Available Online at http://www.recentscientific.com

CODEN: IJRSFP (USA)

International Journal of Recent Scientific Research
Vol. 9, Issue, 9(D), pp. 28913-28920, September, 2018

ISSN: 0976-3031

International Journal of Recent Scientific Research

DOI: 10.24327/IJRSR

Research Article

IFRS: IMPACT ON INDIAN CORPORATE

Pradip Kumar Das

Teacher-in-Charge, Commerce Unit, J.K. College, Purulia (W.B.), India

DOI: http://dx.doi.org/10.24327/ijrsr.2018.0909.2759

ARTICLE INFO

Article History:
Received 13th June, 2018
Received in revised form 11th July, 2018
Accepted 8th August, 2018
Published online 28th September, 2018

Key Words:

IFRS, Indian Corporate Sectors, Foreign Investments, Capital Markets, Global Corporate Sectors.

ABSTRACT

Reliable, consistent and uniform financial reporting in place of presenting in different formats as per requirements of countries is one of the foremost requirements of good corporate governance practices worldwide to enhance the credibility of the businesses in the eyes of the investors to take informed investment decisions. Of late, with growing globalization and integration of capital markets, it has become mandatory for corporate sectors to adopt a common language of financial reporting, i.e. IFRS (International financial Reporting Standards). IFRS adoption is an issue of global relevance among various countries of the world owing to its fair results. India being one of the key global players, migration to IFRS will enable Indian corporate to have access to go through the cumbersome conversion and filing process. Adopting IFRS will not only make the corporate sectors of India at par with other global corporate sectors but shall also enhance India's marketability globally in terms of foreign investments. This paper makes an attempt to find out the impact of IFRS adoption on Indian corporate. This paper also studies the implementation problems in India and offers suggestions to overcome the same.

INTRODUCTION

With the growing liberalization of Indian economy, corporate activities are not limited by any geographical boundaries; rather, it has become mandatory to harmonize accounting standards and to follow a single language of financial reporting across the world. Complete harmonization may not be possible to achieve due to differences in the economic, political, legal and cultural environment in countries; but much can be abolished by standardization of accounting practices resulting in issuance of accounting standards. However, the diversity of accounting standards among the nations of the world has been a problem for the globalization of the business environment. Therefore, it is imperative to adopt universal set of standards in all spheres to overcome the conflicts and disagreements in the global economy and to follow a uniform framework of policy which is required to be well defined and structured. To ensure consistency, relevance, reliability and comparability about the information the corporate sectors provide, Generally Accepted Accounting Principles (GAAP) based on few basic principles as advocated by GAAP rules, IFRS have been crafted as a common global language for business affairs globally. These developments have stimulated foreign corporate to invest in India and the growing investment trends in India from abroad claim corporate financial reporting system fully harmonized with the one being used buying foreign corporate or entering into joint ventures with foreign corporate. IFRS aims at making international financial reporting comparisons as easy as possible because each country has its own set of accounting rules. Synchronizing accounting standards globally is an ongoing process in the international community. Users of financial statements have always claimed transparency in financial reporting and disclosures. India today has become an international economic force. Indian corporate have surpassed in several sectors of the industry. For staying as a leader in the international market, India has opted the changes it requires to interface stakeholders internationally and comply with the financial reporting in a language understandable to all of them. Expectation of investor and market is also of vital importance in managing the adoption process. This paper is a modest attempt to study the impact of IFRS adoption on the Indian corporate sectors and also to identify few solutions to the problems so detected.

LITERATURE REVIEW

Researchers offer various suggestions on the utility of adoption of IFRS as a single and uniform set of financial reporting standards globally. Existing literature highlights the fact that adoption of IFRS as a single and uniform set of financial reporting standards will improve the worth of financial information. Various studies have been conducted in the field of IFRS across the globe. Proponents of IFRS often claim that

Corresponding author:* **Pradip Kumar Das
Teacher-in-Charge, Commerce Unit, J.K. College, Purulia (W.B.), India

IFRS adoption leads to greater and higher-equity disclosures. Some of the relevant studies in this context are briefly mentioned below to acquire a theoretical perspective on IFRS implementation.

Dr. Mahender K. Sharma (2013) [1] worked in the field of "IFRS and India-Its Problems and Challenges" to analyze the information available on IFRS adoption process in India. The study focuses on the IFRS adoption procedure in India and the utility for India in adopting the same.

