items are presented and the related disclosures. The balance sheet is neither classified into current and noncurrent nor is it in order of liquidity (Deloitte, 2008).

**JGAAP:** Ordinance on Terminology, Forms and Preparation Methods of Financial Statements, etc. and guidelines under the Financial Instruments and Exchange Act require items to be presented in more detail compared to IFRS. The presentation of a classified balance sheet is required (Price Waterhouse Coopers, 2012).

**KGAAP:** Prescribes standard formats. Current/non-current presentation is required except financial institutions which are principally required to use a liquidity presentation (Price Waterhouse Coopers, 2008).

**PRC GAAP:** The requirement to classify assets and liabilities as current and non-current assets, current and non-current liabilities (Deloitte, 2006).

### 5.3.5 Statement of Comprehensive Income

The statement of comprehensive income comprises (a) profit or loss in the same way as the previous years and (b) other comprehensive income which represents changes in net
assets / equity not arising from transactions with owners (i.e. shareholders) but due to transfer of equity holdings, change of ownership, or other factors.

**IAS/IFRS (IAS 1):** All items of income and expenses recognized in a period is presented either in: (1) a single statement of comprehensive income; or (2) two statements: separate income statement and statement of comprehensive income (Price Waterhouse Coopers, 2012).

**AUS GAAP:** Not retrieved.

**HKGAAP:** Similar to IFRS (KPMG, 2011)

**INDIAN GAAP (AS 1):** It is not required to be prepared (Deloitte, 2008).

**JGAAP:** While net profit or loss for the period should be presented after adjusting minority interest, comprehensive income for the period should be presented before adjusting minority interest on the statement of comprehensive income (Price Waterhouse Coopers, 2012).

**KGAAP:** Profit or loss is presented in the income statement. Comprehensive income is disclosed in the notes (Price Waterhouse Coopers, 2008).

**PRC GAAP:** Prohibited (Deloitte Touche Tohmatsu, 2002).

### 5.3.6 Extraordinary items (events that don’t occur on a regular basis)

An extraordinary item is an event or transaction that is considered abnormal or unusual in nature, infrequent in occurrence, not related to ordinary company activities, and unlikely to recur in the foreseeable future. The reporting of an extraordinary item should be an extremely rare event.

**IAS/IFRS (IAS 1):** Extraordinary items are prohibited to be presented (Price Waterhouse Coopers, 2012).

**AUS GAAP:** Extraordinary items are presented prior to the allocation of minority interests (KPMG, 2003).

**HKGAAP:** Not retrieved.

**INDIAN GAAP:** These are reported separately in the statement of profit and loss in the financial statements and are included in the determination of net profit or loss for the period (Deloitte, 2008).

JGAAP: Required to be presented as “special gains and losses” on the face of the income statement (Price Waterhouse Coopers, 2012).

KGAAP: These are reported separately in the statement of income in the financial statements and are included in the determination of net profit or loss for the period.

PRC GAAP: “Abnormal” items are presented separately in the cash flow statement. In addition, certain types of gains and losses must be disclosed as supplementary information (Deloitte Touche Tohmatsu, 2002).

5.3.7 Bank overdrafts

It is an extension of credit from a bank when an account reaches zero. An overdraft account allows continuing withdrawing money even if the account has no funds in it.

IAS/IFRS (IAS 7): Bank overdrafts are included as cash and cash equivalents if they form an integral part of an entity’s cash management (Deloitte, 2008).

AUS GAAP: No significant differences to IFRS (Price Waterhouse Coopers, 2009).

HKGAAP (HKAS/HKGAAP 7): Bank overdrafts that are repayable on demand and form an integral part of the group’s cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement (KPMG, 2011).

INDIAN GAAP (AS 3): Bank overdrafts are considered as financing activities in cash flow statements (Deloitte, 2008).

JGAAP: Not retrieved.

KGAAP: Similar to IFRS.

PRC GAAP: Not retrieved.

