

Challenges and prospects of International Financial Reporting Standards reporting in India: a Review

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ABSTRACT

The implementation of IFRS around the world is occurring rapidly growth and quality improvements of accounting system through a uniform set of standards (IFRS). The Accounting Standards are issued with a view to describe the accounting principles and the methods of applying these principles in the preparation and presentation of financial statements so that they give a true and fair view. International Accounting Standards for worldwide are acceptance and observance so that the accounting standards in different countries are harmonized. The present study is an attempt to gather the previous research work. So far, has been done in the field of IFRS and to represent its critical analysis in a systematic way. The study is based on secondary data and descriptive in nature. In recent years, need for international harmonization of Accounting Standards followed in different countries has grown considerably as the cross-border transfers of capital are becoming increasingly common. IFRSs the primary objective of uniformity and comparability of the financial statements prepared in India with the rest of the countries of globe will be achieved.

I INTRODUCTION

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 globalization of the business environment. In India, the Accounting Standards Board (ASB) was constituted by the Institute of Chartered Accountants of India (ICAI) on 21st April 1977, which performs the function of formulating accounting standards. India requires that the financial statements of an enterprise should give a true and fair view of its financial position and working results. This requirement is implicit even in the absence of a specific statutory provision to this effect. The literature review and analysis shows that most of the respondents interpret comparability as uniformity, that is, that all companies using the same accounting methods and Comparability of financial statements over time and of companies operating within the same industry is considered to be the most important types of comparability.

II LITERATURE REVIEW

(a) Eva K. Jermakowicz, Sylwia Gornik-Tomaszewski, did study entitled of “Implementing IFRS from the perspective of EU publicly traded companies” in the year of 2006. The main objective of this study is to Implementation of International Financial Reporting Standards (IFRS) by European Union (EU) companies and this research process actually, the application of IFRS by listed companies is considered to be a crucial element in establishing a single European capital market. Approximately 7000 EU-listed companies will be affected directly by this regulation. Many more consolidated subsidiaries will be affected indirectly.

(b) Mark Lippens, did study entitle of “The Mandatory Introduction of IFRS as a Single Accounting Standard in the European Union and the Effect on Earnings Management” in the year of 2005. The main purpose of this study is to Character of IFRS compared to national GAAP, accruals-based earnings management. This study has founded that, despite the stricter character of IFRS compared to national GAAP, accruals-based earnings management has strictly increased as a consequence of the adoption of IFRS.

(c) Naomi S. Soderstrom and Kevin Jialin Sun, did study in the field of “IFRS Adoption and Accounting Quality: A Review” in the year of 2007. The main objective of this work is to Adoption of different GAAPs and IFRS in EU. This paper provides a review of the literature on adoption of different Generally Accepted Accounting Principles (GAAP) thus; provide background and guidance for researchers studying the change in accounting quality following widespread IFRS adoption in the EU.

(d) Michela Cordazzo, did study intiled of “The impact of IAS/IFRS on accounting practices: evidences from Italian listed companies” in the year of 2007. The main purpose of this research is to harmonize financial reporting standards for European listed companies. The conclusion of this research work is to address this concern by providing empirical evidence of the nature and the size of the differences between Italian GAAP and IAS/IFRS.

(e) Theresa Dunne and Suzanne Fifield, did study entitled of “The implementation of IFRS in UK, Italy and Ireland” in the year of 2008. The main purpose of this study is to Changes in financial reporting in terms of additional disclosures and the impact of IFRS. The impact of The individual adjustments show a more significant discrepancy between the two set of standards in the accounting treatment of business combination, provisions, financial instruments and intangible assets with reference to both net income and shareholders’ equity; while the individual accounting differences in income taxes, and property, plant, and equipment show a significant difference only on shareholders’ equity.

(f) Samira Demaria and Dominique Dufour, did study entitled of “Conservatism: Evidences from French listed companies” published in the year of 2008. The main objective of this study is to First adoption of IFRS within the perspective of the accounting options concerning the fair value method. This study considers the choice of conservatism as an identified criterion for explaining fair value choices. The paper is organized as follows: an overview of IFRS, the literature review, presentation of the sample, the hypothesis, the statistical method, the results and the discussion.

(g) Atul Bansal, did study intitled of “Effect of IFRS in Indian Banking Sector” in the year 2011, his paper explores the adoption of International Financial Reporting Standards (IFRS) and understanding the impending changes in accounting standards and their impact on valuation of assets specially loan loss provisions and Need to create the enabling environment in individual banks.

