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CHARTERED ACCOUNTANTS' PERSPECTIVES ON IFRS ADOPTION IN INDIA

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ABSTRACT

Global financial reporting has seen significant changes in recent years, the most notable of which is the continued adoption of IFRS on a global scale. Companies have elected to converge to International Financial Reporting Standards in an emerging economy on the global economic map (IFRS). In India, changes in financial reporting practises began in the late 1980s with the introduction of economic reforms and globalisation. Therefore, the Indian government made the decision to align its regional accounting standards with IFRS. A task force was established by the ICAI in 2006 with the goal of presenting a blueprint for the convergence process in India. This study makes an effort to discuss the scenario in relation to the adoption roadmap for IFRS, the effectiveness of adoption, and challenges encountered during this convergence process.

KEYWORDS: Economy, IFRS, Accounting, ICAI.

INTRODUCTION:

A competent financial reporting system supported by good governance, clearly stated quality standards, and an established regulatory framework is the key to economic development. As the group responsible for developing India's accounting standards, the Institute of Chartered Accountants of India (ICAI) has consistently created accounting standards that have lasted the test of time. The importance of achieving convergence with International Financial Reporting Standards (IFRS) grows as society becomes more globalised. India cannot afford to isolate itself from the global changes and advances that are occurring in today's global economic town.

Both a restricted and an expansive understanding of IFRS are possible. In a strict sense, IFRS refers to the IASB's new numbered series of declarations. In its broadest meaning, IFRS refers to guidelines and explanations accepted by the IASB, IASC, and SIC. Compared to the preceding standards, which were mostly based on principles, this new set of accounting standards is more principle-based. An IFRS task force was established in India by the accounting standards board with the following objectives:

1) The approach for achieving convergence with IFRS.

2) Laying down a road map for achieving convergence with IFRS with a view to make India IFRS complaint.

In Feb, 2011, IFRS converged Indian Accounting Standards (Ind AS) came into existence. The implementation was postponed until April 2012 due to the practical challenges faced by Indian Regulators as well as corporates. Irrespective of the varying opinions convergence of IFRS with local standards is now not just a forum of discussion but a reality.

Conceptual Framework of IFRS:

The conceptual framework for IFRS makes an effort to define the nature and goal of accounting. Financial reporting's underlying assumptions and concepts are provided by the conceptual framework. The information provided by IFRS is used to decide how a specific transaction should be recorded. Historical data shows that in the absence of a conceptual framework, many accounting standards were internally inconsistent, few standards were conflicting with other accounting standards, and some standards were in disagreement with the accrual and prudence accounting principles. The standard-setting process frequently relied on the unique ideas of each member of the standard-setting board. Rule-based accounting, which is viewed as prescriptive and rigid, was developed as a result of this. Consequently, a thorough conceptual framework must be established in order to enable the development of "principle based standards" (ACCA, 2011). Additionally, the conceptual framework would ensure that accounting pronouncements were consistent over time.

Challenges towards Implementation of IFRS:

Cost of Transition: Businesses must pay a one-time transition cost to update their internal control procedures, alter their accounting systems, and document those changes. Additionally, companies must provide financial statements for at least one prior year, and for SEC listed companies, up to three years. Additionally, the businesses must pay an outside consultant to teach their staff members and introduce IFRS to analysts and investors.

OBJECTIVES OF THE STUDY:

1. To study the viewpoint of chartered accountant towards implementation of IFRS in India.

2. To study the roadmap of IFRS adoption and efficacy of adoption

LITERATURE REVIEW:

Impact of IFRS on Financial Statements:

Numerous studies conducted in different parts of the world examined how IFRS affected corporations. They all discovered that IFRS adoption had a favourable effect on organisations, financial reporting, and larger economic environments. Li (2010) and Daske et al. (2008) looked into how IFRS adoption affected global capital markets. According to Daske et al. (2008), enterprises implementing IFRS in the year of required adoption see significant gains in market liquidity, while the cost of capital shows mixed consequences. Li (2010), on the other hand, looked at how IFRS affected the price of equity in the European Union and discovered that only in nations with robust legal enforcement did mandatory adopters of IFRS experience significant drops in the cost of capital during the years of required adoption.

The impact of IFRS adoption on the calibre of accounting has been investigated in several research. Goodwin and Ahmed (2006) investigated how IFRS affected entity size in Australia. Smaller businesses had improvements in net income and equity as a result of the introduction of IFRS and faced fewer changes. Larger companies, on the other hand, saw numerous modifications, tiny improvements in net income, and a decline in equity. They come to the conclusion that adoption of IFRS has been found to have a greater impact on larger enterprises' accounting quality than it does on smaller ones. Similar research by Goodwin, Ahmed, and Heaney (2007) revealed that, on average, IFRS led to declines in equity and earnings and increases in liabilities and leverage ratio. These conclusions are in line with those of Hung and Subramanyam (2007), who concentrated on the specific implications of implementing IFRS on financial statements by conducting a direct comparison of financial statements made under IFRS and German GAAP.

