

## **A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector**

**Dr. Bharat Pareek**

**Abstract:** In the present period of globalization, more 3600 multinational organizations are setting up their organizations in the diverse divisions in India. These Indian business firms are exhibiting budgetary articulations as per IFRSs, Indian GAAPs, USGAAPs, Japan GAAP, and so on., With a view to stay away from this sort of bother, the bookkeeping bodies over the world are working towards a standard arrangement of bookkeeping approaches, valuation standards and what's more, divulgence prerequisites. In this situation there is a prerequisite of progress from Indian GAAP to IFRS for India in every one of the segments. An up and coming economy on world financial guide, India, as well, chose to focalize with

IFRS by building up a standard called Ind AS. The motivation behind the present paper is to know the attention to partners towards the execution of IFRS in India and to know the effect of IFRS Convergence on Distinctive Sectors. The analyst found that the distinctive methods for comprehension about IFRS and the outcomes demonstrates that there is a high necessity of learning and additionally preparing towards IFRS and the results show that there is a lot of positive reaction from the diverse divisions towards the usage procedure.

**Keywords:** IFRS, Standard Setting, Uniform Accounting Standards, Financial Reporting.

### **I. Introduction**

The above statement obviously expresses the significance of consistency in the entire world. In light of this reason, the worldwide arrangement of accounting standards are developing today. To demonstrate the consistency in detailing of monetary articulation there is just a single body called International Accounting Standards Committee (IASC) (the forerunner body to the IASB) was built up in June 1973 in London. This was set up because of the after effect of an assertion between accountancy bodies in Australia, Canada, France, Germany, Japan, Mexico, European country, UK and USA. Its primary intention was to plan and distribute, within the public interest, essential principles to be found inside the introduction of evaluated accounts and money related explanations and to advance their overall acknowledgment. Until 2002, a few nations set to utilize IASC norms. A few of these nations did not have their own standard-setting foundation.

IASC issued accounting standards called as International Accounting Standards in the vicinity of 1973 and 2000. A portion of the gauges are as yet utilizing for the planning of budgetary articulations. In April 2001, in view of the proposals of the report "Suggestions on Shaping IASC for the future", International Accounting Standards Board (IASB) was shaped to supplant IASC and accepted the standard setting duties. It is an autonomous standard setting body of the IFRS establishment. IFRS establishment is a free, not-revenue driven private part association working towards the public interest.

The essential target of the IASB is to create one arrangement of best quality, fathomable, enforceable and, all inclusive acknowledged global monetary revealing norms (IFRS) through its standard-setting

---

## **A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector**

*Dr. Bharat Pareek*

body, the IASB, to advance the usage and thorough utilization of these principles, to require record of the budgetary revealing needs of rising economies and small and medium-sized entities (SMEs) and to advance and encourage adoption of IFRSs, being the principles and understandings issued by the IASB, through the meeting of national accounting standards and IFRSs.

The IASB expressed that all Accounting Standards issued under by IASC keep on being appropriate unless and until the point that they are revised or withdrawn. The IASB is better-established, better-staffed and more autonomous over its ancestor, the IASC. All things considered, there has been significant progression crosswise over time in its perspective and in its accounting standards. Worldwide Financial Reporting Standards (IFRS) is turned into a worldwide accounting language. Presently, more than 130 nations have embraced IFRS and many more have resolved to make the progress in the next couple of years.

For what reasons do we require single arrangement of high quality global standards?

1. To keep up the consistency in reporting of financial statements.
2. To avert material control or blunders in financial statements.
3. To guarantee reliability and high quality financial reporting.
4. To empower an efficient audit and assessment of the execution of a MNC's having auxiliaries and associates in different nations.
5. To make the comparison of the execution of an organization against its local and worldwide associates less demanding and more important.
6. To provide a level playing field where no nation is advantaged or hindered by its GAAP and revelations.

