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A Critical Analysis on IFRS in India

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Abstract: During the past decade, the procedure of conducting business worldwide has changed multiple times, mostly due to the global wave. Drastic changes also occurred, particularly the continuation of IFRS (International Financial Reporting Standards) worldwide, in the process of financial reporting. IFRS standards produced by the IASB are high quality, comprehensible, effective, and globally acceptable (International Accounting Standard Board). Therefore, these are a set of international accounting standards indicating how the financial statements are to record a specific type of transaction and other events. IFRS is thus developed as a uniform global business language so that companies' accounting may be comprehended and comparable across international borders. With more than 40% of the world as the standard of reporting, IFRS is becoming the worldwide business language. As of 1 April 2016, India has also agreed to gradually converge with IFRS, thus improving the comparability and openness of the financial statements, which aid to attract more cross-border investment. This study focuses on IFRS convergence, utility, concerns and challenges facing stakeholders with Indian Accounting Standards. It also illuminates the challenges of the methodthat can be dealt with.

Keywords: Globalisation, IFRS, Convergence, Accounting standards, IASB, Financial reporting, Stakeholders.

Introduction:

The IASB is a freestanding private accounting standard establishing an organisation designed to produce global financial reporting standards. It is the successor to the IASC, which was set up in the seventies to establish international accounting standards (IAS). IASB was responsible for establishing IASC accounting rules in 2001. Since then, international financial reporting standards that the IASB has been developing and approving have been known as IFRS [1].

Financial reporting is the procedure through which financial information regarding a firm's performance is communicated for a certain period of time to the management and the public. There are well-defined accounting concepts called accounting standards. The financial reporting of corporate activities underwent many changes, including adopting IFRS, with the advent of globalisation (International Financial Reporting Standards).

IFRS standards produced by the IASB are high quality, understandable, effective, and globally acceptable (International Accounting Standard Board) [7]. This is a set of international accounting standards indicating how the financial statements are reported on a certain type of transaction and other events. The ultimate aim of providing these standards is to achieve a single set of high-quality common accounting standards implemented all across the world to make financial information more transparent. IAS (International Accounting Standards) had been issued by IASC(International Accounting Standards Committee) before IFRS [5]. In India, the ICAI (Institute of Chartered Accountants of India) Accounting Standard Board (ASB) of India establishes and publishes the standards in accordance with IAS. As India has its own accounting standards that differ in many respects, it will require some compromise between the existing standard rules and new provisions according to several common standards that are entirely different.

Therefore, we have at present developed our own application standards for a short term known as IndAS because of our legal limits (Indian Accounting Standards). In fact, they are Indian Accounting Standards convergent with IFRS. For 3 years now, we will have to modify our Corporate Law according to the worldwide level for these criteria in practice.

Literature review:

For documentation (literature review) and comparative analysis, we have reviewed about 10 scholarly papers. Ball (2005) expressed worry on the substantial variances of risk uniformity in IFRS implementation in the countries. The researcher also considers that, if the strategy and goals of accounting differ, simply having uniform standards may not have the desired impact of uniform financial reporting. One of the economic effects of international standards, in which they found that the IFRS would, otherwise, have introduced diversity to the capital structure and changed the company's actual capital structure, is that of De Jong, Roselle Cifuentes and Verwijmeren (2006). Covrig et coll. (2007) have established the substantial increase in foreign mutual fund ownership of IFRS adopters instead of local GAAP companies, especially for companies from poorer, less visible information environments. In assessing the logic and impacts of the principle-based system, Carmona and Trombetta (2008) pointed out that a principles-based approach to standards and its inherent flexibility allows IAS/IFRS to be used to nations with various accounting and institutions. Callao et al. (2009) discovered a difference in financial reporting among nations with the initial deployment of IFRS.