Srivastava, Anubha, Bhutani, Prerna(2012)[2] studied on "IFRS in India: Challenges and Opportunities" to find out up to what extent IFRS has been adopted by the organizations, what challenges and opportunities companies are facing regarding IFRS, and what are the measures that can be taken to make the process smooth and flawless. The study focuses on the awareness and adoption of IFRS in India.

Kamath and Desai(2014)[3] in their study " The Impact of IFRS Adoption on the Financial Activities of Companies in India-An Empirical Study" suggested with the help of different ratios that investment activities and operating activities showed improvement, whereas financial risk and debt covenant showed no difference.

Rudra and Bhattacharjee (2014) [4] showed in their study that IFRS adoption has not led to any improvement in the earnings management in India.

Swamynathan and Sindhu (2011) [5] showed that IFRS is fair value based and is more transparent than Indian GAAP which is conservative.

Several researchers like Ibiamka (2014) [6] showed that IFRS adoption does not affect on financial indicators like equity position, solvency position, profitability position, total assets valuation and liquidity position. These remain unchanged.

Pawel Punda(2011)[7] showed that increase in profitability ratios and liquidity ratios is less significant, but still quite substantial increase, and one market-based ratio (P/E ratio) observes slight decrease after the conversion to IFRS resulting increase in profitability ratios and decrease in P/E ratios due to very high income statement profits under IFRS.

On the other hand, some researchers like Terzil (2013) [8] observed that adoption of IFRS changes the financial indicators.

Objective of the Paper

Emergence of the global economy and growing integration of world's capital markets have drawn the attention of the Indian corporate to make significant changes in their financial reporting with a view to following a uniform set of global accounting standards in India. IFRS aims at making international financial comparisons easily understandable as each country has its own set of accounting rules and, thus, it serves as a possible pathway for establishing uniform global accounting standards. High level of industrialization has also felt the necessity to follow the globally accepted accounting principles. In the light of this motivation, the present paper is concerned with the following objectives:

- To discuss the benefits for Indian corporate in adopting IFRS;
- To discuss the problems faced by the stakeholders in the process of adoption of IFRS in India; and
- To discuss the ways through which the problems can be addressed.

Experimental Section

Methodology and Limitations

The study being theoretical and conceptual, a simple methodology has been followed. The opinion expressed in this paper reflects the author's own perception and the opinion of some reputed authors to some extent. The study has been conducted mainly on the basis of secondary data; literature review and personal interviews with experts, journals, research papers, web resources, newspapers, etc. have been used for collecting relevant data. The present work is blends of descriptive and exploratory research work where the reasons and challenges are to follow the IFRS procedures. The research work will also provide an insight on the future prospects by following the convergence process.

However, the study suffers from certain limitations as follows:

- The issues raised in the study are drawn majority from secondary sources; it is, therefore, difficult to examine the issues through any specific tool; and
- IFRS implementation procedure is yet to be completed in India. The study, therefore, does not reflect the post IFRS implementation impact on Indian corporate financial reporting system.

RESULTS AND DISCUSSION

IFRS: Impact on Indian Corporate

Globalization helps open the countries' doors for trade and business expansion across the world and make foreign investment. A large number of multi-national corporate are establishing their business in various countries especially in developing countries like India as the result shows that Indian corporate are also being listed on overseas stock exchange, but different countries follow their own Accounting Standards (AS) framework creating great confusion for users of financial statements and inefficiency in capital market around the world. Therefore, there is a need for creating a single set of similar high quality accounting standards across the world to meet business transaction globally which leads India to go for convergence of Indian Accounting Standards (IAS) with IFRS. Adopting IFRS by Indian corporate is gaining momentum globally and is going to be very challenging but at the same time they are likely to reap significant benefits from the same. Most of the investors, financial statement preparers and auditors agree that IFRS improves the quality of financial statements and its' implementation is a positive development for financial reporting of the corporate sectors. Indian corporate sectors can derive several benefits from adoption of IFRS. A few of them are listed below:

- IFRS makes accounting information more reliable, relevant, timely and comparable across different legal frameworks and equipments as it is prepared using a common set of accounting standards and, thus, facilitates the parties desirous to invest abroad.

