



Higher Education Affects Opinions On The Adoption Of International Financial Reporting Standards In India

Manoj Kakani^{1*}, Dr. Rahul Singh Kushwah²

^{1*}Research Scholar, School of Management & Commerce, Vikrant University, Gwalior, (M.P.), India

manoj.kakani@calderys.com

²Ph.D. Guide, School of Management & Commerce, Vikrant University, Gwalior, (M.P.), India

rahulkushwah007@gmail.com

Abstract

The research identified seven variables that contribute to the delay in IFRS adoption in India after data analysis using factor testing. 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. Even if the percentage difference is small, these variations are significant. As a result of the convergence process, private sector and financial sector enterprises are being hit particularly hard. There are certain areas where Indian accounting standards, IFRS, and Ind AS diverge. Ind AS is the IFRS converged form used in India. 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: Adoption, Education, International Financial Reporting Standards, Indian GAAP, Opinions

Introduction

There are several accounting standards worldwide, wherein each nation employs independently developed version of GAAP. A company might use these to ensure that its financial statements are prepared in accordance with the applicable GAAP. An inherent complexity arises when the company operates in many nations. When faced with such situations, many issues emerge, such as how investors can handle several standards, determine the accuracy of each one, and evaluate companies based on their financials, among others. The answers to these concerns may be found in the implementation of the International Accounting Standards Board (IASB) develops and endorses the International Financial Reporting Standards (IFRS).

Considerable attention and discussion have been created by the initiative with the goal of having IFRS adopted globally. The goal of implementing IFRS is to make national financial reporting more comparable to one another and to increase efficiency for companies reporting for various jurisdictions. Others argue that implementing IFRS would incur significant expenses and that the advantages of comparability may not be achieved because of disparities in how different countries use IFRS. Global acceptance of IFRS (International Financial Reporting Standards) has surpassed 100 countries.

The norms for Indian bookkeeping, known as Ind AS, have been harmonized with IFRS and will be implemented freely starting from FY 2015-16, and subsequently required starting from FY 2016-17.

With the increasing number of nations embracing the IFRS as their accounting standard, it is crucial for investors and analysts to be fully informed about the impact of this shift on corporate reporting and its implications looking forward. The phenomenon of global accounting convergence poses many difficulties for the institutions concerned, their auditors, and all recipients of the financial statements. Application of the data presented in financial statements may be significantly impacted by variances in International Financial Reporting Standards (IFRS), leading to discrepancies between financial ratios computed using IFRS and local GAAP.

The most important question is whether financial reporting would be more useful when IFRS was implemented, particularly when it impacts the economic choices of stakeholders such as investors, workers, lenders, suppliers, consumers, or other agents. Hence, it is necessary to determine the comparability of financial statements across Indian companies who have willingly implemented IFRS reporting in conjunction with the Indian reporting system.

Literature review

Terzi, Serkan & Oktem, Recep & Sen, Ilker. (2013). This paper aimed to analyses the causes and effects on Turkey's publicly listed companies as a result of adopting IFRSs. We scrutinized the financial accounts that were generated in compliance with IFRS and local GAAP, and conducted research on the standards that provided more pertinent information. We analysed the financial accounts of the manufacturing sector operations of the businesses listed on the Istanbul Stock Exchange (ISE). Through our analysis, we concluded that the financial accounts produced following local GAAP and IFRS exhibited statistically significant differences. Profound disparities were detected in the sections of the financial statements dealing with shares of stock, fixed assets, long-term debt, and inventories. Results from the

statistical analysis showed that there were notable discrepancies among the following ratios: current, receivables, assets, total liabilities/tangible assets, fixed assets, equity turnover rates, short term liabilities/total debts, and short-term liabilities/total assets reported in IFRS financial statements and the ratios reported in local GAAP financial statements. Analysis of the book value/market value ratio did not reveal statistically significant variations based on the market value under local GAAP and IFRS. Our subsector research revealed that some subsector groupings have been impacted by the shift to IFRS.