Govindarakhan (2014). N. Govindarajan conducted a study on “IFRS introduction and convergence” in which he discussed the issues of IFRS, its demands, its convergence, and stakeholder concerns. He added that we will of course gain from the convergence between IFRS and Indian standards. Meenakshi &Kirit (2015). Prof. Kirit Magana and Dr. Meenakshi Somani conducted a study on the subject “IFRS: challenges ahead.” Here, the main focus was on the benefits of IFRS, its important concerns and challenges for Indian companies and professionals. The analysis found that a single set of high-quality standards would serve public interests and create a uniform financial reporting language that will have a good overall impact.

In conclusion, there appear to be a significant benefit to the literature documenting different economic implications of voluntary and compulsory IFRS adoptions and, in many cases, IFRS reporting companies. In comparison with the countries of the common law, IFRS adoption has a bigger impact on the financial statements of the Code. IFRS boosts equity and income for Code Law countries as well.

Objectives:

The objectives of the paper are following:

• Explore the current IFRS convergence landscape in India;

• study the applicability in the Indian context of international financial reports;

• examine the usefulness or opportunity of India to adopt IFRS;

• to examine stakeholder issues as a result of IFRS convergence with Indian Accounting Standards.

Need for Convergence towards Global Standards:

A big change in the global economic environment has taken place over the previous decade. The advent of international companies in quest of money has stimulated growth and led to the raising and cross-border capital from all corners of the world. Each country has its own set of accounts and financial reporting rules and regulations, and therefore the rules and regulations of that other country apply when a company decides to raise capital from markets other than the country where it sits. This in turn requires that the company be in a position to understand the divergences between the fining rules. International analysts and investors want to compare accounts according to similar accounting standards, leading to increased support for an internationally recognised set of cross-border accounting standards. Harmonising financial reporting worldwide will assist increase investors' confidence in the information they use to decide and analyse their risks. Legislation has felt a great necessity in order for financial statements to be unitary, streamlined, comparable, transparent and adaptable. A single set of global standards of the greatest quality, is the best solution to eliminate the challenges experienced by multiple standards systems in the public's interest. The convergence of financial reporting and accounting standards is a valued process that makes global investment flow free and offers significant benefits for all stakeholders in the capital markets. It enhances investors' capacity to compare investments globally, hence reducing their risk of misjudgment. It facilitates accounting and reporting for global businesses and removes costly needs, such as the re-establishment of accounts. For all market players, including regulators, it has the potential to develop a new standard of responsibility and greater openness, ideals of tremendous relevance. It eliminates operational problems for accounting firms and focuses on their values and skills to improve the reporting model.

IFRS as Global Standards:

The IFRS includes IFRS issued by the IASB, IAS issued by the IASC and interpretation by the SIC and the IASB's International Financial Reporting Interpretations Committee (IFRIC). IFRS includes IFRS and IFRIS IFRES. The "principles-based" standard set is recognised to be an International Financial Reporting Standard (IFRS). In fact, instead of specifying specific therapies, they lay down broad norms. Each major nation moves to some degree to adopt them. For the purpose of the stock exchange listing company's IFRS can be used by large numbers of authorities and may also be used by banks, insurance firms and stock exchanges for statutory reporting purposes [2]. Thousands of firms will therefore embrace worldwide standards in the coming few years. This rule will affect around 7,000 firms, including their subsidiaries, equity investors and joint venture partners. The rising usage of IFRS is not restricted to public listing or statutory reporting requirements. Many lenders and regulatory and public authorities seek IFRS to satisfy local financing or licencing financial reporting obligations [8].

Approval in India of IFRS:

Increases Indian accountants and business people feel the demand for convergence to IFRS. Capital markets provide an important explanation for this change. Certain Indian companies are already traded on foreign exchanges, and many others will be traded in the future. Internationally approved accounting standards are becoming the language of communication for Indian companies. Some of the past accounting and guidance standards have been reviewed or reviewed to bring Indian standards into line with IAS/IFRS [3]. However, now, in collaboration with the core group of the Ministry of Corporate Affairs (MICA), the board of the Accounting Standard decided to introduce two independent set of accounting standards for convergence of Indian Accounting Standards (IFRS).

