Research Paper | Commerce | E-ISSN No : 2454-9916 | Volume : 8 | Issue : 9 | Sep 2022

A STUDY ON IMPACT OF ADOPTION OF IND-AS ON SELECTED INDIAN COMPANIES

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ABSTRACT

The language of accounting is one that is used in business to communicate an entity's financial performance. Accounting for the business entity enables the tracking of all of its financial activities as well as the measuring of its existing and potential future growth. The Institute of Chartered Accountants, a professional organisation, has been playing an increasingly significant role in monitoring the situation in India. The Institute is tasked with not only developing accounting standards but also with implementing revisions as often as is sensible. In a similar vein, the International Financial Reporting Standards Board (IFRSB) is engaged in setting the standards to establish the Universal language to the accounting that can be adopted and accepted throughout the world and in every country. These principles seek to provide a common language that accountants worldwide can utilise. In the analysis that follows, an effort is made to assess the impact that the adoption of IND AS had on the financial metrics of various Indian enterprises. This study's goal is to ascertain how big of a change or impact the adoption or implementation of IND AS has had on Indian enterprises.

KEYWORDS: Financial Reporting, IFRS, IND AS, ICAI.

INTRODUCTION:

The accounting system established by the local government is being used by local businesses, corporations, and other entities, as we have seen throughout time. This approach is the accepted accounting standard in our nation and is referred to as Indian GAAP. The Institute of Chartered Accountants of India and other statutory organisations in India created the Indian Accounting standards, which every entity is required by law to follow, in response to the speeding up of economic evolution. After some time had passed, it became necessary to alter the shift, and as a result, the Institute made the required modifications in accordance with the demands of both the industry and the economy.

The convergence not only clears the way for financial reporting but also for what is regarded as effective corporate governance. The International Financial Reporting Standards Board has given its approval to international accounting standards. Additionally, we are attempting to bring IFRS and US GAAP into alignment. The Securities and Exchange Commission recently suggested enabling the filing of financial statements that are in compliance with IFRS without first acquiring presentation conciliation statements between US GAAP and IFRS. Does having a policy of convergence with IFRS, even as an SD USA and IAS, allow for the convergence in more than one hundred countries? Yes, in that case.

The Council of Institute of Chartered Accountants of India expressed the opinion that the IFRS may be adopted in its entirety, at least for listed and large companies, at its 259th meeting in 2006, and it is also keeping in mind that the expected benefits, such as a reduction in the cost of capital for Indian companies and a rise in capital abroad; a reduction in cost for such activities as not preparing a stub; and a rise in capital; have all been noted. As a result, India has

India has decided to adopt the convergence root accounting standard. The ICAI Board has already released an exposure draught on all convert standards. Once these standards are approved by the ICAI Council and received an AP's approval, they will be sent to an AC for further review under the strict time constraints for the IFRS implementation road map. This process must be finished as soon as possible or the current set of Indian accounting standards will be replaced.

The requirement to maintain a record of transactions between an organisation and multiple partners led to the development of accounting. But for a long time, the practise of financial reporting accounting remained at the Generally Accepted Theory that put a clearly and newly create the object of financial reporting requirement the required qualitative characteristics of financial information or provided clear guidance as to when and how to recognise and measure the various elements of accounting. The requirement to maintain a record of transactions between an organisation and multiple partners led to the development of accounting.

LITERATURE REVIEW:

Singh et al. list several notable IFRS advantages, including an improvement in financial reporting quality, the abolition of numerous reporting standards and the assurance of an easy decision-making process, a simpler international listing process, and a decrease in financing costs. The International Financial Reporting Standards (IFRS) do not exist in a vacuum free of difficulties, according to the paper's authors. These difficulties include the complexity of the IFRS, a dearth of competent staff, the standards' objective regarding fair value, which is influenced by the accessibility of liquid data, and a lack of coordination between the many financial reporting regulators. The recommendation to all stakeholders is that they must actively participate for the change to be successful because, on the other hand, obstacles to adoption and convergence cannot be ignored. The study concludes that while IFRS convergence has benefits, they are not necessarily automatic.

