

ACCOUNTING PROFESSIONALS VIEWED IFRS BEFORE AND AFTER ITS ADOPTION

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Abstract

The goal of the research was to find out how accountants in India feel about the adoption of IFRS. Based on two time periods—before and after IFRS adoption—this research determined the attitudes surrounding IFRS implementation. Although India has numerous potentials, it also has many obstacles, such as the following: the divergence between IFRS and IAS; changes to current legislation; concerns pertaining to law and regulation; the cost of compliance; and changes to tax reporting methods in relation to the introduction of IFRS. Using statistical methods according to IFRS and Indian GAAP, we discovered a difference in profitability; nevertheless, this difference is not statistically significant, and in most situations, we are able to satisfy the null hypothesis. Profitability metrics vary, even if statistical methods support the null hypothesis. Aside from a few of things, the table of differences reveals that almost all provisions are identical to IFRS. Comparing IFRS with Indian GAAP reveals some significant differences.

Keywords

IFRS, Accounting Professionals, GAAP, profitability, IAS

Introduction

Although there is enough data in other countries, particularly those in the European Union, there is little evidence in India to demonstrate the possible impact on the financial accounts from using IFRS. The attempt is made to compare ratios computed under Indian GAAP with those determined under IFRS in order to examine widely used financial ratios. This is done because readers of financial statements need to know how the transition to IFRS would affect these ratios. The importance of these financial metrics to investors, who stand to gain the most from IFRS, is the deciding factor in this study's parameter selection. The purpose of this study is, therefore, to ascertain and analyze the impact of implementing IFRS on the stability, liquidity, profitability, and value of certain Indian firms using important financial parameters.

A comprehensive overview accounting standards used to prepare financial statements have undergone a number of stages of development, and this chapter provides an overview of International Financial Reporting Standards (IFRSs). International Financial Reporting Standards (IFRSs) are the current name for these rules, although earlier versions of these rules existed. Consequently, the many steps that went into developing International Accounting Standards are laid out in this chapter. Included in this chapter as well are the main pros and cons of using IFRSs in financial reporting.

A brief summary of the accounting standards used in the financial statements of UAE-based enterprises is provided to round out the chapter.

A multitude of companies globally generate and provide financial statements to external stakeholders. Although these Despite their apparent similarities, financial statements do display differences. Reasons for the variations include different social, economic, and legal contexts in different countries. The elements of financial statements—assets, equity, liabilities, expenses, and income—have a wide range of accepted meanings due to contextual variations. There are a variety of reasons why different people choose different measuring bases and use different criteria to identify items in financial statements. In addition, the breadth of financial statements and the data they include have been significantly impacted disclosed within them.

The IASB, which succeeded the International Closing these gaps was the primary focus of the Accounting Standards Committee (IASE) in April 2001. Lehman (2005) states that we want to do this by standardizing the laws, regulations, and accounting principles that control the production and presentation of financial statements We believe that the most effective way to achieve this is to center our efforts on making sure that financial statements are prepared to inform economic decision-making. The majority of users make economic judgments, and the IASB Board of Directors believes that such demands are satisfied when financial statements are produced for such reasons.

Literature review

Saminu Jibril, Rabi. (2019). Empirical evaluation of the influence of adopting The purpose of this study was to examine the impact of International Financial Reporting Standards (IFRS) on the quality of accounting in Nigeria by way of money deposit banks. The study data, which comprised the accounts and annual reports of fifteen banks listed on the Nigerian Stock Exchange between 2011 and 2014 (two years before and two years after adoption), was analyzed using linear regression analysis. The study found that after adoption, there was a dramatic increase in the frequency of significant loss recognitions. The study's author concludes that developing nations should adopt IFRS as their accounting standard since it has the ability to raise the bar for financial reporting in such nations. The study's author suggests more investigation into examine the reasons for the enhancement of accounting quality by IFRS, focusing on individual standards rather than the whole set.

