



**“IMPACT OF CONVERGENCE OF INDIAN ACCOUNTING STANDARDS
WITH IFRS
- A STUDY ON COMMERCE FRATERNITY IN BANGALORE CITY”**

S. Sushma

IInd Year M.Com (FA), Mount Carmel College Autonomous, Bangalore

Sivakami

Co-ordinator, PG Dept. Of Commerce and Management, Mount Carmel College Autonomous, Bangalore

ABSTRACT

International Financial Reporting Standards (IFRS) which is issued by the International Accounting Standards Board (IASB), it is a committee comprising of 14 members from nine different countries, which work together to develop global Accounting Standards. Hence, the present study has been undertaken on three groups of Commerce Fraternity in Bangalore City to understand the Impact of Convergence of Indian Accounting Standards with IFRS. To achieve the purpose, questionnaire was used as an instrument to gather primary data from the respondents using random sampling technique. Total numbers of responses collected were 100. Percentage method and correlation analysis technique was used to study the objectives. Lastly, paper concludes with the measures to be followed to overcome the challenges in adapting the changes due to IFRS.

Keywords: International Financial Reporting Standards (IFRS), Convergence, Preparedness.

INTRODUCTION

“Commerce changes the fate and genius of nations”- Thomas Gray

India is one of the emerging countries in the world. For economic development foreign direct investment is needed, to facilitate the investment, it wants to integrate its financial reporting with rest of the economies of the globe so that investors from outside will understand the financial positions of the companies. To bring out the uniform financial reporting in India, Accounting Standard (AS) has

been introduced by ICAI. For each country different Accounting Standards are followed. To bring the uniformity in financial reporting across the globe, Indian Financial Reporting Standards (IFRS) has been introduced by London-based International Accounting Standards Boards (IASB). Thus, these moves by India will harmonize its Accounting Standards with the internationally accepted Accounting Standards, which will lead to a globally accepted accounting system for the companies in India.

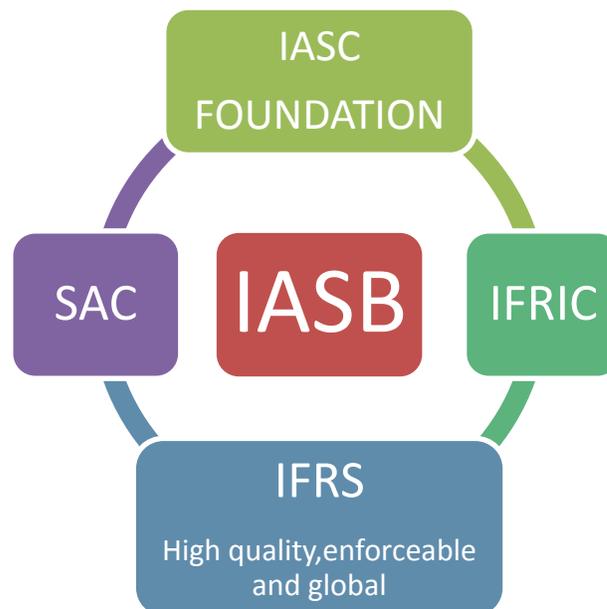
IFRS:

“IFRS are a set of international accounting standards stating how particular type of transactions and other events should be reported in financial statements”.

In other words, “IFRS is a set of accounting standards developed by an Independent, not-for-profit organisation called the International Accounting Standards Board (IASB)”.

HISTORY OF IFRS

IAS was issued between 1973 and 2001 by the board of the International Accounting Standard Committee (IASC). On 1st April 2001, the new IASB took over from the IASC.



IMPORTANT FACTS OF IFRS

- ✓ IFRS provides better financial information for the shareholders and regulatory system in India.
- ✓ IFRS enhances global ability and improves transparency of results.
- ✓ IFRS users can increase ability to secure cross border listing of their companies.
- ✓ It improves management of global operations and better access to the capital markets.

