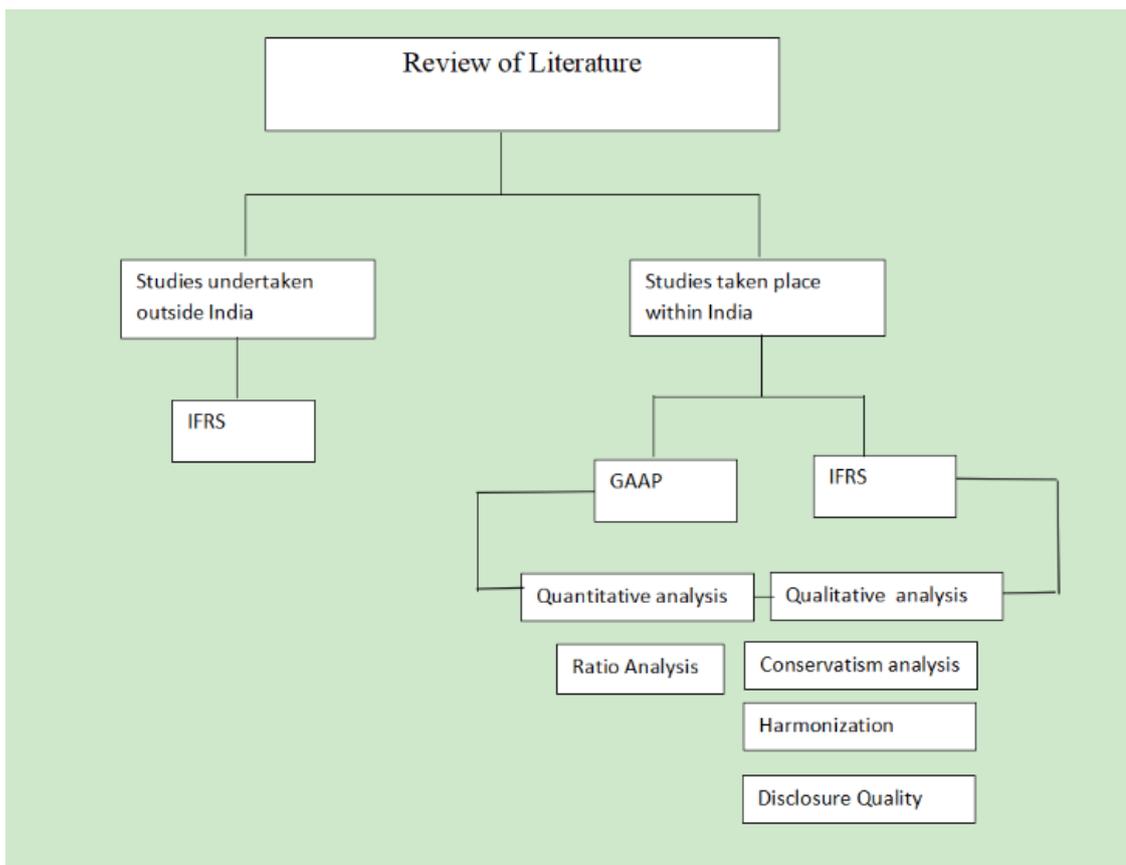


CHAPTER 2
Review of Literature

2.1 Introduction

This chapter covers an extensive literature survey of the area under study. Corporate financial reporting has been witnessing revolutionary changes in the recent years and it is important to analyse the previous studies to know the background of such a volatile area before undertaking a study. A comprehensive analysis has been done on the available literature in corporate financial reporting by classifying literature into those regarding the adoption of IFRS and those regarding the adoption of Ind AS. The studies on IFRS are further subdivided regionally; those conducted outside India and those conducted within India.

Figure 2.1 Flowchart of Review of Literature



(Source: Created by Researcher)

2.2 Studies Conducted Outside India

This section gives the summary of studies conducted outside India regarding adoption of IFRS by various countries and its relative impact on their economies.

