



Converting to IFRS in India

Project Management
Guide

Summary

▪ The impact of IFRS on your business	3
▪ ‘Big Bang’ or project management	5
▪ A project management approach to IFRS	7
▶ Tailoring the solution	8
▶ Team integration	9
▶ Milestone planning	12
▶ Managing issues	13
▶ Communication	13
▶ Technical methodology	14
▪ How can Mazars help?	14
▪ Mazars, experienced in implementing IFRS	18

This guide seeks to introduce IFRS project management issues and we have taken due care in its preparation. Mazars cannot accept responsibility for loss incurred by any person, company or entity as a result of acting, or failing to act, on any material in this guide. Specialist advice should always be sought in relation to your particular circumstances.

© Mazars 2009

The impact of IFRS on your business

The impact of IFRS

IFRS will impact many areas of your company's business beyond the accounting and finance departments.

Figure 1 identifies the key ways in which the adoption of IFRS will have on the different areas of your business, both internally and externally.

These examples emphasise the need to consider, and potentially include, many representatives from different departments within your organisation when preparing for the impact of IFRS.

Accounting & Finance

- Identification of key IFRS differences
- IFRS accounting policies review
- Convergence of Indian GAAP policies with IFRS
- IFRS training
- Changes to reporting packages and consolidation processes
- Changes to management information

Marketing & Communications

- External IFRS communication plan for stakeholders and other users of financial statements
- Internal IFRS communication plan for employees and board members

Subsidiaries & Business Units

- The need for IFRS impact assessments
- IFRS training
- IFRS reporting packages

Information Systems

- Impact of IFRS on overall systems
- Short-term versus long-term solutions
- IFRS business user requirements and functional specifications
- IFRS systems changes
- Systems changes and parallel runs

Internal Audit & Risk Management

- Impact of IFRS on business and risk management policies
- Control systems
- IFRS compliance tests
- Liaison with external auditors

Human Resources

- Recruitment of staff with IFRS experience
- Revisions to performance incentives
- IFRS training, change management and communication

Figure 1: How IFRS impact your business

The adoption of IFRS affects many areas of your business. It brings with it threats, but also presents opportunities.

The impact of IFRS on your business (continued)

The adoption of IFRS will certainly bring with it many opportunities for your business, however your business will also be presented with some threats. Figure 2 identifies some of the main opportunities and threats, that organisations face when converting from Indian GAAP to IFRS.

Possible threats to your business

Possible threats to your business include the following:

- The introduction of IFRS will change the reported results and financial position of your business and potentially introduce greater volatility into reporting
- The perception of stakeholders and the market is likely to be affected by these changes
- Conversion to IFRS will have unique repercussions for each country, depending on how each national GAAP differs. In the case of India, there are a number of differences and similarities that need to be carefully looked at.
- IFRS conversion is likely to place additional burdens on existing resources
- IFRS may be more complex to apply on an ongoing basis especially with rapid changes in requirements
- Many companies will be affected by the complexities of IAS 39 'Financial Instruments – Recognition and Measurement'

Opportunities for your business

Opportunities for your business include the following:

- A common set of accounting principles will help companies with operations in different countries and facilitate cross border transactions
- IFRS will potentially better reflect the underlying economics of a transaction
- The single reporting regulations will facilitate greater access to the financial markets at a lower cost of capital
- IFRS will provide a high quality, global set of standards upon which to monitor financial performance. This should facilitate improved communications with analysts, investors, financial markets and other users of the financial statements
- The conversion process is an appropriate time to re-engineer information systems, internal management reporting and internal performance measures
- It is also an excellent opportunity to ensure that financial information is obtained in the most effective and efficient way

Figure 2: The main threats and opportunities of IFRS

Choosing your approach

The decision as to whether to start the conversion to IFRS early or to wait until much nearer the deadline requires careful consideration. A correct decision will be based upon an assessment of all relevant factors, and will vary from company to company, depending on its particular circumstances. The principal question therefore for your business is whether to leave the IFRS conversion process until as late as possible, the 'Big Bang' approach, or to manage the process over a longer timescale, the project management approach.