- ✓ IFRS eliminates the multiple reporting processes.
- ✓ IFRS facilitates global investment opportunities and also reduces cost of capital.
- ✓ It reduces barriers to enter global markets and reduces risk.
- ✓ IFRS provides new and enhanced services especially in the field of Business Process Outsourcing (BPO).
- ✓ It helps to review financial reporting and information system for control.
- ✓ Uniform accounting standards enable investors to understand investment opportunities.
- ✓ It helps in fair valuation of the balance sheet items.

WIDE SPREAD OF IFRS

More than 12000 companies across 100 countries, companies operating in European Union and other countries including Canada, India have adopted IFRS. It is expected that this number is going to increase to 150 countries in the next few years.

OBJECTIVES OF IFRS

- To develop in the public interest, a single set of high quality and globally accepted financial reporting standards.
- To ensure high quality, transparent and comparable information in financial statements.
- To promote the use of standards.
- To promote and facilitate adoption of IFRS.
- To make a common platform for better understanding of accounting internationally.
- Synchronisation of accounting standards across the globe.
- To create comparable, reliable and transparent financial statements.
- To facilitate greater cross-border capital raising and trade.

RESEARCH OVERVIEW

Dr. Preeti Shrivastava, D.S Rawat & Dr. Deepti Maheswari (2015) conducted a survey on Challenges and Prospects of IFRS in Indian Accounting System. The study says Accounting Standards (AS) at par with IFRS so that the Indian corporates and the accounting professionals reap the benefits of global accounting standard irrespective of various challenges. Adoption of converged IFRS in India will significantly change the contents of corporate financial statements as a result of more refined measurements of performance and state of affairs, and enhanced disclosures leading to greater transparency and comparability.

Dr. M. Muniraju & Ganesh S. R (2015) conducted a survey on Convergence of International Financial Reporting Standards – Benefits, Problems and Challenges, India. From the study it came to know that the companies will find comfort in using accounting standards converged with IFRS if their accountants, auditors, shareholders and other stake holders along with the rating agencies and investment analysts are conversant with such new standards.

Hiral Desai (2016) conducted a survey on IND AS Converged with IFRS. The study says Convergence to IFRS is expected to improve the relevance, reliability and comparability of financial reports and thus benefit global investors.

RESEARCH GAP

Many Studies have been conducted on IFRS. From the above literature review it is evident that very few research has been carried out on importance and challenges of IFRS. Hence the present study is undertaken to study the Impact of Convergence of Indian Accounting Standards with IFRS on Commerce Fraternity.

RESEARCH METHODOLOGY

The Primary data is collected through a survey which is carried out by means of self-administered structure questionnaire through web survey (Google forms). Total 100 respondents of which 33 were Commerce Professors where as 34 respondents were PG Commerce Students and the rest 33 were Chartered Accountants.

STATEMENT OF PROBLEM

Accounting Standards are being established both at national and international levels. However, the diversity of Accounting Standards among the nations of the world has been a problem for the globalisation of the business environment. To overcome above issues IFRS has been introduced. The present study attempts to study the Impact of Convergence of Indian Accounting Standards with IFRS.