- IFRS raises the reputation and relationship of the Indian corporate world with the international financial community.
- IFRS will precisely benefit the industries as it increases the confidence in the minds of the foreign investors, decreases the burden of financial reporting, simplifies the process of preparing the individual and group financial statements and lowers the cost preparing the same using sets of accounting standards.
- IFRS will improve the comparability of financial information and financial performance of Indian corporate with the global peers and industry standards resulting in more transparent financial reporting outside India also.
- Adoption of IFRS results in better quality of financial reporting due to consistent application of accounting principles and improvement in reliability of financial statements leading to increased trust and reliance placed by investors, analysts and other stakeholders in corporate financial statements.
- Indian corporate listed in the US Securities and Exchange Commission (SEC) will be benefitted from having financial statements and the consequent savings in financial and compliance costs.
- The perceived benefits from adoption are based on the experience of IFRS compliant countries in a period of mild economic conditions. The current decline in market confidence in India and abroad associated with strong economic conditions can present significant challenges to Indian corporate sectors.
- With growing globalization and liberalization, a globally accepted financial reporting system with uniformity, comparability, transparency and adaptability in itself helps the users know only one set of accounting standard to analyze any corporate in the world.
- India starting market integration with global financial market makes her work easy for capital requirement. Financial statement made under IFRS is accepted by stock exchanges all over the world. Thus, it facilitates international business.
- Owing to harmonization in accounting system, the investors can invest directly their capital in efficient corporate globally as they properly understand the accounting results of the different corporate enhancing more foreign capital flow to the country.
- IFRS benefits the accounting professionals as the later will be able to sell their expertise in various parts of the world and, thus, their mobility to work in industry as well as in practice also increases.
- IFRS expects an increase in merger and acquisition opportunities since the major challenge of conversion of financial statements to a uniform standard will be removed due to IFRS.
- Comparison and benchmarking of financial data with international competitors will be possible through IFRS implementation.
- A major benefit of IFRS is that the management of a corporate can view all the corporate in a group on a common platform which can reduce the time and efforts involved to adjust the accounts to comply with the requirements of the national GAAP.

So, IFRS as a single set of high quality accounting standard removes complexities and confusions of financial statements and also maintains trust of the financial and non-financial users.

Impediments and Challenges

Despite several benefits and global acceptance of IFRS, there are several impediments and practical challenges to adoption of and full compliance with it in India. These are:

- In the absence of adequate clarity and assurance that Indian laws and regulations will be amended to conform to IFRS, the conversion process may not achieve momentum.
- There is a lack of sufficient professionals with practical IFRS conversion experience and, therefore, many corporate sectors will have to rely on external advisers and their auditors. This is magnified by lack of preparedness amongst Indian corporate.
- IFRS conversion involves fundamental change to an entity's financial reporting systems and processes requiring a complete knowledge of the standards and the ability to consider their impact on business transactions and performance measures. Further, the conversion process needs diffusion and putting its application on an ongoing basis.
- Another dormant pitfall is viewing IFRS accounting rules as similar to GAAP in India since Indian accounting standards have been formulated on the basis of the principles in IFRS. Further, certain Indian standards offer accounting policy choices which are not available under IFRS.
- The most significant requirement is to build adequate IFRS skills and an expansive knowledge base amongst Indian accounting professionals to manage the conversion projects for Indian corporate.
- Convergence is not just one time technical step but will impose practical challenges of significant business and regulatory matters like structuring, training of employees, tax planning, modification of IT system, compliance with debt agreements. Investors are to be educated to understand the changed financial reporting under IFRS.
- Challenges are due to differences in various conceptual, practical, legal and implementation systems. The Indian GAAP keeps abreast the local conditions including the legal and economic environment.
- The various regulatory and legal requirements in India will pose challenge unless the same is being addressed by respective regulations.
- There are few difficulties relating to the introduction of concepts such as present value and fair value measurement, recognition and the extent of disclosure required under IFRS.
- IFRS does not provide for compromise, merger and amalgamation through court schemes, effects of all such schemes are recognized through income statement.
- Treatment of some items being different can bring change in income statement leading to enormous confusion and complexities.