Saketh, P & Saravanan, Vimala & Manickam, Ramachandran. (2023). Many countries, when they elect to replace their previous standards with International Financial Reporting Standards (IFRS), often highlight certain benefits, particularly in relation to stock markets. Consequently, specialists have examined security markets to see whether these benefits were really achieved. Various results have been collected, partly due to the selection of various samples and the use of different proxies to reflect the same underlying but unobservable concept. It is evident Although there is no denying that IFRS adoption has significantly affected the cost of shares and the general condition of its markets. The distributional effects of changes in accounting rules always lead to both winners and losers. However, certain results are seen by firms' owners and financiers as advantageous in the long run. But that's not even close to the end of the narrative being grasped in its entirety. There is considerable potential to explore other potential benefits and enhance the technique used in their study.

Odoemelam, Ndubuisi & Regina, Okafor & Ofoegbu, Grace. (2019). This paper investigates the impact factors influencing the importance of profits value for publicly listed Nigerian firms after implementing IFRS. By analyzing a sample of 101 companies (1212 firms-year observation) that were listed on or before 2006 and have implemented Financial Reporting Standards (IFRS) worldwide from 2006–2017, we can examine the significance of profits value. The primary aim of the investigation is to include a cross-product term into the basic Ohlson model; this is the result of multiplying IFRS dummy variable with profits per share (EPS). The Fixed Effect Model is the appropriate estimator used to analyze the data in this study. There is positive and statistically significant evidence from the coefficient estimates for the cross-product term. According to the study's results, the importance of profit value grew when IFRS was implemented in Nigeria. Managers are allowed to use their judgment when it comes to the specific treatment of financial items under IFRS since it is principle-based. As a result, they might skew the results. Book value and IFRS dummy variable cross-product coefficients are projected to be negative and statistically insignificant, according to the results. Surprisingly, the significance of producing extra value is amplified in a modified basic Ohlson model that concurrently incorporates earnings, book value of equity, and company-specific characteristics.

M, Dr & Chougule, Mr. (2023). Inside this particular framework, there exists a need for universal accounting standards. For the purpose of addressing this issue, the Financial Reporting Standards have been published by the International Accounting Standards Board (IASB). One can find concerns in India over the alignment of their current accounting standards with IFRS, now referred to as Ind AS, Indian Accounting Standards. This alignment aims to mitigate inconsistencies in accounting processes and regulations, thereby facilitating the comprehension of financial statements. The current research study primarily analysing how Indian businesses' bottom lines have changed after adopting IFRS. The researcher has selected two companies for this study since they have voluntarily adopted IFRS. The study was conducted over the course of two years: from 2010 to 2011, which represented the time before International Financial Reporting Standards (IFRS) were adopted, and 2011–12, which represented the time after IFRS were adopted. Financial performance was assessed by using profitability, liquidity, and stability ratios. Statistical tests such as the descriptive and Wilcoxon signed rank tests were used to quantify significant differences. The current analysis unequivocally shown a notably favorable have an effect on most of the ratios presented in accordance with IFRS. After comparing the time before and after IFRS was implemented, it also discovered a statistically significant difference exclusively for TCS Ltd.

Abuda, Inten & Arni, Felizia. (2014). The aim of this study is to elucidate with what extent The quality of accounting information has been strengthened in Indonesia due to the introduction of IFRS. To measure the degree of earnings manipulation within a certain set of accounting norms, we quantify earnings volatility and discretionary accruals. We evaluated the model's explanatory power and ran a regression analysis on share price, book value per share, and net profit per share to see if the relevant accounting rules were useful. The results of this research show that the level of earnings management has not changed much since the IFRS were mandated. In addition, the research found little evidence that IFRS improved value relevance. Looking at IFRS convergence from the vantage point of a developing country, namely Indonesia, this research offers actual data. Using a battery of metrics, this research

aims to determine how adopting IFRS has affected the reliability of financial statements.

Research methodology

We have covered the study's methodology in this chapter. It contains the study's sample and universe. Topics covered include research methodology, sampling strategies, data sources, statistical methods, sample size, etc.

