



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

“A STUDY ON ADOPTION OF IFRS AND IT’S ROLE IN INDIAN ACCOUNTING SYSTEM”

Mr.SHASHIKANTH M

Assistant professor in Commerce

Sri Kuvempu Mahavidyalaya First Grade College Kengal

Channapatna, Ramanagara district. 562161

ABSTRACT:

Organizations required programs to train the employees in the organization, and the elevated disclosure specifications and information desires frequently overwhelm your existing accounting information method. So, a new prepared approach is essential before entering the usage of IFRS. Differences between IGAAP and also IFRS may perhaps result organizations decision/financial performance of the enterprise. That result has to be assessed and also phase-wise setup might be taken on. From the personal observation, it is found that less number of auditors having knowledge of IFRS or IND AS, So, the deficiency of auditors together with IFRS know-how means the auditing charges is going to be increased.

Universities and Higher Educational Institution might offer graduate and post graduate program on IFRS to facilitate convergence with International Financial Reporting Standards in India. To facilitate convergence with International Financial Reporting Standards in India, high quality of accounting education helps. Hence, universities might encourage research on IFRS. Promotion activity by ICAI and MCA by conducting Educational workshops, seminars and conferences to create users and investors aware of financial statements prepared under International Financial Reporting Standards. Clear Government policies for supporting small and medium enterprises (SMEs) encourage companies with implementation of International Financial Reporting Standards (IFRS). Transparency in financial reporting under International Financial Reporting Standards (IFRS) facilitates convergence.

Encouraging of Indian companies go abroad for listing in their stock marker so it may an enforcement for implementation of IFRS in such companies. Encouraging of foreign companies to come to India for investment in Indian market it may facilitate of implementation of IFRS India. Have a separate Monitoring Committee to update IND AS standards to review the present standards and to make necessary changes according to the company’s requirement. Amendments and modifications of Indian Companies Act 2013 include provision to facilitate convergence with International Financial Reporting Standards. Amendments and modifications for provisions measurement in Income Tax Act 1961 relating fair value measurement and deferred tax under section 145 to facilitate IFRS convergence in India. From the personal observation, it is found that less number of auditors having knowledge of IFRS or IND AS. So, the deficiency of auditors together with IFRS know-how means the auditing charges is going to be increased, therefore more research-

based training must connect gap There could be a requirement of Time between voluntary adoption and Mandatory adoption of IFRS for companies. Which would for the companies to understand the impact of IFRS on financial statements and according to that they can make necessary changes in that particular period.

KEY WORD: Amendments, Indian Companies, Organizations, Education, Implementation

1.1 Theoretical Background of the topic:

Initially all multinational and global companies across the world prepare financial statements for each country in which they did business, in accordance with each country's GAAP evolved from International Accounting Standard (IAS) issued by International Accounting Standards Committee (IASC) from 1973 to 2001. During this period, a series of Accounting Standards (AS) were released which were numbered numerically starting from IAS 1 and concluded with IAS 41 in December 2000. IASC lasted for 27 years till the year 2001. When it was restructured to become International Accounting Standards Board (IASB). At the time of establishment of IASB, they agreed to adopt the revised set of standards issued by IASC, i.e., IAS 1 – 41, but any standards to be published after that would follow a series known as International Financial Reporting Standard (IFRS).IFRS are increasingly becoming the set of globally accepted accounting standards that meet the needs of the worlds increasingly integrated global capital markets. The adaptation of standards that require high quality, transparent and comparable information is welcomed by investors, creditors, financial analysts and other users of financial statements. This enables comparability of financial information prepared by entities located in different parts of the world. A use of single set of accounting standards facilitates investments and other economic decision across borders, increases market efficiency and reducing cost of raise capital.

1.2 Statement of the Problem:

Accounting treatment has been adopted by the Different countries in a different way and the disclosure pattern with respect to the same economic event. This creates confusion among the prepares as well as for the users while interpreting the financial statement of the company the financial statements that are based on a single, universally acceptable and used GAAP will enable the world to exchange financial information in a meaningful and trust worthy manner. This will accelerate the globalization of finance. Therefore, globe as universally accepting the usage of IFRS in the financial statements. At the same time India also converging with IFRS and ready to prepare their financial statements as per new revised Indian Accounting Standards (IND AS) in a phased manner. There is a problem for the stakeholders about skill as well as Knowledge to prepare and understand the financial statements as per IND AS. Therefore, the study shows the awareness and perception level of the stakeholders in the convergence of IFRS and its effectiveness in the financial reporting.