OBJECTIVES OF THE STUDY

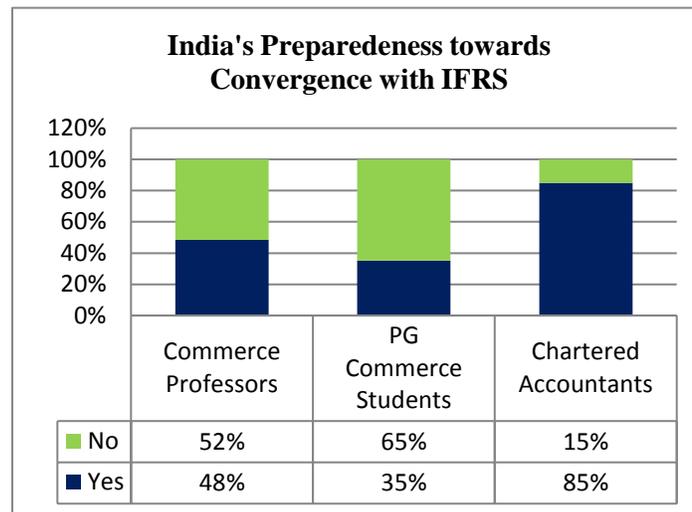
- To study the history and development of IFRS
- To evaluate the impact of Indian Accounting Standards converging with IFRS on the commerce fraternity in Bangalore City
- To suggest ways to overcome the difficulties in adapting the changes due to this Convergence

LIMITATIONS OF THE STUDY

Only three groups of commerce fraternity where selected from Bangalore City

ANALYSIS AND INTERPRETATION

Chart 1: India's preparedness towards convergence with IFRS



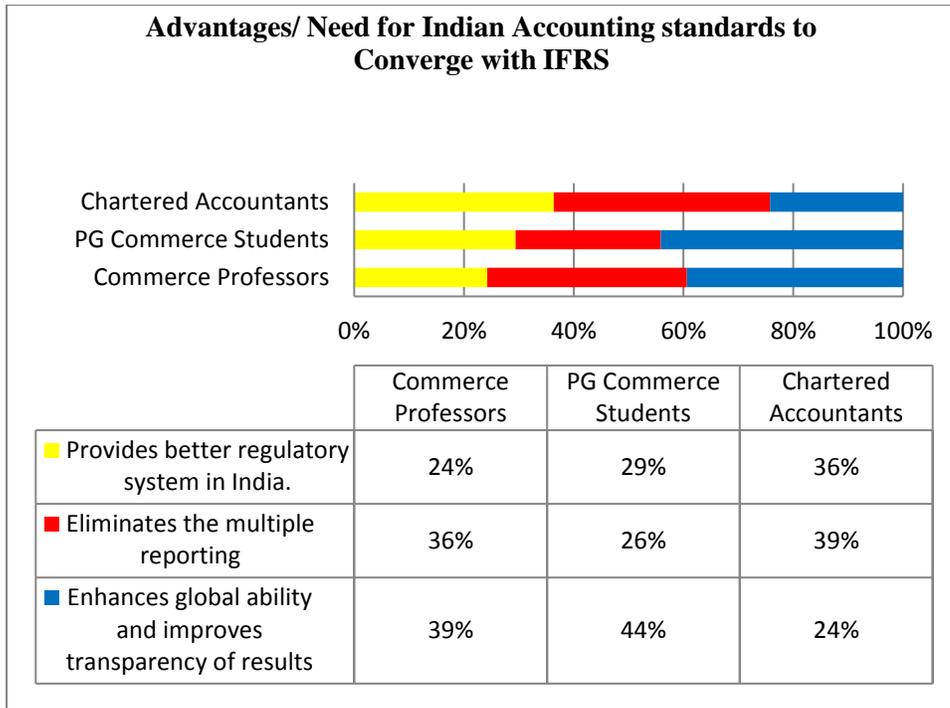
Source: Survey Data

Analysis and Interpretations:

The study revealed the below mentioned facts:

- 52% of Commerce Professors were not prepared towards convergence with IFRS
- Whereas, 48% of them were prepared towards convergence with IFRS
- 65% of PG Commerce Students were not prepared towards convergence with IFRS
- only 35% of them were prepared towards convergence with IFRS
- Among Chartered Accountants 15% were not prepared towards convergence with IFRS
- But majority of them i.e. 85% were already prepared towards convergence with IFRS