5.3.8 Determination of Deferred taxation

It refers an asset on a company's balance sheet that may be used to reduce any subsequent period's income tax expense. A company provides for deferred tax in accordance with either the temporary difference or timing difference approach. Temporary difference is a difference between the carrying amount of an asset or liability and its tax base. Differences can arise in relation to revaluation of fixed assets qualifying for tax depreciation, which gives rise to a deferred tax asset under a balance sheet approach, but in general should have no impact under a timing difference approach.
**IAS/IFRS (IAS 12):** Deferred tax is determined based on temporary differences, being the difference between the carrying amount and tax base of assets and liabilities, subject to certain exceptions (Price Waterhouse Coopers, 2012).

**AUS GAAP:** Future income tax benefits are recognized for timing differences when realization is assured beyond any reasonable doubt; or for tax losses, when virtually certain. In a business combination, only timing differences are recognized. After revision in a business combination, temporary differences are recognized only if goodwill/discount arises on acquisition (KPMG, 2003).

**HKGAAP:** Similar to IFRS (KPMG, 2011).

**INDIAN GAAP:** Deferred tax is determined based on timing differences, being the difference between accounting income and taxable income for a period that is capable of reversal in one or more subsequent periods (Deloitte, 2008).

**JGAAP:** Deferred tax assets should be recognized for all temporary differences unless the temporary differences arise from the initial recognition of goodwill or the amount of income taxes that are not expected to be recoverable in future accounting periods (Price Waterhouse Coopers, 2012).

**KGAAP:** Deferred tax is determined based on the periods of temporary differences (Summary of significant differences between Korean GAAP and US GAAP).

**PRC GAAP:** Both the liability method and the deferral method are allowed and deferred tax is recognized for timing differences (Deloitte, 2006).

### 5.3.9 Depreciation on Property, Plant and Equipment

Depreciation is a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, efflux ion of time or obsolescence through technology and market changes. It is the process of allocating the cost of a long-lived asset and allocated on a systematic basis over its useful life.

**IAS/IFRS (IAS 16):** Property, plant and equipment are componentized and depreciated separately. However, parts that have the same useful life and the same depreciation method may be grouped in determining the depreciation (Deloitte, 2008).

**AUS GAAP:** Not retrieved.
HKGAAP: Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately (KPMG, 2011).

INDIAN GAAP: Property, plant and equipment are not required to be componentized and depreciated separately. Schedule XIV to the Companies Act, 1956 specifies rates to be used for different categories of assets (Deloitte, 2008).

JGAAP: There are no specific requirements. In practice, the tax treatment is often followed (Price Waterhouse Coopers, 2012).

KGAAP: Depreciation on property, plant and equipment are not componentized and depreciated cumulatively.

PRC GAAP: Allows an entity to determine the useful life and estimated net residual value of a fixed asset according to the nature and pattern of the use of fixed asset and select a reasonable depreciation method according to the pattern in which the asset’s future economic benefits are expected (Deloitte, 2005).

5.3.10 Accounting Basis

Accounting basis are method used to determine when revenues and expenses (associated with assets and liabilities) are recognized in the accounts of a firm, and reported in its financial statements.

IAS/IFRS (IFRS 7): Subsequent to initial recognition most of the assets and liabilities like property, plant, equipment, investment, derivatives etc. are based on fair value and not on historical cost basis.

AUS GAAP: In general, fewer assets and liabilities are carried at fair value (KPMG, 2003).

HKFRS: The measurement basis used in the preparation of the financial statements is the historical cost basis, but there are some exceptions which are stated at their fair value (KPMG, 2011).

INDIAN GAAP: Indian GAAP emphasis on historical cost with an exception to fixed assets which may be revalued.

JGAAP: Similar to IFRS (Price Waterhouse Coopers, 2012).

**KGAAP:** Assets and liabilities are stated at cost (Summary of significant differences between Korean GAAP and US GAAP).

**PRC GAAP:** Accounting elements are generally required to be measured at historical cost. If the accounting elements are measured at replacement cost, net realizable value, present value or fair value, the enterprise shall ensure such amounts are available for all the accounting elements concerned and can be determined reliably (Deloitte, 2006).

### 5.3.11 Changes in Accounting Policies

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. (IAS 8). They must be applied constantly to promote comparability between financial statements of different accounting periods. However, a change in accounting policy may be necessary to improve the relevance and reliability of information contained in the financial statements. Such changes may be retrospective or prospective basis.