*IFRS in INDIA:*

*Merging with IFRS:* IFRSs issued by the IASB are not nation particular. They are intended to be connected over the globe. In any case, every nation has its own quirks and thus, union of IFRSs as they may be, with certain change, might be practicable and departures may be made basically by virtue of the lawful, administrative and monetary environment prevailing in the nation. Merging can be considered "to plan and keep up national accounting standards in a way that financial statements arranged in agreement with national accounting standards draw open explanation of consistence with IFRSs". In this specific situation, consideration is attracted to paragraph 14 of International Accounting Standard (IAS) 1, Presentation of Financial Proclamations, which expresses that budgetary articulations should not be portrayed as agreeing to IFRSs unless they conform to every one of the necessities of IFRSs. Convergence with IFRSs" implies selection of IFRSs with the aforementioned special cases, where essential.

In 2007 the Concept Paper was discharged which proposed Convergence of Accounting Standards in India with IFRS from April 2011. Subsequent to experiencing different lawful strategies and conference, the Ministry of Corporate Affairs which directs organizations in India has issued a road map for Convergence with IFRS in India in January 2010 and has told 35 accounting standards called as IND AS in February 2011 for the convergence process.

On sixteenth February 2015, Ministry of Corporate Affairs has declared another guide for the execution of New Indian Accounting Standards (Ind AS) with impact from first April 2015 as voluntarily basis and from first April 2016 as obligatorily. ICAI has issued 39 accounting standards united with IFRS (Annexure 1). The insurance agencies, managing an account organizations and non-saving money back organizations might not be required to apply Indian Accounting Standards (Ind

---

## **A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector**

*Dr. Bharat Pareek*

AS) for readiness of their money related explanations either deliberately or obligatorily according to MCA warning.

## II. Review of Literature

The selection of a typical collection of global principles is helping in bring down cost of money related data preparing and inspecting to capital market members. Equivalence and consistency of budgetary articulations among organizations and nations making crafted by speculation experts simple, fascination of outside speculators notwithstanding broad capital market progression. Ball (2006) expressed that numerous developing nations where the nature of nearby administration establishments is low, the choice to embrace IFRS will be helpful. Discoveries appeared (Kenneth Enoch Okpala 2012) that IFRS has been adopted in Nigeria saw that IFRS usage will advance FDI inflows and financial development and it was prescribed that all partners should try to have full usage to receive rewards of the worldwide GAAP and guideline - based norms.

Expanding volume of cross fringe capital streams and the developing number of remote direct ventures by means of mergers and acquisitions in the globalization time, the requirement for the harmonization of various practices in accounting and the acknowledgment of overall standards has emerged (Akinyemi Olumide Akindele, 2012). The observation of the balance sheet uncovered contrasts in regard of Intangible Assets, available for sale financial assets, Interest Bearing Loans, Provisions, Deferred Tax Liability, Provisions under Current liabilities, and General Reserve. (Dr. M. Jayasree, 2012).

The outcomes affirm the use of reasonable incentive for subsidiary instruments and new standards for representing goodwill. (Jordi Perramon). The outcome got that expansion in Profitability proportions, liquidity proportion noted less significant, yet at the same time very considerable increment, and anyway, one market-based proportion (P/E proportion) noted slight decrease after the change to IFRS. The acquired outcomes show that the expansion in gainfulness proportions and diminishing in P/E proportion are because of high salary explanation benefits under IFRS. (Pawel Punda 2011).

The valuation and deterioration of property, plant and gear is likewise a major reason for distinction (Dr Vidhi Bhargava, 2013). The outcomes (Rahul Kamath, 2014) uncover that the money related pointers, speculation exercises and working exercises have been fundamentally influenced by the selection of IFRS, while budgetary dangers and obligation agreements neglect to demonstrate a measurably noteworthy effect.