Shariza, Mohammed. (2018). An examination of how private banks in Iraq's intermediate financial reports have changed since IFRS were implemented. Looking at how private banks in Iraq fared when IFRS were put into place, this research reveals some interesting findings. The impact of IFRS on interim financial reporting at private Iraqi banks is one area that this research aims to clarify. A questionnaire-based empirical survey was administered in order to achieve the stated objective. According to the results of the research, Iraqi commercial banks' interim financial statements become more detailed when they adopt IFRS. Improving training robustness in all areas of International Financial Reporting Standards (IFRS) is the main advice for this research procedures in order to capitalize on any potential possibilities that may arise.

Lawalata, Josina & Salle, Ilham. (2024). This study looks at how IFRS has affected accounting procedures throughout the globe, particularly how it has affected the quality of financial reports, economic results, and the potential influence of legislative and cultural factors. Design and Methodology of the Research: A mixed-methods methodology was used, integrating qualitative interviews with accounting experts with quantitative examination of financial accounts from different nations. This paper examines the advantages and difficulties of implementing International Financial Reporting Standards (IFRS), taking into account variables such as legislative frameworks, cultural variations, and degrees of economic growth. Research Results and Analysis: The results indicate that IFRS enhances financial reporting accuracy by raising transparency, decreasing instances of earnings manipulation, and enhancing the comparability of financial statements. These advantages are particularly evident in nations that have robust regulatory regimes. However, obstacles include the exorbitant expenses and intricacies of the transformation process, particularly for smaller enterprises and emerging nations. The efficacy of IFRS adoption is greatly influenced by cultural and institutional variables, which have varied effects in various economic circumstances. Implications: The findings of the research emphasize the importance of having regulatory frameworks that are supportive and provide sufficient training for accounting professionals in order to enable successful implementation of IFRS. Governments and regulatory authorities should contemplate customized strategies to tackle the unique obstacles encountered by various nations. Particularly in emerging economies, firms must meticulously strategize and distribute resources to effectively handle change to IFRS as the worldwide standard for financial reporting. These insights provide practical advice for improving the operational efficiency of IFRS adoption globally.

Zahid, R. M. Ammar & Simga Mugan, Can. (2022). Integrated capital markets provide enhanced risk sharing and market efficiency. However, the existence of several obstacles, such as information asymmetry across borders, impedes the realization of these advantages. The present the purpose of this study is to analyze how the adoption of IFRS may influence the incorporation of global capital markets via the reduction of financial information frictions. We employ staggered adoption dates along with price-based metrics (Beta and Sigma Convergence) to quantify the incremental effect of IFRS implementation on integration. The sample comprises all nations with regulated capital markets that have accessible benchmark indexes and pricing data. Overall statistical findings indicate established that there would be little to no impact on capital market integration.

Rudzioniene, Kristina & Černiauskaitė, Miglė & Klimaitienė, Rūta. (2022). Financial ratios, transparency, cost of capital, foreign investments, accounting quality, and comparability of financial statements are just a few of the several areas that may be significantly affected when a firm adopts IFRS. The major objective of this study was to analyze the impact of adopting IFRS on the financial ratios of state-owned firms in Lithuania. Ratios measuring profitability, liquidity, and leverage were taken from the financial accounts of fifteen state-owned companies that had adopted IFRS throughout the last decade. We manually collected data from the companies' online financial accounts as part of our empirical study. Then, we used statistical tools to analyze the data. According to the study's findings, using IFRS is associated with reduced profitability (ROA, ROE, gross margin ratio, net profit margin) and liquidity ratios (current ratio and quick ratio), however none of these changes were statistically significant. The leverage ratios, namely the financial dependence ratio and debt ratio, exhibited distinct variations. Specifically, the financial leverage ratio showed a statistically significant decline, whilst the debt ratio indicated a substantial rise. Upon comparing the acquired results with those of previous scholarly investigations, it becomes evident that comparable findings are only achieved with leverage ratios.