**IAS/IFRS (IAS 8):** requires retrospective effect to be given by adjusting opening retained earnings (Deloitte, 2008).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2005).

**HKGAAP:** The effects of retrospective application of changes in policies or retrospective restatements recognized in accordance with HKAS 8, Accounting policies, changes in accounting estimates and errors (KPMG, 2011).

**INDIAN GAAP:** requires only prospective change in accounting policy with appropriate disclosures (Deloitte, 2008).

**JGAAP:** Post-change figures are presented, using accounts similar to those used prior to the change. The fact that a change took place and the amount affected are disclosed in a footnote. No retroactive correction is made. No revision is made to prior period statements (Ministry of Economy, Trade and Industry, 2004).

**KGAAP:** Use of accounting policies consistent with the previous annual financial statements, together with adoption of any changes to accounting policies that it is known will be made in the year-end financial statements (Price Waterhouse Coopers, 2008).

**PRC GAAP:** Changes in accounting policies shall be accounted for using retrospective application (Deloitte, 2006).
5.3.12 Consolidated Financial Statements

Consolidated financial statements present an aggregated look at the financial position of a parent and its subsidiaries as those of a single economic entity, they enable you to gauge the overall health of an entire group of companies.

**IAS/IFRS (IAS 27, IFRS 10):** requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements. A parent entity presents consolidated financial statements, unless all the following conditions are met:

- It is itself a subsidiary (subject to no objection from any shareholder).
- Its debt or equity are not publicly traded.
- It is not in the process of issuing securities to the public.
- The ultimate or intermediate parent of the entity publishes IFRS consolidated financial statements.

There are no exemptions if the group is small or if certain subsidiaries are in a different line of business (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2009).

**HKGAAP:** Similar to IFRS (Price Waterhouse Coopers, 2009).

**INDIAN GAAP:** Indian GAAP does not specify entities that are required to present consolidated financial statements. The accounting standard is required to be followed if consolidated financial statements are presented. The Securities and Exchange Board of India requires entities listed and to be listed to present consolidated financial statements (Deloitte, 2008).

**JGAAP:** Not retrieved.

**KGAAP:** An entity is required to prepare consolidated financial statements if certain criteria are met (Price Waterhouse Coopers, 2008).

**PRC GAAP:** Requires a parent to prepare consolidated financial statements (Deloitte, 2006).

5.3.13 Recognition of Government Grants

The nature and extent of government grants recognized in financial statements. These are accounted as capital or income in financial statements.
**IAS/IFRS (IAS 20):** Grants related to income are recognized in profit or loss over the periods necessary to match them with the related costs that they are intended to compensate (Price Waterhouse Coopers, 2012).

**AUS GAAP:** Does not permit government grants relating to property, plant and equipment or intangible assets to be accounted for by deducting them from the costs of a relevant asset. Instead it requires them to be presented as deferred income, which may give rise to consequential tax (Price Waterhouse Coopers, 2005).

**HKGAAP:** Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred (KPMG, 2011).

**INDIAN GAAP:** Government grants are recognized as income or capital (Deloitte, 2008).

**JGAAP:** There are no specific requirements. In practice, revenue is recognized at the time when the entity receives the government grant (Price Waterhouse Coopers, 2012).

**KGAAP:** Not retrieved.

**PRC GAAP:** The recognition principle of government grants has been changed from the cash basis to the accrual basis. Government grants are recognized as income when the enterprise can comply with the conditions (if any) and it is entitled to receive the grant (Deloitte, 2006).

### 5.3.14 Functional Currency

Functional currency refers to the main currency used by a business units. It is the monetary unit of account of the principal economic environment in which an economic entity operates. Business units should convert foreign currency transactions into the functional currency for reporting purposes.

**IAS/IFRS (IAS 21):** Measures results and financial position in functional currency. Functional currency is different from local currency and it is the currency of the primary economic environment in which the entity operates (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** Similar to IFRS (Price Waterhouse Coopers, 2009).
**INDIAN GAAP:** No concept of functional currency and entities has to report their financial statements in Indian rupees (Deloitte, 2008).