Auwalu Musa (2015) investigates the impact of international financial reporting standards on financial reporting quality in Nigerian listed companies. Less-Earnings Management, Value Relevance and Timeliness are identified as independent variables and financial reporting quality as the dependent variable. The study is based on available literature in this field and concludes that a positive relationship between less-earnings management, value-relevance, and timeliness on the financial reporting quality. Hence it suffers from the limitation of empirical analysis regarding these factors and the relationship with the quality of financial reports. (Musa, n.d.)

Clênia de Oliveira Pires, Roberto Frota Decourt (2015) measure the impact of the final stage of compulsory convergence to IFRS in net income (NI), shareholders' equity (SE) and total assets (TA) of Brazilian public companies. The study uses a modified approach of Gray's Index for analysing the data. The researchers find out that there is increase in the net income, total assets and states that the shareholders' equity shows no significant difference as a result of convergence with new accounting standards. (Pires & Decourt, 2015)

Esperanza Huerta& Syed Zaidi (2014) studies the impact of IFRS adoption on the economic growth of adopting countries from different geographic regions and degrees of economic development, tests the influence of enforcement on the economic growth rate of the countries. The study is based on a sample consisting of 51 IFRS countries that have adopted IFRS between 1997 and 2007. And the results suggest that IFRS decreases rather than increases the growth rate of adopting countries. It also indicates that the main effect of IFRS adoption is not significant. However, the interaction between adoption and level of enforcement is positive and significant. Therefore, it states that the level of enforcement positively moderates the impact of IFRS adoption on the economic growth rate of a country is supported in the modified model. These results suggest that it may require more than 5 years for countries to observe the

benefits from IFRS adoption. It also suggests that benefits depend on the level of enforcement and the benefits from IFRS adoption can be achieved when they are enforced.(Zaidi & Huerta, 2014)

Dritsas & Petrakos (2014) tries to identify significant differences between the IFRS and the Greek General Accepted Accounting Principles (or Greek GAAP) by studying several important financial ratios. “The sample consisted of companies from all sectors excluding financial services, manufacturing, and pure commercial companies. Based on the results of the non-parametric statistical analysis, significant differences were noted in several areas of financial statements. It is found that the conversion of statutory financial statements to IFRS had significant impact on historical financial information regarding the financial structure and viability. In this case, the main areas of concern are net assets, tangible assets, and total liabilities.

The study indicates that the mandatory transition from Greek GAAP to IFRS by the Greek companies had led to a number of changes in certain crucial areas of financial statements, and consequently affected the liquidity ratios as well as the financial structure ratios.” (Dritsas and Petrakos, n.d.)

Ouezzani & Alami (2014) studies the relevance of accounting information following the adoption of the IFRS for a sample composed of listed companies from six countries which have opted for different implementation methods of IFRS. The results show high relevance of accounting information for South Africa which opted for a one-time implementation process and an improvement of the relevance for countries which has adopted a standard-by-standard method of IFRS implementation such as Canada, Germany and Spain excepting South Korea. “In China, which conducted an extensive but incomplete convergence of its standards to IFRS, the results demonstrate a decrease in the relevance of the accounting information. Also, comparative analysis of the results shows a better relevance of accounting information for countries which have opted for methods of implementation close to the IFRS”.(Ouezzani & Alami, 2014)

Dimitrios, Nikolaos et.al (2013) Analyses the effect of the implementation of International Financial Reporting Standards (IFRS) on financial ratios of listed companies of Athens Exchange (AE). “The study gives emphasis to the differences

between Greek Accounting Standards (GAS) and IFRS and their impact on the calculation of financial ratios. It is found that there is no significant effect from the adoption and implementation of IFRS in Greece on the calculation of the financial ratios except for few ratios like Debt Ratio, Asset Turnover, Fixed Assets Turnover, Net Profit Margin and Gross Profit Margin. It is concluded that certain inherent characteristics of companies has not allowed effecting the financial statements of companies after the implementation of IFRS.” (Dimitros Nikolas, n.d.)