A brief discussion of each approach is set out below.



Big Bang' approach

In our view, the Big Bang approach only in limited cases. It may be appropriate for very small or simple entities, but is likely to be a high risk strategy for other businesses.

The advantages include:

- The conversion process will be condensed into a short, intensive timeframe.
- All relevant international standards will have been finalised without needing to track changes in standards.
- The later conversion is left, the more time there is to understand IFRS requirements.

The disadvantages include:

- There will be little understanding of the time and resources required.
- There will be little understanding of the financial impact of the changes.
- There may be resource and knowledge constraints which make it very difficult or costly to meet if everything is left to the last minute.
- Unexpected implications of conversion will potentially not leave enough time to resolve problems before deadlines.

Figure 3: Big Bang approach - Advantages & disadvantages

Companies are faced with a decision to either leave the conversion process until as late as possible or to manage the process over a longer timescale. Our view is that the process should be started early to avoid surprises and to make sure that appropriate data are available to produce IFRS accounts.

Project management approach

We believe, for the following reasons, that generally the most appropriate approach will be to adopt the holistic project management approach in order to assess the full scope and requirements of an IFRS conversion project on your business:

- This will be a major project for most companies, notably large or complex businesses;
- There will need to be a comprehensive evaluation of IFRS in order to fully understand the financial impact;
- The IFRS conversion should take place over a manageable timescale, as the longer the project is delayed, the more difficult and expensive the process is likely to become.

Figure 4 identifies the principal scoping requirements of an IFRS Conversion Project.



Project overview

The scope of an IFRS conversion project may include the following:

- Analysing the impact on the reported results and financial position
- Planning the conversion project, including budgeted costs, timescales and responsibilities
- Assessing the information needs to determine what changes will be required to the information systems
- Determining possible courses of action and implementation strategies (including the possible need for temporary solutions)
- Identifying any resource constraints. Solutions include training of existing staff, recruiting new staff or outsourcing
- Implementing procedures, including liaison between the Finance, Information Systems, Risk Management, Human Resources and other departments affected by the changes
- Developing a communication strategy, both internally to the board and employees, and externally to stakeholders and the market
- Regularly reviewing progress, including ensuring that the project is on time and to budget, and will produce the required information.

Figure 4: Scope of an IFRS Conversion Project.

A project management approach to IFRS

Key project management principles

All projects, whether big or small, require effective:

- Leadership that provides direction and motivation;
- Management to co-ordinate, organise and communicate the project; and
- Execution accomplished through teamwork and obtaining the right individuals with the appropriate skills to complete the milestones and tasks.

When considering how to apply a project management approach to your IFRS conversion, there are several important project management principles to bear in mind. The six principles listed in Figure 5 will be discussed in more detail throughout this guide in order to demonstrate how they can be applied to your IFRS conversion.



1. Tailored solution

A service solution that meets your specific needs and objectives.

2. Integrated team approach

A well thought-out project structure, clear roles and responsibilities and combined teams of your staff working with technical specialists and consultants.

3. Milestone planning

Summary and detailed planning of identifiable milestones showing the status of the project and highlighting any problems.

4. Issues management

Identifying problems to ensure they are resolved quickly and effectively.

5. Communication

Ensuring that all information is communicated effectively throughout the project teams.

6. Technical methodology

Documenting IFRS adjustments in a logical and structured way.

Figure 5: Key project management principles

Leadership, communication and structured planning are key to implementation of IFRS.

1. Tailoring the solution

The project management solution will need to be tailored to meet your specific requirements. There are many factors that should be considered when assessing the project management requirements of an IFRS conversion. Project management can be implemented at a full, medium or low scale depending on the needs of your company, your IFRS goals and overall project objective.