The investigation of P. A. Isenmila (2013) uncovers IFRS presentation will encourage better venture choice making in the capital Market. (ii) The new principles will prompt an improved or good money related measure, for example, profitability, development, use, liquidity, and size, Good Corporate Practices, quality and opportuneness of administration data and straightforwardness. The announcement of Wilson E. Herbert (2013) said that „IFRS Course in Accounting Curriculum” and „IFRS preparing for administration and staff” are the two noteworthy pointers of effective usage of IFRS. It is trusted that the discoveries of Dr. Kwok Shu Hung (2014) will give some understanding to the expert accounting bodies in these two locales to put additional exertion on instructing the students and general society to have a positive picture of the profession. Studies of preparers” experiences with the IFRS usage process are uncommon. A study poll by Richard D. Morris (2014) demonstrates that the IFRS usage altogether reflect more respondents appraised as troublesome, extensive, or genuine, rather than as simple or little, things making up General Issues with IFRS and Accounting Issues. Then again, fundamentally more respondents appraised as meager, instead of as

---

## A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector

*Dr. Bharat Pareek*

noteworthy, the things making up Capital Market Effect of IFRS and Benefits of IFRS. From the investigation of Dr. B. Shekhar (2013) demonstrates IFRS evacuating the perplexity from the brains of financial specialist since it gives exact, straightforward single accounting standards.

### III. Objectives:

1. To contemplate the mindfulness level of partners towards the usage of IFRS
2. To know the effect of IFRS Convergence on Different Sectors.

*The effect of IFRS norms on particular ventures:*

There are certain standards inside the present arrangement of IFRS Standards that would affect all ventures as it were since the norms either manage another idea or are to be taken after when an element moves over to IFRS out of the blue. Being rule based IFRS, there are parcel of changes going on in various parts in India.

#### 1. Airlines

The aircrafts are ordinarily obtained by long-term lease arrangements. The revenue does not come with the same velocity due to differential pricing adopted by airlines to manage competition.

*IFRS models that could affect the business:*

*IAS 16* – property, plant and hardware: aircraft securing cost are secured under IAS 16 these expenses regularly incorporate buy cost, obligations and assessments, duties and taxes and borrowing costs.

The cost related with significant assessment exercises that outcomes in future monetary advantages ought to be perceived as a different part. The aircraft are at first recorded as expenses and other extra part inventories might be promoted as property plant and equipment. These supplies can be estimated either by utilizing historical cost technique and convey the advantages at cost less accumulated depreciation and disability charges or the revaluation strategy to value the assets at fair value.

*IAS 36* – Impairment of assets: the airline business requires noteworthy capital speculation and is open to monetary cycles and market unpredictability, which influences the reasonable estimations of flight equipments. The debilitation is estimated on singular resources unless an individual resource does not create money inflows, in such cases impedance is estimated at the money creating unit level.

*IAS 18/IFRS 15* – Revenue Recognition: Airline entities would recognize contract with the client, recognize the different execution commitments, decide the exchange cost and distribute the exchanges cost to isolate execution commitments and perceive the income of the execution. Cancellation of air tickets, changes noticeable all around tickets, concede their movement or change their course causes the different charges for each agreement. This assurance could adjust the income.

#### 2. Agriculture:

IASB issued a different standard on Agriculture IAS 41, IAS 41 is of the opinion that a biological transformation of the living creatures or plants would constitute an agricultural movement to go in close vicinity to the extent of the standard. Clearly IAS 41 would be the go-to standard for the farming business.

Since the idea of an accounting standard for farming exercises is moderately new in a couple of geographic, there could be issues in deciphering and applying the standard.

---

## A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector

Dr. Bharat Pareek

Farming movement implies a substance of the natural change and reap of organic resources for deal like sheep, plants, pigs, organic products trees, dairy cows and or for change into farming produce like fleece, cotton, remains, picked natural product, drain and into extra organic resources. These are constantly represented as stock. The IASB chose that conveyor intends to be represented in same path as property, plant and hardware in IAS 16 Property, Plant and Equipment, in light of the fact that their activity like that of assembling.

