



A Study on Implementation and Benefits of International Financial Reporting Standards-IFRS in India

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ABSTRACT

Due to globalization there is a need for all the countries to adopt uniform set of accounting standards. More than 100 countries have converged or recognized the policy of convergence with the International Financial Reporting Standards (IFRS). IFRS are the globally accepted accounting standards which are adopted by the International Accounting Standards Board (IASB), which work together to develop global accounting standards. India, An upcoming economy on world economic map, also decided to converge with IFRS and adoption process has begun from April 2011 which is known as Ind AS (Indian accounting standards). This paper discusses the IFRS adoption procedure in India and the benefits to industries, investors in India in adopting IFRS. The focus of the study will be whether by following the converged IFRS, the primary objective of uniformity and comparability of the financial statements prepared in India with the rest of the countries of globe will be achieved. The research work will also provide an insight on the future prospects by following the convergence process.

KEYWORDS: Convergence, IFRS, IASB, Investors.

INTRODUCTION

International Financial Reporting Standards-IFRS: India is one of the emerging economies in the world. For the economic development, FDI is needed, to facilitate the investment climate, and there arises the need to integrate its financial reporting with rest of the economies which help the foreign investors to confidently compare and understand the financial results and financial positions of the companies. As company in one country borrows in the capital market of another country. Therefore, financial statements of one country are used in other country more and more frequently, which has raised the issue of harmonization of accounting policies, presentation, disclosure etc. Harmonization of accounting policies may not be possible because of differences in the economic, political, legal & cultural environment of different countries. Thus Uniform accounting standards will lead to elimination of such deviation. In India, the accounting standards board (ASB) was constituted by The Institute of Chartered Accountants of India (ICAI) on 21 April 1977, which performs the function of formulating accounting standards. Presently there are two sets of accounting standards that are accepted for international use namely the US Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS) issued by the London –based international accounting standards board. GAAP are diverse in nature but based on a few basic principles as advocated by all GAAP rules.

These principles include consistency, relevance, reliability and comparability. GAAP ensures that all companies are on a level playing field and that the information they present is consistent, relevant, reliable and comparable. Thus, these moves by India will harmonies its accounting standards, which will lead to a globally accepted accounting system for the companies in India.

IFRS and Indian current scenario: India is one of the largest jurisdictions in the world which is going through the process of convergence with IFRS. In India, the Institute of Chartered Accountants of India (ICAI), being a premier accounting body in the country, has taken the leadership role by establishing Accounting Standard Board (ASB) in April 1977. The ICAI act as the accounting standard setting body in the country and has always made efforts to formulate high quality Accounting Standards and has been successful in doing so. Now a day's the world is continuously to globalizing and discussion on convergence of various national accounting standards with International Financial Reporting Standards (IFRS) has increased significantly.

RESEARCH PROBLEM AND OBJECTIVES

The research problem is to be familiar with the changes in the economy regarding the accounting standards and to understand the need of uniform accounting standards. The study also focuses on convergence with IFRS in India and various benefits. The study will state the findings of the study and suggestion for better implementation of IFRS in India.

- To study the importance of convergence of IFRS.
- To focus on major benefits to stakeholders

RESEARCH METHODOLOGY

Descriptive research methodology has been applied for collecting data related to the training practices. For the purpose of the study, literature survey, secondary data was collected from various research papers, journal, websites, books and primary data in the form of questionnaire has been collected through questionnaire method from 60 professionals in the field of finance.

RESEARCH DESIGN AND LIMITATIONS OF THE STUDY

For achieving the objective of the study, a questionnaire was prepared. The respondents of the questionnaire were professionals (CA, auditors and accountancy professors).

- Descriptive research was undertaken and convenient sampling was done.

Questionnaire is used as a primary tool in the study, so views expressed by the respondents are confined to the elements of the questionnaire. Biased view of respondents may influence the validity of the information.

REVIEW OF LITERATURE

“IFRS vs. Indian GAAP- some key differences”. Santosh V. Rode, (2012) this article explains the differences between IFRS and GAAP and the effect of IFRS on Indian accounting standards. There are several major differences between the IFRS and GAAP. For the proper implementation of IFRS and for enabling the companies to better adopt the standards, it is essential to understand the differences between the two sets of accounting standards. Therefore, it is prescribed that the first step of every company aiming at adoption of IFRS is the proper understanding of the differences and the effect of these changes on the accounting records.[1] “IFRS and India: Problems and Challenges” Gurpreet Kaur, Mata Sundari, Amit Kumar, (2014)The study focused on the ways in which the international standards can be harmonized and converged with the existing standards. The information also

helps in giving a basic overview of the challenges in the implementation and convergence with IFRS in India and the benefits that will accrue as a result of this implementation.[2] “A study on challenges and prospects of IFRS in Indian accounting system” Dr. Preeti Srivastava, D.S. Rawat, Dr Deepti Maheshwari (2015). The research gives an understanding of the need for implementing IFRS in the present scenario. In the present scenario, globalization is the norm. Every company which aims at profitability and survival is bound to expand. This demands for a set of uniform accounting standards which can be implemented on a global level to harmonize the accounting procedures around the world and help in making the system of accounting simpler and better.[3] some of the information found in the IFRS web portal. [4]

DATA ANALYSIS AND INTERPRETATION

The respondents approach was classified according to their area of specialization into accounts, audit and taxation, to know the perspective of each of the professionals and their opinion on the convergence of Indian accounting standards with IFRS is presented in Table 1. Out of the 60 respondents approached, 52% were specialized in accounts, while 30% were specialized in audit and the remaining 18% were specialized in taxation.