Recent Trends of IFRS in India:

The corporate ministry's attention has been switched to international reporting standards for Indian corporations, to be applied starting from 1 April 2011, following the passing of the Company Act 2013. According to the draught plan, from 1 April 2015, a government official informed the Indian Express it aims to introduce IFRS starting with enterprises with a net Rs 1.000 crore value. In the second phase, both listed and non-listed enterprises, having a net value in excess of Rs 500 crore but below Rs 1,000 crore, are expected to comply with international accounting requirements from the beginning of April 2016. In light of the challenges raised by companies and unresolved fiscal problems, IFRS was put on the back burner of the government [9]. Industry organisations tried to delay the industry's preparation, stating that it needed more time. Among other aspects, IFRS-converged accounting regulations address market-to-market predictions and valuing financial assets. In the initial stage the implementation should cause some financial upheaval as the standards ask for the projection of the genuine worth of assets. Experts argued that other industries, including banking and property, would be harmed. "The ICAI has been invited to perform a sector study to explore the impact on the sectors that the implementation would impose," the official said. As a result, all Indian companies listed abroad or operating abroad now prepare international financial statements. Bank corporations would yet be excluded from IFRS compliance [4]. In the third and fourth phases, smaller enterprises should prepare their accounts according to the international standards by the beginning of April 1, 2017. Oil and gas, finance, telecommunications, and infrastructure are the most likely sectors to suffer. More than 100 nations have implemented IFRS, whereas India's international reporting standards have converged. At present, three major economies are the United States, Japan and India which have not implemented IFRS but last year Canada, Brazil and Russia moved on to IFRS.

Benefits:

The adoption of IFRS for financial reporting has benefited the economies worldwide. Some of the advantages of Indian companies through IFRS convergence are:

- **Better access for the world's financial markets:**

They naturally need more money from cheaper sources as a result of worldwide spread, or so-called globalisation along with growth and expansion. Convergence to IFRS assists Indian companies in obtaining foreign finance.

- **Better cross-border listing:**

Since Indian companies acquire capital from outside India for their significant expansion ambitions, they need to follow the IFRS. It is, therefore, easier for Indian firms to list abroad by implementing IFRS.

- **Multiple reporting elimination:**

Large corporations will have their subsidiaries registered both in India and abroad. Companies in India prepare their accounting according to Indian Accounting Requirements, while international registered companies must prepare accounts in accordance with their country's financial reporting standards. Convergence to IFRS ensures that numerous financial reports from such companies are eliminated according to a single set of International Financial Reporting Standards.

- **Better financial reporting quality:**

High quality, understandable, compulsory and globally acceptable accounting standards are IFRS. Approval to IFRS will lead to greater financial reporting quality because the accounting principles are being used constantly and so enhance the trustworthiness of the financial reports.

- **Easier worldwide comparability**:

IFRS becomes a global financial reporting language, as we know. Comparison is facilitated by the adoption of IFRS by Indian companies. The comparison with the financial accounts using the same reporting processes is also easy for investors, bankers, lenders and other stakeholders.

Challenges:

As with two parts of a coin, it also involves hurdles for Indian companies along with utilities. You are as follows:

- **Training:**

The lack of IFRS education and academic understanding is an issue in the Indian sector. Thus, the stakeholders, such as Chief Financial Officers (CFOs), auditors and tax authorities, should be given proper training. Only then can it be understood and applied uniformly.

- **Sensitivity:**

Sufficient knowledge of IFRS in India is still confined to a few. Most parties such as companies, banks, shareholders and exchanges are unknown. Such an insight into these standards is one of the biggest obstacles Indians face.

- **Changes in the regulations:**

We need our present laws and regulations to be amended in order to conform to IFRS. The Companies Act, 1956, the 1961 Income Tax Act, the Reserve Bank of India Act, the GAAP, etc., are different from the IFRS, and hence suitable changes must be applied to follow the IFRS. Legal limitations would therefore be met with substantial obstacles.

