ISSN: 0974-5823 Vol. 6 No. 3 December, 2021

International Journal of Mechanical Engineering

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND THEIR IMPACT ON DIFFERENT INDIAN SECTORS

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ABSTRACT

In reaction to globalization, the International Accounting Standards Board (IASB) was created a worldwide accounting standard. The IFRS foundation regulates the IASB. Globalization has led to roughly 39,950 MNCs in India, with over 2,50,000 global affiliates. The Institute of Chartered Accountants of India (ICAI) has published a concept paper on IFRS adoption in India. Due to the convergence of the Indian accounting standard with IFRS, it is now referred to as "Ind AS" and its usage has been made mandatory by the Ministry of Corporate Affairs (MCA) since January 1, 2016. As a result, industries as diverse as manufacturing, finance, and the government will be impacted. To examine how IFRS affects Indian banks, vehicles, the real state, and health. We also assess the difficulties of Ind AS convergence with IFRS and provide recommendations for efficient adoption in India. It will also need to make considerable adjustments to current policies as a result of the implementation of IFRS. The adoption of Ind AS will also affect revenue recognition, measurement, and transparency requirements. Under Ind AS, non-current receivables must be valued at present value. Annual revenue recognition would be affected. Therefore, increasing depreciation and discount unwinding influence a company's income statement. This is a descriptive and conceptual investigation that depends on secondary data sources. In conclusion, global capital markets benefit from IFRS convergence, which Indian firms utilize extensively abroad.

Keywords: *Convergence of IFRS, Indian GAAP, Ind AS, Financial Reporting.*

INTRODUCTION

As a result of globalization, the formerly closed economy has now become open. A uniform set of accounting standards was necessary to ensure the integrity of businesses all throughout the globe. Global accounting standard convergence and a common financial reporting language are required. The International Accounting Standards Committee, formed in 1973, and was reorganized in 2001 and became an independent international standard setter, the IASB. As a result, financial statements from different companies throughout the world can be understood and compared using a common set of financial metrics. The IFRS's objective is to standardize accounting to develop a single global language for global business. A multinational firm may only publish one set of financial statements that meets all regulatory requirements. Also, establishing a worldwide standard will make comparing financial statements much easier. IFRS is the global financial reporting standard that has been adopted by over 150 countries.

Table 1. IFRS comprises the following statements in

1.	IFRS	13
2.	International Accounting Standards (which were issued before the IFRS)	28
3.	Interpretations of the IFRIC	15
4.	Interpretations of the Standard Interpretation Committee (SIC)	9

Convergence of IFRS Standards in India

In India, the MCA gave a guide for combination with IFRS in January 2010, and Ind AS has converged with IFRS. ICAI has chosen to fully integrate with IFRS beginning with the accounting standards time frames beginning on or after April 1, 2011. On February 16, 2015, MCA announced that 39 Ind AS have converged with the IFRS with following implementation dates.

Table 2. MCA's Revised Schedule for IFRS Convergence

Phase No.	Specified Company Class	Effective Date	Ind AS
I	➢ Registered or unregistered company ➢ Net value is ≥ ₹ 500 crores. ➢ Net value is calculated using the preceding three fiscal years' data (31.03.2014, 31.03.2015, and 31.03.2016).	1st April 2016	Mandatorily

II	➢ listed or unlisted firm. ➢ Net value is ≥ ₹ 500 crores. ➢ Net value is calculated using the preceding three fiscal years' data (31.03.2014, 31.03.2015, and 31.03.2016).	1st April 2017	Mandatorily
III	➢ With effect from the first day of April 2018, the net worth is ≥ ₹ 500 crores. ➢ IRDA has issued a new set of Ind AS for Banking and Insurance Companies, starting April 1, 2018.These include investment banks, stockbrokers, and venture capitalists. ➢ Net value is calculated using preceding three fiscal years' data (31.03.2014, 31.03.2015 and 31.03.2016).	1st April 2018	Mandatorily
IV	➢ NBFCs with Equity and/or debt securities with a market capitalization of at least total of 500 crores has been or is currently being listed. ➢ Unlisted NBFCs with net value >=Rs. 250 crores but <Rs. 500 crores.	1st April 2019	Mandatorily

The Purpose of the Research

This paper's objectives are as follows:

To comprehend the idea of IFRS and Ind AS.