Figure 6: Tailoring the solution

It is also important to establish your organisation's principle objective with regard to time, cost and quality. Ordinarily businesses need to strike a balance between these often conflicting elements and therefore the project management approach for the IFRS conversion will need to understand and meet these objectives.

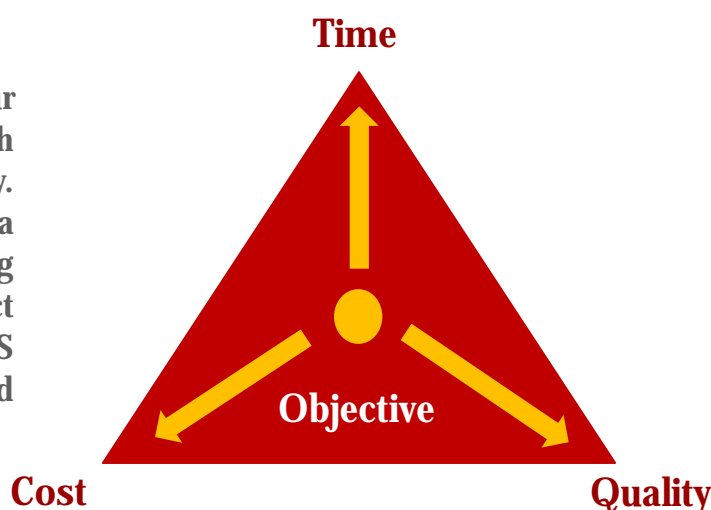


Figure 7: Balancing time, quality and cost

2. Team integration

Team integration has three key areas which all need to be established and co-ordinated in order to ensure an overall effective project management approach:

- Establishing a project team structure;
- Identifying roles and responsibilities; and
- Ensuring integration of teams.

Project team structure

The IFRS project team will need to be structured in a way that takes into account the unique situation of your company by assessing your objectives, needs, resource availability, timescales and interdependencies.

It is also necessary to consider the need for specialist teams (for example in areas such as tax, pensions, derivatives, systems) and the involvement from various business departments and divisions throughout your organisation, including, internal audit, risk management, human resources, investor relations, legal, subsidiaries and business units.

Figure 8 provides an example of an IFRS conversion project team structure for full scale project managed conversion, but which can be adapted for a medium or low scale project.