- **Use of fair value measurement basis:**

In the financial statements, IFRS employs fair value bases to measure majority items. The application of fair value accounts could lead to considerable volatility and subjectivity in financial statements, for example, it would increase volatility in reported returns and related performance indicators such as EPS (income per share), PE (premium income ratio) and so on. Therefore, fair value (representing the true value of assets) is recorded in profit/loss accounts and results in gains and losses. Indian companies that create historical cost financial statements will need sufficient time to move to fair value accounting.

- **System of financial reporting:**

Financial reporting in India shall be carried out according to ICAI standards (Institute of Chartered Accountants of India). We must modify this to comply with IFRS criteria. The information systems should be built to identify new requirements for fixed assets, segment divulgations, transactions of associated parties etc.

IFRS: The Impact on Indian Corporate

The implementation of IFRS as a common language of financial reporting is gaining traction around the world. The application of IFRS is required or permitted in over 100 countries in the EU, Africa, Western Asia and Asia-Pacific. The ICAI has issued a Conceptual Paper on the Convergence of IFRS in India, describing the IFRS adoption strategy for India effective from 1 April 2011. The report was published on 3 January 2011. This has been reinforced by the recent declaration by the MCA, which confirms India's convergence plan by 2011. Even in the USA, the adoption of IFRS replacing US GAAP continues to be debated.

It is quite tough to adopt IFRS by Indian companies but could also reward them at the same time. Indian firms will undoubtedly profit substantially from IFRS adoption. The experience of the European Union shows that the adoption of IFRs offers several perceived advantages. All all, the majority of investors, preparers of financial statements and auditors agreed that IFRS improved the quality of the accounts, and IFRS was a good development in EU finance [6].

In the Indian setting, there are probably various advantages for companies. The following are:

• Improvement with global comrades and industry standards in the comparability of financial information and performance. This would lead to more transparent financial reporting for the actions of a company that benefit investors, clients and other key stakeholders in India and abroad;

•The adoption, due to consistent application of accounting standards and improvement in the credibility of financial statements, of IFRS is projected to produce the greater quality of financial reporting. This, in turn, leads to enhanced confidence and reliance on the financial statements of an organisation for investors, analysts and other stakeholders;

• Better access for enterprises seeking fundraising from most capital markets worldwide and reduced capital cost from global capital markets, since IFRS is now acknowledged as the financial reporting standard. A recent US Securities and Exchange Commission decision (SEC) allows international companies listed in the US to submit IFRS financial statements. This means that these companies are not required by US Accounting Principles to prepare separate financial statements (US GAAP). Therefore, Indian firms listed in the United States would profit from preparing only a single set of financial statements compatible with IFRS, thereby reducing finance and compliance costs.

The apparent advantages of adopting IFRS are based on the experience in the mild economic conditions of IFRS-compliant States. Indian enterprises may face serious hurdles as a result of the current drop in trust in the market in India and abroad combined with harder economic conditions. In certain cases, the IFRS would demand the adoption of the principle of fair value, resulting in considerable variations from current financial reporting, particularly in relation to financial instruments and business combinations. In light of the current economic climate, significant volatility could result in reporting income and important performance measurements such as EPS and P/E ratios. In order to improve comprehension and boost their financial statements' openness and trustworthiness, Indian companies will need to develop awareness among investors and analysts to explain the reasons for this volatility. The absence of adequately valued professionals to help Indian companies to arrive at solid fair value estimations is compounding this dilemma. This is an important resource limitation that may have an influence on financial comparability and make some of the advantages of IFRS adoption ineffective.