Terzi, Oktem & Sen (2013) Studies the impact of adopting IFRS in Turkey because of listed manufacturing companies. “The findings indicate that there were statistically significant differences between the financial statements prepared under local GAAP and IFRS. Notable discrepancies were found in the inventories, fixed assets, long-term liabilities, and shareholders’ equity accounts in the financial statements. However, the study could not identify any statistically significant differences in the book value to market value ratio analysis based on the market value under local GAAP and IFRS. Yet, the subsector analysis revealed that the transition to IFRS has impacted certain subsector groups.”. (Terzi et al., 2013)

Gordon & Loeb (2012) tries to assess the variety of adopting IFRS on the overall country FDI inflows and to determine if this impact varies based on whether a country is classified as having a developing or developed economy. “The study was conducted using a panel data set comprising more than 1300 observations that spanned 124 countries from 1996 to 2009. The research supports the notion that a country’s decision to adopt IFRS is positively correlated with overall Foreign Direct Investment (FDI) inflows. This correlation is statistically significant for countries categorized as developing economies, but not for those classified as developed economies. Evidence from the data analysis, which employed an Ordinary Least Squares (OLS) approach, indicates that the adoption of IFRS results in increased FDI inflows.”(Gordon et al., 2012)

Zéghal, Chtourou & Sellami (2011) examines whether mandatory adoption of IAS/IFRS, by French companies is associated with lower earnings management. “The study, which examined 353 French groups listed between 2003 and 2006, found that the compulsory implementation of IAS/IFRS led to a decrease in earnings

management. The authors also explored various factors that could influence earnings management, such as the independence and efficiency of the board of directors, the presence of an independent audit committee, the quality of external auditing, and foreign market listings. From the findings it is understood that the mandatory implementation of IAS/IFRS by French firms has generally curtailed the use of discretionary accruals. The study also revealed that the independence and effectiveness of the board of directors, the presence of an independent audit committee, the existence of significant shareholders, the quality of external auditing, and listings on foreign financial markets are crucial factors for the successful implementation of IAS/IFRS in France. Furthermore, the study found that companies with robust corporate governance and those reliant on foreign financial markets saw a reduction in earnings management levels following the mandatory adoption of IAS/IFRS".(Zéghal et al., 2011)

Morricone, Oriani & Sobrero (2011) analysed whether and to what extent the mandatory adoption of IAS/IFRS has affected the value relevance of different categories of intangible assets, such as goodwill, brands and patents, licenses, computer software, capitalized and expensed R&D using a sample of Italian firms publicly traded in the period 1996-2006. The authors find that IAS/IFRS adoption has not enhanced the value relevance of intangible assets in general. This result may be ascribed to the obligation of expensing internally generated intangible assets and to the increased discretion in impairment test of goodwill. However, regarding the value relevance of capitalized and expensed R&D, we find that the high uncertainty of future benefits of research costs negatively affects investors' evaluation and, conversely, the high technological feasibility of development costs render and more valuable information to investors. (Morricone et al., n.d.)

Pazarskis, Alexandrakis, et. Al (2011) examines the possible impact of adoption of IFRS at Greek firms of the Information Technology (IT) sector, listed on the Athens Exchange. The study analyses the financial statements of the sample firms for three years before and after the IFRS adoption in Greece with some ratios like profitability, structural ratios, operational ratios. Only EBIT margin and gearing ratio are found to be statistically significant. It concludes that IFRS adoption has positive

effect on both but the study fails to prove that there is any impact of IFRS adoption on other facets of accounting information.(Micheal Pazarskis, n.d.)

Arouri & Nguyen (2010) examines the connections between the information content of accounting numbers under IFRS and financial performance as perceived by the financial markets in the context of France with particular attention to the construction and interpretation of Return on Equity (ROE). The study shows that the objective sought by the IASB – greater transparency of accounting information – has not been achieved, in that financial performance as calculated under the IFRS has become axiomatic (i.e., having more symbols than content). “In fact, the empirical study of the consolidated financial statements of 40 firms highlights the extent of the financial reframing problems, and that the simple analysis of financial performance based on financial statements has not gained in clarity”.(Arouri et al., 2010)

Peng & Bewley (2010) seeks to assess the feasibility and desirability of a major emerging economy adopting and implementing fair value accounting (FVA), as codified in the International Financial Reporting Standards (IFRS), by studying China’s recent experience. It is a case study on China’s convergence. The paper identifies various facets of implementation including economic and financial impact. (Peng & Bewley, 2010)

