

A STUDY ON IFRS IMPLEMENTATION IN INDIA

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Abstract

The International Financial Reporting Standards (IFRS) are quickly becoming the international business language. Globalization has made it possible for all countries to follow the same accounting standards. Because it has transformed a closed economy into an open economy, the International Financial Reporting Standards (IFRS) are intimately linked to the overall issue of globalization. The process of implementing International Financial Reporting Standards (IFRS) has piqued the interest of India's financial accounting research community. The International Financial Reporting Standards (IFRS) reflect a significant shift in transaction accounting and financial statement reporting. Because of the adoption of Indian Accounting Standards (Ind AS), which are converged with international standards, financial reporting in India is undergoing a significant transition (IFRS). With the notification of 39 Ind AS standards and an implementation plan by the Ministry of Corporate Affairs in February 2013, this has now become a reality for Indian enterprises. As a result, India's position in worldwide rankings for corporate governance and financial reporting transparency will improve. Around 150 nations have already embraced the International Financial Reporting Standards (IFRS). However, MCA has opted to push for full IFRS convergence by 2013 through IND AS in India.

1. INTRODUCTION

"A single set of high-quality, intelligible, and enforceable worldwide accounting standards that demand high-quality, transparent, and comparable financial statements and other financial reporting to assist participants in the world's capital markets and other users in making economic choices." There are several accounting standards in use across the world, with each country employing its form of generally accepted accounting principles or GAAP. These enable businesses to record their financial accounts in compliance with the applicable GAAP. If the company does business in many nations, the situation becomes more complicated. How can investors deal with different standards, determine which ones are correct, and evaluate companies based on their financials? The implementation of the International Financial Reporting Standards, or IFRS, established and maintained by the International Accounting Standards Board, provides the solution to these problems (IASB). The International Accounting Standards Committee (IASC) was established in June 1973 with the stated goal of developing new international standards that would be "capable of fast adoption and implementation worldwide." The IASC existed for 27 years, until 2001 when it was reformed and replaced by the International Accounting Standards Board (IASB). The IASB stated that they would adopt the body of standards issued by the International Accounting Standards Committee's Board of Directors, which would continue to be known as "International Accounting Standards," but that any new standards would be published in a series known as

"International Financial Reporting Standards" (IFRS). The Press Information Bureau of the Ministry of Corporate Affairs (MCA) of the Government of India issued a note on January 2, 2013, outlining the various phases in which Indian Accounting Standards converged with IFRS (Ind AS) is proposed to be implemented in India for companies other than banking, insurance, and NBFCs. The application of Ind AS is dependent on a company's listing status and net value. Beginning April 1, 2013, Ind AS will apply to firms with a net value of 500 crore INR or more. From April 1, 2013, listed firms and those with a net worth of at least 250 crore INR will be subject to the new rules. Companies impacted in the first phase will have to pay more attention to the specifics of the 39 new Ind AS that have been notified starting in April 2013. Ind AS will also apply to the entities covered by the roadmap's subsidiaries, joint ventures, affiliates, and holding corporations. Adoption refers to the process of adopting the International Financial Reporting Standards (IFRS) as released by the IASB, with or without amendments. Convergence refers to the alignment of national GAAP with IFRS through the development and maintenance of accounting standards so that financial statements issued under national accounting standards comply with IFRS. Converging to global accounting standards, such as IFRS, makes it easier to compare businesses operating in different jurisdictions. As a result, worldwide accounting standards would reduce friction in capital flows, allowing for more and deeper investment in markets. Convergence with the International Financial Reporting Standards (IFRS) is also in the industry's best interests since compliance with them would increase investor trust and lower the cost of acquiring foreign capital. Adoption of IFRSs with the aforementioned exclusions, if necessary, is referred to as convergence with IFRSs. It is not required for IFRSs to be applied to all entities of all sizes and public interests for a country to be IFRS-compliant. Furthermore, financial data might be compared and benchmarked against worldwide rivals. Adoption of the International Financial Reporting Standards (IFRS) will allow for cross-border acquisitions and joint ventures, as well as access to foreign finance. This is because the majority of stock markets require financial information to be reported following the International Financial Reporting Standards (IFRS). Companies who embrace IFRS early may gain an advantage over their competition since they may claim early adoption. As a result, the company's brand value will increase. The firms' shares and securities can be traded on stock markets all around the world. Most stock markets demand financial statements produced following the International Financial Reporting Standards (IFRS). The use of IFRS in a corporation would necessitate the hiring of qualified accountants, auditors, valuers, and actuaries. This would also help the service industry flourish, as India might become a center for accounting services. Furthermore, a unified set of accounting standards used internationally would guarantee that auditing companies' training is consistent and that the quality of their work is consistent.

