

ABSTRACT

Globalization has changed the face of India. There has been a tremendous impact on the economy, the way of doing business as well as the preparation of financial reports. When companies became multinationals and branched into various countries, it became a necessity for the companies to make their financial reports understandable for the overseas investors. Around the world also, standardization of financial reporting processes was identified as the need for the time. Gradually, the IASC (International Accounting Standards Committee) was reincorporated as IASB (International Accounting Standards board). IASB currently issues IFRS (International Financial Reporting Standards) in the place of IAS (International Accounting Standards) which was issued by IASC. Financial reports are prepared in such a way that the investors along with other stakeholders of the company can be provided with maximum information about their stake in the entity. India has introduced the concept of IFRS in a theory paper by ICAI (Institute of Chartered Accountants of India) in the year 2006. Later after much consultation and consideration, it was found that India was not ready to comply with the requirements and mandates of IFRS. In 2013, India implemented the new companies act and repealed the old one. This was the first step in the path of convergence of IFRS in India. Further it was decided that India will not adopt IFRS rather converge with IFRS and issue its own accounting standards named as Ind AS. Ind AS is designed in a way that it is adaptable to the Indian business environment. Ind AS was implemented in 2015 for voluntary adoption and in 2016 it became mandatory for all the listed and unlisted companies which had a net worth more than 500 crore, and from 2017, the remaining listed companies and unlisted companies which has a net worth more than 250 crore. This research is an attempt to understand the impact of the Ind AS implementation on the various spheres of corporate financial reporting including financial aspects and selected qualitative aspects. When Ind AS was implemented, it was believed that the new accounting standards will revolutionize the way financial reports are being prepared offering better transparency of information, better comparability of financial statements on international and much more. This thesis has identified such claims and tries to figure out whether they have been achieved or not using 30 companies equally belonging to automobiles, pharmaceuticals and information technology selected from NIFTY 500 index. All the companies have been complied with Ind AS since 2017. The study uses financial variables, ratios, and certain qualitative aspects to study the impact of Ind AS on financial reporting. From the analysis of financial variables, it is found that elements such as employee benefits,

finance cost, deferred tax, current assets, other equity, and long-term financial assets have undergone significant impact because of Ind AS implementation. For further analysis, ratios are used. During ratio analysis, it is understood that the pharmaceutical sector had the most impact during transition. It is revealed from ratio analysis that pharmaceutical sector has reported the most changes on various ratios including debt equity ratio, debt ratio, current ratio, quick ratio, cash return ratios, profitability ratios and working capital turnover ratios. Level of Prudence, Level of Harmonization, and Quality of Disclosure are selected as qualitative aspects of study. Gray's Index is used to measure conservatism in financial statements. The higher conservatism, lower the relevance. The Harmonization Index measures the level of harmony in accounting practices while preparing financial statements. The Disclosure Index measures the level of disclosure in financial statements and analyzes whether Ind AS has been successful in achieving them. It is concluded that the level of conservatism in assets has decreased and there is an overall increase in the level of disclosure and better harmony is achieved after implementing Ind AS. Further there is a significant increase in the level of compliance regarding various requirements of Ind AS by the adopting companies. A further analysis of pre-post implementation of Ind AS is undertaken so that the long-term impact of Ind AS on financial statements of companies is studied and it is identified that even though automobile industry was affected in the transition year of 2016, later the significant impact is seen in pharmaceutical and IT industries. Finally, a correlation analysis is done to study the relationship between the qualitative characteristics of financial reporting and the profit-making capacity of the company to find out the connection to profitability of the company is related to the relevance of accounting data, comparability of financial information and transparency of financial reports. Correlation analysis finds out that the profitability of company increases with the harmonisation of accounting practices and improvement of disclosure requirements. At the same time displays an inverse relationship between conservatism and other variables. As conservatism increases profitability, harmony and disclosure quality goes down. Ind AS has tried to achieve lower level of conservatism by ensuring true and fair value in the financial statements. Hence it can be concluded that Ind AS has been successful in achieving its objective.