The accounting and auditing professionals (including CEOs, CPAs, CSs, and CWAs) served as the sample unit for this research. Twenty specialists were interviewed to ensure the instrument's content validity, and it took their opinions on IFRS into account.

Financial results, performance evaluation, and the impact of IFRS on India's leading public and private sector corporations were also the focus of this research. These businesses are hand-picked from four different industries: telecommunications, pharmaceuticals, banking, and IT.

Data analysis

How Indian Accountants Viewed IFRS Prior to Its Implementation in the Country.

Before IFRS was implemented in India, this section discusses how accounting professionals felt about them.

Reliability of Data

The reliability of a test is defined as its capacity to consistently and reliably measure the target variable. How error-free an estimate is in a survey or data collection is a measure of the data's reliability. Reliability of data should be 60% or above. To determine how trustworthy data is, researchers utilize Cronbach's alpha. Data is considered credible if Cronbach's alpha is 0.6 or above.

As shown in the table below, 52.6% of the results may be trusted. The instrument originally consisted of 13 questions on a 5-point Likert scale.

Table 1 Initial Statistics on Reliability

Cronbach's Alpha	N of Items
0.526	13

Source: Author's Calculations

Afterwards, the statement with the lowest adjusted item-total correlation value, "Do you think The Indian Accounting Standards are outdated?" was removed from the data in order to enhance its dependability. There has been an improvement in reliability to 57.2%.

Table 2 Reliability Statistics

Cronbach's Alpha	N of Items
.572	12

Source: Author's Calculations

Following With that in mind, we looked for evidence that supported the claim that "IFRS is better than the Indian GAAP," which had the weakest adjusted item-total correlation, so we could be sure it was accurate. The dependability rate has increased to 61.7%.

Table 3 Reliability Statistics

Cronbach's Alpha	N of Items
.617	11

Source: Author's Calculations

Lastly, the data is 61.7% trustworthy, as shown by Cronbach's alpha test's result of.617.

There are sixteen additional items on this exam that use a 5-point Likert scale. Because of this, claims were subject to a reliability test, and the results showed that the data was initially 64.4% trustworthy (see Table below).

Table 4 Initial Reliability Statistics

Cronbach's Alpha	N of Items
0.644	16

Source: Author's Calculations

As can be shown from the table, the data is more than 60% credible. More dependability increases Cronbach's alpha's value tests are not necessary. Consequently, 64.4% of the data is considered credible.

Reasons India's IFRS Implementation Was Delayed

“Factor analysis has been used to know the factors responsible for the delay of IFRS implementation in India. Factor analysis is a beneficial statistical technique for reducing data complexity by reducing the number of studied variables. Factor analysis has been applied to the responses provided by respondents. Factor analysis is a good

way of identifying latent or underlying factors from an array of seemingly important variables.” (Nargundkar, 2008)

“Measure of sample adequacy such as Bartlett’s test of sphere city and KMO value showed that data was fit for factor analysis. Generally, KMO value greater than 0.5 is desirable.” Table 5 shows that the data is suitable for this test since the KMO value is 0.544.

Table 5 Testing using a KMO and Bartlett's

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.603
Bartlett's Test of Sphericity	Approx. Chi-Square	290.086
	Df	120
	Sig.	0.000

The next stage is to identify the variables that are contributing to the numerical results. Principal component analysis is required for this.

Table 6 details the seven components whose Eigen values are more than 1. With the seven components removed, a total variance of 69.128 is shown.

Table 6 Overall explanatory power

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total	% of variance	Cumulative %	Total	% of variance	Cumulative %
1	2.997	18.732	18.732	2.208	13.798	13.798
2	1.875	11.718	30.449	1.636	10.224	24.022
3	1.547	9.668	40.117	1.560	9.752	33.775
4	1.350	8.440	48.557	1.547	9.670	43.445
5	1.195	7.466	56.023	1.545	9.656	53.101
6	1.078	6.739	62.762	1.319	8.243	61.344

7	1.018	6.365	69.128	1.245	7.784	69.128
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Source: Authors' Calculations naming the factors

Based on the many variables involved in each instance, each of the seven components that were extracted has been given a name. Here are the seven factors:

F1: The Indian government and regulatory agencies are not on the same page.