2. REVIEW OF LITERATURE

- **Kamath and Desai (2013)** The Impact of IFRS Adoption on the Financial Activities of Indian Companies was the title of their study. Financial risk, investment activities, operational activities, and debt covenant were all classified as financial activities in an empirical study. And, using ratios, it was discovered that investment and operating operations had improved, yet financial risk and debt covenant had remained unchanged.

- **Dr. Mahender k.(2013)** In 2013, he worked on "IFRS and India - Its Problems and Challenges." The primary goal of this research is to examine the data on the IFRS implementation process in India. It also focuses on the IFRS adoption process in India and the benefits of adopting IFRS for India.
- **Dr. U.V. Panchal (2012)** In his paper "IFRS - Opportunities and Issues Ahead of India," focused on the challenges India has in implementing IFRS.
- **Dr. Bhuvender Choudhary, Rachit Gupta, and Hemant Chauhan (2012)** The adoption of IFRS would more accurately represent the revenues of Indian Real Estate developers and their capacity to deliver projects, according to their study report "Convergence of IFRS in India- Strategy, Benefits, and Challenges for Infrastructure Industry." They also feel that IFRS is more successful than the percentage completion technique in dealing with market risks associated with real estate developments.
- **Ms. Archana Patro and Dr. V.K. Gupta (2012)** In their article "Adoption of International Financial Reporting Standards (IFRS) in Accounting Curriculum in India- An Empirical Study," looked into the perceptions of IFRS among Indian management students and evaluated the level of planning for the adoption of the standards, claiming that it would help management schools and universities make decisions about IFRS adoption in the Indian accounting curriculum.
- **Sarbapriya Ray (2012)** In her article "Indian GAAP and its Convergence to IFRS: Empirical Evidence from India," she examined the rationale for introducing IFRS, conducted a comparative analysis of Indian Accounting Standards and IFRS, examined the challenges involved in adopting IFRS in India, and examined the impact and consequences on financial statements as a result of IFRS adoption in Wipro Ltd.

1. CONCEPTUAL FRAMEWORK

International Financial Reporting Standards (IFRS) is an acronym for International Financial Reporting Standards. The International Financial Reporting Standards (IFRS) is an international accounting framework for correctly organizing and reporting financial data. It is based on the International Accounting Standards Board's statements in London (IASB). It is now the mandatory accounting framework in over 120 nations. Because IFRS requires businesses to report their financial results and financial position using the same rules, there is considerable uniformity in the financial reporting of all businesses using IFRS, making it easier to compare and contrast their financial results, barring any fraudulent manipulation.

Businesses from all across the globe, excluding the United States, utilize IFRS to report their financial performance. The accounting system employed in the United States is known as Generally Accepted Accounting Principles, or GAAP. IFRS is more rules-based than GAAP. The IFRS body of work is substantially smaller, clearer, and easier to grasp than GAAP since it focuses more on generic concepts.

2. SCOPE OF THE STUDY

The scope of a study describes the extent to which the research field will be investigated in the work and the parameters that will be used to do it. To put it another way, you'll have to identify what the research will cover and what it will focus on. The International Financial Reporting Standards (IFRS) would improve the comparability of financial statements from different enterprises throughout the world. If the sector can build trust in the eyes of international investors that its Financial Statements comply with globally accepted Accounting Standards, it will be able to raise money from the overseas markets at a cheaper cost. It would decrease the many accounting regulations that exist in multiple nations, allowing businesses to lower their compliance costs. It provides professional chances to foreign clientele. It would provide them more opportunities to work in diverse regions of the world, in both industries and practice. In this context, an examination of India's implementation of the International Financial Reporting Standards (IFRS) is required.

