

IFRS & INDIA: A NEW PROPOSED ROADMAP BY ACCOUNTING PROFESSIONALS'

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Abstract: The regulators, particularly ICAI, should keep in mind all those aspects where Indian accounting standards and IFRS contradict with each and subject such contradictions to amendments without loss of time. ICAI, Ministry of Corporate Affairs and other organizations should launch online programs besides workshops, seminars and conferences to train the accountants, auditors, managers and investors. The role of government, particularly the Ministry of Corporate Affairs is all the more important, in that they can impress upon the corporate sector and regulators including ICAI, taxation department, SEBI etc. to expeditiously discharge their respective roles and functions for smooth and timely transition to IFRS. The major objective of this study is to find out required steps for effective transition to IFRS in India. Therefore, a survey has been conducted by administering a structured questionnaire to a sample of 400 Chartered Accountants in India. The results conclude that the required steps in implementation of IFRS compress IFRS education in the accounting curriculum, training to accountant and auditors, while training for investors does not have much significance.

Keywords: *IFRS, Ind AS, corporate affairs, investment.*

It is the primary responsibility of the management to maintain strong internal control to safeguard the recording of all financial operations of the business. The ostensible objective of these accounting standards is to promote the dissemination of timely and useful financial information to investors and certain other parties having an interest in the company's economic performance. The accounting standards reduce the accounting alternative in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of financial statements of different enterprises (Bragg, 2011). The converged standards would enable Indian corporate sector to be fully IFRS compliant and give an "unreserved and explicit statement of compliance with IFRS" in their financial statements. Due to this convergence, India would be a part of that group who has already adopted IFRS. Convergence does not mean adoption. There is a difference in adoption and convergence process. Adoption means using IFRS word by word but convergence means modifying own country's existing

accounting standards in such a way that comply with these IFRS. In India we have converged our existing Indian Accounting Standards with IFRS and are not adopting IFRS fully.

Every country has its national accounting standards and has also an International Accounting Standards of reporting. Therefore, a big question arises as to why should we need IFRS and if it is required, why should we converge our national accounting standards with IFRS. This globalization process prompts the business world to make a single accepted accounting standard so that they can compare with each other. Now day, a business has to adopt different accounting standards of different countries to present their financial statement for the users of financial statement. While presenting the financial statements, they may face complexity and inefficiency. Therefore, the business world call for a single general accepted accounting standard (IFRS) to remove these problems. Due to this, IFRS comes in the reporting world. European countries such as Australia, Russia and New Zealand etc. have already adopted IFRS for listed companies for presenting their financial statements. Canada has decided to converge its accounting standards with IFRS from the year 2011 (Indapurkar et al., 2009). Every nation wants to grow and if we want to grow then it is required to follow those rules/principles which are followed by developed countries. If we do not follow IFRS, then Indian companies will be isolated from this international platform. Therefore, to sustain and maintain their position in the global market, we should also converge our local accounting standards with IFRS.

Review of literature

There are very few studies conducted in India on this subject. The available studies cover the general issues like benefits of IFRS and challenges faced in their implementation. Some are relating to difference between Indian accounting standards and IFRS. There are only one or two studies which attempted to measure the effect of convergence with IFRS on the financial statements of companies. Some of such studies are reviewed hereafter.

Indapurkar et al. (2009) explored the likely benefits, challenges and risks related with convergence with IFRS in India. The study argued that all parties related to financial reporting, require sharing the responsibility of international harmonization and convergence. The researchers reported that political pressure from various interest group like private sectors and government agencies on international accounting standard board should be avoided. **Ahmad and Khan (2010)** analyzed the impact of IFRS on the financial statements and the challenges came up in front of Indian industries. The study stated that most of the investors, auditors and other users of financial statements were agreed that IFRS would improve the quality of financial statements and implementation of IFRS was the positive development for financial reporting.

Patange (2012) disclosed the benefits and challenges associated with IFRS convergence process. The study showed that there would be various benefits due to IFRS reporting such as easy access to international capital

markets, lower cost of capital, increase in brand value, avoidance of multiple reporting, reflecting true value and transparency in reporting. **Rudra and Bhattacharjee (2012)** investigated whether the firms in India who is adopting international standards or IFRS is associated with reduced level of earnings management and thus have better reported earnings than non adapting firms. The results were concluded that just focusing on accounting standards alone was misleading and incomplete. It was also concluded that mere adoption of IFRS was not sufficient to guarantee a better quality of accounting information.