**JGAAP:** There is no concept of functional currency (Price Waterhouse Coopers, 2012).

**KGAAP:** Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the rates in effect at the balance sheet date. Resulting translation gains and losses are recognized in current operations.

**PRC GAAP:** Re-defines recording currency (i.e. equivalent to “functional currency” in IAS 21). Each enterprise shall determine its own recording currency. Selection of recording currency is based on the primary economic environment in which the enterprise operates (Deloitte, 2006).

### 5.3.15 Recognition of Exchange Differences

Exchange difference resulting from translating a given number of units of one currency (Foreign currency viz., a subsidiary, associate, joint venture, or branch whose activities are based in a country or currency other than that of the reporting entity) into another currency (functional currency viz., the currency of the primary economic environment in which the entity operates) at different exchange rates. These differences are recognized in the financial statements.

**IAS/IFRS (IAS 21):** Exchange Differences arising on translation or settlement of foreign currency monetary items are recognized in profit and loss account in the period in which they arise (Deloitte, 2008).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** Exchange Differences arising on translation or settlement of foreign currency monetary items are recognized in exchange reserve (KPMG, 2011).

**INDIAN GAAP:** Exchange Differences arising on translation or settlement of foreign currency monetary items are recognized in foreign currency translation reserve (Deloitte, 2008).

**JGAAP:** The exchange difference arising from translation at the period closing should be recorded as an exchange gain/loss for the current period in profit or loss (Price Waterhouse Coopers, 2012).
**KGAAP:** Exchange differences are accounted for as an overseas operation translation debit or credit in the capital adjustment account, a component of shareholders’ equity.

**PRC GAAP:** Upon disposal of a foreign operation, the cumulative amount of exchange differences deferred in a separate component of equity relating to that foreign operation is recognized in profit or loss when the gain or loss on disposal is recognized (Deloitte, 2006).

### 5.3.16 Recognition of Borrowing Cost

These are interest and other costs incurred by an entity in relation to the borrowing of funds.

**IAS/IFRS (IAS 23):** Borrowing Cost is recognized as expense as incurred or capitalized if attributable to the acquisition, construction or production of a qualifying asset (Deloitte, 2008).

**AUS GAAP:** There is no significant difference (Price Waterhouse Coopers, 2005).

**HKGAAP:** Borrowing cost that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred (KPMG, 2011).

**INDIAN GAAP:** Mandates capitalization of borrowing costs (Deloitte, 2008).

**JGAAP:** In principle, borrowing costs related to real estate development (inventories) are expensed in the period in which they are incurred. However, borrowing costs may be capitalized if they relate to real estate development over a considerably long period that is funded by specific borrowings (Price Waterhouse Coopers, 2012).

**KGAAP:** Not retrieved.

**PRC GAAP:** Borrowing costs meeting the capitalization criteria should be capitalized (Deloitte, 2006).

### 5.3.17 Financial Reporting in Hyperinflationary Economies

Hyperinflation occurs when a country experiences very high and usually hastening rates of inflation which causing the population to reduce their holdings of money. Under such conditions, the general price level within an economy rises rapidly as the official currency quickly loses real value.
**IAS/IFRS (IAS 29):** Generally an economy is hyperinflationary when the cumulative inflation rate over 3 years is approaching or exceeds 100% (Deloitte, 2008).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2005).

**HKGAAP:** Not retrieved.

**INDIAN GAAP:** There is no equivalent standard (Deloitte, 2008).

**JGAAP:** There is no concept of a hyperinflationary economy (Price Waterhouse Coopers, 2012).

**KGAAP:** Not applicable (Price Waterhouse Coopers, 2008).

**PRC GAAP:** Since China is not a hyperinflationary economy, there is no ASBE equivalent of IAS 29. However, ASBE 19 prescribes the translation requirements of financial statements of a foreign operation which is operating in a hyperinflationary economy (Deloitte, 2006).

### 5.3.18 Presentation of Earning Per Share (EPS) in Financial Statements

Earnings per Share (EPS) of a business is the portion of its net income (profit) of a period that can be attributed to each share of its common stock. Diluted EPS enlarges basic EPS by including the shares of convertibles or warrants outstanding in the outstanding shares number.