3. IMPORTANCE OF STUDY

While the effects of globalization and harmonization are being felt all over the world, and the need to adopt International Financial Reporting Standards (IFRSs) is becoming more apparent, some jurisdictions have been much quicker to embrace, adopt, and adopt International Financial Reporting Standards than others. In addition to emphasizing the need of adopting International Financial Reporting Standards,

4. OBJECTIVES OF THE STUDY

The study has concentrated on the following objectives:

- To investigate the Indian IFRS adoption environment,
- To learn about the IFRS adoption phases in India,
- To comprehend the applicability of IFRS.
- To discuss the challenges and challenges that come with convergence.

5. LIMITATIONS OF STUDY

- This research is confined to IFRS practices in different accounting reporting techniques.
- Primary data was acquired by questionnaire from accounting professors, lecturers, and students, with only 36 replies being included in the study.
- The respondents are restricted to the city of Karnataka. Because IFRS is still in its early stages, it cannot be viewed as completely error-free. Every effort was taken to ensure that the information was as accurate as possible.
- Questionnaire responders can't be assumed to be completely objective.
- Because the research period is restricted in duration, it cannot be extended.

6. RESEARCH METHODOLOGY

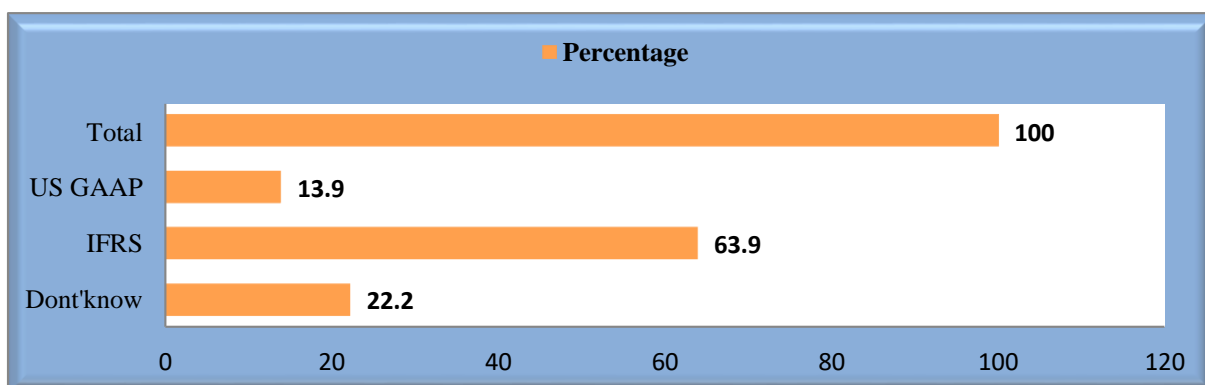
A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevant research purposes with the economy in procedure. The research design is Descriptive. This study mainly focuses on the investigation of the Indian IFRS adoption environment and also learning about the IFRS Phases in India. And also comprehend the applicability of IFRS, this study also attempts to discuss the challenges that come with convergence

S.No	Particulars	Research Design
1	Research Design	Descriptive research Design
2	The population of the study	All companies practicing the IFRS
3	Sample unit	Companies operating in Karnataka
3	Study Area	Karnataka
3	Data Collection	Primary Data
4	Data Collection Instrument	Well-structured questionnaires
5	No of Respondents	36
4	Source of Data Collection	Journals, Articles, RBI, Websites, Newspaper.
5	Statistical Tools & Technique	Percentage technique, Chart, and Graph Technique, and Ratio analysis.

7. DATA ANALYSIS AND DISCUSSION

Data Analysis and Interpretation is done based on primary data collected through questionnaire