More than 50% of respondents, according to Srivastava, think that moving toward IFRS will lower equity costs and aid in reducing fraud. This would further lessen the risk that exists in the capital market due to the great quality of the IFRS financial reporting requirements. The total cost of equity will be lower as a result than it would have been if the risk had been greater. IFRS will result in better corporate governance and greater levels of transparency. Additionally, it will lead to the early identification of corporate fraud. The International Financial Reporting Standards (IFRS) have no significant positive or negative effects on employment because they do not advocate any Standards for Employment. This is so because IFRS does not provide any Employment Standards. The adoption of such a high-quality standard will make the financial statements of the Indian corporate sector globally compatible and comparable, even though the full convergence with IFRS in India will require an increase in the number of training sessions and workshops for accounting professionals as well as the development and adaptation of IT resources in accordance with IFRS. In light of this, it can be inferred that IFRS should be fully adopted because it will create a more favourable climate for the entity and the stakeholders on a worldwide scale.

According to Muniraju, IFRS adoption will help to draw in investors to the global capital market. The implementation of regulations for true value accounting, lease accounting, tax accounting, as well as rules for the accounting of economic instruments, was also mentioned as an explanation for the changes in the important accounting ratios. Additionally, they said that the adoption of IFRS would be better for drawing in the global capital market. The changes that have been seen in accounting numbers and financial ratios are a result of the implementation of fair value accounting rules as well as stronger laws regarding particular accounting challenges. Since 2002, fair value accounting principles have been in use. The implementation of IFRS in India would face difficulties due to the respondents' incomplete comprehension of IFRS, according to their findings. All students should be required to take a course on the International Financial Reporting Standards (IFRS). IFRS should be viewed as a blessing rather than a mystery because it has the potential to assist India greatly. As of now, more than 130 countries use IFRS as their main accounting standard. The more transparent IFRS standard affects accounting. A company's finances are more significantly impacted by minute events under IFRS than by larger ones. Furthermore, the IFRS has strict guidelines for recognising income. A number of Indian businesses that operate abroad prepare their financial accounts in accordance with IFRS. This helps the endeavour to obtain the acceptance of a single, standardised reporting system on a global scale.

In order to find out how Indian public sector banks feel about the anticipated adoption of IFRS, Dhankar et al. undertook research. This study provides some useful information on the IFRS adoption process based on replies to a question-

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naire that was given to Public Sector Banks in India in 2015. The 291 replies indicate that the following will take place: (1) Loan Impairment will have an impact on the financial performance of the banks; (2) the transparency of the banks' results will increase; (3) the banks' international operations will be positively impacted; (4) the banks' corporate governance will improve; (6) the quality of the financial information provided to the regulators and shareholders; and (7) the comparability of the ban

Kaur et al. claim that the recently created Indian Accounting Standards are the converged form of IFRS, and that both the Ministry of Corporate Affairs (MCA) and the Indian Institute of Chartered Accountants (ICAI) have accepted the majority of IFRS's rules in their current form. With the exception of a few phrases, they showed the differences between the two and showed that almost all of the regulations are identical to IFRS. Therefore, it is a benefit of the Indian accounting rules that the India GAAP has not undergone any substantial adjustments. There are many differences between Indian-GAAP and IFRS. In actuality, the IFRS have not been revised to reflect the changes made to Indian Accounting Standards. This is because Indian Standards continue to be sensitive to regional elements, such as the political and social climate.

