

A STUDY ON ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ACCOUNTING CURRICULUM IN INDIA

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ABSTRACT

The phenomenon of globalization of business activities has widened the functioning of accounting. Still its basic function is to account for the business transaction and events, and to produce the business information in the form of financial reports. Therefore it is said to be the language of business and financial reports are considered the end products of accounting. These reports are used as a medium through which business entities prepare financial information the interested parties. International financial reporting standards (IFRS) issued by International Accounting Standard Board (IASB) are standardized financial reporting standards, in India IFRSs are not directly adopted, they are converged with Indian Accounting Standards, in this background this study has been under taken to study the benefits and challenges in Convergence of Indian Accounting standards with IFRSs. This study identifies that Lack of information availability creates more problems for developing curriculum material concerning IFRS, so it is the major obstacle to teach students.

Key Words: Accounting, International Financial Reporting Standards, Convergence, Accounting Standards.

1. INTRODUCTION

Accounting is the art of recording transactions in the best possible manner, to enable the reader to arrive at judgments and take decisions. In this regard, it is utmost necessary that there is a set of guidelines. These guidelines are generally called Accounting Policies/Principles. The intricacies of Accounting Policies permitted Companies to alter their accounting principles for their benefit. This made it impossible to make comparisons. To avoid confusion and to have a harmonized accounting principle, Standards needed to be set by the recognized Accounting Bodies. This paved the way for Accounting Standards to come into existence. The Accounting Standards are set by the Regulating Bodies like the Financial Accounting Standards Board (FASB) and the International Accounting Standard Board (IASB). Accounting Standards are formulated to harmonize different accounting policies and practices in use in a country. The objective of Accounting Standards is, therefore, to

reduce the accounting alternatives in the preparation of the Financial Statements within the bounds of rationality, thereby ensuring comparability of the Financial Statements of different enterprises to provide meaningful information to the various users of the Financial Statements to enable them to make informed economic decisions.

IFRS is a single set of international accounting standards to assist companies to communicate, and stakeholders to compare corporate financial information across the globe. The standards are issued by the International Accounting Standards Board (IASB). The goal is to make international comparisons as easy as possible. More than 140 countries have currently decided to adopt or already adopted the use of IFRS for financial reporting. For example, all European companies listed on European capital markets have been making use of IFRS for financial reporting since January 2005.

2. REVIEW OF LITERATURE

Archana Bhatia (2014) conducted study on “Convergence with the IFRS – Benefits, and Challenges for India” The author's opinion that, the convergence of IFRS is more important for investors from the different countries of the world. Investors can trade share and securities worldwide. For this purpose, the investors must know whether the financial statements are true and fair. It is possible only when the countries are followed the same accounting treatment and disclosure, so it is possible only in case of convergence with IFRS. Because, every country has its accounting system, but when they converge their accounting system with the IFRS then it is very easy to make a comparison of Financial Statements. The author also describes the need for convergence, challenges, and benefits of convergence with IFRS.

A. Vinayagamorthy (2014) took study on “Opportunities and Challenges in Adopting IFRS in India” This study describes that all most all companies moving towards the global business and the International Financial Reporting Standards [IFRS] is becoming a global language of business with over 40% of the world has moved to IFRS in the past few years. International Financial Reporting Standards [IFRS] claim that mandating a uniform set of accounting standards improves financial statement comparability that in turn attracts greater cross-border investment. IFRS aim is to make the comparison and interpretation of the financial statements across the world easier. IFRS is a set of international accounting and reporting standards that will help to harmonize company financial information, improves the transparency of accounting, and ensure that investors receive more accurate and consistent reports.

Revanayya Kantayya (2016) made a study on ‘The Status of IFRS Adoption in India’ The study examines the clear picture of the adoption of IFRS in India. Now India is already successful adoption of Ind AS converged with IFRS. The adoption of IFRS will in turn improve India's global ranking place on corporate governance and transparency in financial reporting. According to this article

around 150 countries have already adopted the IFRS in their economy. The author also specifies the Historical background of International AS and Structure of IFRS. 4 phases of Ind AS are describing here; this study briefly explains the 4 phases which are suggested to the adoption of Ind AS in Indian companies. These 4 phases are stated that the companies which are adopting the Ind AS and which are not adopt this Ind AS. The author also mentions the 10 company's names, which are already adopted Ind AS in India, and also give a list of Ind AS and corresponding IFRS.