Chart 2: Advantages / Need for Indian Accounting Standards to Converge with IFRS



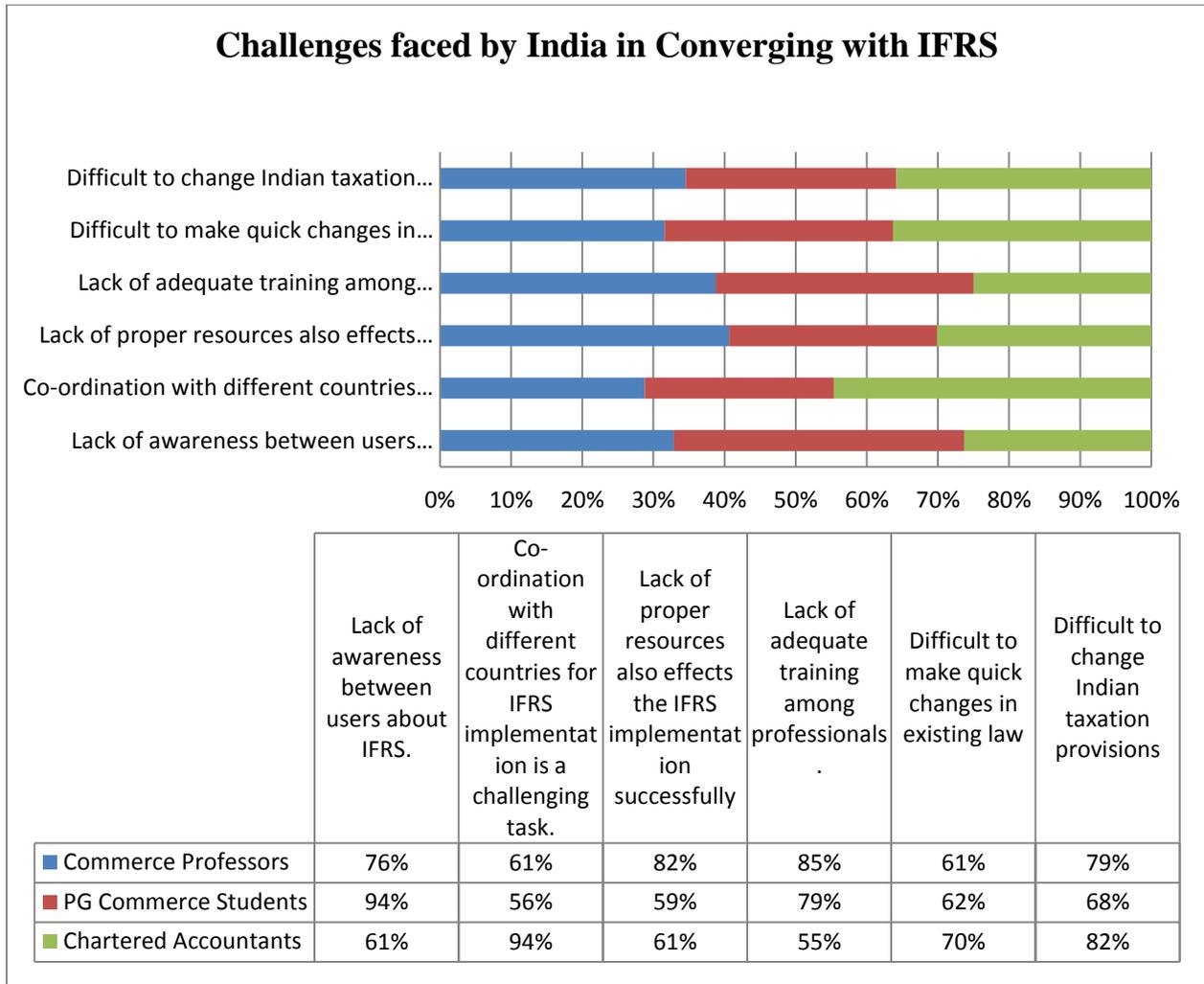
Source: Survey Data

Analysis and Interpretations:

The study revealed the below mentioned facts:

- ✓ Among 3 groups Chartered Accountants provide better regulatory system and eliminates the multiple reporting in India since it has more percentage compared to others.
- ✓ Whereas for enhancing global ability and improving transparency of results PG commerce students are best. It shows 44% which is greater than other 2 groups.