Armstrong, Barth et.al (2010) examines the portfolio of all firms listed in European stock exchange for three-day market adjusted returns and related reactions to 16 events associated with the adoption of International Financial Reporting Standards (IFRS) in Europe to assess the likelihood of IFRS adoption in Europe. The first was recognised in 2002 and since then 16 events were recognised independently by each author till 2005. These events were analysed together rather than individually. The study uses event study research design based on a portfolio of 3265 European firms. T-test is used to assess the significance of results. It is found that European firms reacted positively to the IFRS adoption events. This affirms that the findings are concurrent with the investor’s perception that the IFRS adoption will have more benefits than its costs. (Armstrong et al., 2010)

Salvador Carmona, Marco Trombetta (2008) discusses the importance of IFRS in harmonizing the accounting practices around the world. IFRS is characterized as the principle-based accounting system as opposite to the existing rule-based accounting system. It identifies the qualities of the principle-based accounting systems overrule based system as flexible, fraud deterrent, helps in globalizing business. It identifies emerging economies as an active role in convergence process. The paper finds out that adoption of IFRS of its convergence will have long lasting effects in business models, corporate governance. It is identified as a change from mechanistic implementation of rules to effective and best usage of accounting alternatives. (Carmona & Trombetta, 2008)

Gastón, Jarne et.al (2007) conducted a study to assess the quantitative impact of mandatory IFRS adoption on financial reporting by first-time adopter companies and to analyse whether IFRS makes financial information more relevant for decision making in the capital markets. Their analyses were focused on Spain and the United Kingdom, whose accounting systems have been traditionally classified in opposite groups. It is found that IFRS application for Spanish first-time adopters, results in a higher value on assets and liabilities and a worse financial position referred to liquidity, solvency, and indebtedness. On the other hand, firms in the United Kingdom reflect higher value on assets and liabilities, lower equity and higher income. Consequently, their financial statements display worse financial position, referred to solvency and indebtedness, but better profitability. “Further it has been observed that in both Spain and the UK, market value is significantly higher than book value which means IFRS have affected negatively to the relevance of financial reporting in both countries, although this effect has only been significant in Spain”.(Callao et al., 2007)

2.3 Studies Conducted in India

This section deals with the studies conducted in India. Most of the studies are a comparison of the Indian GAAP with IFRS and the implications of voluntary IFRS adoption in Indian companies. A study comparing the accounting standards of India and Yemen has also included in this section.

Maheshwari (2016) gives an empirical overview of Ind As as a whole. This theoretical paper analyses the accounting differences of Ind As from existing AS like Revenue recognition, Financial Instruments, Business combinations, consolidation, Income taxes, Employee benefits and share based payments, Property plant and equipment, Intangible assets, Investment property and leases, Related party disclosures, Segment reporting, Operating segments, Foreign exchange, Borrowing cost, Cash flow statements, Provisions, Contingent liabilities, contingent assets, Agriculture, Exploration. The paper elucidates the differences in a simple manner.(Kirti Kumar Maheshwari, n.d.)

Mathur & Gunderia (2016) analyses the impact of adoption of Ind AS in India. The paper studies the experience of other countries and India and also identifies the critical areas of accounting differences that will result as a result of the adoption of Ind As like revenue recognition, Financial instruments, Employee stock option plans, Taxes, Business combination and consolidation, Disclosure requirements, The paper also says that Ind As has extensive impact not only on accounting area but also on various other areas like organizational changes, communication and also on regulatory implications.(Vijay Mathur and Kavitha, n.d.)