Even if IFRS are principles-based standards, the preparers of financial statements are provided with specific accounting policy choices. For example, in the accounting of investment properties, the adoption of a cost-based model or revaluation model. This could impair to some degree the consistency and comparability of financial information, reducing the advantages of adopting IFRS. The International Accounting Standards Board (IASB), an international standardisation body, formulates IFRS. However, local government and accounting regulating agencies, such as ICAI in India, are responsible for implementation and guidance. As a result, discrepancies in the interpretation of IFRS rules or their practical execution may result, thus reducing uniformity in financial reporting and comparable to worldwide peers. In order to comply with IFRS, the ICAI will have to make necessary investments and create infrastructure.

Research Methodology:

Most of the research was based on primary data. 900 Management School students in India received survey documents from the researchers. The sample includes the most diverse groupings of students. Annex I at the end of the report shows the geographical area and profile of the respondents. 137 respondents returned the completed surveys. After incomplete responses were removed, the research was conducted using a sample of 90 respondents. ANOVA and t-Test have been used to compare findings among different participant groups. This survey notably measured attitudes regarding the more convergence between national accounting principles and international standards, how they view the prospects and the degree of preparedness in the Indian Accounting programme for a single set of accounting standards.

Data:

Demographic profile	Groups	Frequency	Percentage
Gender	Male Female Total	67 23 90	74.44 25.55 100
Age	21-30 31-40 More than 40 Total	77 12 1 90	85.55 13.34 1.11 100
School year	First year MBA Second year MBA Total	34 56 90	37.77 62.22 100
Geographical Region	East India West India South India North India Central India Total	7 28 11 15 29 90	7.78 31.12 12.22 16.67 32.22 100

Table 1: Geographical Area and Profile of Respondent

Reasons	Strongly Disagree(%)	Disagree(%)	Neutral(%)	Agree(%)	Strongly agree(%)	Rating Average(%)
Business transactions recording	4.51	3.42	19.28	51.13	21.56	3.81
Preparation of the financial declarations	4.51	0.00	14.82	48.92	31.78	4.02
Financial Statements reporting	4.51	1.09	10.21	52.31	31.78	4.04
Financial Statements Analysis	4.51	2.28	15.92	45.48	31.78	3.96
Take management decisions	4.51	5.68	35.18	44.32	10.22	3.4
Take	2.28	6.78	31.82	48.93	10.18	3.56

decisions on finance and operation						
Organization Controlling	3.41	10.18	35.18	41.90	9.11	3.44

Table 2: IFRS knowledge and skills learning will aid

Data Analysis and Discussions:

The need to include IFRS into the curriculum of Indian accounting.

The main grounds for IFRS integration in the course were: (1) ICAI-IASB convergence project; (2) planned inclusion of IFRS in the near future professional exercises; (3) global predominance of IFRS; (4) IFRS favourable impact on students' job chances. Maintaining their knowledge as an important requirement was underlined by most responders (56.6%). However, 36.7% strongly felt that their understanding of IFRS will aid them in a job within a multinational company, through an integrated course. Nearly 49 percent of the respondents said that they were willing to attend the course since ICAI chose to adopt IFRS in India from 2011, and that they were the first to take place in the competitive advantage and participate in professional examinations. A majority (68.5 percent) stated that they will need information on the backdrop of the IFRS, regulatory difficulties, the overall use, as well as some important differences between the IFRS and the Indian GAAP, if their placements are to be taken as organisations that are engaged in campus recruitment.

Are Indian students familiar with IFRS?

For the business department in schools and universities, the implementation of IFRS is a key event. Some keywords/concepts were chosen for an assessment of the amount and correctness of the knowledge and/or information of student responders on IFRS. Answers were questioned as to how they understood One Accounting World. Approximately 50% of the pupils responded correctly as IFRS, but 50% still do not realise this. Again, amazingly 63% of respondents still do not know that ICAI decided from 2011 on to use IFRS in India. It intended to test the degree of knowledge of IFRS by posing questions about the basic contrasts between the Indian GAAP and IFRS. Not surprisingly, 83% of those responded negatively. IFRS knowledge is much greater for male pupils ($M=3.57$, $SD=1.46$) than for female pupils ($M=3.22$ $SD=1.24$) with a value of 2.017 and p-value $<.05$. However, the age groups do not differ significantly in terms of the p- value of their IFRS knowledge of 0.45. There is also no distinction among respondents in their knowledge of IFRS between first year and second year groups of MBAs. No significance was discovered in the ANOVA within school year groups with an f-value of 0.374 and the corresponding p-value of 0.803. Thus in comparison to already accepted nations, the relative absence of IFRS understanding in schooling in India will lead to a dearth of trained employees. International and accounting corporations in India, which provide services to multinational companies and organisations dealing with global enterprises, are actively recruiting IFRS experts.