*Measurement and disclosures:* Under IAS 41 all biological assets are estimated at reasonable esteem less expenses to offer, expect in constrained conditions.

*Impairment of assets:* Most of the farming exercises relies upon the climate, rain, temperature and other such common variables for their development and improvements. In this manner weakness test would be significantly speedier for organic resources in the IFRS administration.

### 3. Automotive

The automotive industry is a capital sensitive. They have a long inventory network. They have muddled concurrences with providers. They continue acquiring innovative work costs and need to continue bringing out new models of vehicles. The accompanying IFRS measures could affect the automotive industry.

*IAS 16 – Property, plant and equipment:* developing a plant to produce automotives is expensive and tedious process. Costs like material costs, work and related advantages, establishment expenses, and site property costs that are specifically owing to conveying a resource for the current condition and area. These are to be promoted under IFRS.

*IAS 36 – Intangible assets:* Auto well sectors need to put more in innovative work to bring out new models of expenses or to modify known deformities in existing models. In this way these intangibles should be to a great degree cautious in applying judgments.

*IAS 18 – Revenue:* Revenue would be perceived when the vehicle is given over to the client since it is by and large felt that physical conveyance is the best best example of transfer of risk and regards. While determining the income, the terms of the agreement should be looked carefully by the manufactures.

*IAS 2 – Inventories:* Automobile industry are the capital intensive enterprises were the businesses would convey a ton of enterprises on their books. IAS 2 characterizes stock valuation is at expenses or net feasible esteem whichever is lower.

*IAS 37 – Provisions, unexpected liabilities and unforeseen resources:* Entities perceive commitments both legally binding and useful, as a feature of the conveying measure of an advantage. Liabilities for car enterprises regularly incorporate a huge natural segment from capacity tanks and chemicals utilized as a part of the producing process. Car fabricates need to make an arrangement to review vehicles to correct the abandons. Car organizations ought to know about certainties that making a general arrangement for conceivable costs on review of vehicles would affect their respectability and in this manner conceivable future deals.

### IV. Limitations:

The information gathered for the secondary data is limited to just to the particular divisions like Airlines, Agriculture, Fast Moving Consumer Goods, banking and automotive sectors. In this manner, general effect position can't be chosen from the analysis. More number of sectors would be suitable to

---

## A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector

Dr. Bharat Pareek

test the impact of IFRS adoption. The information gathered for the primary data is from the less number of stakeholders from Bangalore only. The extreme outcome can't be resolved in the mindfulness level and the effect of IFRS on Financial Statements is because of less selected sample. More samples can be the great pointer in analyzing the effectiveness of IFRS adoption.

#### **V. Synopsis and Conclusion:**

The after effects of this study demonstrate that the adoption of IFRS more helpful to draw on the planet capital market and furthermore demonstrate that the reception of guidelines in regards to truthful worth accounting, rent accounting and tax accounting, and additionally administers in regards to the accounting of financial instruments, clarify the progressions inside the key accounting proportions. Appropriation of reasonable esteem accounting rules and stricter prerequisites of certain accounting issues are the purposes behind the progressions saw in accounting figures and budgetary proportions. The outcomes additionally tells about the respondents are not completely mindful of IFRS, which makes a boundary in appropriation of IFRS in India.

Gatherings, workshop and occasions ought to be held to make smooth progress to confer information about IFRS.

IFRS ought to be made a necessary part in the scholastic educational programs. IFRS ought to be acknowledged as a gift and not as an obscure, as it can prove to be extremely valuable for India. In excess of 130 nations have as of now in accordance with IFRS. IFRS is more straightforward and impacts accounting. Responsibility of minute events additionally makes more affect on a company's fund under IFRS. IFRS likewise has stringent pay acknowledgment rules. A few Indian organizations having organizations abroad are setting up their money related proclamations utilizing IFRS. This tries to have one practically identical announcing standard around the globe.