**IAS/IFRS (IAS 33):** Basic earnings per share and diluted earnings per share should be presented in the statement of comprehensive income. If basic and diluted earnings per share are equal, dual presentation can be accomplished in one line item, such as “basic and diluted earnings per share” (Deloitte, 2008).

**AUS GAAP:** Allows an entity that has undergone a major capital restructuring to use an alternative denominator in calculating basic and diluted earnings per share. AASB 133 requires additional disclosures in relation to the weighted average number of converted, lapsed or cancelled potential ordinary shares (Price Waterhouse Coopers, 2005).

**HKGAAP:** Requires the presentation of basic and diluted earnings per share in the separate income statement if such a statement is presented or in the statement of comprehensive income if an entity opts for the single-statement approach (KPMG, 2011).

**INDIAN GAAP:** Disclosure of basic and diluted EPS information is made in the separate and consolidated financial statements of the parent company (Deloitte, 2008).
**JGAAP**: Instead of presenting earnings per share in the statement of profit and loss, it should be disclosed as footnote information (Price Waterhouse Coopers, 2012).

**KGAAP**: Not Retrieved.

**PRC GAAP**: Requires listed enterprises or enterprises in process of issuing shares and applying for a listing status to disclose the basic and diluted EPS amounts. EPS for all periods presented shall be re-calculated on the basis of the adjusted number of shares. Currently, there is no specific accounting standard on EPS but enterprises listed on the PRC stock exchanges are required by the China Securities Regulatory Commission (CSRC) to present the EPS figures in the interim report and annual report in accordance with a simple formula provided by the CSRC rules (Deloitte, 2006).

### 5.3.19 Interim Financial Reporting

A financial report that contains either a complete or condensed set of financial statements covering a period of less than one year. It increases communication between companies and the public and provide up-to-date information between annual reporting periods.

**IAS/IFRS (IAS 34)**: Consistent and similar basis of preparation of interim statements, with previously reported annual data and from one period to the next Price Waterhouse Coopers, 2008).

**AUS GAAP**: Requires additional disclosures in the interim reports as well as disclosures in the annual financial report where a change in accounting policy occurred in the second half of the year and was not reported in the interim report (Price Waterhouse Coopers, 2005).

**HKGAAP**: Similar to IFRS (KPMG, 2011).

**INDIAN GAAP**: Similar to IFRS (Deloitte, 2008).

**JGAAP**: Not retrieved.

**KGAAP**: Similar to IFRS (Price Waterhouse Coopers, 2008).

**PRC GAAP**: Entity must present complete financial statements (but an equity statement is not required) (Deloitte Touche Tohmatsu, 2002).

### 5.3.20 Disclosure of Contingent Assets
A contingent asset is a potential asset in which the possibility of an economic benefit depends solely upon future events that are not under an entity's control. The disclosures of these assets improve the accuracy of financial statements and remove potential abuses.

**IAS/IFRS:** Contingent assets are disclosed and described in the notes to the financial statements, including an estimate of their potential financial effect if the inflow of economic benefits is probable (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2005).

**HKGAAP:** Not retrieved.

**INDIAN GAAP:** Contingent assets are not disclosed in the financial statements. They are usually disclosed as part of the report of approving authority (e.g., Board of Directors report) (Deloitte, 2008).

**JGAAP:** No specific rules (Ministry of Economy, Trade and Industry, 2004).

**KGAAP:** Not retrieved.

**PRC GAAP:** These areas are not specifically addressed (Deloitte, 2006).

### 5.3.21 Measurement of Intangible Assets

An identifiable non-monetary asset that is not physical in nature. The three critical attributes of an intangible asset are identifiable, control (power to obtain benefits from the asset) and future economic benefits (such as revenues or reduced future costs).

**IAS/IFRS (IAS 38):** Intangible assets can be measured at either cost or revalued amount (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2005).

**HKGAAP:** Intangible assets (other than goodwill) are stated at cost less accumulated amortization and impairment losses (KPMG, 2011).

**INDIAN GAAP:** Intangible assets are measured only at cost (Deloitte, 2008).

**JGAAP:** Only the cost model is permitted (Price Waterhouse Coopers, 2012).

**KGAAP:** Intangible assets are measured only at cost.

**PRC GAAP:** Allow the cost model for measurement of intangible assets (Deloitte, 2006).

### 5.3.22 Disclosure of discontinued operations
When operations are stopped or discontinued, this is reported on the company’s financial statements to provide a clear picture of how a company is performing.

