

IFRS CORNER

Scam management - does IFRS brings check over it?

Article written by Rammohan N Bhave Limca record holder on IFRS, (he is CA, CMA, CS, LL.B. (G), Dip IFRS London, Certified IFRS, ICAI and six sigma green belt.

Everybody in India now knows what is scam? But not everybody knows IFRS. Here is an attempt to highlight how IFRS highlights scams.

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Let us take some examples how following scams IFRS can highlight well in time.

Spectrum scam - spectrum is an intangible asset and if IPSAS - International Public Sector Accounting Standards are applied then all Govt organisations including dept of telecom will have to publish intangible assets fair value with full disclosures and valuers, if they fail in proper valuation will be liable for global suits.

TV companies advertising telecom companies - these barbers are recognised under revenue recognition of IFRS. So political channels on TV advertising for telecom companies, with mismatch in fair values will give rise to disclosure of under-hand transactions.

Structuring companies and making fraudulent minutes through controlled entities will have to be published and will result into lifting corporate veil and do parda fash (in layman's language)

It is necessary to understand here what is controlled entity vs subsidiary.

Subsidiary currently is defined as a company where minimum 50% shareholding (voting power) is required. So the investor is supposed to be owning a company.

But using this loophole lot of NOT just companies but ENTITIES are created which are masks of big groups, who do called dirty transactions. These entities are controlled entities and general public and common shareholders do not know them.

The flagship listed company and its subsidiary and associates and JVs are clean. While these controlled entities are used for dirty deals. They do not require consolidations under current accounting standards.

NOW IFRS MAKES COMPULSORY to consolidate such entities. It is going to be million dollar question as to how the dirty operations can be carried out when Controlled entity (CE) concept is implemented thru IFRS.

Author firmly believes that only reason because of which India is dillydallying the implementation of IFRS is this CE concept. Check Satyam scam. If money was diverted to Maytas, IFRS accounts would have forced Satyam to consolidate Maytas if There was IFRS.

Even in telecom scam whatever is published shows somebody owned 60% shares was not having control while

somebody owning 20% was caught. Rightly here CE concept was applied.

HOPE GOOD DAYS OF INDIA ARE AHEAD, if IFRS sees light soon along with IPSAS and even IFRS for SMEs.

And go one step further, politicians to whom lot of pressure is required to publish their wealth, should be forced to publish their financial statements including their controlled entities (include relatives and coterie and servants, employees who are YESMEN)

Author appeals Narayanmurthy and Anna Hazare like known clean personalities of this country to start compulsion of IFRS as a movement to clean India.

Report on CEP

Organized by WIRC, Mumbai

On 11th June 2011 WIRC organized a CEP at Students' & Members' Facilitation Centre at Thane. The topic was IFRS. CMA R.N. Bhave, was the speaker for the programme. CMA Ashish Thatte, Programme Co-ordinator was present on the occasion.

On 25th June 2011 WIRC organized a CEP on Discussion on Cost Audit Report Rules and Cost Accounting Records Rules 2011 at WIRC office. CMA Kirit Mehta, Practising Cost Accountant was the faculty for the programme. CMA P.V. Wandrekar, Hon. Secretary WIRC and CMA V.B. Prabhudesai, Programme Co-ordinator were present on the occasion.

Large number of members attended the programmes.

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- Copy of PAN Card
- Copy of Income Tax Returns
- Two Photographs (Passport Size)
- Copy of Membership Card of the Institute (Pl mention Membership No if you donot have Membership Card)

Interested members are requested to contact WIRC for the Forms.