Mathur (2016) Studies the impact on financial activities, that is, on financial risks, investments, diversifications, mergers & acquisitions & other fundamental functions of finance after implementation of I.F.R.S. by Indian companies & to study whether disclosures under I.F.R.S. really have an impact on financial activities of the Indian companies or not. The study is based on secondary data only. It does not consider the challenges in market while adapting to IFRS. The study says that adoption of IFRS has significantly affected the asset base of the companies making them more internationally acceptable and comparable.(Mathur, 2016)

Desai (2016) Studies the applicability of IFRS in India, adoption phases of IFRS in India and the challenges faced by firm and various stakeholders. Ind AS (the converged IFRS standards) in India may significantly affect a company's day-to-day operations and may even impact the reported profitability of the business itself. Conversion brings a one-time opportunity to comprehensively reassess financial

reporting. The paper focuses on the benefits of Convergence with IFRs are attributed to Economy, industry, investors, accounting professionals, Indian corporate in terms of transparency, reduction in cost, harmonizing with Global financial market. The challenges are identified at macro level, micro level, amendments in law, taxation, there is also needed to make awareness about international practices, fair value and reporting systems.(Desai, 2016)

Patil (2015) studies the mplementation procedure of Ind AS and understands its impact on the financial reporting by Indian companies in the process of convergence with IFRS. The study also attempts to review the problems faced by the corporate while implementing the new Indian Accounting standards. The study has used both primary and secondary data. It lists out the various advantages of adopting converged Ind AS like qualitative reporting, better access to cross border capital markets, elimination of multiple reporting, easier global market comparability. It also identifies the problems and challenges in the process of convergence like training, legal aspects, taxation provisions, fair value concept, reporting system variations in GAAP and IFRS and provides some action plan to meet these challenges like issuing guidance notes for easier implementation, conducting seminars and courses, setting up of region-wise expert advisory committees etc. The study argues that even though the initial implementation of Ind AS is costly but in long run the benefits will outweigh the costs along with it.

Sachdev & Kapur (2015) discusses the concept of component accounting with reference to companies act 2013 and Indian Accounting Standards. Schedule II requires separate depreciation only for components of an asset having: (i) Significant cost, and (ii) Different useful lives from remaining parts of the asset. It says that Identification of separate components of an asset and determination of their useful life is not merely an accounting exercise; rather, it involves technical expertise. Hence, it may be necessary to involve technical experts to determine the parts of an asset. It talks about the accounting treatment of replacement costs, overhaul costs, computation of depreciation allowance. The paper also depicts the disclosure and presentation norms.

Suchita Shukla (2015) studies the impact of IFRS adoption on the financial activities of Indian companies. The financial activities considered in this study are financial risks, investment activities, operating activities and impact on debt covenants. Though there are similarities between Indian GAAP and IFRS, there still exist significant differences which may have significant financial impact. Ratios have been calculated and statistical analysis have done. The results shows that there is no significant change in financial activities due to adoption of IFRS. The paper suffers from certain limitations like sample is limited to ten companies, which are listed for a limited period of five years, i.e., 2010-11 to 2014-15, and the implication of IFRS on non-accounting areas has also not been considered.(Shukla, n.d.)

Dimple (2014) conducted a study with the objective of comparing the Indian GAAP and IFRS to analyse how the transition affects the financial position, financial performance, and also the challenges faced by accounting and audit personnel. It tries to suggest a model for transition. Both primary data and secondary data are used for the study. Primary data is collected from 400 chartered accountants and secondary data is collected from 11 companies which have already adopted IFRS. The study says that even though there is greater effect on cash flows, the items in profit and loss account remains unchanged. While some ratios like quick ratio, debt equity ratio show positive sign towards convergence, some ratios like current ratio, debt to total assets ratio operating profit ratio, return on capital employed, return on equity show adverse effects in them. The study identifies that the lack of knowledge is the most important constraint in applying IFRS.(Dimple, 2014)

Samburu & Kavitha (2014) examines the significance of IFRS in Indian business environment and analyses the similarities and distinction between IFRS and AS. This theoretical paper discusses the need for convergence of Indian standards with the global standards, “the differences between Indian GAAP and IFRS in matters of presentation of financial statements, definitions of the terms and the accounting differences arising with the convergence”. The paper also lists out the benefits and challenges of the adoption of IFRS. Comparability and quality of financial reports are considers as the major benefits and sets forth the practical challenges to adoption of Ind As.(Meenu Samburu., n.d.)