**IAS/IFRS (IFRS 5):** Disclosure is required. Discontinued operations are presented separately in the income statement and the cash flow statement. There are additional disclosure requirements in relation to discontinued operations (Price Waterhouse Coopers, 2012).

**AUS GAAP:** No significant differences (Price Waterhouse Coopers, 2005).

**HKGAAP:** Where an operation is classified as discontinued, a single amount is presented on the face of the income statement (KPMG, 2011).

**INDIAN GAAP:** Similar to IFRS (Deloitte, 2008).

**JGAAP:** There is no particular requirement for disclosure of discontinued operations (Price Waterhouse Coopers, 2012).

**KGAAP:** Similar to IFRS.

**PRC GAAP:** There is no ASBE equivalent dealing with the accounting and presentation of discontinued operations. ASBE 30 requires the disclosure of the post-tax profit of discontinued operations and an analysis of the amount (Deloitte, 2006).

### 5.3.23 Segment Reporting

Segment reporting is the reporting of financial information of the operating segments of a company in the disclosures accompanying its financial statements. Segment reporting is required for publicly-held entities, and is not required for privately held ones. Segment reporting is intended to give information to investors and creditors regarding the financial results and position of a company, which is helpful to them for decisions related to the company.

**IAS/IFRS (IFRS 8):** Operating segments are components of an entity, identified based on internal reports on each segment that are regularly used by the entity’s chief operating decision-maker (CODM) to allocate resources to the segment and to assess its performance. Only certain entities are required to disclose segment information (Price Waterhouse Coopers, 2012).

**AUS GAAP:** The scope of the existing segment reporting standard AASB 114 is wider than IAS 14 in that it includes reporting entities and entities whose financial reports are general.
purpose financial reports. The scope of AASB 8 (which replaces AASB 114 for years beginning on or after 1 January 2009) is similar to that of IFRS 8 (Price Waterhouse Coopers, 2009).

**HKGAAP**: Similar to IFRS. HKFRS 8, Operating Segments, was issued by the HKICPA in March 2007 and is effective for annual periods beginning on or after 1 January 2009. There are no differences between IFRS 8 and HKFRS 8. (Price Waterhouse Coopers, 2009).

**INDIAN GAAP**: Requires an enterprise to identify two sets of segments (business and geographical), using a risks and rewards approach, with the enterprise’s system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments (Deloitte, 2008).

**JGAAP**: Not retrieved.

**KGAAP**: Not retrieved.

**PRC GAAP**: Requires one basis of segmentation to be primary and the other to be secondary, with considerably less information required to be disclosed for the secondary segment. Current PRC GAAP requires the same amount of information to be reported for both business segments and geographical segments (Deloitte, 2006).

### 5.3.24 Types of business combinations

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors or other owners, members or participants. [IFRS 3.Appendix A].

**IAS/IFRS (IFRS 3)**: All business combinations, excluding those involving businesses under common control, are accounted for using the acquisition method (Price Waterhouse Coopers, 2012).

**AUS GAAP**: No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP**: Similar to IFRS (Price Waterhouse Coopers, 2009).

**INDIAN GAAP**: all business combinations are acquisitions; except uniting of interests method is used in certain amalgamations when all the specified conditions are met. Accounting would defer for following: - an entity acquired and held as a subsidiary, an
acquisition by way of amalgamation of entity, a business acquisition (assets and liabilities only) (Deloitte, 2008).

**JGAAP**: Classified to acquisition and uniting of interest method (Price Waterhouse Coopers, 2012).

**KGAAP**: Not retrieved.

**PRC GAAP**: Requires the use of the “pooling of interests method” for business combinations involving entities under common control. Reverse acquisitions are not addressed (Deloitte, 2006).

**5.3.25 Cost of Inventories (Usage of LIFO Method)**

Inventory is commonly used to describe the goods and materials that are considered to be the portion of a business's assets and a business holds for the ultimate purpose of sale. There are various methods for inventory valuation like First-in-First-Out Method (FIFO), Last-in-First-Out Method (LIFO), Average Cost Method (AVCO) etc. LIFO assumes that an entity sells, uses or disposes of its newest inventory first.

