IFRS Adoption Status in SAARC Countries

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Preamble

The South Asian Association for Regional Cooperation (SAARC) comprises eight nations: Bangladesh, India, Pakistan, Sri Lanka, Nepal, Bhutan, Maldives, and Afghanistan. This article focuses on the status of International Financial Reporting Standards (IFRS) adoption among seven of these countries (excluding Afghanistan).

IFRS is a globally recognized framework for financial reporting, essential for enhancing transparency, accountability, and comparability of financial statements. The adoption of IFRS in SAARC countries varies significantly, reflecting diverse regulatory environments and economic contexts. This article provides a comprehensive overview of each country's adoption status, highlights the roles of their respective regulatory authorities, and offers policy recommendations to further harmonize financial reporting standards in the region.

In preparing this article, the primary source of information utilized by the ICMA Research and Publications Department was the **IFAC Member Compliance Program.** This resource provides detailed insights into the current status of adoption of different international standards, including the International Financial Reporting Standards (IFRS). The article aims to deliver a concise overview of the progress made by SAARC countries in adopting IFRS, outlining the efforts and developments in each nation's financial reporting framework.

Moreover, the article highlights the relevant regulatory and monitoring authorities responsible for the implementation of IFRS in each SAARC country, defining their respective roles and responsibilities. Our objective is to offer a synopsis of the significant milestones achieved in IFRS adoption, emphasizing how this has contributed to improving transparency, consistency, and comparability of financial information across the region.

IFRS Adoption in SAARC Countries

The adoption of International Financial Reporting Standards (IFRS) is seen as a critical step toward enhancing financial reporting quality and fostering economic integration globally. In the SAARC region, countries are at various stages of IFRS adoption, driven by different regulatory frameworks and economic contexts. The following is a review of the progress made by SAARC nations, along with a look at the key regulatory or monitoring bodies in each country responsible for overseeing IFRS adoption.

Bangladesh

[Current Status: Adopted]

In Bangladesh, the adoption of IFRS has been ongoing, with the Institute of Chartered Accountants of Bangladesh (ICAB) leading the efforts. ICAB has adopted IFRS with some modifications, aligning with local legal and regulatory requirements. The primary regulatory body for financial reporting is the Financial Reporting Council (FRC), which works closely with ICAB to ensure the application of international standards.

Bangladesh has fully adopted IFRS Standards for domestic companies with publicly traded securities and other large entities with public accountability. These entities are mandated to prepare financial statements in compliance with IFRS Standards. However, banks, insurance companies, and non-banking financial institutions (NBFIs) prepare their financial statements according to specific Acts and guidelines, which currently exhibit some deviations from IFRS Standards.

The Financial Reporting Act of 2015 established the Financial Reporting Council (FRC), authorized to set accounting standards in Bangladesh. Until the FRC issues new standards, those established by the Institute of Chartered Accountants of Bangladesh (ICAB) remain applicable. The Finance Act of 2014, the Bangladesh Securities and Exchange Commission Rules of 1987, and the Insurance Development and Regulatory Authority mandate all companies to apply Bangladesh Financial Reporting Standards (BFRS) as issued by ICAB, which are based on the 2015 IFRS Standards.

ICAB has also adopted the 2009 version of IFRS for SMEs as BFRS for SMEs, which small and medium-sized entities (SMEs) are permitted to apply. Alternatively, SMEs may choose to apply full BFRS. Under the Banking Act of 1991, the Central Bank of Bangladesh requires banks and other financial institutions to apply only selected parts of BFRS.

Relevant Authority

Financial Reporting Council (FRC) of Bangladesh - It is a government regulatory agency responsible for standard setting, financial report monitoring, and audit practice review for public interest entities in Bangladesh.

India

[Current Status: Partially Adopted]

India has developed its own accounting standards known as Indian Accounting Standards (Ind AS), which are based on and substantially converged with IFRS Standards issued by the International Accounting Standards Board (IASB). However, India has not formally adopted IFRS Standards for domestic companies and has not committed to full adoption.

Under the Companies Act of 1956, revised in 2013, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) is responsible for developing national accounting standards. These standards gain legislative backing upon approval by the Ministry of Corporate Affairs (MCA) and recommendation from the National Advisory Committee on Accounting Standards (NACAS). Although the National Financial Reporting Authority (NFRA) was established in 2013 to replace NACAS, it is not yet operational; thus, NACAS continues its functions.

Currently, two sets of accounting standards are applied in India: Ind AS and local Accounting Standards (AS). Ind AS, outlined in the Companies (Indian Accounting Standards) Rules of 2015, are mandatory for all listed companies, commercial banks, and non-bank finance companies.