Prakash Bhatia (2014) compares Indian GAAP with IFRS in different aspects like profitability, challenges involved in convergence of accounts with IFRS. The study also gives suggestions towards successful implementation of IFRS. The researcher uses both the primary and secondary data. Primary data is collected from 100 chartered accountants while secondary data is collected through content analysis of annual reports of selected companies. From the listed companies in BSE and NSE, 8 companies those have voluntarily adopted IFRS were selected as samples. Secondary data for the period of 2010-11 and 2011-12 was analysed on the basis of profitability ratios. The primary data reveals that most of the chartered accountants are not familiar with IFRS in proper way and very few companies are implementing it. Analysis of secondary data accepts the null hypothesis that there is no significant difference between the profitability of companies even though there is difference in actual figures.(Bhatia, 2013)

Naderian, Arash (2014) “Problems of IFRS convergence in India”, University of Mysore,2014 Studies the IFRS implementation in the IASB member countries and the prospective in India for convergence towards IFRS. The researcher also tries to evaluate the problems for such convergence from both perspective of users and preparers of financial statements. The problems of convergence have been analysed with respect to four factors, viz., legal, social, economic, institutional factors. Five-point Likert scale has been used to measure the level of implementation and for identifying the theoretical differences. Cronbach’s alpha has been used for reliability analysis. The study found that legal factors are the main problem in convergence. Both users and preparers thin that convergence with IFRS is difficult. Basically, this study is a hypothetical one to know the future of IFRS in India. It does not provide any practical evidence for the conclusions made. (Naderian, 2014)

Vinayagamoorthy (2014) discusses about the role of IFRS in a globalized era and also identifies the opportunities and challenges of adoption of IFRS in India. IFRS was brought into a reality to create the global financial reporting infrastructure, sound business sense and fair presentation of financial statement. The paper identifies the benefits of IFRS as quality, transparency, comparability, low cost of capital, cross border investment and also points out challenges as IFRS is more principles based, and therefore more ‘liberal’ than Indian GAAP. Initial transition will be a challenge

given differing recognition and measurement criteria for assets and liabilities and business combinations and financial instruments become more complex. The paper points out the importance of training and education to both users and preparers of financial statements.(Vinayagamorthy., n.d.)

Bansal (2014) focuses on the problems faced in the convergence of IFRS with Accounting Standards (AS) in India and throws light on the convergence issue by highlighting the convergence attempts taken by the IASB and the FASB on an international basis. The paper identifies the major challenges of conversion as lack of training to accounting professionals, contradictions with existing laws like taxation, fair value measurement which can cause a lot of instability in the financial statements and also amending the existing business model can also pose challenges in the process of adoption.(Bansal, 2014)

Pawan Jain (2014) discusses the IFRS adoption procedure in India, utility for India in adopting IFRS, the problems faced by the stakeholders in the process of adoption of IFRS in India; and the methods through which these problems can be addressed. The research primarily employs a qualitative approach and does not utilize any quantitative methods for data analysis. The paper proposes that an effective control and enforcement mechanism is crucial to maintain a high-quality corporate financial reporting environment. It emphasizes that the mere adoption of International Financial Reporting Standards (IFRS) is insufficient. For a seamless IFRS adoption process, all stakeholders, including the top management and directors of firms, independent auditors and accountants, as well as regulators and lawmakers, must collaborate and work as a team. This collective effort is essential to ensure the successful implementation of IFRS.(Jain, n.d.)

Bhattacharjee & Rudra (2012) India, being an emerging market, provides a unique opportunity to examine whether adoption of international standards, is associated with reduced earnings management, which is the objective of this study. For analysis, regression model is used in this firm-level study. The results contradict most of the previous findings based on developed countries by indicating that firms adopting international standards (i.e., International Financial Reporting Standards or IFRS) are more likely to smooth earnings compared to non-adopting firms.

Sheikh (2012) studies the impact of transition to Ind AS on various items of the financial statements and their impact on some ratios. It is found that the variation in total assets and liabilities is because of the reclassification among equity and liability, difference in the concept of revenue recognition, valuation and depreciation of property plant and equipment etc. The study emphasizes the fact that IFRS being a set of fair value principle-based accounting standards which will improve quality of disclosures and enhance international comparability and understanding of financial statements. This in turn will boost investment from across the globe that will ensure enhanced performance for Indian corporates. (*Firdosh Sheikh.Docx*, n.d.)