**IAS/IFRS (IAS 2)**: carried at lower of cost and net realisable value. FIFO or weighted average method is used to determine cost. LIFO method is not allowed (Price Waterhouse Coopers, 2012).

**AUS GAAP**: No significant differences (Price Waterhouse Coopers, 2005). LIFO cost method is not permitted.

**HKGAAP**: Not retrieved.

**INDIAN GAAP**: similar to IFRS.

**JGAAP**: Specific identification formula, FIFO, average cost formula and others are used. The LIFO method is permitted only in certain cases, e.g. when the year-end balance of inventory is immaterial allowed (Price Waterhouse Coopers, 2012).

**KGAAP**: Not retrieved.

**PRC GAAP**: Prohibits the use of the LIFO formula to assign the cost of inventories (Deloitte, 2006).

**5.3.26 Scope of Agriculture**
Agricultural activity is defined as the managed biological transformation and harvest of biological assets (living animals and plants) for sale or for conversion into agricultural produce (harvested product of biological assets) or into additional biological assets (IAS 41).

**IAS/IFRS (IAS 41):** There is a specific standard for biological assets and agricultural produce at the point of harvest (Price Waterhouse Coopers, 2012).

**AUS GAAP:** AASB 141 requires some additional disclosures relating to biological assets subject to lease and/or regulations that restrict capacity to sell or use (Price Waterhouse Coopers, 2005).

**HKGAAP:** Not retrieved.

**INDIAN GAAP:** There is no equivalent standard (Deloitte, 2008).

**JGAAP:** There are no specific requirements (Price Waterhouse Coopers, 2012).

**KGAAP:** Not retrieved.

**PRC GAAP:** Biological assets are an additional line item to be presented separately in the balance sheet. Unless there is evidence that the fair value of biological assets can be reliably obtainable on a continuing basis, the cost model shall be used to measure biological assets (Deloitte, 2006).

### 5.3.27 Types of Hedging Relationship

Hedge transactions consist of those that offset the market fluctuations of assets or liabilities that underlie the hedges (equivalent to fair value hedges), those that avoid the fluctuations of cash flows (equivalent to cash flow hedges) and those that are associated with the translation of the net assets of these foreign operations into the group’s currency (equivalent to hedges of net investment in a foreign operation).

**IAS/IFRS (IAS 39):** Hedge relationships are classified into three types based on the purpose of the hedge: fair value hedge, cash flow hedge and net investment hedge in a foreign operation (Price Waterhouse Coopers, 2012).

**AUS GAAP:** Not relevant in Australia (Price Waterhouse Coopers, 2009).

**HKGAAP:** There are two types of hedges: (1) cash flow hedge; and (2) hedge of a net investment in a foreign operation (KPMG, 2011).

**INDIAN GAAP:** There is no equivalent standard (Deloitte, 2008).

**JGAAP:** The objective of hedge accounting is to manage exposures to fluctuation in fair value and cash flows. In principle, a deferred hedge is applied, and a fair value hedge is allowed as an exception (Price Waterhouse Coopers, 2012).

**KGAAP:** Not retrieved.

**PRC GAAP:** There are three types of hedges: (1) fair value hedge; (2) cash flow hedge; and (3) hedge of a net investment in a foreign operation (Deloitte, 2006).

### 5.3.28 Presentation of Interests Received and Paid

IAS 7 Statement of Cash Flows does not prescribe how interest received and how interest paid should be classified. Instead, paragraph 31 of IAS 7 requires cash flows from interest received/paid to be disclosed separately and classified in a consistent manner from period to period as operating, investing or financing activities (IFRS, 2013).

**IAS/IFRS (IAS 7):** Interest received and paid are presented as operating or financing activities (Deloitte, 2008).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** Similar to IFRS (Price Waterhouse Coopers, 2009).

**INDIAN GAAP:** Interest received and paid is to be classified as operating activities for financial enterprises. For other enterprises, interest received is required to be classified as investing activities and paid is required to be classified as financing activities (Deloitte, 2008).