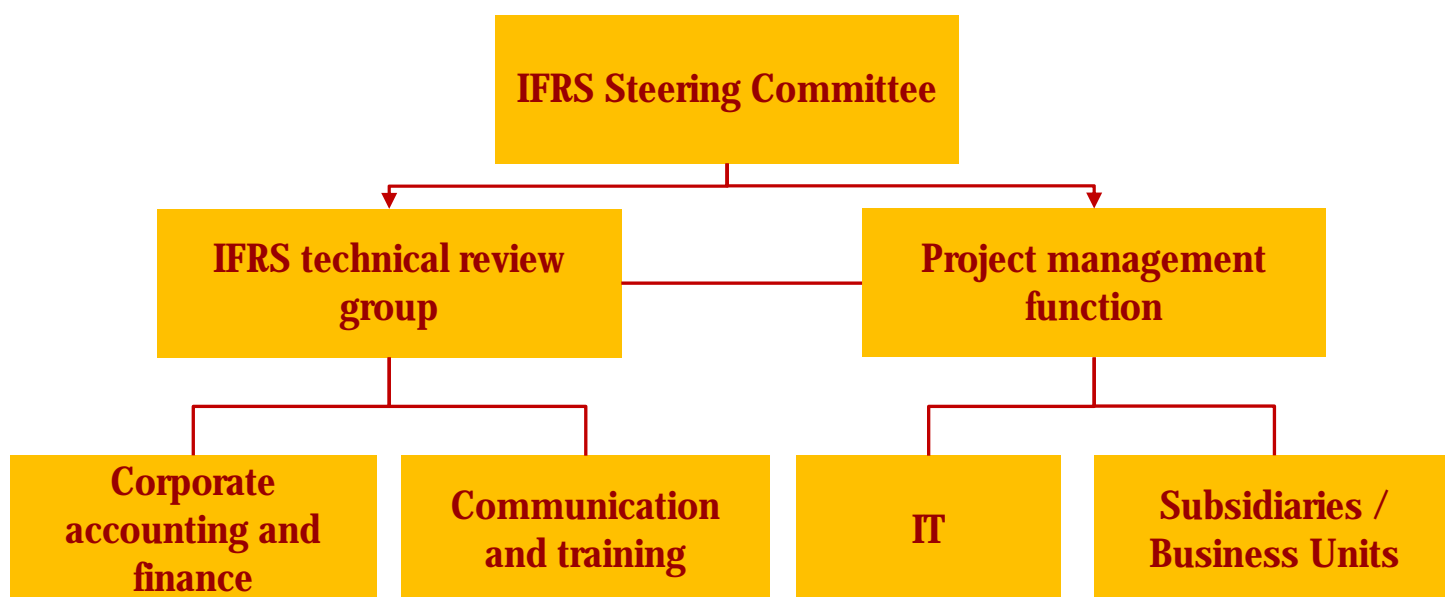


Figure 8: IFRS project team structure for a full scale project management.

2. Team integration (continued)

Roles and responsibilities

At the outset of the IFRS conversion project, it is essential that all project team members are clear as to what their individual roles and responsibilities are throughout the whole of the project management process.

This will enable all other members of their team and the other teams within the project structure to know what their responsibilities are and how everyone can work together to achieve the project's objective.

Figure 9 provides examples of the types of roles and responsibilities for each project team for a full scale IFRS project.

Project team	Responsibilities
IFRS Steering Committee	<ul style="list-style-type: none"> ▪ Strategic project guidance to ensure alignment with business strategies and goals ▪ Top level accountability with the power to “make things happen”
IFRS Technical Review Group	<ul style="list-style-type: none"> ▪ Technical accounting issues resolution process approval ▪ Acts with the authority of the Steering Committee to ensure that all issues are resolved ▪ Advice on IFRS accounting policies and complex technical areas
Project Management Function	<ul style="list-style-type: none"> ▪ Support and inform the Steering Committee ▪ Overall management and co-ordination of all activities through project teams and issues management ▪ Monitor the progress of the project at all times
Corporate Accounting & Finance	<ul style="list-style-type: none"> ▪ Assess financial impact of IFRS ▪ Draft skeleton format IFRS financial statements ▪ Establish IFRS accounting policies ▪ Develop IFRS group reporting package and consolidation process ▪ Consolidate IFRS information ▪ Interpret and explain IFRS results
Communications and Training	<ul style="list-style-type: none"> ▪ Develop IFRS internal and external communication plan ▪ Arrange for IFRS training throughout the business ▪ Liaise with Finance to communicate IFRS information
Subsidiaries/ Business Units	<ul style="list-style-type: none"> ▪ Perform IFRS accounting conversion ▪ Complete IFRS group reporting package
IT	<ul style="list-style-type: none"> ▪ Assess systems impact ▪ Develop systems implementation and testing plan ▪ Implement necessary system amendments

Figure 9: Roles and responsibilities for full scale IFRS managed project

2. Team integration (continued)

Integrated teams

Project teams can be structured to include IFRS specialists, project management consultants and other external advisors who work as integrated team members with your staff to undertake the conversion process.

An integrated team approach helps to ensure that the resource needs are met, while ensuring that individuals within your company develop IFRS knowledge and expertise throughout the project.

Figure 10 outlines an example of an integrated team approach for IFRS conversions, although there are any possible scenarios in which certain teams and advisors would not be necessary. In some cases, the “project teams” may only require to be composed of one or two key individuals.