**Assistant Professor, Deptt. Of Business Administration  
S.S. Jain Subodh P.G. (Autonomous) College, Jaipur**

#### **References:**

- [1]. Akinyemi, O. A., & others. (2012). The impacts of International Financial Reporting Standards Adoption on Financial Statements: The case of Nigeria. Retrieved from <https://theseus32-kk.lib.helsinki.fi/handle/10024/41247>
- [2]. Atabey, N. A., & Akmesese, H. (2014). Evaluations of Accounting Professionals and Accounting Academicians Regarding to International Financial Reporting Standards: A Comparative Analysis. In 2014 International Conference on Management, Education and Social Science (ICMESS 2014). Atlantis Press. Retrieved from [http://www.atlantispress.com/php/download\\_paper.php?id=11169](http://www.atlantispress.com/php/download_paper.php?id=11169)
- [3]. Ball, R. (2006). International Financial Reporting Standards (IFRS): pros and cons for investors. *Accounting and Business Research*, 36(sup1),
- [4]. Bhargava, V., & Shikha, M. D. (n.d.). The impact of international financial reporting standards on financial statements and ratios.
- [5]. CHAUDHARY, D. B., GUPTA, R., & CHAUHAN, H. (2012). Convergence of IFRS in India-Strategy, Benefits & Challenges for Infrastructure Industry. *ZENITH*, 2(1), 140.

---

### **A Study on the Effect of International Financial Reporting Norms Convergence on Indian Corporate Sector**

*Dr. Bharat Pareek*

- [6]. GOEL, S. (2013). Impact Analysis of the Proposed Changeover from Indian GAAP to International Financial Reporting Standards. *ASCI Journal of Management*, 43(1).
- [7]. Hung, K. S. (2014). Perceptions of Accounting and Accountants. Retrieved from [http://www.atlantispres.com/php/download\\_paper.php?id=10983](http://www.atlantispres.com/php/download_paper.php?id=10983)
- [8]. Kamath, R., & Desai, R. (2014). The Impact of IFRS Adoption on the Financial Activities of Companies in India: An Empirical Study. *IUP Journal of Accounting Research & Audit Practices*, 13(3).
- [9]. Lantto, A.-M., & Sahlström, P. (2009). Impact of International Financial Reporting Standard adoption on key financial ratios. *Accounting & Finance*, 49(2), 341–361. doi:10.1111/j.1467-629X.2008.00283.x
- [10]. McConnell, H. A. (2012). The Effect of IFRS on the Financial Ratios of Canadian Public Mining Companies.
- [11]. Panchal, U. V. (2012). IFRS–OPPORTUNITIES AND CHALLENGES BEFOR INDIA. *Excel Journal of Engineering Technology and Management Science*, 1(1).
- [12]. RAY, D. S. (2012a). Applicability of International Financial Reporting Standards in India: Some Key Issues and Challenges. *Journal of Expert Systems*, 1(1), 1–15.
- [13]. Ray, S. (2012). Emergence of International Financial Reporting Standard in India's Accounting Scenario. *Research Journal of Finance and Accounting*, 2(12), 47–65.
- [14]. Suez-Sales, M. G. (2011). Venus Ibarra, University of Guam Martha G. Suez-Sales, University of Guam. *Journal of International Business Research*, 35.
- [15]. <http://www.ifrs.org/>
- [16]. [http://www.mca.gov.in/Ministry/pdf/Notification\\_20022015.pdf](http://www.mca.gov.in/Ministry/pdf/Notification_20022015.pdf)
- [17]. <http://www.mca.gov.in/MinistryV2/Stand.html>
- [18]. [www.pwc.com](http://www.pwc.com)
- [19]. <http://www2.deloitte.com/in/en/industries>
- [20]. <https://home.kpmg.com/xx/en/home/industries.html>
- [21]. Impact of IFRS on Indian Corporate Sector, Mohan R Levi, Willey Publications, 2016