**JGAAP:** Interest received and paid are considered as operating or investing activities (Ministry of Economy, Trade and Industry, 2004).

**KGAAP:** Not retrieved.

**PRC GAAP:** Interest received classified as cash inflow from investing activities and paid as cash outflow from financing activities (Deloitte, 2006).

### 5.3.29 Presentation of Dividend Received and Paid

When an entity earns a profit or surplus, it can either re-invested in the business called retained earnings or it can distribute it to shareholders called dividend. IAS 7 Statement of Cash Flows does not prescribe how dividend received and how interest paid should be classified. Instead, paragraph 31 of IAS 7 requires cash flows from dividend received/paid to
be disclosed separately and classified in a consistent manner from period to period as operating, investing or financing activities (IFRS, 2013).

**IAS/IFRS (IAS 7):** Dividends received and paid are presented as operating or financing activities (Deloitte, 2008).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** Similar to IFRS (Price Waterhouse Coopers, 2009).

**INDIAN GAAP:** For financial enterprises, dividend paid and received is to be classified as financing activities. For other enterprises, dividend received is required to be classified as investing activities and dividend paid is required to be classified as financing activities (Deloitte, 2008).

**JGAAP:** Dividend received is considered as operating or investing activities whereas dividend paid as financing activities (Ministry of Economy, Trade and Industry, 2004).

**KGAAP:** Not retrieved.

**PRC GAAP:** Dividend received is presented cash inflow from investing activities and paid cash outflow from financing activities (Deloitte, 2006).

### 5.3.30 Non-controlling Interests (Minority Interests)

Non-controlling interests previously termed ‘minority interests’ refer to the portion of a subsidiary entity's stock that is not owned by the parent entity. The extent of the minority interest in the subsidiary company is generally less than 50% of outstanding shares.

**IAS/IFRS (IFRS 3):** The portion of the profit and loss attributable to the minority interest is disclosed separately in the income statement (IAS 1R.83). The minority portion of net income is presented after the “net income” line as an allocation of “net income”. (Price Waterhouse Coopers, 2009).

**AUS GAAP:** No significant differences to IFRS (Price Waterhouse Coopers, 2009).

**HKGAAP:** Similar to IFRS (Price Waterhouse Coopers, 2009).

**INDIAN GAAP:** At the time of acquisition, minority interests in the net assets consist of the amount of equity attributable to minorities at the date on which investment in acquire is made. This is determined on the basis of information contained in the financial statements of acquire as on the date of investment. Profit or loss attributable to minority interests is
disclosed as deduction from the profit or loss for the period as an item of income or expense (Deloitte, 2008).

**JGAAP:** Presented within the section of net assets as “minority interests” (Price Waterhouse Coopers, 2012).

**KGAAP:** Not retrieved.

**PRC GAAP:** Presented separately from equity and liability on the balance sheet and as a deduction item before net profit in the income statement (Deloitte, 2005).

**Concluding Remarks**

The chapter is aimed to familiarize the IFRS and principal technical implementation issues used for comparison of key similarities and differences of reporting framework. The chapter has critically analyzed various articles, journals and online information to gather the material on thirty determining issues from six countries of Asia–Pacific region. Firstly, the conceptual framework of local GAAP and IFRS is studied. Then compliance of every country with IFRS is covered. The comparison between IFRS and local GAAP is summarized in table 5.1. The application of IFRS is a good idea and making the financial statement attractive for investors. To make the globalization of these standards progress, local standards must work to adopt this concept so as to erase the all the differences in interpretations and application of accounting principles and reporting practices.

**Bibliographic Notes**

The comparison between IAS / IFRS and local GAAP of selected six countries are well documented and various books on accounting standards, IAS / IFRS and local GAAP are considered such as Rawat (2009), Ghosh (2007), Gaull et al. (2006), Rayman (2006), Kaur (2011), Epstien and Jermakowicz (2010), Hingarh, Ahmed and Kar (2009), Alexander, Britton and Jorissen (2007), Lingisetti (2008) and Bonham et al. (2011).
Table 5.1: Summary of Comparison Between IFRS and Local GAAP

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<th>INDIAN GAAP</th>
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