Project team	Company	Mazars
IFRS Steering Committee	<ul style="list-style-type: none"> • CFO and/or • Financial Controller • Senior Financial Executives 	<ul style="list-style-type: none"> • Mazars’ partner and/or • IFRS technical specialist
IFRS Technical Review Group	<ul style="list-style-type: none"> • Financial Controller • Senior Financial Executives 	<ul style="list-style-type: none"> • Mazars’ IFRS technical specialist • Mazars’ Project Manager or Shadow advisor
Project Management Function	<ul style="list-style-type: none"> • Project Manager • (Senior Financial Manager with CFO level access and authority) 	<ul style="list-style-type: none"> • Mazars’ Project Manager or Shadow advisor
Corporate Accounting & Finance	<ul style="list-style-type: none"> • Senior Financial Manager • Accounting & Finance Employees 	<ul style="list-style-type: none"> • Mazars’ IFRS technical specialist • Experienced Mazars’ shadows or secondees
Communications and Training	<ul style="list-style-type: none"> • Investor Relations, HR, and/or Finance Manager(s) 	<ul style="list-style-type: none"> • IFRS technical specialist
Subsidiaries/ Business Units	<ul style="list-style-type: none"> • Financial Controllers of subsidiaries/business units 	<ul style="list-style-type: none"> • Local Mazars’ technical specialist or audit manager
IT	<ul style="list-style-type: none"> • IT Director 	<ul style="list-style-type: none"> • Mazars’ IT specialist

Figure 10: An integrated team approach

3. Milestone planning

Developing the project milestone plan requires an understanding of the ‘big picture’, as well as an awareness of the logic of the steps necessary to reach the project objective. The purpose of the project milestone plan is to visually demonstrate what must be done, by whom or what team and by when.

A summary or high-level plan should be created first, which identifies the key milestone phases and work to be completed, and then more detailed plans should be developed.

Figure 11 provides an example of a high-level summary plan showing the three key phases for an IFRS conversion process and the different stages and milestones that could be required within each phase.

PHASE 1		PHASE 2	PHASE 3	
Project scoping	Project set-up and launch	Accounts conversion and operational analysis	Design	Integrate change
Steering Committee <ul style="list-style-type: none"> Mobilise Steering Committee Define project scope Agree strategic fit Project Management <ul style="list-style-type: none"> Develop overall project organisation Outline work plans Establish project team structure Estimate effort/costs Define resource requirements Accounting & Financial Reporting <ul style="list-style-type: none"> Define key financial areas and reporting units Prepare IFRS impact assessment Estimate of financial impact of IFRS Prepare pro-forma IFRS accounts IFRS overview training IT Systems <ul style="list-style-type: none"> Define high-level systems impact 	Steering Committee <ul style="list-style-type: none"> Adopt the IFRS strategy Project Manager <ul style="list-style-type: none"> Define roles and responsibilities Create project plans Recruit and train team Define project communication and reporting process Accounting & Financial Reporting <ul style="list-style-type: none"> Understand the company's current accounting policies Define IFRS financial statements and required IFRS management information Simulate impact on consolidation Subsidiaries <ul style="list-style-type: none"> Perform IFRS impact assessment IT Systems <ul style="list-style-type: none"> Complete preliminary business requirements 	Steering Committee <ul style="list-style-type: none"> Meet periodically to review project status and address any significant issues Accounting & Financial Reporting <ul style="list-style-type: none"> Identify differences between Indian GAAP and IFRS Document required IFRS accounting policies and disclosures Draft IFRS accounting policies and procedures manual Develop conversion steps (data required to produce IFRS information) Revise subsidiary reporting packages to capture IFRS information Project Management <ul style="list-style-type: none"> Co-ordinate project communication and issues management. Draft company's IFRS communication plan Communication <ul style="list-style-type: none"> Develop IFRS communication plan IT Systems <ul style="list-style-type: none"> Identify systems IFRS development needs Produce IFRS functional requirements and begin to make changes Develop systems implementation Plan 	Steering Committee <ul style="list-style-type: none"> Approve IFRS accounting policies and procedures Understand and interpret IFRS results Accounting & Financial Reporting <ul style="list-style-type: none"> Finalise IFRS accounting policies and procedures Issue IFRS subsidiary reporting packages Consolidate IFRS numbers Subsidiaries <ul style="list-style-type: none"> Complete IFRS conversion and group reporting packages Communications <ul style="list-style-type: none"> Deliver IFRS workshops and communication sessions across the business IT Systems <ul style="list-style-type: none"> Implement IFRS systems changes Test systems changes Begin parallel run Address all issues and bugs 	Steering Committee <ul style="list-style-type: none"> IFRS project signoff Accounting & Financial Reporting <ul style="list-style-type: none"> Produce IFRS financial statements Deliver IFRS update training Project Management <ul style="list-style-type: none"> Hold post-implementation review of IFRS project Communication <ul style="list-style-type: none"> Communicate externally IFRS results IT Systems <ul style="list-style-type: none"> Go live with IFRS systems