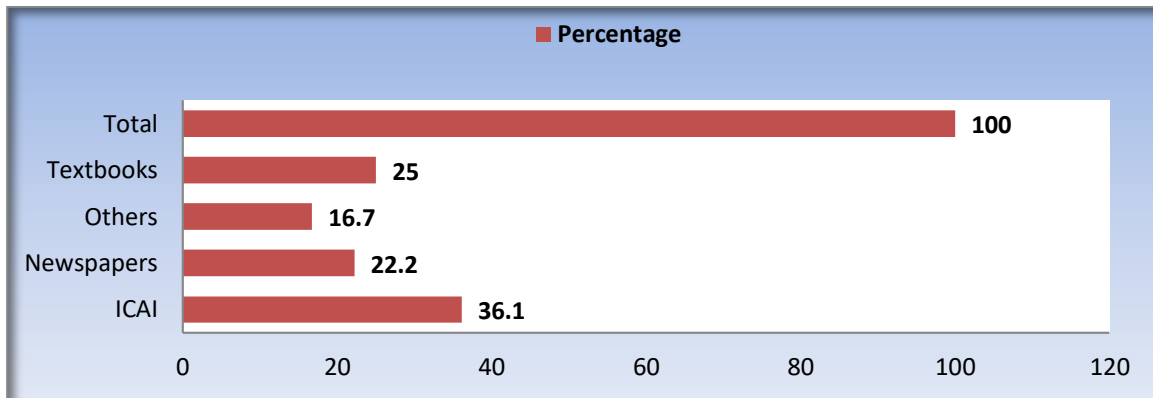
- **Chart No 1 Showing the Percentage of Respondents Understanding towards the Accounting Standards**



INTERPRETATION

The above chart No 1 depicts respondents' understanding of various Accounting Standards 63.9% of the respondents are understood IFRS as one accounting in the world & 13.9% of respondents are understood it as US GAAP. It shows that the Majority of the respondents are understood the International Financial Reporting Standards.

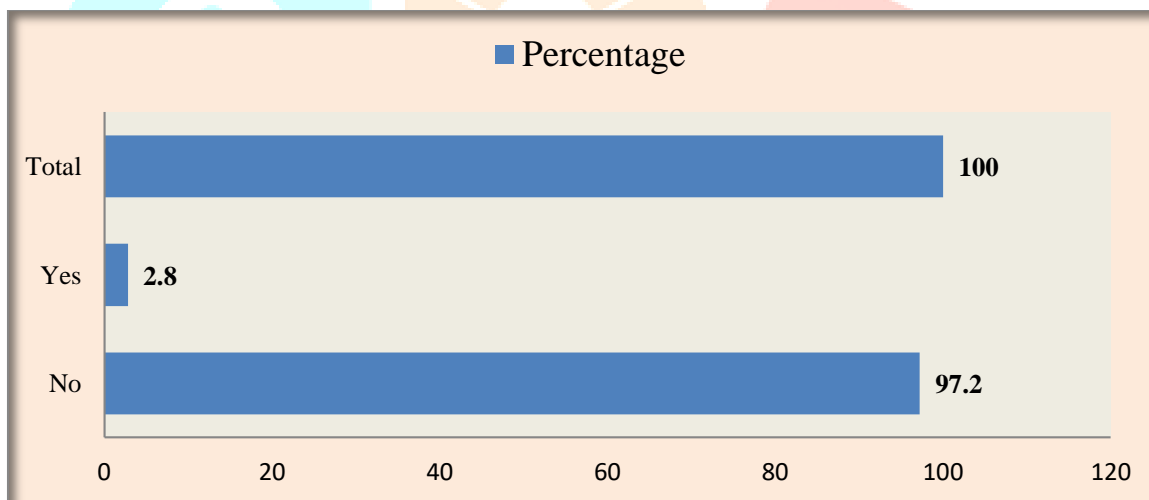
- Chart No 2 Shows the source of information getting about IFRS to the respondents



INTERPRETATION:

Above Chart No 2 Shows the source of information getting about IFRS to the respondents. most of the respondents are aware of IFRS from ICAI, through textbooks 25.0% of respondents are aware of this, 22.2% of people know about IFRS from newspapers, rest of them are aware of IFRS from various sources.

