

Adoption and Impact of IFRS (International Financial Reporting Standards) on Financial Reporting.

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Abstract: *Global financial reporting practices must be made more transparent, comparable, and consistent by adopting IFRS. The researcher attempts to analyse the effects of the adoption of International Financial Reporting Standards (IFRS) on the financial statements of selected companies in India. Assessing this impact is essential for stakeholders seeking a clear understanding of companies' financial positions and performances in the post-IFRS era. The study divides the timeline into pre-IFRS (2012-2016) and post-IFRS (2017-2021) periods to examine liquidity, profitability, and investor valuation financial ratios over a ten-year period. Thus, this study helps in understanding the impact of IFRS adoption on financial statements in the Automobile sector in India. The Gray Comparability Index was deployed to calculate the relative effect of IFRS on accounting information. Furthermore, the Paired Sample t-test was used to evaluate the statistical significance of any changes observed. The findings disclose that the Gray's Comparability Index exhibits an improvement in accounting information during the post-IFRS period. However, the Paired t-test outcomes advocate that the adoption of Ind AS did not lead to significant changes in the financial statements during the post-IFRS period. The paper concludes by emphasizing caution in generalizing the results due to the small sample size. This implies that while there are indications of improved accounting information under IFRS, the findings may not be universally applicable, and individual company circumstances should be considered. However, the limitations of a small sample size highlight the need for further research to validate and generalize the results.*

Keywords: International Financial Reporting Standards (IFRS), Financial Ratio, Ind AS

I. INTRODUCTION

The increasing globalization of the world and the explosion of multinational corporations have emphasized the importance of harmonizing accounting standards across countries. In order to facilitate international comparability and comprehension of financial data, this global trend has necessitated a standard language for corporate reporting. International Financial Reporting Standards (IFRS) have emerged as a solution to address this need, serving as a common template for business affairs.

Global financial reporting practices must be made more transparent, comparable, and consistent by adopting IFRS. As more countries and companies adopt these standards, the aim of a common global language for corporate reporting becomes ever more attainable. This will facilitate cross-border transactions and make international capital markets more efficient and effective by providing stakeholders a unified framework for assessing and understanding financial information.

IFRS attained momentum in the year 2005 when the European Union mandated listed companies in Europe to adopt IFRS for their consolidated financial statements. Due to this many companies across 30 countries, including major economies like the UK, France, Spain, and Germany, had embraced IFRS. In many countries of Asia and Africa the adoption of IFRS became mandatory. Moreover, countries such as Australia, Hong Kong, New Zealand, the



Philippines, and Singapore converged their national accounting standards with IFRS. While the US and Japan remain significant exceptions due to their continued use of national accounting standards, many multinational corporations based in these countries utilize IFRS for their foreign consolidation purposes. In India, the transition to IFRS was initiated through the introduction of Indian Accounting Standards (Ind AS) in a phased manner. Ind AS represents the convergence of Indian Generally Accepted Accounting Principles (IGAAP) with IFRS. With some adjustments to accommodate local requirements and practices, these standards incorporate IFRS principles. Terms were changed, options and disclosures were added or taken out, presentation requirements were changed, and the principles for recognizing assets, liabilities, income, and expenses were changed. As a result, India's adoption of IFRS is a paradigm shift in financial reporting standards. Stakeholders seeking a clear understanding of the financial positions and performances of businesses in the era following IFRS must evaluate this impact.

Objectives

- Enhance comparability
- Improve transparency
- Boost investor confidence
- Facilitate economic growth

II. LITERATURE REVIEW

Barth, M.E., Landsman, W.R., & Lang, M.H. (2008) - Analysed the economic consequences of IFRS adoption, including banking sector implications.

Ball, R. (2006) - Discussed IFRS's impact on financial transparency, especially in financial institutions.

Ahmed, A.S., Neel, M., & Wang, D. (2013) - Investigated the effect of IFRS on loan loss provisioning.

Gebhardt, G. & Novotny-Farkas, Z. (2011) - Studied IFRS adoption and its impact on earnings management in European banks.

Paananen, M. & Lin, H. (2009) - Examined changes in financial reporting quality in banks after IFRS adoption.

Bischof, J. (2009) - Assessed fair value accounting's influence on bank financial statements post-IFRS.

Chua, Y.L., Cheong, C.S., & Gould, G. (2012) - Compared financial reporting in banks before and after IFRS adoption.

Hodder, L., Hopkins, P.E., & Wahlen, J.M. (2006) - Addressed the influence of IFRS on risk disclosure and management in banking.

III. RESEARCH METHODOLOGY

In this research, the methodology section indicates that have conduct the research. This includes data collected from people, sample of study and methods cover in primary research. So, we mentioned below the detail information about it.