Shinde (2012) disclosed the challenges come in adoption of IFRS in India. The study presented that fair value measurement under IFRS would increase the volatility in reported earnings and some performance measures such as EPS and P/E ratios. Various adjustments relating to fair value might result in gains or losses which were reflected in the income statements. The researchers suggested that there was a need to provide appropriate training to accounting staff. It was also concluded that the successful implementation of IFRS demanded complete SWOT analysis of industries, proper research, and planning. **Kapoor and Ruhela (2013)** studied problems regarding IFRS implementation in India and discovered that lack of proper training and guidance programs were two major problems in implementation of IFRS. The study suggested that government should take some actions to make its mandatory adaptation and it should be added in college system as a college syllabus so that the management student could be a good IFRS expert in future.

Research Objectives

The objective of this study is to find out the major steps required for effective transition to IFRS.

Research Methodology

To accomplish the above objective, a structured questionnaire was administered to sampled CAs for collecting information. The respondents were asked to give first rank to most preferred reason and fifth rank to the least preferred reason and so on. The sample consists of four hundred Chartered Accountants (CAs), having imperative knowledge on IFRS. The responses from respondents were coded and tabulated in SPSS 16.0. For analyzing the data, mean, standard deviation (SDs), t-test and F- test were used. The tests were conducted at five (5) percent level of significance.

Analysis & Interpretation

Here in this section, analysis and interpretation is presenting on the basis of the data collected. The results are as follows:

Steps Required for Effective Transition to IFRS

The section covers those steps which are required in convergence process. We asked six specified steps such as IFRS training for investors, IFRS training for management, IFRS training for auditors, IFRS education in the accounting curriculum, IFRS training for accountants and accounting training for CFO and asked to rank them according to their preference. The respondents were asked to give first rank to most preferred and sixth rank to the least preferred factor and so on. Table 1 presents the frequency distribution and percentages of respondents according to the ranks assigned by them to the steps required for implementation of IFRS. When we consider the highest percentages of respondents giving a particular rank to a major step for effective transition to IFRS in India, it emerges that IFRS education in the accounting curriculum (1st rank with 24.75 % responses) falls at the top, followed by IFRS training for accountants (2nd rank with 36.25 % responses), IFRS training for auditors (3rd rank with 32.75 % responses), accounting training for CFOs (4th rank with 21.50 % responses), IFRS training for management (5th rank with 24 %). and IFRS training for investors (6th rank with 49.25 %). In terms of weighted means, weight being assigned to 1st rank for the lowest mean value and 6th ranks to the highest mean value of the ranks given by respondents, the analysis shows different results. The results reveal that IFRS training for accountants and IFRS training for auditors with mean values 4.27 and 3.81 respectively obtain first and second position. It also presents that IFRS education in the accounting curriculum and IFRS training for investors is the least preferred by sampled respondents with mean values 3.54 and 2.13 respectively. It is worthwhile to note that IFRS training for accountants, auditors and CFOs are the major required steps in convergence process from the overall analysis of the sampled respondents. Independent variable-wise analyses follows here-in-after.

An age-wise respondents' distribution according to the ranking of steps required in transition to IFRS in India is presented in Table 2. The table shows that the results with respect to the age groups of 30-40 years and 40-50 years are almost same as they have given 1st rank to IFRS education in accounting curriculum, followed by 2nd and 3rd rank to IFRS training for accountants and IFRS training for auditors respectively. Furthermore, the results presented by the age groups of 20-30 years and above 50 years have some different results as the respondents under the age groups of 20-30 years, considered accounting training for CFOs are highly important while on the other hand the respondents belonging to the category of above 50 years are considered IFRS training for management is a highly important step among all given steps.

The major steps required for effective implementation of IFRS in India across the specialization of job wise analysis are presented in Table 3. The results of the responses of audit and other categories of job specialization have the same opinion. As respondents of specialization of accounts, give first, second, third, fourth, fifth and sixth rank to accounting training for CFOs, accounting training for accountants, accounting training for

auditors, IFRS education in the accounting curriculum, IFRS training for management and IFRS training for investors respectively. However, the respondents of tax specialization give first rank to IFRS education in the accounting curriculum, fourth rank to IFRS training for management and fifth rank to accounting training for CFOs. Succinctly, it can be stated that IFRS training for investors is the least preferred by all groups and IFRS training for accountants and auditors are considered the most important steps for effective implementation of IFRS.

A scrutiny of Table 4 reveals that there is not too much difference between different years of experience of respondents for these required steps. The respondents belonging to the group of 0-5 years, 5-10 years and above 15 years are given 1st, 2nd and 3rd rank to the steps i.e. IFRS education in accounting curriculum, IFRS training for accountants and IFRS training for auditors respectively. But, in case of respondents belonging to the category of 10-15 years of experience groups, 1st rank is given to accounting training for CFOs.