- Change in equity definition results impact on tax benefits where interest is treated as receiving dividend.
- Financial statements are more complex under IFRS and thereby will pose challenge making useful decisions.
- There are many changes or amendments taking place for most of the standards from IASB; there has been no stable platform ready for banks.
- Banks in India are guided by regulations provided by the Reserve Bank of India whereas under IFRS, in most of the areas management judgment is required in framing accounting policy and procedures.
- There is extreme use of fair value under IFRS and for its assessment there is need for specialization which is seldom.
- Due to modification in reporting system and recognition criteria under IFRS, an extensive disclosure requirement needs fresh data and also extraction of historical data as retrospective application will be complex.
- IFRS needs data from subsidiary, joint ventures and associates for consolidation purpose at very reporting date. Policies and procedures have also to be consistent throughout the group.
- In fact, convergence with IFRS is not just a technical exercise but also involves an overall change in not only the perspective but also the very objective of accounting in the country. There are certain key areas requiring close attention while dealing with conversion from GAAP to IFRS.
- It has to be realized that with the introduction of IFRS, the preparers, users and auditors will continue to face practical implementation challenges.
- In spite of similarities in most of the cases, it is also true that this does not mean that the efforts required for conversion will get because the areas where the differences lying are deep routed, Indian GAAP is still a long behind IFRS.
- The first and foremost challenge is to maintain consistency with the legal and the regulatory requirements prevalent in India.
- Another important reason for departure from IFRS may be macro environment of the country where it is applied.
- A sudden convergence with IFRS may cause hardships to the Indian industry.
- Universally reluctant attitude of the corporate world to change poses another challenge in convergence with IFRS standards.
- Another critical issue posing implementation problems and challenges in the convergence with IFRS arises due to complexities of the recognition and measurement requirements and the extent of disclosures needed by IFRS on different types of entities relating to public interest and other than public interest entities.
- There are significant differences between IFRS and GAAP in India and, hence, IAS has not kept pace with changes in IFRS. This is so because IAS remains sensitive to local conditions including the legal and economic environment.
- For multinational corporate, preparation of financial statements under multiple accounting standards is troublesome and would also cost more.
- Practical difficulties lie in the fact that for implementing IFRS considering the level of preparedness in corporate sectors will have to prepare reconciliation of IFRS accounts in the first year of its implementation to understand the difference.
- There are conceptual differences between IFRS and corresponding IAS; so, concept has to be understood properly.
- The legal and regulatory requirement of each country is different from each other and AS of each country is also different from IFRS. Thus, it is a challenging task to change the legal and regulatory requirement according to IFRS. In India, few corporate are complying with IFRS either voluntarily or because of the requirement of regulatory authorities outside India (Gupta, 2012) [9].
- Taxation laws are also different for all the countries. In addition to the direct tax implications, the regulators also need to make changes to other regulations such as indirect taxes particularly when India is moving towards Goods and Service Tax (GST).
- International experience evidences that corporate would require adequate preparatory time to plan smooth transition and to communicate the impact of the transition to key stakeholders.
- While the regulators need to do their bit, there is a need for an active debate amongst corporate, industry associations, lenders, investors and analysts on the impact and challenges relating to the transition.
- Superior complex is also one of the challenges for convergence of AS.
- For applicability of IFRS, training must be provided to all stakeholders, auditors, teachers, students, tax authorities, regulators, etc. All the books containing old concepts must be updated accordingly.
- To be sufficiently prepared for IFRS, senior management has to also shape up by analyzing which management models and strategies will work best for their organizations facing a huge level of tumult and thus should prepare an IFRS roadmap.
- There is a feeling that IFRS rather than business strategy might actually be driving changes to corporate behavior. In some cases, it may help corporate do things better such as revisit their derivatives strategies; in other cases, it could be changing the way corporate work just to get the desired accounting outcome.
- IFRS is a principle based model as compared to the rule based GAAP; IFRS require extensive use of fair valuations for measurement of assets and liabilities. The objective of IFRS is to set the balance sheet right and hence, a significant change may come in profit & loss account.
- Given the current economic scenario in India, IFRS might result in significant volatility in reported performance measures.
- Lack of awareness amongst the investors and analysts to assist Indian corporate in arriving at reliable fair value estimates is a significant resource constraint that could impact comparability of financial statements and render some of the benefits of IFRS adoption ineffective.
- The use of a cost-based model or a revaluation model in accounting for investment properties can reduce consistency and comparability of financial information to

certain extent and, therefore, reduce some of the benefits from IFRS adoption.

