A STUDY ON IMPACT OF GLOBAL CONVERGENCE OF ACCOUNTING STANDARDS ON SEGMENT REPORTING PRACTICES IN INDIA

Abstract

India has decided to converge her accounting standards with that of the International Accounting Standard Board (IASB) in the line of other countries for improving the global ranking on corporate governance and transparency in financial reporting. Although the process of convergences in India was initiated in the year 2007 through issuance of the Concept Paper on convergence with IFRSs by ICAI, but MCA has notified the much awaited Indian Accounting Standards Rule, 2015 on 16th February, 2015 for implementing the Ind ASs (i.e. converged accounting standards) in a phased manner from the accounting period commencing on or after 1st April, 2015 voluntarily and it would be mandatory from the accounting period commencing on or after 1st April, 2016. In this prominent developing phase, segment reporting in India got rejuvenated when ICAI has issued Ind AS 108 ‘Operating Segments’ for segment reporting.

In this backdrop this study has been undertaken to examine the current segment reporting practices of Indian listed companies for judging the impact of global convergence of accounting standards thereupon. For this purpose two group of Nifty companies have been selected – 5 IFRSs compliers and another 5 non-IFRSs compliers from the related industries. The relevant data have been collected from published audited annual reports of these selected companies for the financial periods – 2010-11 to 2014-15.

After minute analysis and relevant statistical tests of collected data, this study has strongly claimed that the convergence of global accounting standards (results into IFRS 8) has a significant positive impact on segment reporting practices in India, particularly on the number of reported segments although no such impact has been observed on the disclosures of segment information. It has also confessed that, IFRS 8 has dominated the AS 17 as a result the IFRSs compliers reported more segments in comparison to that of the non-IFRSs compliers even under AS 17.