1.3 Review of literature:

1. Emergence of International Financial Reporting Standard in India's Accounting Scenario by Sarbapriya Ray (2017) says that the development of IFRS ideally will lead to the worldwide use of a single set of high-quality accounting standards for both domestic and cross-border financial reporting. The demand for those standards is driven b the desire for high quality, internationally comparable financial information that capital providers will find useful for decision-making in global public capital markets.

2. Adoption of International Financial Reporting Standards in Developing Countries – The case of Ghana by Antiwar Kofi Ghazi(2018) Says that the advent of companies going international or often global has given rise to the need to develop accounting standards that ensure uniformity and standardization of reporting financial information among parent companies and subsidiaries.
3. Indian GAAP V/S IFRS by Shamnani Gopichand (2019) Says that the convergence with IFRS is set to change the landscape for financial reporting in India. IFRS represents most commonly accepted global accounting framework as it has been adopted by more than hundred countries.
4. The impact of International Financial Reporting Standards Adoption of Financial Statements- the case of Nigeria (2019) Involvement in training activity when IFRS was introduced and 100% answered yes. Training resources should be readily at affordable price which was mentioned in the demerits of IFRS adoption in Nigeria. If possible the government should subsidize the cost of training resources.
5. A Study on Adoption of IFRS, challenges for India by Prashanth Madhukar Shinde (2020) Says that successful implementation of IFRS one demands complete SWOT analysis of the industry, proper research, vision and planning. It has to maintain the speed with that of the world in ensuring financial discipline and acceptance of IFRS is the only answer.
6. IFRS- Problems and Challenges in First Time Adoption by Sunitha Ajaykumar Ray(2020) Reveals that several challenges that will be faced on the way of IFRS convergences that will be faced on the way of IFRS convergence namely Difference in GAAP and IFRS. Issue of GAAP reconciliation, Training education, Legal and regulatory consideration, Taxation, Fair value measurement, Renegotiation of contract and Reporting system.

1.4 Research Gap:

Since the concept of Adoption of IFRS (IND AS) and its role in Indian accounting system and is still taking its shape in the country, there is much to be explored in the Indian accounting system field. The researcher studied about hundred research papers/ articles/ cases related to the study. The above review clearly depicts the lack of study in the field the studies that have been conducted in the field of IFRS is applicable to Indian accounting system most of studies on the issue in developed countries, but there is dearth of such studies in the Indian context. The present study is an attempt to fill this gap. Literature shows that the authors concentrate only on Adoption of IFRS. They have made analysis on Adoption of IFRS in foreign countries rather than on Indian accounting system. So my aim to take up the important of Indian accounting system focus on the effect of Adoption of IFRS (IND AS).

1.5 Scope of the present study:

The present research work studied the convergence of IFRS in terms of their awareness, perception, challenges, opportunities, risk and rewards in context of Indian corporate sector further these aspects are examined from different stake holders across Bangalore region. We have taken overall effect of IFRS on the financial statement of company instead of examining each IFRS separately. For the study Bangalore, a capital city of Karnataka where most of the companies are headquartered, registered are located and listed with the stock exchange has been considered. The scope of the study is restricted to 8 Indian Companies which are listed in National Stock Exchange. Bombay Stock Exchange and NYSE due the lack of availability of Data. In addition to above, the respondents have been selected from different respondents like Chartered Accountants, Finance Executives, Academicians and Shareholders to analyze the awareness and perception level of IFRS convergence from a Bangalore City only.

1.6 Objectives of the study:

The objectives of the study are to:

- To make a detailed comparison between Existing Indian accounting standards, IFRS and Indian Accounting Standards converged with IFRS.
- To study the Awareness and perception level of stakeholders towards the implementation of IFRS in India.
- To study the effect of IFRS Implementation on different sectors.
- To study the issues and challenges faced by India in the implementation of IFRS.
- To give constructive suggestions based on the findings.

1.7 Research Design:

The following paragraphs furnish the research methodology

1.7.1 Research methodology:

The process used to collect information and data for the purpose of making business decisions. The methodology may include may include publication research, interviews, surveys and other research techniques and could include both present and historical data.

1.7.2 Sources of data:

➤ **Primary sources:**

The primary data is original research that is obtained through first-hand investigation. The data has been gathered through personal interaction and the views gathered from concerned manager will be helpful for analyzing and drawing conclusions.

➤ **Secondary sources:**

Secondary data is research that is widely available and obtained from another party.

- Global board annual report.
- Books on research topics.
- Websites.

1.7.3 Sampling plan:

Disproportionate stratified random sampling is used. Under this the total population is dividend into different strata's and proportionate random sampling technique is adopted systematically in selecting the sample elements from these determined strata's.