Ansari, Akhtar & Firoz (2011) Analyses the impact on banking industry. The paper is critically evaluating the different aspects that should be considered while converging with IFRS. The paper has identified the following areas as critical compliances, tax reporting, information technology, financial instruments, human resources, impairment of advances, investments, derivatives and hedge accounting, consolidation of financial statements. The analysis shows the major impact is over the advances, financial instruments, investments and also on heavy investment in updating the information technology system. (Mohammad Firoz et al., 2011)

Swaminathan & Sindhu (2011) documents the difference between Accounting standards (AS) in India and IFRS. It also examines the effect of voluntary convergence of IFRS using a case study on Wipro. The authors have identified several differences between IFRS and Indian GAAP regarding recognition, measurement, and disclosure aspects of financial reporting. While analysing the figures under IFRS and Indian GAAP, the total assets, equity under IFRS is more than the Indian accounting standards by 1.94% and 8.13% respectively, the total liabilities under IFRS has decreased by 7.14%. “It is found that IFRS is fair value oriented and Balance Sheet oriented accounting where there are more transparent disclosures and Indian GAAP is a conservative approach”. (Shobhana Swaminathan and Sindhu., n.d.)

Hashem Mohammed Hashem Al-shami (2011) attempts to clarify the importance of disclosure of accounting policies adopted in preparation and presentation of financial statements in India and Yemen with special reference to banking industry. The study further investigates into whether or not Yemen should set up its own standards and

also whether India has to adopt International Accounting Standards (or not) in view of globalization. It also compares the accounting standards of both the countries. The study uses both primary and secondary data, even though the sample of banking companies selected in Yemen is less in number to those selected in India.

“The theoretical findings of study say that the accounting standards are inevitable in comparing the financial statements of two different countries. The disclosure method contributes to the true and fair value of the organization. It is found that India has put a lot of effort in establishing accounting standards, but Yemen does not have a single set of established standards”. (Al-Shami, 2007) From practical analysis it is found that in India 50 % banking companies have applied disclosure requirements while in Yemen it is merely 28%. The inadequate disclosure can have several impacts like segment reporting, income tax, employee benefits, EPS, foreign exchange rate, depreciation rates and lot more.(Al-Shami, 2007)

2.3.1 Studies on Conservatism

Prof.K.V. Achalapathi & Dr.P.Bhanusireesha (2015) conducted a study to know the impact of financial ratios in the financial statements due to the adoption of IFRS in areas of stability, liquidity, profitability and valuation of selected companies. The study compares the financial ratios under Indian GAAP and IFRS. Data is collected for a period of six years from 2008-09 to 2013-14 for 10 companies in India and 24 ratios are analysed. The study establishes that there is statistically significant difference between data under Indian GAAP and IFRS and also provides evidence to the increase in liquidity, profitability and valuation ratios.(Achalapathi & BhanuSireesha, 2015)

Prof. Surajit Das (2015) Studies the impact of IFRS adoption on activity-based ratios of six companies who voluntarily adopted IFRS in 2014. The ratios under study are Asset Turnover Ratio, Fixed Asset Turnover, Receivables Turnover, Return on Assets, Return on Equity and Net Profit Margin. Gray’s Index is being used to compare the IFRS figures with the IGAAP figures. T-test is used to test the hypothesis. The results suggests that the adoption of IFRS has no impact on the activity ratios. (Surajit Das. n.d.)

2.3.2 Studies on Harmonisation

Jagannath (2014) examines the harmonization process in Indian financial reporting in the growing era of globalization. The study is divided into two parts. The first part analyses the financial statements of 104 companies and the second part analyses consist of selected variables like age, size, operation, sectors, and equity base. Techniques like H index, C index, I index, T Index have been used in analysing the extent of harmony. The study suffers from several limitations like not covering the whole industry; only nine measurement practices have been analysed namely Inventory valuation method, inventory costing method, depreciation method, treatment of R & D costs, valuation of tangible fixed assets, treatment of borrowing costs, treatment of taxation, investment valuation method, treatment of foreign exchange valuation. (Jagannath, 2008)