Barth, Landsman, and Lang (2008) investigated whether the adoption of IFRS in 21 nations that previously employed domestic GAAP resulted in an improvement in accounting quality. They came to the conclusion that organisations that compile their financial statements in accordance with IFRS are less susceptible to earnings management, more timely in recognising losses, and more value relevant in their accounting numbers. They also came to the conclusion that organisations using IFRS had better accounting information than those who don't. Studies that expanded the research to include popular financial ratios provide further details regarding how the adoption of IFRS has affected financial statements (Stent, Bradbury and Hooks 2010). According to Stent et al. (2010), private sector entities' liabilities significantly increased and their equity decreased as a result of New Zealand adopting IFRS. The primary causes of the increases in liabilities and declines in equity were modifications to income taxes, employee benefits, and financial instruments.

Major Differences between Indian GAAP and IFRS:

The financial reporting guidelines used internationally differ significantly from the AS we have been using. The transition from GAAP to IFRS involves much more than just a technical change from one set of accounting principles to another. This would have far-reaching business implications in addition to major accounting ones. Organizations have the right to contest how investors, stakeholders, competitors, etc. perceive them. Due to the significant differences between AS and IFRS, the impact analysis of the switch is related to many aspects of company. These variations primarily pertain to:

- Business Combinations
- Financial instruments
- Group accounts
- Fixed Assets and investments
- Presentation of Financial Statements
- Share based payments and Employee Benefits
- Revenue Recognition
- Impairment of Assets
- Segment reporting

METHODOLOGY:

Data Collection:

Primary Date:

Closed ender likert scale structured questionnaire

Secondary Data:

Information related to IFRS disclosure practises in financial statements has been collected from checking Annual Reports. Books, Articles, Journals on IFRS etc.

Sample Size:

Ahmedabad based 100 chartered accountants selected for this research study.

DATA ANALYSIS:

Sr No	Hypothesis Statement	Significance Value	Standard Value	Result
1	Respondent feels that there is less efficiency and increase in cost of finance under IFRS than in GAAP	0	0.05	Rejected
2	According to respondent companies that operate or aim to operate in multiple foreign countries will not be under pressure to comply with accounting standards under IFRS than GAAP	0	0.05	Rejected
3	There is no relation between gender and effect on FDI inflow after adopting IFRS	0.055	0.05	Accepted
4	Respondent do not feel that IFRS directly affects how earnings, compensation, tax liability and other key aspects of the business are accounted and reported for.	0	0.05	Rejected
5	Respondent do not think that IFRS adoption has significant effect on FDI inflows	0	0.05	Rejected
6	There is no relationship between gender and facilities provided like cross- borders mergers and acquisition in IFRS compared to GAAP	0.569	0.05	Accepted
7	Respondent do not think that IFRS improves the quality of Financial statements and increase access to global capital market	0	0.05	Rejected
8	Respondent does feel that IFRS has negative effect on the information for control and decision making by investors	0	0.05	Rejected
9	Respondent does feel that IFRS has negative effect on the information for control and decision making by investors	0	0.05	Rejected
10	There is no relationship between gender and Companies that operate or aims to operate in multiple foreign countries will be under pressure to comply with accounting standards under IFRS than GAAP.	0.967	0.05	Accepted
11	Respondent feel easier to raise capital under IFRS than in GAAP	0	0.05	Rejected
12	Respondent feel easier to secure cross-border listing under IFRS than under GAAP	0	0.05	Rejected
13	Respondent feels that IFRS adoption do not leads to better integration and management of global operations than GAAP	0	0.05	Rejected
14	There is no relationship between gender and major opportunity for transformation in the finance function after adopting IFRS	0.056	0.05	Accepted
15	Respondent feels that IFRS do not facilitates cross- borders mergers and acquisition compared to GAAP	0	0.05	Rejected
16	Respondent seems that there is less comparability of companies under IFRS than GAAP	0	0.05	Rejected
17	There is no relationship between gender and better information provided for regulators in IFRS than GAAP	0.569	0.05	Accepted
18	According to respondent many elements of the Business Performance Management (BPM) Ecosystem will not be impacted as a result of IFRS implementation.	0	0.05	Rejected
19	Respondent feels that Competitiveness among companies do not enhanced under IFRS than GAAP.	0	0.05	Rejected
20	There is no relationship between gender and more efficiency under IFRS than GAAP	0.785	0.05	Accepted
21	Respondent think that IFRS do not provide better information for shareholders than GAAP	0	0.05	Rejected

Interpretation:

According to chartered accountants, there is no correlation between gender and the impact of adopting IFRS on FDI inflow; IFRS directly influences how earnings, compensation, tax liability, and other important business aspects are accounted for and reported for; there is also no correlation between gender and the facilities offered, such as cross-border mergers and acquisitions in IFRS compared to GAAP; and IFRS has a positive impact on the information that investors use to control and make decisions.

SUGGESTION:

- As the guidelines supplied are insufficient, IFRS should be implemented in India in stages along with appropriate training offered by "Help Centers."
- To organise seminars and workshops to inform and inform chartered accountants about the benefits of IFRS
- The style and consistency of balance sheets prepared in accordance with IFRS norms tend to be more advantageous.

CONCLUSION:

For Indian businesses and the Indian government, using IFRS in India is difficult. Even though the Indian economy and legal system play a crucial role in this field and require time as it is being implemented, if IFRS were to become mandatory in the future, it would have a variety of effects on many Indian enterprises. It is not desirable for a company with local business operations that has no plans to join the foreign market or engage in any business with foreign entities to adopt IFRS because doing so will increase costs for staff training and documentation. MNC enterprises from India do in fact have difficulties at first, which is undoubtedly a problem for businesses.

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