Saurabh Pandey (2017) made a study on "A Study of IFRS implementation in Indian Accounting: Encumbrancers and Prospects" In this article, the author state that IFRS is issued by the International Accounting Standard Board[IASB], and this committee comprising 14 members, from 9 different countries, and the main intension of this committee is to develop a global accounting standard. He opinion that mandatory IFRS adoption improves information comparability across the countries. The author suggests that there is a necessity of the availability of training facilities and materials for professional accountants to implement the IFRS.

Keerthana and Ambily (2018) made a study on 'IFRS adoption opportunities and challenges: An Indian perspective' the study reviles that the adoption of IFRS is a great step and this will make the Indian economy enter the global market. The authors majorly considered the qualified accountants and bankers in their study to collect the information towards the convergence and whether it is a positive and/or negative. As per the title of this article, the India has the several opportunities from the adoption of IFRS that is a global investment and enter to the global market and helps for the FDI and also it has the challenges that are high cost of adoption, lack of knowledge of new standards and lack of training. The ICAI is drafted the accounting standards in India. The study is specifying the objectives of their study and they conduct the survey on 28 Chartered Accountants and 22 Bankers and based on their survey they find out some issues and gave suggestions to those findings.

3. NEED FOR THE STUDY

India is a developing country for the last many years. It still develops its infrastructure and technology. The adoption of IFRS is a major challenge faced by the Indian Accounting experts. The cost of convergence is a major challenge because it involves huge costs while adoption in Indian Accounting System. The people are not aware about IFRS; it is difficult to understand the new Standards. Similarly, the training facilities are not up to the mark; they still need training facilities. Therefore, the adoption of IFRS in the Indian Accounting Curriculum is not an easy task and also students not able to understand easily about provisions of IFRS. Hence, it becomes essential for both the education planners and educators to incorporate IFRS into the curriculum. Not 100% of the respondents are agreed to adopt IFRS in the Accounting Curriculum only a few percent of respondents are interested to learn IFRS in their study. The sudden changes in the Financial Statements may happen

due to the adoption of IFRS which is very much different than Indian GAAP will give new hurdles to the user.

4. OBJECTIVES OF THE STUDY

1. To study the challenges and opportunities of adopting IFRS in the Indian Accounting Curriculum.
2. To study the need of convergence of Accounting Standards with IFRS.
3. To examine the level of awareness and perception of students about IFRS.

5. RESEARCH METHODOLOGY

Source of Data:

The data which is required for the study has been collected from various sources.

Primary Data

Primary Data required for the study is collected by distributing structured Questionnaires to the respondents and also by interacting with them.

Secondary Data

Secondary Data required for the study is collected using Books, Articles, Websites, newspapers, and Journals.

6. LIMITATIONS OF THE STUDY

1. The concept of IFRS itself creates the complications.
2. This study applies only to commerce students, lecturers, scholars, and who are experts in the field of commerce.

7. NEED OF CONVERGENCE

Implementation of Ind- AS regime is going to cause major reforms in terms of presentation and disclosures as well as an enhanced and a better outlook in terms of global market perception regarding the believability and trustworthiness of the information accounted and disclosed. The convergence of Accounting Standards is gaining importance among accounting circles. There are pressures in favor of accounting convergence. The main objective is to arrive at a uniform set of accounting standards. The main reasons for the developments of convergence are International of national business concerns. Need for increased foreign capital. Growth of international markets. Business Process Outsourcing.(BPO) Growth of international audit firms.

8. BENEFICIARIES OF CONVERGENCE

The Investors: The investor will be benefited as the information made available to him is more reliable, relevant, timely and most importantly the information will be comparable across the different legal frameworks. It develops a better understanding and confidence among them.

The professionals: The professional, both in practice and in employment will get benefits as they will be able to provide their services in various parts of the world, as few years after everybody will follow the same reporting standards.

The corporate world: The Indian corporate world reputation and relationship with the international finance community will elevate because of the achievement of a higher level of consistency between reporting structure and requirements, better access to international markets, improving confidence among the international investors.

The benefit to the economy: If an economy has adopted the policy of globalization and liberalization, the convergence with IFRSs is increasingly required. The convergence increases the confidence of all people.