Dinesh Kumar (2013) Studies the deviations of actual accounting practices in a business and the existing accounting standards and the impact of such deviations on published financial statements. The study also compares the AS and IFRS and the challenges in harmonization. Researcher has taken AS 2 and AS 6 for the study and analysed the depreciation policy and inventory valuation policy. Harmonization level is calculated by comparing both standards along with IFRS. The impact of harmonization on financial statements is studied using questionnaire and disclosure index. The study concluded that there exist some conflicts between the policies issued by government agencies and the local accounting standards. This has led to disharmony in the accounting practices followed in a business and the standards set by the authorities.(Kumar, 2013)

2.3.3 Studies on Disclosure

Saha & Kabra (2022) Studies the voluntary disclosure and its role in determination of the value of the selected companies. The researchers used top 100 non-financial companies listed in the BSE between 2014 and 2018. They have created voluntary disclosure index based on corporate and strategic disclosure, forward looking disclosure, human and intellectual capital disclosure, and corporate governance disclosure. The study finds out that even if the voluntary disclosures are relevant to

the value of the company, not all the disclosures are value relevant to the shareholders. (Saha & Kabra, 2022)

Wajinder Singh (2014) Studies the financial reporting level and disclosure practices of Indian companies and examines the users' perceptions and usefulness of corporate annual reports. Sample has been taken randomly from BSE 500 index. The study mainly focuses on retail companies. Primary data has also been collected from investors to know their perceptions. Descriptive statistics and t-test are used for statistical analysis. The study concludes that more than retailing sector manufacturing unit has more transparent disclosure practices when compared to retailing companies. Anyways it says that the disclosure practices have been significantly improved but non mandatory disclosures are not given much importance.(Singh, 2013)

Dinesh Kumar (2009) focuses on the extent of compliance of different accounting policies along with accounting standards. The researcher has identified several accounting policies and then compared each of them with the standard requirements to find out the deviations. T-test has been used to test the statistical significance of the study. The study also analyses the relation of disclosure with variables like size, profitability, leverage, listing status, audit firm, domicile status and age. The study uses both primary and secondary data and applies correlation, stepwise regression for analysis. However, they conclude establish statistical significance in some of the standards only. They concluded that size affects disclosure and profitability encourages business to comply with the standards. Overall, the study has a positive opinion on adoption of accounting standards.(Kumar, 2009)

Conclusion

Researcher has tried to include the major studies taken place in financial reporting. Studies have been divided into two broad area namely, those involved with the adoption and implementation of IFRS and those with Ind AS. Further they have been sub categorized into studies on IFRS conducted outside India and within India. Very few studies could be found out in Ind as. By analysing the available literature, it could be concluded that, most of the studies evolving IFRS talks about the impact of adoption with an economic point of view. Very few studies analyse the accounting effect brought in by the adoption of IFRS. In foreign studies, Michail pazarksis et.al, Dritas & Petrakos, Balios Dimitros & Nicolas are the few papers which attempted to

explore the consequences of IFRS adoption from a financial point of view. They concluded that IFRS has a very minimal impact in the financial figures. Even though these studies were undertaken with a limited data which to a maximum range to six years. it is identified as one of the major gaps in the research area. An impact of a change can only be truly seen in the long run. In short run, the companies will be trying to align themselves to the changes and hence, their true implications cannot be identified.

In India, it was made optional to adopt IFRS in 2011 and some of the giant companies did adopt IFRS during the period. Studies conducted in India on IFRS adoption are based on these few companies and some of the studies are just a case analysis. The literature on Ind AS was very limited and hence, research papers and articles are reviewed thoroughly.

A brief analysis of the available literature on past studies conducted on accounting standards in general reveals that there have been very fewer studies conducted in India. The foreign studies also focus more on the economic implications of adoption of IFRS. It is important to investigate the accounting implications of adoption of Ind AS as to know the financial perspective of the financial reporting.

The research papers related to Ind AS are theoretical in nature; however, it gave an idea about the problems in implementation, advantages of Ind AS, the perspectives of accountants and users towards Ind AS and various other perspectives. A research gap is identified as there isn't a comprehensive study regarding the implications of Ind AS, it would be fruitful to undertake one such with a financial perspective.

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