- Corporate would have to ensure that the existing business report model is amended to suit the reporting requirements of IFRS related to fixed assets, segment disclosures, related party transactions, etc.
- Current decline in market confidence in India and overseas coupled with tougher economic conditions may present significant challenges to Indian corporate. IFRS requires application of fair value principles in certain situations resulting in significant differences from financial information currently presented, especially relating to financial instruments and business combinations.
- Indian corporate will have to build awareness amongst investors and analysts to explain the performance measures like EPS and P/E ratios.
- The responsibility for enforcement and providing guidance on implementation is vested with local government and accounting and regulatory bodies such as the ICAI in India. Consequently, there may be differences in interpretation or practical application of IFRS provisions which can further reduce consistency in financial reporting and comparability with global peers. The ICAI will have to make adequate investments and build infrastructure to ensure compliance with IFRS. For the convergence of AS with IFRS, people are required to change their mindset and accept the change as early as possible to have better growth of economy.

Risks Involved in Introducing IFRS in Indian Corporate

Though there are several risks associated with the introduction of IFRS, a shift from country-specific GAAP to IFRS is proving to be an inevitable move virtually for all organizations around the globe. Hence, it is imperative to be prepared for striving the extensive impact of this regulatory change on business practices, accounting practices and organizations.

- The biggest risk in converging Indian GAAP with IFRS lies in the fact that this will increase the complexity with the introduction of concepts such as present value and fair value. Similarly, there are some recognition and measurement issues creating quite a lot of controversy.
- Implementing IFRS has increased financial reporting risk due to technical complexities, manual workarounds and management time taken up with implementation.
- IFRS do not recognize the adjustments that are prescribed through court schemes and consequently all such items will be recorded through income statement.
- In IFRS framework, treatment of some items is different from the present method used that will bring about a change in income statement leading to vast confusions and complexities.
- IFRS can introduce changes in the very concepts and definitions in few areas like change in the definition of "Equity" resulting tax benefits of hybrid instruments where "Interest" is treated as receiving dividend.
- At the outset, it may be difficult and more challenging for the corporate to keep pace with the process of convergence with IFRS; but, making it mandatory to prepare financial statements for providing information about the unlisted corporate under IFRS may result in increased challenge to the small and medium firms in the country.
- Significantly more complexity of IFRS financial statements than financial statements based on Indian GAAP threatens to undermine the usefulness of IFRS financial statements in making decisions. The risk involved in the preparation of financial reports will become just a technical compliance exercise rather than a mechanism for reporting financial performance of corporate.
- Laws and pronouncements being country specific and unwillingness to abandon their respective laws altogether will always be checked to see the suitability for application of IFRS pronouncements in a particular country and its environment.
- Actually, adoption of IFRS or convergence it into Indian GAAP is not very clear evidencing unpreparedness towards the convergence process.
- Richard D. Morris (et.al. 2014) [10] showed in their study that full harmonization of IFRS is probably neither practical nor truly valuable; it reflects more difficult, considerable or serious rather than as easy or little.

Factors for Successful implementation of IFRS in India

Despite the risks involved, we cannot escape or avoid from converging or accepting IFRS. There are a large number of factors in favor of convergence and harmonizing accounting principles and standards at the international level. The main factors are as follows:

- Because of emergence of the global economy and growing integration of world's capital markets, financial reporting in India has undergone significant changes. Witnessing a sound growth with globalization, IFRS has helped Indian corporate to raise funds from offshore capital market.
- In view of various challenges and difficulties, it seems to be more specific to adopt IFRS in India duly as it has been successfully followed by many countries.
- Tax authorities should contemplate IFRS implications on both direct and indirect taxes and provide appropriate guidance from tax perspective.
- Professional bodies like the Institute of Chartered of India (ICAI) should leave no stone unturned to train and upgrade the profession in IFRS.
- Successful implementation of IFRS requires corporate to fully use IFRS as its bases of daily basic financial reporting as well as for performance tracking in the form of budgets, forecast, management accounts, etc.
- There are no corporate specific themes in IFRS in India due to lack of corporate specific guidance in IFRS and common reliance on Indian GAAP. Implementation in other countries does not reveal any visible pattern in corporate wise adoption of these standards.
- Improving upon the disclosures can help to view financial statements not only from compliance perspective but also as a way of reporting and explaining performance.

- Mandatorily, the corporate should prepare IFRS compliant statements along with Indian GAAP compliant statements so that the possible problems can be traced in advance and corrected as far as possible.
- Failure of Indian corporate to take active part in standard setting process internationally, converging to IFRS using an endorsement process and possibly accepting temporary carve outs and quirks seems to be safer route to take.
- Instead of adopting an escapist path, India should go along and face the challenges, study the possible risks and accordingly get prepared for IFRS. Global capital markets of the countries adopting IFRS shows higher degree of integration among them than the period before the adoption (Can & Wong, 2010) [11] .