Insurance companies, currently applying AS, are required to comply with Ind AS by 2020. Unlisted companies may continue to use AS, developed based on older IFRS versions, with plans to update them to align with current international standards. The ultimate goal is for all companies to apply Ind AS.

SMEs are required to apply Ind AS but are exempt from preparing a cash flow statement. There are no current plans to adopt IFRS for SMEs.

Relevant Authority

Institute of Chartered Accountants of India (ICAI) – It is recognized as a standard-setter under Indian law (Section 133 of the Companies Act, 2013). The Central Government prescribes accounting standards as recommended by ICAI.

Pakistan

[Current Status: Partially Adopted]

Pakistan has adopted all effective IFRS Standards except IFRS 1 First-time Adoption of International Financial Reporting Standards. The effective date of IFRS 17 Insurance Contracts has been deferred until January 1, 2026, for companies engaged in insurance and related activities.

The Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP) have granted certain exemptions or deferrals regarding adopted IFRS Standards. Under the Companies Act 2017, listed and other public-interest companies, as well as large-sized companies, are required to prepare financial statements in accordance with:

- IFRS Standards as issued by the IASB; or
- IFRS Standards as adopted in Pakistan, along with the Companies Act 2017.

Foreign companies with publicly traded securities in Pakistan must prepare financial statements per IFRS Standards as adopted in Pakistan and the Companies Act 2017 but may opt to use IFRS Standards as issued by the IASB.

Medium-sized companies are required to prepare financial statements in accordance with the IFRS for SMEs Standard. Small-sized companies must prepare financial statements according to the Revised Accounting and Financial Reporting Standards for Small-Sized Entities (Revised AFRS for SSEs) issued by the Institute of Chartered Accountants of Pakistan (ICAP).

The SECP has delegated the responsibility for adopting accounting standards to ICAP, which has adopted most IFRS Standards except IFRS 1. ICAP reports that the remaining IFRS Standard is under consideration, and the SECP is developing a roadmap to address this gap.

Relevant Authority

1) **Institute of Chartered Accountants of Pakistan (ICAP)** – It is a statutory body mandated to regulate the chartered accountancy profession in Pakistan. Responsible for adopting auditing standards and has formed a multi-stakeholder Accounting Standards Board for adopting IFRS Standards and recommending accounting standards for official notification.
2) **Securities and Exchange Commission of Pakistan (SECP)** - It is the corporate regulator with authority under the Companies Act 2017 to notify accounting standards for all companies, including listed ones.
3) **State Bank of Pakistan (SBP)** - The central bank and regulator of the banking sector, prescribing accounting and reporting requirements for banks and certain financial institutions.

Sri Lanka

[Current Status: Partially Adopted]

All domestic listed companies, financial institutions, and certain other entities in Sri Lanka are required to use Sri Lanka Financial Reporting Standards (SLFRS), which are IFRS Standards with some modifications.

Under the Accounting and Auditing Standards Act No.15 of 1995, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is responsible for setting accounting standards. CA Sri Lanka has adopted the 2013 IFRS Standards with modifications as SLFRS.

SLFRS comprise International Accounting Standards (IAS), IFRS Standards, and interpretations from the IFRS Interpretations Committee (IFRIC) and the Standards Interpretations Committee. They also include Statements of Recommended Practices, Statements of Alternate Treatment, and Financial Reporting Guidelines issued by CA Sri Lanka.

Notably, in adopting IFRS 7 Financial Instruments: Disclosures as SLFRS 7, Sri Lanka did not require comparative information for periods beginning before January 1, 2013, unlike IFRS 7. This was considered transitional relief rather than a modification. Additionally, Sri Lanka adopted an alternative treatment for accounting a new 'super gain tax' required by law but inconsistent with a paragraph in IAS 12 Income Taxes.

All Specified Business Enterprises (SBEs) must apply SLFRS as established by CA Sri Lanka. Companies not classified as SBEs may apply SLFRS for SMEs, based on IFRS for SMEs. SLFRS and SLFRS for SMEs are translated into Sinhala and Tamil, allowing for ongoing updates when the IASB revises standards.

Relevant Authority

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) – It is the official standard-setting body in Sri Lanka, empowered under the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 to formulate accounting standards.

Nepal

[Current Status: Adopted]

Nepal is in the process of converging with IFRS Standards through the adoption of Nepal Financial Reporting Standards (NFRS). The Accounting Standards Board (ASB) Nepal has published a new set of standards converged with the 2018 IFRS Standards. The ASB is currently aligning NFRS with the 2023 IFRS Standards, aiming to complete this by July 2024.