Chart 3: Challenges faced by India in Converging with IFRS



Source: Survey Data

Analysis and Interpretation:

The study revealed the below mentioned facts:

- 85% of commerce professors have lack of adequate training among professionals which is the more challenging one.
- 94% of PG commerce students have lack of awareness between users about IFRS which is more challenging to them.
- 94% of Chartered Accountants’ challenging task is to co-ordinate with different countries for IFRS implementation.

Chart 5: Correlation Analysis - Challenges

	<i>Commerce Professors</i>	<i>PG Commerce Students</i>	<i>Chartered Accountants</i>
Commerce Professors	1		
PG Commerce Students	0.444578254	1	
Chartered Accountants	-0.649021445	-0.574137948	1

*** At 5 % level of significance**

FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

- It has been found that majority of the respondents have not prepared well for implementation of IFRS in India.
- The fellow Chartered Accountants have prepared well for convergence with IFRS compared to other respondents.
- It has come to be known that due to convergence with IFRS. It will enhance global ability and transparency of results to fellow users.
- Chartered Accounts feel that IFRS will provide better regulation in Indian scenario than Indian Accounting Standards.
- The commerce fraternity have found implementation of IFRS is a challenging task during due to various reasons.

SUGGESTIONS

- The commerce fraternity need to have complete accessible knowledge about the new concepts of IFRS.
- ICAI should make compulsory certificate course for all practicing and non-practicing members of ICAI to gain knowledge of IFRS, IAS and IND AS.
- Few simplified literatures have to be developed to give an idea about IFRS to various common users of financial statements such as investors, bankers, researchers, academicians and analysts etc.,
- Appropriate workshops, orientation and training programmes to be carried out to enhance the base knowledge among the users of IFRS.

- ICAI should develop e-learning portal for IFRS for easy learning process.
- Need to obtain some consultancy from external advisors for convergence of IFRS for its better implementation.

CONCLUSION

IFRS in India will significantly change the contents of corporate financial statements as a result of refined performance, state of affairs and enhanced disclosures leading to greater transparency and comparability. Best results can be expected with the view of mandatory IFRS adaption, which improves information comparability across countries. But many of the companies were facing problems in implementation of IFRS. With adaption, Indian companies will produce more credible financial statements that will not only be uniform but also provide a basis for better interpretation. Since IFRS is a new concept, it requires an appropriate time for its successful implementation in India.

REFERENCES:

1. Anubha Srivastava, Prerna Bhutani, "IFRS in India: Challenges and Opportunities", *IUP Journal of Accounting Research & Audit Practices*, Vol.2, April 2012, pp 6-32.
2. Ashwini S and Dr.R.Nalini, "Opportunities and Challenges for Adopting IFRS Converged IND-AS", *VVPGC*, March 18 & 19, 2016, ISBN: 978-93-5254-333-5
3. B Kapoor and Jyoti Ruchela, IFRS implementation "Issues and Challenges for India", *VSRD International Journal of Business and Management Research*, 2013.
4. Bhutani A S, "IFRS in India: Challenges and Opportunities", *The IUP Journal of Accounting Research & Audit Practices*, Vol. 2, 2012.
5. Desai R K, "The Impact of IFRS Adoption on the Financial Activities of Companies in India: An Empirical Study", *The IUP Journal of Accounting Research & Audit Practices*, Vol. 3, 2014.
6. Dr. M. Muniraju & Ganesh, S. R "Convergence of International Financial Reporting Standards – Benefits, Problems and Challenges for India", *International Journal of Informative & Futuristic Research*, Vol. 2, Issue. 6, (2015), pp1548-1557