- **Primary data:** The data is collected by the survey method. The survey has been done through questionnaire by Google form.
- **Secondary data:** The sources of secondary data articles, research paper and online sites, websites.
- **Sample size:** The sample size for this research is 260 people.
- **Sampling method:** The method is simple random sampling by considering the responses from Pune city only.
- **Statistical tools used for analysis:** Graphical method and percentage method have been using for analysis data.

Summary of Data

Age Group	No. of Responses	Percentage
Below 18	18	7.1%
18-25	144	55.4%
26-35	60	22.9%
36-45	18	7.1%



Above 45	20	7.5%
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Interpretation-

The abort chat classified the large number of respondents come from the age group of between 18-25 with 55.4%. We observe that there is a very a smaller number of users came from the age group below 18 and age group between 36-45 with only 7.1% each.

Gender	No. of Responses	Percentage
Male	172	66.1%
Female	88	33.9%

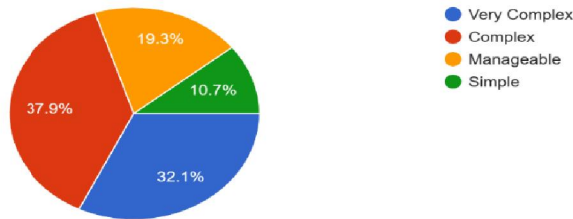
Interpretation-

From the above chart we found majority of Male are known about IFRS with 66.1%.

Analysis of Data

How do you rate the complexity of understanding IFRS standards?

Category	No. of Responses	Percentage
Very Complex	83	32.1%
Complex	99	37.9%
Manageable	50	19.3%
Simple	28	10.7%

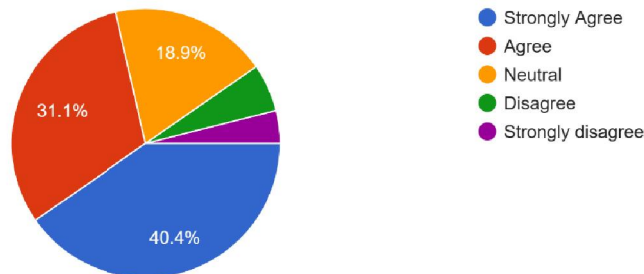


Interpretation-

The majority, 37.9%, found it "Complex," while 32.1% felt it was "Very Complex." A smaller segment, 19.3%, considered it "Manageable," and only 10.7% described it as "Simple." This indicates that most respondents perceive the task as challenging, with a significant portion finding it particularly intricate.

Do you believe IFRS has improved the global comparability of your financial statements?

Category	No. of Responses	Percentage
Strongly Agree	105	40.4%
Agree	81	31.1%
Neutral	49	18.9%
Disagree	14	5.4%
Strongly Disagree	11	4.2%

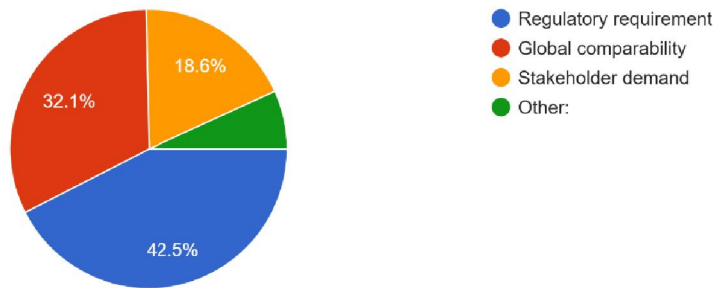


Interpretation-

The data represents a survey analysis. The majority of respondents, 40.4%, strongly agree with the statement, followed by 31.1% who agree. A smaller portion remains neutral (18.9%), while only a minority disagrees (5.4%) or strongly disagrees (4.2%). This indicates a strong positive consensus among the participants.

What was the primary reason for adopting IFRS?

Category	No. of Responses	Percentage
Regulatory Requirement	110	42.5%
Global Comparability	84	32.1%
Stakeholder Demand	48	18.6%
Others	18	6.8%

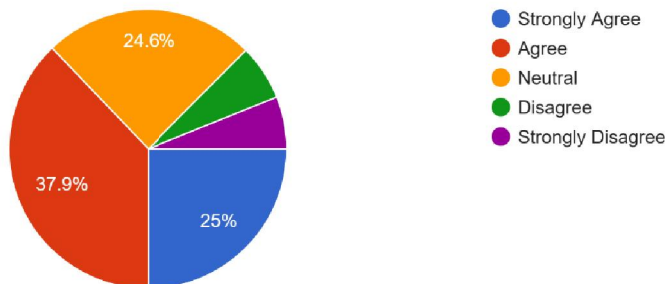


Interpretation-

Regulatory requirements form the largest portion, at 42.5%, highlighting their predominant role. Global comparability follows at 32.1%, reflecting its significant importance. Stakeholder demand accounts for 18.6%, while "Other" reasons contribute the smallest share of 6.8%. This indicates that compliance and international standards are the primary drivers for decisions.

Do you believe IFRS has enhanced stakeholder trust in financial reports?