The population for the study consists of different Respondents like Chartered Accountants, Share Holders, Academicians and Finance Executives were selected from the Bangalore city region only. In the present study, to get the appropriate sample size, the researcher has taken 95% confidence level. The standard sample size is 100 when population is huge and unknown. The researcher identified 100 different

Respondents were selected. The 100 different Respondents were selected from the Bangalore city region only.

1.7.4 Data collection instruments:

Interview schedule were administered to the respondents for collection of primary data.

1.7.5 Data Processing and analysis plan:

All the available data has been complained for a detailed analysis. The collected data will be analysed to draw the conclusion with the help of tables and charts for analysis and interpretation of the questionnaire been given to respondent.

1.7.6 Limitations of the study:

The study taken into consideration only the quantitative aspects and not the qualitative aspects, The data available to study is narrow, The study is confined to global boards, The data available for study on cost is inadequate.

1.8 IFRS Global Scenario:

Lot of companies around the world are opening their doors for foreign investment and business are these days are no longer confine to any physical boundary. So this gave rise to need for some global accepted standards and which was called as IFRS formerly is known as IAS. A Group of 19 countries and the EU found the G20 with the common interest of improvement of global financial system and the EU has led the way in making IFRS compulsory.

In May 2002 the European Parliament ruled that the consolidated financial statements of all the companies that the domicile in EU and whose public shares are listed, they must follow the IFRS with effect from 1st January 2005.

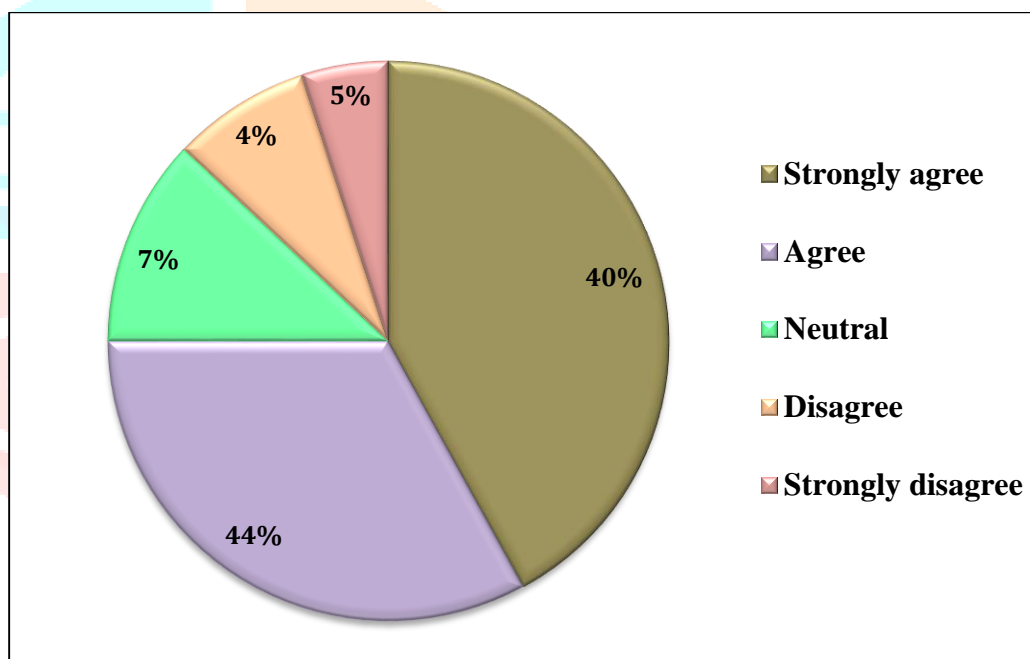
In this process they are certain countries which are still considering or converging with IFRS like US, Japan, India, Malaysia, Columbia, etc,. The Present Global Scenario and all G20 countries are somehow adopting or converging with IFRS. In Canada, the application is larger even then what it is in Europe and IFRS is required for all the listed companies with effect from 1st January 2015, prior to that the rate regulated entities and the investment companies they had the option of opting out but that is no longer the same, and Canada has adopted the notion of publically accountable entities so now even the state entities has to adopt the IFRS. In United States of America (USA) currently the US SEC registrants required to use the US GAAP and are not permitted to use IFRS However, foreign private issuers they are permitted to use the IFRS

1.8.1 Data collections of Auditors, Experts, Academicians, Students, Awareness and Perception level of Stakeholders on the implementation IFRS. The Respondents agreement/otherwise with the statement at five levels, namely, strongly Agree, Agree, Neutral, Disagree, Strongly Disagree. The variates are assigned the values 1,2,3,4 and 5 respectively their levels of agreement with the statement are reflected in the following table and figure.