Figure 11: IFRS High-level plan

4. Managing issues

A process needs to be established to identify problems and resolve issues. A record should be maintained from the outset to track the status of all issues and to maintain a history of what the project issues were and how they have been resolved.

Figure 12 shows a typical example of how issues could be managed for an IFRS conversion project.



Figure 12: Issue management process

5. Communication

All project team members should be clear on how to contact other members, when key meetings are to be held, or decisions made, issues resolved or milestones achieved.

Some of the communication principles and tools of a project based approach are as follows:

Meetings management

- Well organised with clear purpose
- Agendas distributed to focus meeting
- Minutes taken to capture key reports, actions required, issues or risks raised and decisions reached
- Different meetings for different teams with different purposes

Status reporting

- Regular project team status updates reported to project manager
- Communication process and procedures agreed at the outset (Example: Every 2 weeks on Friday an email status update is due from each team leader identifying completed milestones, key issues and forthcoming milestones and actions)

Templates

- Project status reports
- Issue resolution memos
- Risk registers
- Action log and task checklist

Information storage and organisation

- Maintain a complete history of the project
- Located centrally
- Contains IFRS technical data, project organisation and tools and project instructions and decisions
- Accessible to project team members
- Used for new project team member orientation
- Organised, easy to understand and quick to set up (e.g. IFRS network drive with project team folders or lever arch filing system)
- Information typically includes project team contact list, team structure, roles and responsibilities, milestone plans, issues logs, project status reports, IFRS technical information, issue memos, and meeting agendas/minutes

6. Technical methodology

Financial statements should be converted to IFRS in a disciplined, consistent and comprehensive manner.

High-level impact assessment

A high-level assessment of Indian GAAP to IFRS differences, including disclosure requirements should be conducted. This assessment acts as an initial project scoping document by identifying the key accounting areas that will be impacted.

Financial statements conversion

Once the high-level impact analysis is completed, the details of the financial statements conversion process will need to be undertaken. To achieve this, there will first need to be a strong understanding of your current accounting policies.

You will need to then consider the accounting options that are allowed under IFRS and then agree and approve the IFRS accounting policies that will be adopted. It is important to recognise that, in addition to deciding what the IFRS accounting policies will be, you should evaluate the current accounting policies to determine if the local GAAP policies should be changed in order to converge towards IFRS and eliminate GAAP differences.

Once you have developed and agreed your IFRS accounting policies, the required journal entries and the conversion work steps should be drafted for each major financial statement line item. Any issues or interdependencies (i.e. impacts on other financial areas, systems information, subsidiary reporting, etc.) related to the IFRS conversion for the area should also be identified.

Throughout this process, issues will be identified and resolved. Finally, IFRS financial statements will be produced and an IFRS checklist should be completed to ensure that all necessary information and disclosure requirements have been captured to verify compliance with IFRS.

A visual depiction of the IFRS financial statements conversion process is shown in Figure 13.