Under the Nepal Chartered Accountants Act 1997, amended in 2004, the ASB was established to set accounting standards.

NFRS are required for listed companies, state-owned enterprises, commercial banks, other financial institutions, and entities with public accountability not considered SMEs.

Other companies may use Nepal Accounting Standards (NAS), NFRS for SMEs (based on IFRS for SMEs), or NAS for Not-for-Profit Organizations (NPOs). NFRS for SMEs and NAS for NPOs will become mandatory for the fiscal year 2023-24.

Relevant Authority

Accounting Standards Board, Nepal (ASB Nepal) – It is an independent statutory body formed under the Nepal Chartered Accountants Act, 1997, responsible for formulating accounting standards for financial statements in Nepal. The ASB aims to issue accounting standards in line with IFRS Standards issued by the IASB. It is also responsible for issuing interpretations of NFRS, although none have been issued to date.

Bhutan

[Current Status: Being Phased in]

Bhutan is in the process of phasing in IFRS Standards, aiming for full adoption by 2021 when IFRS Standards will be required for all public companies. Currently, IFRS Standards are permitted for use.

The IFRS for SMEs Standard has been fully adopted as the Bhutan Accounting Standard for SMEs and is required for all unlisted companies.

Relevant Authority

Accounting and Auditing Standards Board of Bhutan (AASBB) – It is a standard-setting body responsible for developing accounting and auditing standards in Bhutan.

Maldives

[Current Status: Adopted]

The Maldives has implemented International Financial Reporting Standards (IFRS) for all listed entities and financial institutions. The Capital Market Development Authority (CMDA), in collaboration with the Institute of Chartered Accountants of the Maldives (ICAM), is responsible for ensuring the smooth transition and ongoing compliance with IFRS. In the Maldives, IFRS Standards are required for all listed companies and financial institutions, ensuring alignment with international financial reporting practices.

Relevant Authority

Capital Market Development Authority (CMDA) – Its responsibility is to develop and regulate the capital market and the pension industry in the Maldives.

Conclusion

The adoption of IFRS Standards across SAARC countries presents a varied landscape. Bangladesh, Nepal, and the Maldives have adopted IFRS Standards, with Bangladesh and Nepal aligning national standards closely with IFRS. India and Pakistan have developed national standards substantially converged with IFRS but retain certain differences. Sri Lanka has adopted IFRS Standards with specific modifications, while Bhutan is in the process of phasing in IFRS Standards. These variations reflect each country's unique regulatory frameworks, economic environments, and readiness to integrate global financial reporting standards. While significant progress has been made towards harmonization, challenges remain, particularly in achieving full convergence, updating outdated standards, and addressing sector-specific deviations.

ICMA Policy Recommendations for IFRS Regulators and Implementers

To strengthen IFRS adoption and effective implementation across SAARC countries, ICMA presents the following recommendations:

1) **Enhance Regulatory Frameworks:** Governments should provide accounting bodies with clear mandates, resources, and independence to fully adopt and implement IFRS. A well-structured authority, such as India's NFRA, should be established in each country to oversee the process.
2) **Capacity Building for Professionals:** Invest in training programs for professional accountants, auditors, and financial professionals to build their knowledge of IFRS. This will ensure smoother transitions and better-quality financial reporting.
3) **Engage Stakeholders:** Foster collaboration between regulators, professional bodies, industry leaders, and academic institutions. Sharing best practices and addressing challenges collectively will support IFRS adoption.
4) **Align Sector-Specific Standards:** Align the accounting standards for specific sectors, such as banking and insurance, with IFRS to reduce inconsistencies and make financial reporting comparable across industries.
5) **Update Outdated Standards:** Countries using older versions of IFRS or national standards based on outdated IFRS should work towards updating their standards to match current international practices.
6) **Support for SMEs:** Provide guidance and incentives to help SMEs adopt IFRS for SMEs, recognizing the benefits transparent financial reporting brings to these crucial contributors to the economy.
7) **Promote Regional Cooperation:** SAARC countries should strengthen cooperation by sharing experiences and technical expertise in IFRS adoption. Establishing regional working groups will help pool resources and knowledge.
8) **Leverage Technology:** Adopt technological solutions for financial reporting, including software that supports IFRS implementation. Online training and knowledge-sharing platforms can also enhance capacity building.
9) **Monitoring Progress:** Set up systems to track progress in IFRS adoption. This will allow policymakers to make timely adjustments and ensure accountability throughout the process.

These recommendations aim to facilitate the adoption of IFRS and improve financial reporting standards across SAARC nations.