Hence, with a view to implementing IFRS successfully and smoothly, a high degree of mutual international understanding about corporate objectives, financial reporting objectives and harmonization objectives needs to be achieved.

Recommendations

Internationally, in so far as cross-border investments are concerned, a non-IFRS compliant country is perceived as an additional risk factor. Of late, India being growing economy in the world, the issue of convergence with IFRS has been raised at various forums. But, this is being becoming more of a necessity than just being the best practice. However, the following suggestions are put forward:

- Market participants will be called upon to consider the feasibility of achieving a uniform set of high-quality global accounting standards. This will be critical to future reporting and of fundamental importance to the long-term strength and stability of the global capital markets.
- Performance measures based on Indian GAAP may require revisiting as it may change in IFRS adoption by fair amount due to valuation aspect. Investors' expectation and market are also of paramount importance in the adoption process.
- The most significant need is to build adequate IFRS skills and an expansive knowledge base amongst Indian accounting professionals to manage the conversion projects for Indian corporate. This is possible by leveraging the knowledge and experience gained from IFRS conversion in other countries and incorporating IFRS into the curriculum for professional accounting courses.
- It is imperative for Indian corporate to improve their preparedness for IFRS adoption and get the conversion process right. Given the current market conditions, any restatement of results due to errors in the conversion process would be detrimental to the corporate and will severely damage investors' confidence in the financial system.
- More and more guidance notes are required on regular basis to provide immediate guidance on accounting issues arising due to issuance of new accounting standards and changes in legal or economic environment and other developments. To enable members to maintain high standards of professional services, frequent seminars, workshops and lectures are required.
- Changes in IFRS are pervasive; profit planning and budgeting needs to be tuned to incorporate the expected increase in income volatility arising out of fair valuation system. Staff will need training not only in IFRS accounting but also the changes in the products and processes due to conversion.
- Political pressure on IASB should be avoided from various interest groups like private sector and Government sector.
- IASB should encourage member bodies to adopt IFRS and formulate and reformulate their rules that they are in line with IFRS to eradicate upcoming hurdles.
- Legislations should be passed to the effect that in case of any changes or amendments in IASB, the local standards, if any, should be brought in line with these.
- Local stock exchange can be used for cooperation in taking action against corporate failing to comply with the IFRS.
- Governing bodies of various accounting professions can also be used to apply disciplinary procedures in case of non-convergence with IFRS.
- IASB should publicize standards developed by it and get support from the accounting profession, member countries and corporate management across the world.
- First-time adoption could be a gigantic task and hence it is essential to ensure that proper care and diligence is exercised so that there are no spill-over impacts in subsequent periods. IFRS deals comprehensively with the first-time adoption.
- To ensure that the judgment, estimated and fair valuation concepts are not misused by the management, lot of reliance will have to be placed on independent values.
- Proper planning is required for transition to IFRS to ensure that the corporate must have a proper road map or strategy and resources to migrate to IFRS.
- Emphasis should be given on transparent and exhaustive disclosure indicating that the source of data, compilation process and methodology are hardiest.
- It is to be ensured that the commercial color of the transaction is correctly reflected in the accounting.
- More data analysis, narrative accounting and hence more qualitative accountants and more time will be required to review.
- The taxation team should work closely with the accounts team to examine IFRS impact on the new financing structures implemented within the group.
- More and more focus is required on the underlying commercial nature of transactions and events. Other areas where more attention is needed include property, leases, revenue recognition, provisions and consolidation policy.
- Convergence to IFRS will have an impact on the processes leading to recording of specific transaction and necessitates re-engineering of those processes and related internal controls.
- Keeping in mind the fact that IFRS is more principle based approach with limited implementation and

application guidance and moves away from prescribing specific accounting treatment, all accountants practicing or non-practicing have to participate and contribute effectively to the convergence process.