(h) Chunhui Liu, did work with intitle of “Are IFRS and US-GAAP already comparable?” in the year of 2009. The main purpose of this study is to The literature on changes in the difference between IFRS and US-GAAP and their value relevance. Research investigating the requirement for reconciliation from IAS/IFRS to USGAAP found value differently to the market (Harris and Muller, 1999). When 14 US-listed foreign firms from P. R. China were studied for the period 1996-2002, net income per IASBIFRS was found to be less than net income per US-GAAP for the same company (Haverty, 2006).

(i) VJamil Khatri, and Akeel Master, did study in the titled of “Convergence with International Financial Reporting Standards (IFRS)” , published in the year of 2009. The main objective is to Impact on fundamental accounting practices and regulatory framework in India. Harmonising existing Indian accounting standards with IFRS will have an impact on some fundamental accounting practices followed

in India, Use of fair value concept, Substance over form , Inconsistencies with existing laws and regulations, Exceptional and extraordinary items, Restatement of financial statements etc.

(j) Rong-Ruey Duh, did study entitled of “Adopting IFRS: Implications for Accounting Educators”, in the year of 2009. The main outcome of this study is to Approach to a Single Set of Financial Reporting Standards in the World. In determining the cost of the acquisition, marketable securities issued by the acquirer are measured at their fair value which is their market price as at the date of the exchange transaction, provided that undue fluctuations or the narrowness of the market do not make the market price an unreliable indicator.

(k) Tsalavoutas, Ioannis, did study entitled “Adoption of IFRS by Greek listed companies: financial statement effects, level of compliance and value relevance” in the year of 2009. The objective of this study is to Mandatory adoption of International Financial Reporting Standards (IFRS) by Greek listed companies. The results of this study indicate that the compliance risks that managers bear are heavily dependent on the impact caused on their companies’ financial condition as a result of the adoption of IFRS.

(l) Keryn Chalmers b, Hichem Khlif, did study entitle of “A meta-analysis of IFRS Adoption Effects” in the year of 2013. The main aim of this study to investigating the financial reporting effects, capital markets effects, specially the quality of analysts earning forecast etc. The result indicates IFRS provides useful information regarding investment and financing activities that has been contributed to the predictability of earning among such sophisticated financial statements users.

(m) Joanne Horton, George Serafeim and Ioanna Serafeim, did study in the titled “Does mandatory IFRS adoption improve the information environment?” in the year of 2010. The main objective of this study is to Effects of mandatory International Financial Reporting Standards. The results are robust to variations in the measurement of information environment quality, forecast horizon, sample composition and tests of earnings management.

(n) Dr. Michail Pazarskis and Dr. Alexandros Alexandrakis, did study in the titled “IFRS Adoption Effects in Greece: Evidence from the IT Sector”, in the year of 2011. The main outcome of this study is to EU member states were required to prepare their financial statements according to the International Financial Reporting Standards – IFRS.

(o) Dr. Naseem Ahmad and Professor Nawab Ali Khan Did work in the field of “Global convergence of financial reporting” in 2010. This article define that all major economies have established time lines to converge with or adopt IFRSs in the near future and focus on the adopting a single global accounting language will ensure relevance, completeness, understandability, reliability, timeliness, neutrality, verifiability, consistency, comparability and transparency of financial statements will change in the accounting information reports which will strengthen the confidence and empower investors and other users of accounting information around the world.

(p) Bhattacharjee, did study entitle of “Problems of Adoption and Application of International Financial Reporting Standards (IFRS) in Bangladesh” in the year of 2009. The main objective of this study to prospects of IFRS adoption and their impact on the financial reporting system of Bangladesh considering the underlying institutional and economic factors and the result will affect the trade-off between the scale advantage of IFRSs (designed globally by the highly sophisticated authority) and the local advantage of decentralized adaptation.

(q) Srivastava Anubha; Bhutani, Prerna, did study entitled of “IFRS in India: Challenges and Opportunities” in the year of 2012. The main aim of this study is an attempt to find out up to what extent IFRS has been adopted by the organizations, what challenges and opportunities companies are facing regarding IFRS, and the measures that can be taken to make the process smooth and flawless. The paper focuses on the awareness and adoption of IFRS in India.

III CONCLUSION

Literature review provides empirical evidence for this posited benefit using data from 17 European countries that adopted IFRS in 2005. Overall, the results are consistent with the view that mandatory IFRS adoption improves information comparability across countries. Review results suggest that comparability improvement is more likely to occur among firms from similar institutional environments than among firms from different institutional environments. Convergence is an ongoing process. The objective is to place the Indian Accounting Standards (AS) at par with IFRS so that the Indian corporate and the accounting professional 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.

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