Table -1

The Convergence with IFRS will facilitate more financial information for benefit of internal and external stakeholders.

Scales	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	40	44	7	4	5
Percentages	40%	44%	7%	4%	5%

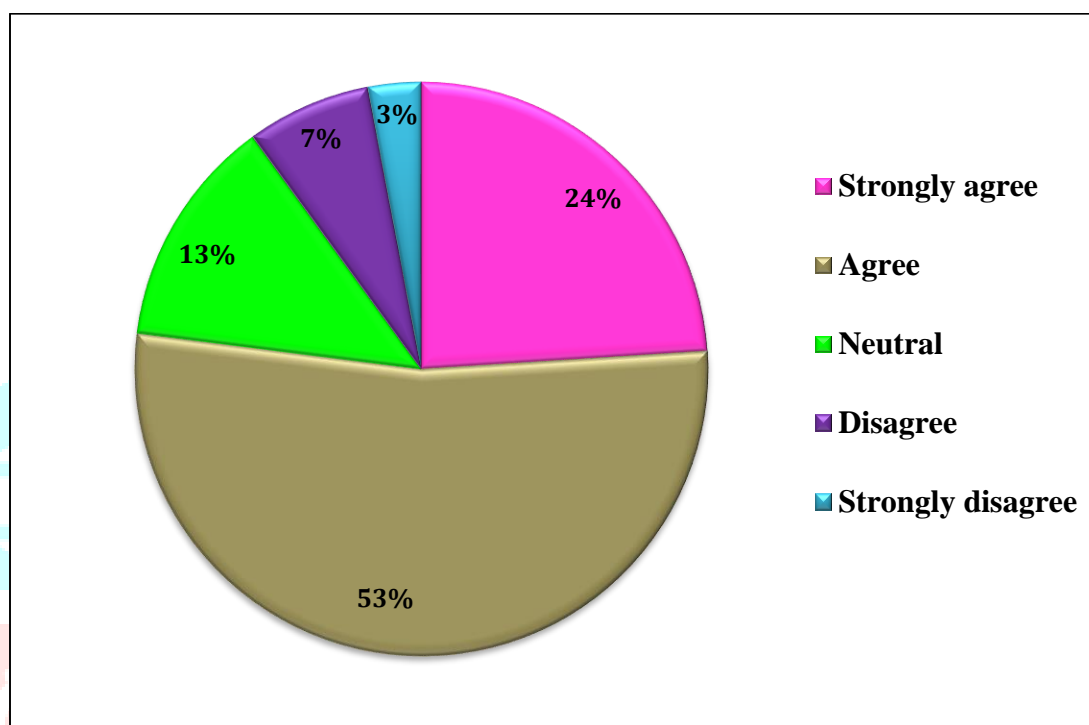


From above table it can be presumed that 44% of total Respondents agree with statement of “The joining with IFRS will encourage more money related data for advantage of inner and outside stakeholders” while 40% strongly agree with statement. None of Respondents strongly trusting that convergence with IFRS won’t encourage more monetary data for advantage of inner and outer partners.

Table – 2

The convergence with IFRS will result into positive changes or development in Human Resources.

Scales	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	24	53	13	7	3
Percentages	24%	53%	13%	7%	3%