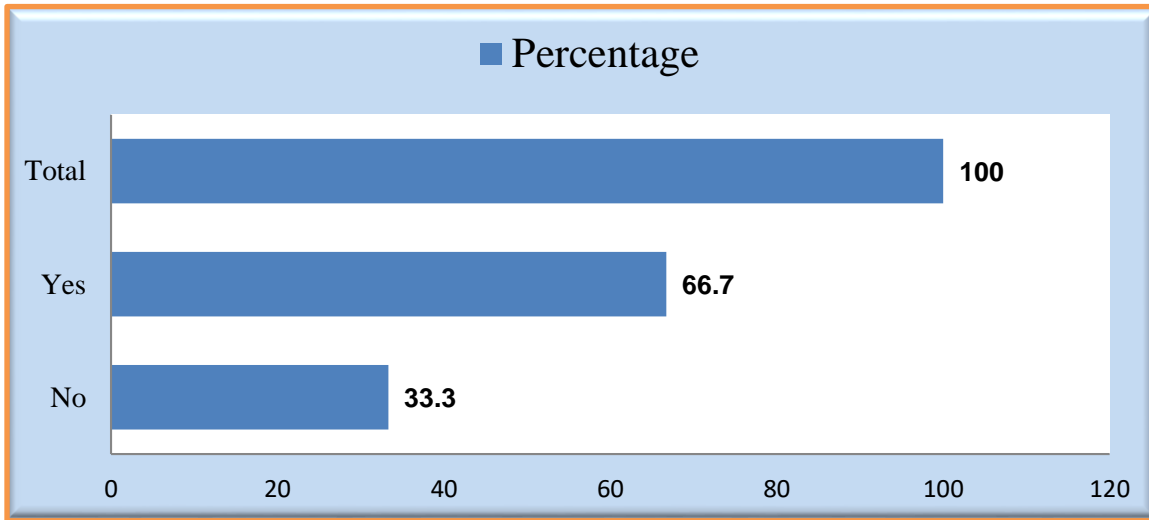
- Char No 3 Showing the Trained Respondents towards the IFRS



INTERPRETATION:

The Chart No 2 Shows the Trained Respondents towards the IFRS. Out of the 36 participants, only 1 respondent had taken training on IFRS, the rest of them had not taken any kind of IFRS training as it is an upcoming topic.

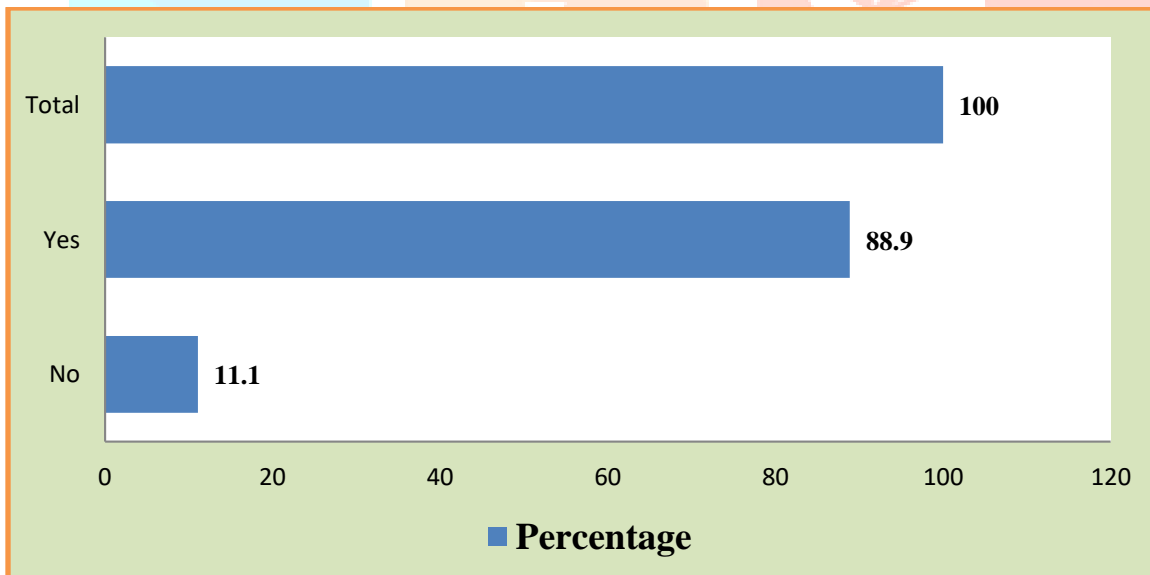
- Chart No 4 shows the interest towards respondents getting the IFRS training



INTERPRETATION:

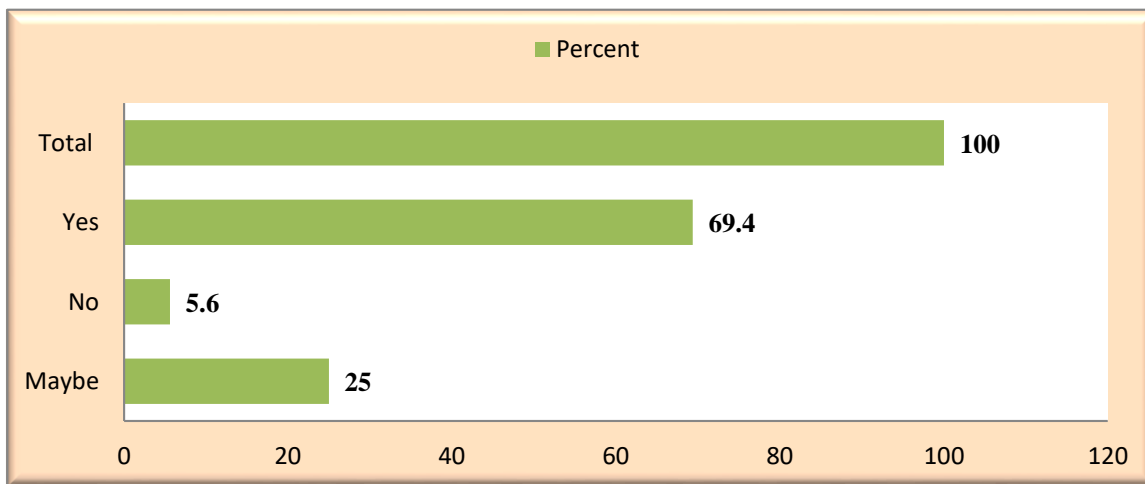
The above Chart No 4 Shows the interest towards respondents getting the IFRS training 66.7% of the respondents replied positively as they are supporting the changes in the accounting field while 33.3% showed no interest, which may say that they are unaware of IFRS.

Chart No 5 Shows the adoption of IFRS in the curriculum by the educational Institution



INTERPRETATION:

Above Chart No 5 Shows the adoption of IFRS in the curriculum by the educational Institution Most of the respondents (i.e 88.9%)are eagerly waiting for the adoption of IFRS in their course curriculum. Few of them (i.e 11.1%) are not interested.

Chart No 6 Shows the Advantages of IFRS towards Respondents Carrier**INTERPRETATION:**

The Above Chart No 6 Shows the Advantages of IFRS towards Respondents Carrier the From the above table researcher came to know that most of the responses are positive, few of them are replied negatively as they may opt for any other career apart from IFRS.

Result Discussion

The poll revealed some interesting findings. The necessity for IFRS to be integrated into accounting curricula was discovered to be urgent. The majority of respondents are familiar with the word IFRS, but not with the content of IFRS. Male and female respondents had equal knowledge of the International Financial Reporting Standards (IFRS). The majority of respondents want to include the course in their study Programme.

8. CONCLUSION

With the adoption of the International Financial Reporting Norms (IFRS) by developed and emerging countries, India has no choice but to adopt them and merge them with Indian accounting standards. Though there may be some implementation issues, financial reporting may readily be aligned with international standards with good planning, execution, and control. As a result, India needs to improve its IFRS convergence conference. There is also a requirement to construct some IFRS policy training programs. India needs effective specialists to engage in this industry to successfully convert IFRS to Indian Corporate. Aside from that, IFRS mandates the use of fair market value in financial reporting, which might result in major variances in the financial data currently shown in financial reports. This might lead to a drop in the company's earnings. As a result, Indian firms will need to raise awareness among their customers, investors, and stakeholders, as well as explain the reasons for the changes and ensure that their financial statements are understood, transparent, and reliable.

9. SUGGESTIONS

- The Government of India and the Institute of Chartered Accountants of India (ICAI) should take appropriate efforts to arrange conferences, workshops, and other awareness initiatives to raise understanding of the IFRS standards among accounting professionals and address their concerns.
- The Institute of Chartered Accountants of India (ICAI) should provide suitable training to accounting professionals.
- The issue of tax obligations coming from India's convergence should be addressed in tax regulations.

10. REFERENCES

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