RESEARCH OBJECTIVE:

1. To study the impact of adoption of IND AS on financial ratios in selected listed Automobile sector companies.

2. To analyse the impact on financial ratios before and after adoption of IND AS

Sample Size:
Below mentioned 2 automobile companies have been targeted in this study

1. Tata Motors Limited
2. Bajaj Auto Limited

DATA ANALYSIS:

1. Current Ratio:

Tata Motors Limited		
	Pre	**Post**
Mean	1.02667	0.93333
Variance	0.00023	0.00583
Observations	3	3
Pearson Correlation	0.14286	
Hypothesized Mean Difference	0	
Df	2	
t Stat	2.13498	
P(T<=t) one-tail	0.08316	
t Critical one-tail	2.91999	
P(T<=t) two-tail	0.16631	
t Critical two-tail	4.30265	

Interpretation:
The P value (Two Tail) is 0.16631, which is higher than the significance level of 0.05 (P value 0.05), as can be seen from the table above.

It concludes that there is no appreciable difference between Tata Motors Ltd.'s current ratio before and after.

Bajaj Auto Ltd		
	Pre	**Post**
Mean	1.67667	2.21667
Variance	0.22603	0.56333
Observations	3	3
Pearson Correlation	-0.5035	
Hypothesized Mean Difference	0	
Df	2	
t Stat	-0.8727	
P(T<=t) one-tail	0.23743	
t Critical one-tail	2.91999	
P(T<=t) two-tail	0.47486	
t Critical two-tail	4.30265	

Interpretation:
The P value (Two Tail) is 0.47486, which is higher than the significance level of 0.05 (P value 0.05), as can be seen from the table above.

It determines that there is no appreciable difference between Bajaj Auto Ltd.'s current ratio before and after.

2. Return on Capital Employed (%):

Tata Motors Limited		
	Pre	**Post**
Mean	9.43	5.90333
Variance	3.8149	8.80063
Observations	3	3
Pearson Correlation	0.99055	
Hypothesized Mean Difference	0	
Df	2	
t Stat	5.72973	
P(T<=t) one-tail	0.01457	
t Critical one-tail	2.91999	
P(T<=t) two-tail	0.02914	
t Critical two-tail	4.30265	

Interpretation:
As observed in the above table, the P value (Two Tail) is 0.02914, which is less significant than the significance value of 0.05 (P value 0.05).

It comes to the conclusion that there is a sizable difference between Tata Motors Ltd.'s Return on Capital Employed before and after.

Bajaj Auto Ltd		
	Pre	**Post**
Mean	28.7867	27.37
Variance	8.27063	2.0487
Observations	3	3
Pearson Correlation	0.82138	
Hypothesized Mean Difference	0	
Df	2	
t Stat	1.30098	
P(T<=t) one-tail	0.16148	
t Critical one-tail	2.91999	
P(T<=t) two-tail	0.32297	
t Critical two-tail	4.30265	

Interpretation:
The P value (Two Tail) is 0.322297, which is higher than the significance level of 0.05 (P value 0.05), as can be seen from the table above.

It comes to the conclusion that there was little change in Bajaj Auto Ltd.'s Return on Capital Employed before and after.

CONCLUSION:
Given the various benefits, Indian politicians have acknowledged the necessity of following IFRS, and it is projected that many Indian firms will be compelled to do so beginning in 2013. India will definitely face a number of challenges as it deals with the convergence of IFRS. Convergence with IFRS involves a significant change in the nation's vision and the entire goal of accounting. It is not merely a technical exercise. In discussing the switch from Indian AS to IFRS, the researcher identifies a few key issues that demand extra care. It's crucial to understand that this conversion is more than just a technical exercise. Even once the latter is implemented, preparers, users, and auditors will still experience implementation problems in the real world. This is because the effects would have an impact on many important commercial and regulatory issues, including as the design of ESOP schemes, employee training, tax planning, the adjustment of IT systems, adherence to debt covenants, and other related issues. Another big challenge is ensuring that their investors understand the switch from Indian AS to IFRS. There are significant differences between Indian-A S and IFRS. The truth is that Indian Accounting Standards have not been updated to reflect IFRS amendments. This is because Indian Standards are still responsive to local conditions, such the political and economic environment.

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