By implication it concludes that the required steps in implementation of IFRS compress IFRS education in the accounting curriculum, training to accountant and auditors, while training for investors does not have much significance.

Conclusion

The regulators, particularly ICAI, should keep in mind all those aspects where Indian accounting standards and IFRS contradict with each and subject such contradictions to amendments without loss of time. ICAI, Ministry of Corporate Affairs and other organizations should launch online programs besides workshops, seminars and conferences to train the accountants, auditors, managers and investors. The role of government, particularly the Ministry of Corporate Affairs is all the more important, in that they can impress upon the corporate sector and regulators including ICAI, taxation department, SEBI etc. to expeditiously discharge their respective roles and functions for smooth and timely transition to IFRS. The results reveal that when we consider the highest percentages of respondents giving a particular rank to major steps for effective transition to IFRS in India, it emerges that IFRS education in the accounting curriculum (1st rank with 24.75 % responses) falls at the top, followed by IFRS training for accountants (2nd rank with 36.25 % responses), IFRS training for auditors (3rd rank with 32.75 % responses), accounting training for CFOs (4th rank with 21.5 % responses), IFRS training for management (5th rank with 24 %) and IFRS training for investors (6th rank with 49.25 %).

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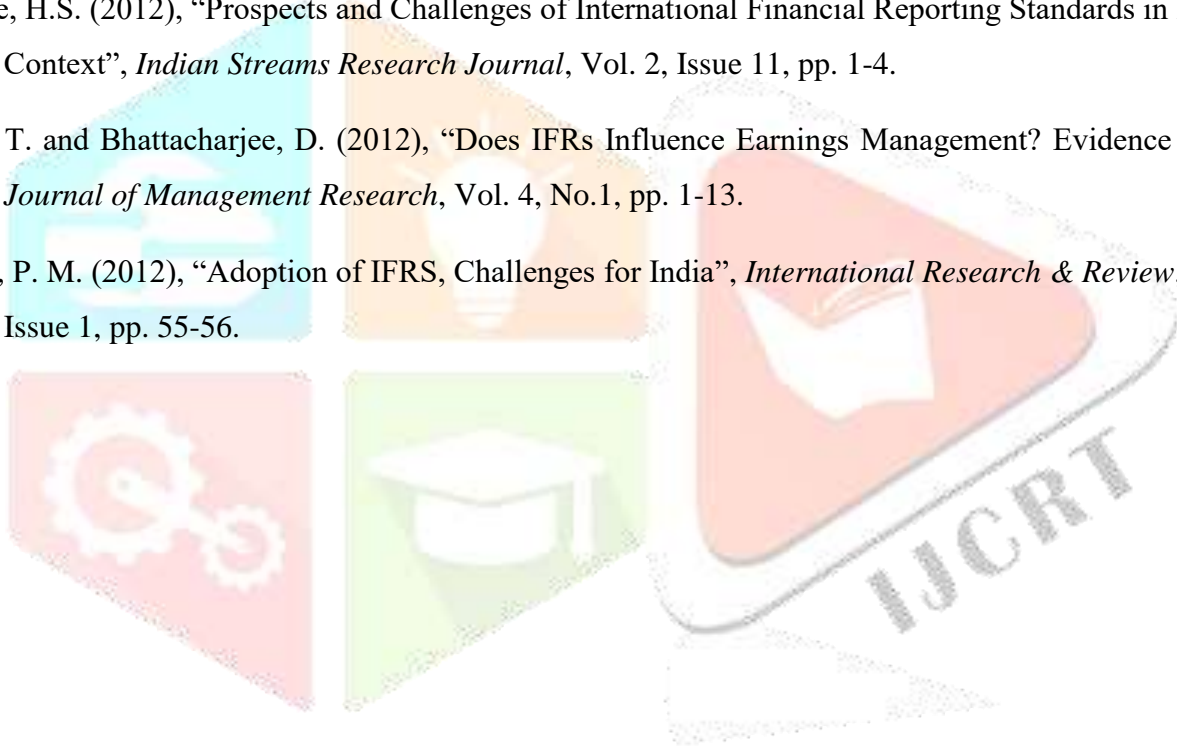


Table 1. Respondents' Distribution According to Ranking of Major Steps Required for Effective Transition to IFRS