F2: Missing Programs for Educators and Working Professionals

F3: A Difficulty Ratio for IFRS.

F4: Indian Government's Reluctance

F5: Insufficient Funding

F6: Missing Skilled Experts

F7: Educational Institutions in Short Supply We have gone over the structure of these factors extensively:

F1: There is a disconnect between the Indian government and regulatory agencies.

In the rotational component matrix, this factor has the largest Eigen value of 2.997, indicating its substantial role. This component is responsible for sorting four variables in the table according to their loading values. "Lack of Coherence between regulatory bodies and the Indian government." emerged the Eigen value of which is 2.997 as the primary cause of the postponement in the adoption of IFRS in India.

Table 7 There is a disconnect between the Indian government and the regulatory agencies.

Sr. No.	Variables	Loadings
1	Lack of coherence between qualification and standard-setting Bodies.	0.764
2	There is a lack of better information for management Decisions.	0.725
3.	Lack of coherence between existing laws and IFRS.	0.702
4.	The absence of involvement of regulatory bodies/ auditors makes enforcement difficult.	0.629

According to Table 7, all of the claims made under F1 indicates that the Indian government and regulatory agencies are not working together to adopt IFRS in the country, and that IFRS is incompatible with Indian law. This factor explains why India has delayed implementing IFRS. The fundamental and foremost cause for the delay of IFRS adoption in India, as shown by these remarks, is the miscommunication between the Indian government and regulatory bodies.

F2: Education and career development opportunities are inadequate

The "Lack of Educational and Professional Programs," which was identified to a value that is Eigen of 1.875, was the second significant factor that caused the delay in the implementation of IFRS in India. This factor is being used to sort three variables in a table according to their loading values.

Table 8 Missing Training and Education Opportunities

Sr. No.	Variables	Loadings
1.	There is a lack of readiness by professional organizations and entities for IFRS implementation.	0.803
2.	There is an atmosphere of selective adoption of IFRS, therefore, creating inconsistencies in the level of adoption.	0.765
3.	There is a lack of coherence between educational Programs and professional programs.	0.465

There are no educational or professional programs, as shown in all of the claims filed under F2 (Table 8). There was a lack of adequate education for students and professionals understanding IFRS, and professional organizations and accounting specialists in India were not eager to apply it.

F3: The Intricacy and Challenging Nature of IFRS

Thirdly, the "Complexity and Difficulty of IFRS" that emerged with the findings from the There is an eigenvalue of 1.547. This component is sequentially applied to two variables according to the values that they loaded into the table.

Table 9 The Intricacy and Challenging Nature of IFRS

Sr. No.	Variables	Loadings
1.	There is a lack of adequate communication about developments in accounting.	0.782
2.	IFRS is too complex and therefore too difficult to enforce	0.715

According to Table 9, even for experts with a firm grasp of I GAAP, IFRS presents too many obstacles and is too difficult to master.

F4: Reluctant Indian Government

"Reluctant Indian Government" ranks as the fourth major cause of the IFRS adoption delay, with an Eigen value of 1.350. This factor is used to sequence two variables according to the values that they loaded into the table.

Table 10 The Indian Government's Reluctance

Sr. No.	Variables	Loadings
1.	The Indian government is somewhat reluctant towards transparency in financial reporting system.	0.778
2.	CPD is not well monitored	0.507

An Eigen value of 1.195 indicates that "Lack of Financial Resources" emerged as the sixth factor that has contributed to the postponement of IFRS adoption in India.

Here we have two variables that are ordered according to their loading values in the table; they both fall under this factor.

Conclusion

The purpose of this research was to determine the level of preparedness among accounting professionals in India for the adoption of IFRS. To what extent do they support the adoption of IFRS in India? The survey found that accounting professionals in India had a favorable outlook on the adoption of IFRS. Many in the accounting industry see the adoption of IFRS as a boon for the Indian system and its practitioners, and they are generally in favor of the move.

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