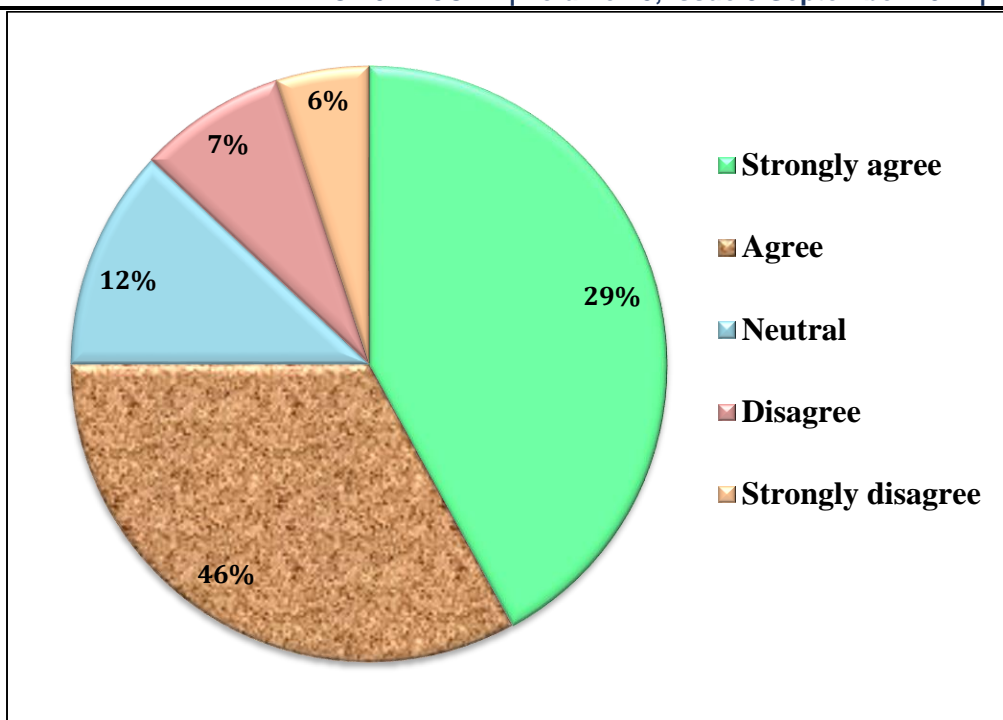


From above table it can be inferred that 24% of total Respondents agree with statement of “The joining IFRS will come about into positive changes of improvement in human resources” while 53% of strongly agree with statement. None of respondents strongly trusting that Convergence with IFRS won’t come about into positive changes or improvement in H

Table – 3

The IFRS Implementation will have impact on many elements of Business Performance Management (BPM) Ecosystem.

Scales	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Respondents	29	46	12	7	6
Percentages	29%	46%	12%	7%	6%



From above table it can be reasoned that 46% of total Respondents agree with statement of “The IFRS execution will affect numerous components of Business Performance Management (BPM) Ecosystem” while 29% strongly agree with statement. Respondents strongly trusting that IFRS execution won’t affect numerous components of Business Performance Management (BPM) Ecosystem.

1.9 Summary of findings:

In the following paragraphs, a summarised version of the findings arrived at, by analysing the primary data furnished by respondents, is furnished:

1. IFRS adopting countries who have implemented IFRSs are not at the same level of adoption and implementation.
2. There are different modifications in IFRS for the purpose of implementation in different countries.
3. Most of the adopting countries, though already adopted IFRS, still do not implement IFRS for small and medium size enterprises.
4. The majority of stakeholders believe that International Financial Reporting Standards’ implementation process is affected by legal factor in India and only a few of stakeholders do not accept it.
5. Recognition, measurement and disclosure of elements of financial statements under Indian Companies Act and Indian Income Act is affected due to convergence with IFRS in India, therefore Indian Companies Act 1956 was amended as Companies Act 2013. And Income Computation Disclosure Standards (ICDS) has been implemented by Central Board of Direct Taxes (CBDT).

6. Institute of Chartered Accountants of India 'ICAI' allows industries to present their financial statement either as per IFRS of Indian GAAP.

1. References

1. Stent W, Bradbury M. and Hooks J.(2010) "IFRS in New Zealand: Effects on Financial Statements and Ratios", Pacific accounting Review, Vol 22, No 2, pp 92-107.
2. Lantto A.M and Sahlstrom P (2009) "Impact of International Financial Reporting Standard Adoption on Key Financial Ratio", Accounting and Finance Vol 49, pp 341-361.
3. Ball R.(2008) " What is the Actual Economic Role of Financial Reporting" available at <http://ssrn.com/abstract=1091538>
4. M.S. Turan and Dimple "Transition from GAAP to IFRS An evidence from uk " Journal of Accounting and Finance Volume 25, No 2 ,pp57-66
5. Capkun V. Jeny A.C Jeanjean T. and Weiss L.A (2008) "Earnings management and value relevance during the Mandatory Transition from Local GAAP to IFRS in Europe" available at <http://ssrn.com/abstract=1125716>, retrived on 5 August 2010
6. Lantto A.M (2007) Does IFRS improve the usefulness of Accounting information on code law country?' available at <http://ssrn.com/abstract=905218> retrieved on 10 August 2010
7. FRS: A quick reference Guide by Robert Krik
8. [.http:// online library.wiley.com/doi/10.1002/jcaf.20406/abstract](http://online.library.wiley.com/doi/10.1002/jcaf.20406/abstract)
9. <http://icai.org/resoucre>
10. http://www.pwc.com/enGX/gx/ifrsreportingservices/pdf/viewpoint_convergence.pdf