Required Steps	IFRS training for investors	IFRS training for management	IFRS training for auditors	IFRS education in accounting curriculum	IFRS training for accountants	Training for CFOs
Ranks	Frequency & Percent	Frequency & Percent	Frequency & Percent	Frequency & Percent	Frequency & Percent	Frequency & Percent
1	8 (2.00)	67 (16.75)	46 (11.5)	99 (24.75)	86 (21.50)	94 (23.50)
2	43 (10.75)	43 (10.75)	73 (18.25)	46 (11.50)	145 (36.25)	48 (12)
3	28 (7.00)	86 (21.5)	131 (32.75)	38 (9.50)	52 (13)	67 (16.75)
4	33 (8.25)	83 (20.75)	83 (20.75)	74 (18.50)	41 (10.25)	86 (21.50)
5	91 (22.75)	96 (24.00)	42 (10.5)	73 (18.25)	61 (15.25)	45 (11.25)
6	197 (49.25)	25 (6.25)	25 (6.25)	70 (17.50)	15 (3.75)	60 (15)
Total	400 (100)	400 (100)	400 (100)	400 (100)	400 (100)	400 (100)
Weighted Mean	2.13	3.57	3.81	3.54	4.27	3.70

Table 2 Age-wise Respondents' Distribution According to Ranking of Major Steps Required for Effective Transition to IFRS

Years	Required Steps /Ranks	IFRS training for investors	IFRS training for management	IFRS training for auditors	IFRS education in accounting curriculum	IFRS training for accountants	Training for CFOs
20-30	1	4	17	14	31	31	34
	2	13	12	27	19	48	12
	3	9	37	41	7	19	18
	4	11	23	27	33	10	27
	5	28	35	12	27	16	14
	6	66	7	10	20	7	20
30-40	1	4	27	14	46	34	42
	2	21	18	30	19	59	19

	3	12	32	58	14	16	36
	4	14	42	33	28	19	31
	5	17	33	20	31	33	39
	6	77	15	12	29	6	22
40-50	1	0	12	12	16	12	13
	2	6	7	8	6	28	9
	3	3	12	22	9	12	8
	4	5	10	14	14	5	17
	5	15	21	7	7	8	8
	6	36	3	2	13	0	10
Above50	1	0	11	6	6	9	5
	2	3	6	8	2	10	8
	3	4	5	10	8	5	5
	4	3	8	5	5	7	9
	5	8	7	3	9	4	6
	6	18	0	1	8	2	8

Table 3. Job Specialization-wise Respondents' Distribution According to Ranking of Major Steps Required for Effective Transition to IFRS

Area of Specialization	Required Steps /Ranks	IFRS training for investors	IFRS training for management	IFRS training for auditors	IFRS education in accounting curriculum	IFRS training for accountants	Training for CFOs
Accounts	1	2	19	8	16	20	21
	2	8	8	15	13	30	12
	3	3	19	31	6	12	15
	4	7	17	17	21	10	14
	5	20	29	3	11	13	13
	6	37	3	12	19	1	11

Audit	1	2	17	10	22	18	20
	2	9	12	20	10	26	11
	3	8	16	28	12	13	13
	4	8	16	18	15	13	19
	5	22	24	8	13	16	10
	6	38	6	5	18	3	15
Taxation	1	0	3	6	12	9	8
	2	4	3	7	5	14	5
	3	1	11	12	4	2	8
	4	1	12	6	7	6	6
	5	7	5	6	6	6	8
	6	24	4	1	4	1	4
Others	1	4	28	22	50	39	44
	2	22	20	31	18	75	20
	3	16	40	60	16	25	31
	4	17	38	42	31	12	47
	5	30	49	25	43	26	15
	6	98	12	7	29	10	30

Table 4. Years of Experience wise Respondents' Distribution According to Ranking of Major Steps Required for Effective Transition to IFRS

Years	Required Steps /Ranks	IFRS training for investors	IFRS training for management	IFRS training for auditors	IFRS education in accounting curriculum	IFRS training for accountants	Training for CFOs
0-5	1	24	24	15	37	34	33
	2	18	18	26	19	51	17
	3	34	34	44	14	21	26
	4	28	28	31	33	9	34
	5	35	37	18	28	23	16
	6	23	8	14	19	7	8

5-10	1	12	12	11	30	17	25
	2	11	11	23	11	33	8
	3	24	24	28	7	9	21
	4	21	23	17	19	13	19
	5	17	17	13	16	13	21
	6	15	12	6	12	5	12
10-15	1	9	9	12	13	16	18
	2	6	6	12	7	24	10
	3	15	15	21	9	12	8
	4	16	16	13	11	5	16
	5	20	18	7	11	9	8
	6	3	3	3	17	0	10
Above 15	1	22	21	8	23	14	20
	2	8	8	12	9	37	13
	3	13	13	38	8	10	12
	4	17	22	17	10	14	18
	5	24	24	4	18	8	8
	6	2	2	2	15	3	19