9. OPPORTUNITIES OF CONVERGENCE

International Opportunity: Indian CAs can take their professional abilities and deep knowledge anywhere around the world. Potential Demand of Valuation Experts: As per the IFRSs assets and liabilities are to be recognized at fair values. This fair valuation will require values. This is one new area that can be explored by Chartered Accountants. Appointment in Companies as IFRS specialist: Companies would be working along with the teams of experts and consultants. Chartered Accountants would be required for interpreting the various complex issues and preparing financial statements according to the standards. The banking industry in India which is most affected by the implementation of IFRSs will also require these professionals as this industry will have to prepare its financial statements as per the new standards. The persons with expertise in international accounting standards will also have an edge over others in educational institutes which are running certificate diplomas and training programs in this area. Continuing Professional Education: Intensive IFRS training needs to be imparted to key management personnel of companies. ICAI has taken steps in this regard.

10. CHALLENGES IN CONVERGENCE WITH IFRS

Despite a lot of benefits enjoyed by several people, the Implementation of IFRS is not a cup of tea for each country. There are several impediments & practical challenges for the adoption of IFRS

1) Significant costs of convergence: Each country's accountants, regulators, faculty, students & auditors must learn IFRS. There should be relevant textbooks for learning. There should be proper infrastructure facilities also.

2) Legal & regulatory requirements: The national accounting body has to coordinate with the rules and regulations of statutory regulation.

3) Special auditing challenges: All business entities in the country have to meet certain requirements with the companies act.

4) Level of preparedness: It is imperative to Indian corporate to improve their preparedness for IFRS adoption within deadlines

5) Educating investors: It is a very challenging task to educate overpopulated countries where still illiteracy is more than 50% and uneducated is more than 90%.

6) Conceptual differences: The differences between IFRS and Indian Accounting Standard may produce certain hurdles in the implementation of IFRS. E.g., present value and fair value measurement and recognition are different.

7) Training: Proper training in the form of international seminars, conferences, and workshops must be provided to educate professionals. But due to the deadline, it is a very short period to educate through education and training.

8) Problem of co-operation: The success of the convergence effort in India depends on co-operation received by ICAI from the government regulation, tax authorities, courts & tribunals.

9) Shortage of resources: The adoption of IFRS by approximately 6000 listed companies would result in a significant demand for IFRS resources.

10) Taxation: IFRS convergence would affect most of the items in the financial statements and consequently the tax liabilities would also change.

11. Results and Discussion of the study

- 1) International Financial Reporting Standards (IFRS) are very much needed for every organization because it helps to maintain transparency, comparability, uniformity and access the global market, attract FDI and FII and eliminate confusions and meet International standards.
- 2) Lack of information availability creates more problems for developing curriculum material concerning IFRS, so it is the major obstacle to teach students.
- 3) IFRS is a more standardized subject to compare the other subjects, so the understanding level of the IFRS is depending upon the acceptance level of the students.
- 4) IFRS is a globally accepted subject, by studying IFRS the students have the opportunity to continuing professional education, providing consultancy services, and getting Employment opportunities.
- 5) IFRS is an emerging issue that is applied in the preparation and presentation for financial statements, there must be a need for the creation of awareness
- 6) To improve the awareness regarding IFRS in India, the ICAI and government bodies must provide guidelines to the students and corporate.
- 7) There is a need for further improvement in the context of International Financial Reporting Standards which are necessary for the preparation and presentation of financial statements.
- 8) IFRS must be kept as a part of the study in all Universities and Institutions to create knowledge regarding IFRS among students.
- 9) ICAI should play an advisory role in the adoption of IFRS into the accounting curriculum in India.

CONCLUSION

Business schools and especially accounting programs will mainly be benefited by proactively integrating IFRS. A positive approach towards integration will enhance the schools' prestige and reputation – both with students and prospective employers. Further, there will be a high demand for faculty with knowledge of IFRS and experience of integrating IFRS into the curriculum in the coming years.

Before introducing IFRS into the Accounting curriculum, faculty must acquire the necessary knowledge, starting with some background knowledge about the quest for and trend toward global accounting standards. Integrating IFRS to the Accounting curriculum must be managed properly. Placement of IFRS modules in the Accounting curriculum requires special planning to ensure successful learning. Objectives should be set and delineated. Three essential questions should be answered before Implementing IFRS. They are the need for integration of IFRS; level of Integration and optimal method of integration.

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