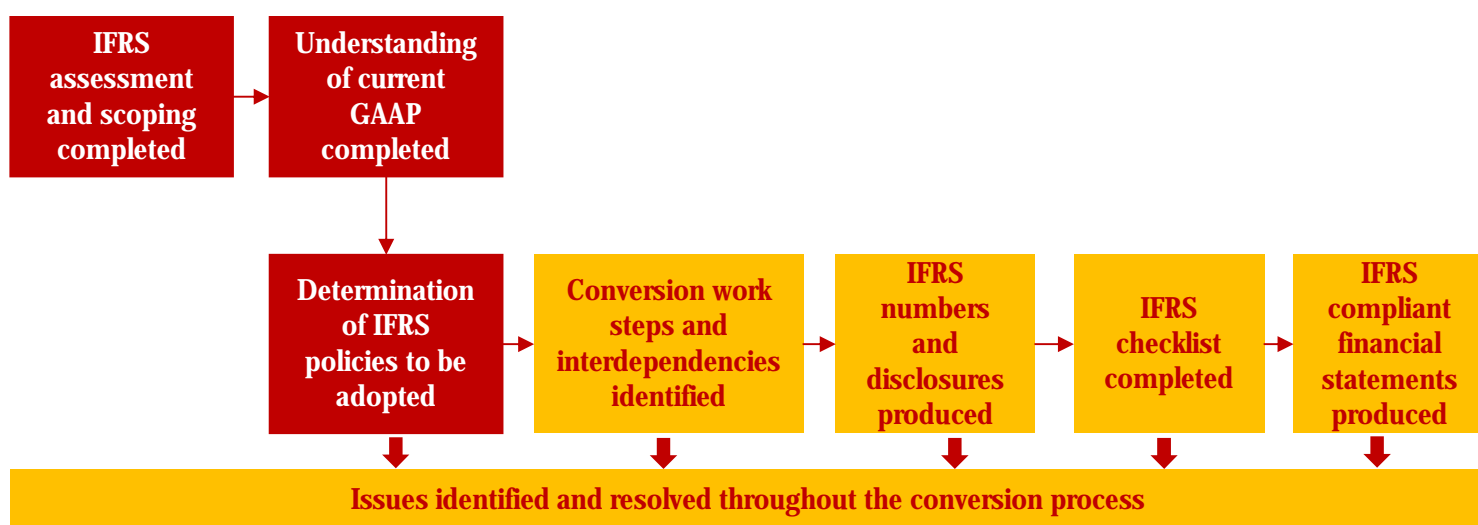


Figure 13: IFRS financial statements conversion process



How can
Mazars help?

How can Mazars help

Mazars recognises that International Financial Reporting Standards will have a significant impact for businesses and is committed to supporting you through this important change. We have a proven IFRS technical conversion methodology and Project Management Approach, as well as the expertise and experience to help you accomplish your IFRS conversion in a cost-effective and efficient way.

Mazars' Project Management Approach (PMA)

By using Mazars' PMA we can assist you in undertaking an IFRS conversion by providing:

- a structured approach for managing your IFRS conversion process;
- a disciplined and tailored method of working that can be modified to the needs, size, and culture of your company; and
- a proven approach to managing change within your business.

Benefits to your company

Mazars' PMA will help to ensure there is:

- clear understanding of the project objective and the work that needs to be performed;
- control over both the process and the outcome;
- effective knowledge transfer throughout your business;
- management by exception; and
- clear value for money.

Summary of Mazars' PMA tools Figure 14 provides a summary of the key aspects and tools of Mazars' PMA.