An investigation into the present state of IFRS convergence in India.

Examine IFRS' influence on Indian industry.

Examine the merits and demerits of IFRS for Indian companies.

To provide suggestions for effective IFRS implementation.

RESEARCH METHODOLOGY

This is a descriptive and exploratory study article. This research relies on secondary sources, including journal papers, websites, annual reports, and ICAI and IFRS websites. The study's goal is to conduct a comprehensive literature evaluation and identify the major issues confronting India. The article's research used only qualitative methods.

REVIEW OF LITERATURE

An adequate number of studies have explored the impacts of receiving IFRS on corporate areas in India.

Raghunath and Rajasekar (2014), in their research paper, "Studies on IAS vs IFRS show India gains from convergence. Adopting IFRS has both positive and negative effects, but the positive far exceeds the negative.

Dr. Muniraju and Ganesh (2016), in their study's results, A Study of the Impact of IFRS Convergence on the Indian Corporate Sector, they found a strong demand for information and training related to IFRS implementation, as well as a favorable reaction to IFRS implementation.

Mohammad Firoz, et al. (2011) In their study, the influence of IFRS on the banking industry and its implications for bank budget reports were examined in "IFRS-sway on the Banking Industry."

Choudhary et al. (2012) in their study paper "Convergence of IFRS in India-Strategy, Benefits, and Challenges for the Infrastructure Industry," demonstrate that adopting IFRS would allow Indian real estate developers to generate their earnings even more accurately.

Requirement of Convergence

To promote a broad awareness of uniform accounting processes.

To assure the reliability, comparability, and transparency of financial accounts.

To achieve worldwide financial accounting and reporting consistency.

To promote foreign investment and industrial growth.

To reduce information barriers that prevent financial statement users from making informed decisions.

Impact of Ind AS (IFRS Converged) on India's sectors

Figure 1. List of different sectors under IFRS-Ind-AS

Automobiles Sector

From 2016 to 2020, car shipments grew 6.94 percent. 70% were motorcycles, 14.2% vehicles, 11.5% trucks, and 0.5% commercial. Hybrid-electric vehicle propagandists. IFRS affects financial instruments and joint ventures. Ind AS revenue assets are new control is a broad phrase in Ind AS.

Infrastructure Sector

Infrastructure contributes 9% to India's GDP and promotes economic development. In FY21, construction drew 13% of FDI. India's building boom Profit and value expectations boost industry attractiveness. With Ind AS, revenue recognition in PPP agreements will be recognized, monitored, and communicated in a new manner, enabling two-way development.

Real Estate Sector

The Indian real estate sector is expected to rise from $120 billion to $1 trillion by 2030, accounting for 13% of GDP. Based on the strategy as clarified in Ind AS 11 (Construction Contracts), income is perceived by applying the level of finishing technique. Ind AS requires current decommissioning expenses. Overall, devaluation increases, and rebates decrease. Ind AS governs collaborative game plan classification and representation. For Ind AS, this entails recognizing non-current receivables. The rebate reduction is regarded as a monetary gain rather than an activity revenue source. For the real estate and infrastructure industries, Ind AS would alter everything. Fair value should eventually replace past cost standards. Content will override legal form in real estate and construction, impacting both enterprises and industries. Real estate accounting metrics and financial statements have evolved significantly.

Technology, Media, and Telecom

MCA announced Ind AS 115 customer contracts on April 1. In revenue contracts, IFRS 15 and ASC606 apply. IndAS115 excludes partnerships. According to a report by EY, the M & E business was worth Rs. 1.38 trillion (US $18 billion) in 2020 and is expected to be worth Rs. 1.79 trillion (US $24 billion) in 2021.. Between 2020 and 2023, the market is expected to grow by 17%.