Research methodology

A research project's blueprint is its research design. The research methodologies are detailed, along with the rationale behind the specific methods and techniques used in the study. Analytical research design is the basis of this work.

The data was collected using a judgment and convenience sampling procedure.

Primary and secondary sources have been used to compile the data. A variety of business executives and accounting and auditing experts carried out the survey, which provided the main data. In order to gather secondary data, we followed the study objectives and perused the literature as well as the annual reports of specific companies. Books, journals, and

the websites of ICAI, ICSI, IFRS, SEBI, CAG, NSE, and BSE, as well as the annual reports from the chosen firms' websites, were the main sources of secondary data for this research.

One hundred and fifty-five people from the state of Madhya Pradesh participated in the initial data gathering. Only 95 of the 150 accounting professionals who received the questionnaire returned it to be included in the research.

Data analysis

The correlation between professionals' levels of education and their attitudes regarding the adoption of IFRS in India is shown in Table 1. Approximately 3 graduates, 18 postgraduates, 34 CAs, 20 CSs, and 13 CWAs had a favorable outlook on IFRS adoption in India prior to its implementation. Out of all the responses, only nine with varying degrees of education and work experience gave a neutral answer. The CWAs have the most favorable view of the IFRS adoption in India compared to other groups.

When asked about the impact of IFRS on India, respondents were generally optimistic. There is a significant difference between the two groups at the 5% level of significance (0.022 vs. 0.05). This means that we cannot accept the null hypothesis. Consequently, the perception of accounting professionals and their educational degree are significantly correlated with the introduction of IFRS in India.

Table 1 The Link Between Qualification and Attitude Towards the Adoption of IFRS

| Qualification | Agree | Neutral | Disagree | Total |
|-----------------|--------------------|---------|----------|--------------|
| Graduate | 3 | 0 | 0 | 3 |
| Post graduate | 18 | 6 | 0 | 24 |
| CA | 34 | 1 | 0 | 35 |
| CS | 20 | 0 | 0 | 20 |
| CWA | 13 | 2 | 0 | 13 |
| Total | 88 | 9 | 0 | 95 |
| Chi-square test | Pearson chi-square | Value | df | Significance |
| | | 11.407 | 4 | 0.022 |

The Relationship Between Designation and Attitude Towards the Application of IFRS in Sri Lanka.

The correlation between respondent designation and attitude towards IFRS adoption in India is shown forth in Table 2. The majority of India's accounting professionals—approximately with a total of thirty-two CAs, twenty CSs, eleven CWAs, fourteen accountants, and eleven CEOs—had a favorable outlook on the adoption of IFRS prior to its implementation. Furthermore, only nine respondents with various designations gave an agnostic answer. When compared to other groups, CSs had the most favorable impressions of the IFRS implementation in India.

Most people who took the survey said it was a good idea for India to embrace IFRS. With a significance threshold of 5%, the result is 0.081, which is more than the threshold of 0.05. Thereby, we accept the null hypothesis. So, it seems that the designation of accounting professionals does not significantly correlate with their view of the application of IFRS in India.

Table 2 Role of Designation in Attitude Towards IFRS Implementation

| Designation | Agree | Neutral | Disagree | Total |
|-----------------|--------------------|---------|----------|--------------|
| CA | 32 | 1 | 0 | 33 |
| CS | 20 | 0 | 0 | 20 |
| CWA | 11 | 2 | 0 | 13 |
| Accountant | 14 | 4 | 0 | 18 |
| CEO | 11 | 2 | 0 | 11 |
| Total | 88 | 9 | 0 | 95 |
| Chi-square test | Pearson chi-square | value | df | Significance |
| | | 8.310 | 4 | 0.081 |

Relationship between Accounting Professionals' Work Experience and Their Attitudes Towards the Adoption of International Financial Reporting Standards in India

The correlation between respondents' level of professional experience and their views on the adoption of IFRS in India is shown forth in Table 3. Approximately 53 respondents with 0–10 years of experience, 15 with 10–20 years, 11 with 20–30 years, and 9 with 30–40 years of experience had a positive outlook with relation to the adoption of IFRS in India before such adoption had place. And only nine individuals, representing a broad range of skills, offered a vague response. The most positive views on IFRS implementation in India come from individuals with 0-10 years of experience.