Table 1: Area of specialization

Area of specialization	Frequency	Percentage
Accounts	31	51.67%
Audit	18	30%
Taxation	11	18.33%
Total	60	100%

Out of the total respondents, 95% of the respondents have agreed that the convergence of Indian accounting standards with IFRS is beneficial while only 5% of the respondents disagreed and the data is depicted in Table 2. Therefore, from the table it is clear that most of the respondents are in favor of convergence of Indian accounting standards with IFRS.

Table 2: Convergence with IFRS is beneficial

Convergence with IFRS is beneficial Agreement (yes/no)	Frequency	Percentage
Yes	57	95%
No	3	5%
Total	60	100

Table 3: Convergence with IFRS is beneficial

	Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
a.	Comparability of financial statements	26	10	15	4	5
b.	Increasing the transparency of accounts	25	13	8	9	7
c.	Increase in investments / benefits to investors	15	7	10	10	18
d.	Existence of uniform accounting standards	32	9	3	9	7
e.	Standardization of accounts	17	22	7	6	8
	Total	115	61	43	38	45

The above are the benefits of convergence with IFRS for which opinions of respondents of questionnaire has been taken: From the above Table 3 it can be inferred that 32 respondents agree with existence of uniform accounting standards, 26 respondents agree with comparability of financial statements, 25 respondents agree with increasing the transparency of accounts. This means that the maximum number of respondents are interested in convergence with IFRS is beneficial.

Table 4. Benefits to companies /industries.

	Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a.	IFRS-better decision making	21	28	8	1	2
b.	Accuracy and reliability of accounting information.	17	31	10	2	0
c.	Increase/better corporate governance	8	31	17	4	0
	Total	46	90	35	7	2

The above table 4 indicates that 28 respondents agree that convergence of IFRS in India will help in better decision making to industries and more than half of our respondents 31 agree that convergence with IFRS in India will enable the companies to enhance their accuracy and reliability of accounting information in the same manner that 31 respondents have agreed with the benefits of “better corporate governance”.

The Table 5 indicates that maximum number of respondents 27 agree that convergence with IFRS in India will lead to easier merger and acquisition, saving of time and money in

planning and executing of accounting and audit, harmonizing internal and external reports by creating a single accounting language whereas 30 respondents have agreed with easier comparison of financial statements and very few of the respondents have with reduction in cost of capital, enhance business risk.

Table 5. Mergers and Acquisitions

	Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a.	Easier merger and acquisition	10	27	14	7	2
b.	Improved cross border investment opportunity	19	22	16	2	1
c.	Reduction in cost of capital	3	15	26	12	4
d.	Enhance business risk	7	18	23	9	3
e.	Saving of time and money in planning and executing of accounting and audit	6	27	16	10	1
f.	Harmonising internal and external reports by creating a single accounting language	18	27	12	3	0
g.	Easier comparison of financial statements	25	30	3	2	0
	Total	88	166	110	109	11

Table 6. Benefits to Investors

	Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a.	High quality and transparency of accounts and financial statements	26	28	4	2	0
b.	Increased competition and knowledge of small investors with professional investors.	10	28	17	4	1
c.	Cost of processing financial information for investors.	5	24	26	3	0
d.	Increased stock market efficiency.	13	28	19	0	0
e.	Increase in cross border acquisitions and divestitures leading to increased premium	17	19	12	1	0
	Total	71	127	78	10	1

The above table 6 shows that 28 of them agree that convergence with IFRS in India will ensure high quality and transparency of accounts and financial statements, increased competition and knowledge of small investors with professional investors, increased stock market efficiency and very few respondents 5 of them strongly agree that the cost of processing financial information for investors is less.

Table 7. Benefits to regulatory authority.

	Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a.	Effective regulation of company accounts	25	24	8	3	0
b.	Simple identification of corporate funds	13	28	14	4	1
c.	Better capital market regulation	13	24	19	4	0
d.	Improving income tax exchange rate	12	21	18	8	1
	Total	63	97	59	19	2

The above table 7 indicates that more than 24 respondents strongly agree that convergence with IFRS in India will lead to effective regulation of companies' accounts, well 28 respondents agree that convergence will lead to simpler identification of corporate frauds, in the same way 24 respondents agree that further convergence will help in better capital market regulation and 21 of them agree that convergence will improve income taxes exchange rate.

CONCLUSION

From the above analysis of the data collected from the respondents on the benefits to various stakeholders, and from various perspectives, it is clear that the convergence with IFRS and the implementation of Ind-AS will be beneficial to companies in order to raise funds from capital markets across the globe not only it is beneficial to the companies, but also to the investors to the mergers & acquisitions and to the regulatory authorities. This study indicate that the implementation of IFRS leads to better corporate governance, accuracy and reliability of accounting information. The adoption of IFRS is expected to result in reduction in cost of capital, standardization of accounts, simple identification of corporate funds and better capital market regulation. Though the implementation is beset with certain challenges, the benefits in the long run outweigh the challenges.

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