- Revisions from time to time arising from its global implementation can help in formulation of future international accounting standards.
- Compliance with IFRS timetable should be mandatory and failure should be marched with appropriate sanctions. This may help in tracing problems likely to be happened in advance and corrected as much as possible.
- Government should release more fund to educate all stakeholders with special reference to the academic students who will sustain the future in the country and develop a plan to help properly equip the corporate for upcoming changes.
- While monitoring the IFRS implementation timetable, the Government, RBI and other regulatory bodies should ensure that ethical environment and corporate transparency are observed.
- A sound theoretical and practical training in the light of international GAAPs, industry and academia integration is the need of hour.
- The Government of India needs to format a separate committee for IFRS process and feedback purpose. An adequate management and Government support is very′ essential to the banks and other organizations for effective implementation of IFRS in India.
- The another key success factor for the effective IFRS′ implementation is “Outsourcing”, India can import the information related to the successful implementation of IFRS by other countries who are the leaders in the effective implementation of IFRS.
- The Government of India shall provide assistance as well as′ incentives to the banks willing to migrate to IFRS; this will definitely help in the effective and early adoption of IFRS in Indian banking sector.
- An important recommendation is that the information given′ to the various stakeholders including investors, creditors, suppliers, customers, etc., regarding the migration from IAS to IFRS should be in such a way that it shall not create any confusion among them; rather, it should be reliable, relevant and on time.
- Academicians are also the part of transition process, so it is′ recommended to include IFRS as a curriculum activity especially for the commerce students.
- Though the accountants and bankers are the pillars of the transition process, it is suggested to ensure adequate training and knowledge on IFRS, its benefits, its implementation from now itself.
- To implement IFRS successfully and efficiently, a high level of mutual international understanding about corporate targets, financial reporting targets and harmonization targets need to be achieved. At the same time corporate governance should also be strong and responsible for implementation of strategies.
- Successful IAS implementation will require a thorough strategic assessment, a robust step-by step plan, alignment of resources and training, effective project management as well as smooth integration of the various changes into normal business operations.
- Finally, IAS implementation exercise needs to establish sustainable processes so as to continue to produce meaningful information long after the conversion exercise is completed.
- It is hoped that clarity on the above challenges and strategies make Indian corporate sector achieve convergence well in time.

CONCLUSION

Concluding Observation

The study indentified very poor knowledge on IFRS among the respondents. India has learnt that adapting IFRS is not just an accounting exercise. It is a transition requiring that everybody concerned has to learn a new language and new way of working. While formulating accounting standards on the basis of IFRS, one should consider the fact that in certain cases, it may cause undue hardship to the industry, at least to begin with. In other words, Indian corporate sectors may not be prepared to apply the provisions of the standards immediately and few transitionary measures are required for implementing them. The major issue in implementation is lack of knowledge relating to its convergence with IFRS. Looking at the current scenario of the world economy and the position of India, convergence with IFRS can be strongly recommended and it is a right step in the right direction. Although, it is facing implementation issues and challenges, the benefits will outweigh the challenges. With adoption, Indian corporate will produce more credible financial statements not only on uniform basis but also for better interpretation. They invariably boost investors’ confidence and attract cross border financial transactions for economic growth. But at the same time, it can also be mentioned that this transition to IFRS will not be a swift and painless process. Implementing IFRS rather requires in formats of accounts, change in different accounting policies and more extensive disclosure requirements. Thus, all parties concerned with financial reporting need to share the responsibility of international harmonization and convergence. With the rapid liberalization process experienced in India over the past decade, there is now a huge presence of multinational enterprises in the country. Furthermore, investing in foreign markets has generated an interest in Indian GAAP by all concerned. In this context, the role of IAS which is becoming closer to IFRS has assumed significance from the point of view of global financial reporting. Self-regulation can ensure a complete and smooth adoption procedure. Awareness and proper training can also contribute to that process. Only enforcement mechanism will not help the procedure but an ADVISOR is required. With all these systems in places, IFRS adoption in India will become very smooth and accurate. “We may have different religions, different languages, different colored skin, but we all belong to one human”. Kofi Annan [12].

Concluding Comment

Indian corporate sectors following IAS are experiencing few difficulties in accessing international financial markets as IAS is becoming closer to the IFRS. The response towards IFRS adoption has neither made much impact in making timely and accurate reports available nor has it made the financial statements more reliable. It is expected to converge even further in the near future, especially after the challenges are addressed over the next few years. Convergence of accounting standards in all countries including India is duly recognized as the future of global accounting standards; IFRS would benefit all the users of financial statements and would take accounting and financial reporting to a new level. In the early stages, it may put too much burden on the preparers and reviewers of financial statements. It is likely that international firms will protect their learning to retain their competitive advantage. Therefore, it is for the benefit of the country that each corporate makes judicious choice of the accounting firm as its partner without limiting its choice to international accounting firms. Different views of the role of financial reporting make it clear to encourage convergence of accounting standards, but there now appears to be a growing international consensus that financial reporting should provide high quality financial information comparable, consistent and transparent to serve the needs of investors. In such a scenario, gradual adoption after proper understanding may be a better alternative rather than full and complete adoption at one time. A longer courtship and dating may be a better idea to a love at first sight and marriage.