This leads most people to have a positive impression of India's decision to implement IFRS. When testing at the 5% significance level, the result is 0.157, which is more than the threshold of 0.05. Therefore, we accept the null hypothesis. Thus, accounting professionals' perceptions of IFRS adoption in India are not significantly related to their level of professional experience.

Table 3 Association between Background and Views on the Application of IFRS in India.

| Experience | Agree | Neutral | Disagree | Total |
|-----------------|--------------------|---------|----------|--------------|
| 0-10 | 53 | 5 | 0 | 58 |
| 10-20 | 15 | 4 | 0 | 19 |
| 20-30 | 11 | 0 | 0 | 11 |
| 30-40 | 9 | 0 | 0 | 7 |
| Total | 88 | 9 | 0 | 95 |
| Chi-square test | Pearson chi-square | Value | Df | significance |
| | | 5.205 | 3 | 0.157 |

The Accounting Community's Overarching View

In this part, we learn how general accounting professionals in India felt about IFRS adoption before it happened, and how they felt about it after it happened.

Importance of Implementing IFRS

This establishes whether IFRS adoption represents a simple change to technical accounting or a dramatic change to how companies operate in their day-to-day activities. From a pool of 95 participants, 34 saw IFRS as both an accounting reform and a change in the manner in which companies carried out transactions, while 42 saw it as a shift in the way businesses conducted transactions and 19 saw it as only an accounting change, according to the table.

Table 4 Nature of IFRS Adoption

| Nature | No. of respondents | Percentage |
|---|--------------------|------------|
| Accounting change | 19 | 19.6 |
| Change in mode of business transactions | 42 | 45.4 |
| Both | 34 | 35.1 |
| Total | 95 | 100 |

Effects of IFRS Adoption

Main consequences of IFRS, disclosure, financial performance, and comparability are covered in this portion of the research. According to Table 5, 75 respondents (or 79.4%) were of the opinion that IFRS would provide accurate financial reporting, transparency, and comparability. True financial performance, comparability, and transparency would be provided by IFRS, according to just 20 respondents.

Table 5 Effects of IFRS Adoption

| Options | No. of respondents | Percentage |
|---------|--------------------|------------|
| Yes | 75 | 79.4 |
| No | 20 | 20.6 |
| Total | 95 | 100 |

Applicability of IFRS

What follows is an explanation of how IFRS works in India. According to Table 6, 64 respondents (or 68%) think that IFRS should apply to all firms, whereas 24 respondents (or 24.8%) think believe it ought to apply just to publicly traded corporations. Nevertheless, a mere seven people (7.2% of the total) thought that public corporations should be subject to IFRS.

Table 6 Applicability of IFRS

| Applicable to ... | No. of respondents | Percentage |
|-------------------|--------------------|------------|
| All companies | 64 | 68 |
| Listed companies | 24 | 24.8 |
| Public companies | 7 | 7.2 |
| Total | 95 | 100 |

Conclusion

The majority of respondents had a favorable impression of IFRS in India both before and after its introduction. Since the majority of respondents had a good impression of the IFRS implementation before, there is a little drop in that percentage after the adoption of the standards. Economic development, transparency, an educated and competent

workforce in India, easier access to foreign markets, a cheaper cost of capital, and a high-quality accounting framework are just a few of the benefits that IFRS offers.

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