Tailored approach	<ul style="list-style-type: none"> ▪ PMA considerations matrix ▪ Objective setting ▪ Initial scoping exercise ▪ Low, medium and high-level implementation tools 	Issues management	<ul style="list-style-type: none"> ▪ Issues management process ▪ Issues log ▪ Issues resolution report ▪ Technical Review Group ▪ Risk management process
Integrated project teams	<ul style="list-style-type: none"> ▪ Steering Committee ▪ Project management ▪ Project teams 	Communication	<ul style="list-style-type: none"> ▪ Meetings management ▪ Status reports ▪ Templates ▪ Information storage and organisation
Milestone planning	<ul style="list-style-type: none"> ▪ Summary plan (high level) ▪ Milestone plan (more detailed) ▪ Task checklists (very detailed) 	Technical methodology	<ul style="list-style-type: none"> ▪ Training ▪ Accounts conversion methodology ▪ IFRS impact assessment ▪ IFRS accounts conversion trail

Figure 14: Mazars Project Management Approach (PMA)

Impact of IFRS conversion	How Mazars can help
IFRS conversion	<ul style="list-style-type: none"> · IFRS impact assessment · Provision of IFRS technical specialists · IFRS technical advice and training · Secondees for IFRS conversion work · Preparation of IFRS accounting policies manual and group reporting instructions and packages · IFRS disclosure checklists · IFRS versus Indian GAAP comparisons · Illustrative IFRS financial statements
Project management	<ul style="list-style-type: none"> · Full or part-time project manager or “shadow” · Project co-ordination · Project management consulting, set up and training · IFRS project management templates
Systems	<ul style="list-style-type: none"> · Controls-based audit of IFRS changes
IFRS training	<ul style="list-style-type: none"> · Delivery of tailored IFRS training · IFRS update training, workshops and seminars
Tax	<ul style="list-style-type: none"> · Tax planning and advice
Valuations	<ul style="list-style-type: none"> · IFRS 3 valuations of intangible assets · IFRS 2 share option valuations
Financial instruments	<ul style="list-style-type: none"> · IAS 39 ‘Financial Instruments: Recognition and measurement’ technical consultancy advice
Internal audit and risk management	<ul style="list-style-type: none"> · IFRS technical advice
Communication	<ul style="list-style-type: none"> · Development of communication strategy

Figure 15: How Mazars can help

Mazars, experienced in implementing IFRS

Mazars has acted as advisors on numerous IFRS conversion projects since 2002, building up substantial expertise across many sectors including insurance, banking, retail, media, property, telecom, power, manufacturing, agriculture and transport. We work closely with our clients and follow a project structure, which we tailor to individual needs. Strong teamwork, solution driven advice and ready access to technical experts are the hallmarks of our approach.

Our experience was gained largely in Europe where IFRS was adopted in 2005. Now Mazars has moved its experts to the Asia Pacific region in order to provide you with the best knowledge in implementing IFRS.



We are grateful to our clients who have sought our help in implementing IFRS in India and elsewhere in the world:

- **Consumer Products** : Chivas Brothers, Choron, Danone, Pernod Ricard ...
- **Industrial corporations** : Escorts Group, Thales, Schneider, Amalgamated Electronic Corp ...
- **Telecom & Media** : Neo Sports, Mobistar, China Motion Telecom, Bouygues Telecom, Lagardère, Thomson...
- **Energy** : EDF, Areva, Npower, Coslight Technology, Southern Electricity Company ...
- **Transportation, infrastructure, Waste Management** : SNCF, Eurotunnel, Bourbon, Indaver ...
- **Construction** : Bouygues, Colas, Les nouveaux constructeurs, Besix, Stefanutti & Bressan, Infrasons, Afrimat Limited...
- **Property** : Bouygues Immobilier, Nexity, Gecina, Putprop Ltd, Ingenuity Property Investments, Klepierre...
- **Chemical** : Arkema, Spanjaard Ltd ...
- **Insurance** : AXA, Brit Insurance, Carvill, Cathedral ...
- **Banks** : BNP Paribas, Société Générale, Dexia, Enténial...

Figure 16: Credentials



Contact

Nicolas Ribollet
National IFRS leader, India
nicolas.ribollet@mazars.in

www.mazars.co.in