The process of convergence has been making slow but steady progress till now. But the adoption of IFRS or convergence of accounting practices is helpful to the entity and the country as well. All the debates in against and with the IFRS are based on perception because there is lack of impact study in India. It is not easy to properly study the impact of adoption of IFRS before implementation. The impact might differ across countries because the gap between the accounting practices before adopting of the IFRS varies widely across countries. Therefore, the assessment of the impact of IFRS should be country specific. Presentation of financial reporting coverage with the IFRS, the corporate sectors will get benefit in the long term because it is a global accounting language.

Hence, preparation of IFRS-converged standard is a challenge for the preparers both in India and outside.

Research Scope

Lot of research and development is still under progress for various items like fair value, etc. and the evolved version will lead to better and more narrative financial statements. IFRS for small and medium enterprises is yet to be released; the same is expected to reduce the compliance requirement and the cost. IFRS is an opportunity for Indian corporate to be in line with the global corporate and will, in turn, help raise finances globally. It would be a blessing to the accounting fraternity as it would expose them to international arena and would help service the global accounting market. The benefits are perceived benefits of adoption of IFRS. Researchers are yet to be carried out to understand the actual benefits for adoption of IFRS and its impact on Indian economy and firms. Such researches are negligible for Indian financial data, as India is yet to step in the era of IFRS. A continuous research is in fact needed to harmonize and converge with the international standards by Indian corporate and this, in fact, can be achieved only through mutual international understanding.

Acknowledgement

This paper is dedicated to my ALMIGHTY GOD who shows HIS kindness and gives me inspiration in all walks of life.

Reference

1. Sharma, Dr. Mahender K. "IFRS and India-Its Problems and Challenges" in 2013. July, 2013; 1(4).
2. Srivastava, Anubha, Bhutani, Prerna. "IFRS in India: Challenges and Opportunities". IUP Journal of Accounting Research & Audit Practices. April, 2012; XI (2): 6-32.
3. Kamath, R., Desai, R. "The Impact of IFRS Adoption on the Financial Activities of companies in India: An Empirical Study", The IUP Journal of Accounting research and Audit Practices. 2014; XIII (3): 25-36.
4. Rudra, T. and Bhattacharjee, D."Does IFRS Influence Earnings Management? Evidence from India", Journal of Management Research. 2011; 4(1).
5. Swamynathan, S. and Sindhu, D. "Financial statement Effects on Convergence to IFRS- A Case Study in India" 2011; 1(7).
6. Ibiamke, Nicholas Adzor, Ateboh-Briggs, Patricial B. "Financial ratios Effect of international Financial Reporting Standards(IFRS) Adoption in Nigeria", International Journal of Business and Management Invention. March, 2014; 50-59.
7. Punda, Pawel, (2011), The impact of International Financial Reporting Standards (IFRS) adoption on key financial ratios: Evidence from the UK (Master's Thesis). 2011.
8. Terzil, S., Oktem, R. & Sen, Kiymetli I. "Impact of Adopting International Financial Reporting Standards: Empirical Evidence from Turkey", Internal Business Research. 2013; 6(4).
9. Gupta, R.K. "Impact on Economic Activities by Adoption of International Financial Reporting Standards by Indian Companies", Dissertation, Christ University. 2012.
10. Richard, D. Morris, Sidney J. Gray, Joanne Pickering and Salley Aisbitt. "Preparers' Perceptions of the Costs and Benefits of IFRS: Evidence from Australia's Implementation Experience", Accounting Horizons. 2014; 28(1): 143-173.
11. Cai, Francis, Wong Hannah. (2010), "The Effect of IFRS Adoption on Global market Integration", International Business & Economics Research Journal. 2010; 9(10): 25-34.
12. Kofi, Annan, Quoted from 15 Quotes, Available from: https://yourstory.com/2017/04/Kofi-annan.

How to cite this article:

Pradip Kumar Das.2018, IFRS: Impact on Indian Corporate. *Int J Recent Sci Res.* 9(9), pp. 28913-28920.
DOI: http://dx.doi.org/10.24327/ijrsr.2018.0909.2759

****