Micro, small, and medium enterprise (MSMEs)

The MSMEs sector is vital to the country's socioeconomic development and boosts entrepreneurship in India's semi-urban and rural areas, which include around 29% of the country's GDP. Accounting standards do not apply to SMCs with assets of under Rs 5,000 million and not listed on international stock markets.

Cement Manufacturing Sector

In 2020, India ranked second in cement manufacturing. Differences in currency rates Pre-tax profits are likely to remain unchanged. Inflation-adjusted gains in riches boost returns. Pay the government interest-free VAT from consumers. Ind-AS requires a cash flow projection. Receipts and interest are late income and expenditure growth.

Fast Moving Consumer Goods

The modern world's trade is expected to grow at a rate of 20 to 25 percent per year, which will benefit FMCG companies. As per Ind AS 18, this method is necessary to calculate employee spending. Using EIR, Ind AS charges redemption premiums to P & L. Ownership risk shifts from the seller to the buyer after the transaction. Customer incentives are seen as a revenue decrease rather than a cost under Ind AS. Key ratios determined from revenue, such as gross margins, return on sales, and so on, will be impacted.

Diamonds and Jewellery Sector

In FY21, jewellery exports were $26.3 billion in March 2021. According to the Ind AS, financial guarantees provided to banks are represented and perceived at a fair price for the advantage of other organizations. Consequently, the amount of loss allowance determined in accordance with Ind AS impairment criteria must be greater.

Healthcare sector

Public healthcare expenditure in India amounted to 1.2 percent of GDP in the country's 2021 budget. AS 115 deals with revenue from customer contracts. Under IFRS 16, Leases, the new lease standard will be implemented in India and globally on January 1, 2019. To comply with the new standard, lessees must report all leases on their balance sheets, creating new assets and liabilities.

Benefits from IFRS Convergence to Ind AS

Here are a few advantages of convergence.

1. Enhanced access to world capital markets. (a) Reduce capital costs and(b) Increase brand value by benchmarking with global competitors.
2. Minimize the reporting burden.
3. It indicates the item's actual cost.
4. A new window of opportunity emerges.

Convergence with IFRS: Challenges and Problems

The following are some of the most difficult aspects of adopting and implementing IFRS and the Indian AS in India:

1. Creating awareness.
2. Access to skilled employees. (a) Changes in Indian regulation, (b) Tax laws recognizing IFRS statements, (c) Evaluating the fair value system and (d) Small and medium-sized enterprises.
3. Accounting and reporting systems based on IFRS.

CONCLUSIONS

As international businesses, cross-border investments, and globalization grow, so do financial reporting style and quality. Everyone should agree to standardization. Indian firms can't afford to rest after trailing. A task group should be formed by the government to amend current laws, improve compliance with regulations, and monitor implementation.

Indian companies that prepare financial statements based on historical costs may struggle to switch to fair value accounting. Regulators like SEBI, ICAI, RBI, IRDA, and IASB must collaborate closely to implement IFRS. The implementation of Ind AS has improved the comparability and comparison of Indian firms' financial statements with those of their foreign counterparts. Healthcare, pharmaceuticals, and biotechnology companies all made money, whereas telecom, metals, and infrastructure and capital projects all lost money. Adjustments for Ind AS adoption continue to include tax, financial instrument, and revenue recognition adjustments.

SUGGESTIONS AND RECOMMENDATIONS

In light of this study, the following is a list of IFRS guidance recommendations.

i. The government should enact rules and regulations to guarantee the country's early and successful implementation of IFRS.

ii. The government should define criteria for evaluating fair value and sanction divergent paths.

iii. In addition, financial specialists and academics should learn IFRS and Ind AS.

iv. New CPAs must comprehend IFRS, IAS and Ind AS.

v. It should work with the RBI, SEBI, IRDA, ICMAI, CBDT, CBEC and MCA.

vi. Indirect taxes should use IFRS. IFRS should be tax-friendly.

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