What strategies or techniques should IFRS be adopted for the new curriculum?

The key to successful IFRS integration is to involve students in explanatory advantages such as employment potential and highlight the planned integration of IFRS with the CA examinations. Researchers were keen to find out if IFRS now covers Indian Accounting curricula or any courses. But almost 80 percent of respondents said they had no IFRS instruction in their present accounting programme. IFRS as a core course must be included. But 92% of respondents agreed strongly that educational institutions should adopt IFRS in their curricula. Only 68.50 percent respondents answered, however, that if they were presented they would take the course. There were several interesting findings in the survey. Many students don't like to take it as a compulsory or core subject; instead, 68.2 percent chose it as an optional course. Management schools/statutorial institutions/universities might use the following ways to integrate IFRS into their intermediate accounting curriculum. At the start of intermediate accounting, IFRS should be launched first. Intermediate accounting students need to master certain specific IFRS elements while still largely focusing on Indian GAAP. This strategy tends to be the most successful and efficient method in intermediate accounting to use the limited class time. The training instructors can concentrate on (1) the convergence projects and (2) the significant present disparities between IFRS and the Indian GAAP when prioritising the IFRS subjects to discuss. As individual Indian GAAP subjects are reviewed in advanced courses, teachers can talk more in detail about key contrasts between the Indian GAAP and IFRS than the first Accounting Class. The principal provisions of convergence initiatives in the draught exposure or discussion memorandum can also be explained. An alternative to an IFRS-centric or a GAP-central curriculum is to suggest an approach based on the concepts and principles shared by IFRS as well as Indian GAAP, based both on introductory and interim financial accounting courses.

Findings:

The requirement to introduce IFRS in the accounting curriculum was deemed to be urgent. Most students in Indian management do not know the IFRS. Secondly, the knowledge of IFRS among respondents for various ages and school years was inconsistent. The knowledge of IFRS among male and female respondents was different. Students would like to take the course. You realise that it would aid you to obtain a decent placement, so you can use IFRS. They want to undergo training for IFRS after they have done it. Initial principles with possible variances about Indian GAAP and IFRS should be introduced to integrate the IFRS into the core intermediate level, and then a thorough study into higher-level courses. Students of management choose to take the course if it is an elective. Thirdly, knowledge of IFRS differs among students with financial and accounting as a major topic compared to students with other topics, e.g. marketing, management of human resources or information technology, etc. as a significant topic. Students in the financial and accounting fields would like to take more IFRS classes. The poll revealed that a student-centred teaching approach was appropriate for this course. 4. The opinion of the favourable effects of IFRS and the intention to take courses about IFRS were positively correlated. Fourth. Courses are more concerned with students who comprehend the implications. "Finally" Indians are not ready to accept the IFRS in the Curriculum of Accounting.

Conclusions:

IFRS Convergence will, of course, provide more trust in the international capital market with Indian Accounting Standards. There is sufficient time to adapt to new changes, and it is essential to make intensive efforts from all stakeholders to attain this objective. The convergence process has progressed slowly but steadily in India, and a common set of high-quality standards is planned to be introduced. We face a number of problems as we converge on IFRS, but the benefits are more valuable than the ones we face. Regulators and lawmakers must create an effective IFRS regulatory observance control mechanism and ensure that the current legislation is amended to ensure that it is appropriately implemented.

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