Category	No. of Responses	Percentage
Strongly Agree	65	25%
Agree	98	37.9%
Neutral	64	24.6%
Disagree	18	6.9%
Strongly Disagree	15	5.6%

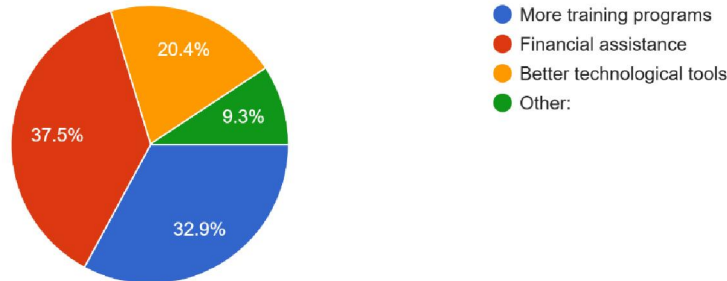


Interpretation-

The image reflects survey responses where the majority, 37.9%, "Agree" with the statement, showing general acceptance. Additionally, 25% "Strongly Agree," further reinforcing a positive outlook. Meanwhile, 24.6% remain "Neutral," while smaller portions "Disagree" (6.9%) or "Strongly Disagree" (5.6%). This suggests an overall favourable consensus, with a notable minority expressing hesitation or disagreement.

What kind of support would have eased IFRS adoption in organization?

Category	No. of Responses	Percentage
More Training Programs	85	32.9%
Financial Assistance	98	37.5%
Better Technological Tools	53	20.4%
Other	24	9.3%

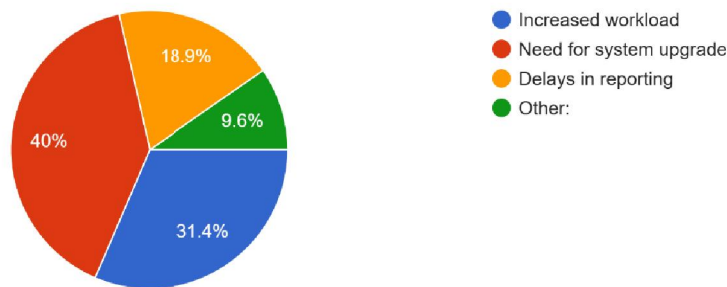


Interpretation-

Financial assistance emerges as the most preferred choice at 37.5%, followed by more training programs at 32.9%. Better technological tools account for 20.4%, and the "Other" category contributes 9.3%. This suggests that financial aid and training programs are the top priorities among the respondents.

If yes, what type of operational challenges did you face?

Category	No. of Responses	Percentage
Increase work load	82	31.4%
Need for system upgrade	104	40%
Delay in reporting	49	18.9%
Other	25	9.6%



Interpretation-

The data indicates that the need for system upgrades is the most prevalent issue, accounting for 40% of the responses. Increased workload follows at 31.4%, while delays in reporting represent 18.9%. The "Other" category, constituting 9.6%, is the smallest segment. These findings emphasize that system upgrades and workload management are primary concerns for the group.

IV. FINDINGS

- Most of the people age group between 18-25 are aware IFRS
- Mostly Males are known about IFRS
- Most respondents (37.9%) found IFRS standards "Complex"
- The data represents a survey analysis. The majority of respondents, 40.4% strongly agree with the statement
- Regulatory requirements from the largest portion, at 42.5%, highlighting their predominant role
- Majority of respondents agree with the statement with 37.9%
- Financial Assistance emerge as the most preferred choice at 37.5%
- System upgrades were the most common challenge for accounting with 40%

V. LIMITATION OF THE STUDY

- **Scope of Research:** Many studies focus on specific regions or industries, limiting the generalizability of findings across diverse contexts.
- **Methodological Challenges:** Variations in research design, sample selection, and data availability can lead to inconsistent results.
- **Time Frame:** Short-term studies may not capture the long-term effects of IFRS adoption on financial reporting and economic outcomes.
- **Enforcement Variability:** Differences in the enforcement of IFRS standards across countries can affect the comparability of results.
- **Economic and Cultural Factors:** Studies often overlook the influence of local economic conditions and cultural differences on IFRS implementation and impact.
- **Focus on Large Firms:** Research tends to concentrate on large, publicly traded companies, leaving out smaller firms and private entities.
- **Complexity of Standards:** The intricate nature of IFRS can make it challenging to isolate its impact from other regulatory or economic changes.

VI. CONCLUSION

The analysis of the pie charts highlights key insights into IFRS adoption. While most respondents acknowledge IFRS improves decision-making and enhances financial transparency, challenges such as complexity, operational hurdles, and the need for external support persist. Factors like regulatory requirements and global comparability emerge as primary drivers for adoption, with financial assistance and training identified as critical support needs. The findings underline both the benefits and difficulties of transitioning to IFRS.

VII. REFERENCES

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