CHAPTER V
ANALYSIS AND INTERPRETATION OF DATA

- ☞ INTRODUCTION
- ☞ SCOPE OF ANALYSIS
- ☞ PROFILE ANALYSIS
- ☞ EMPIRICAL ANALYSIS
  - (I) Universal Analysis
    - (i) Inventory Valuation Method
    - (ii) Inventory Costing Method
    - (iii) Depreciation
    - (iv) Borrowing Costs
    - (v) Valuation of Tangible Fixed Assets
    - (vi) Research and Development Cost
    - (vii) Taxation
    - (viii) Investment
    - (ix) Foreign Currency Transaction
  - (II) Group Analysis
    - (i) Age Status
    - (ii) Performance Status
    - (iii) Size Status
    - (iv) Operation Status
    - (v) Sector Status
    - (vi) Equity Base
  - (III) Composite Analysis
    - (i) Age Status
    - (ii) Performance Status
    - (iii) Size Status
    - (iv) Operation Status
    - (v) Sector Status
    - (vi) Equity Base
  - (IV) Significance Test
- ☞ **CONCLUSION**

CHAPTER V
ANALYSIS AND INTERPRETATION OF DATA

INTRODUCTION

Financial accounting is the process of collecting and transforming information about transactions and events affecting the assets and liabilities, the financial position and the performance of an enterprise, and of presenting this information in the annual accounts, the notes thereto, and other supplementary accounts. It is a means of communicating financial information from the directors of companies to users of such information. Hence the objective of financial accounting is to provide information that is relevant to the economic decisions of external users of the accounts with respect to the enterprise [IASC: 1992, *32*]. To be relevant to the decisions of external users, information about an enterprise must be comparable through time and with information about other enterprises. However, different rules and practices prevailing across countries and different accounting methods followed by across companies within a country and across countries complicate the comparability. To ensure the comparability, companies have to use the same definitions and rules in their financial reports. Efforts are made to achieve this on a national level by means of company law or the regulatory activities of professional and other bodies through standardization. The Institute of Chartered Accountants of India (ICAI) shoulders the responsibility of setting standards in India on the lines of International Accounting Standards (IASs). However, little has been done to devise a way of quantitatively determining the extent to which such efforts have been successful in achieving harmonization. With moderate attempts being made to measure the effectiveness of accounting standards on harmonization abroad, no such efforts are discernible in the Indian context. Hence the present study attempts to measure quantitatively the magnitude of harmonization achieved.

SCOPE OF ANALYSIS

To measure quantitatively the magnitude of harmonization achieved, a sample of annual reports of 104 Indian listed companies' were meticulously analyzed and visualized the policy adopted by the respective respondent companies. The scope of the study is limited to accounting measurement practices prevailing in Indian listed companies, which are legally binding in adopting accounting standards in financial

reporting. In the background of the objectives and the hypotheses for the study, the annual reports of 104 Indian companies were analyzed from the viewpoint of six independent variables, which consisted of respondent companies' age, performance, size, operation, sector and their equity base. The present empirical research has been presented under profile analysis and empirical analysis.

PROFILE ANALYSIS

The study has been carried out after scrupulous examination of 104 annual reports of listed Indian companies' for the selected three periods, viz. 1996-97, 2003-04 and 2005-06. The profile of sample respondent companies has been analyzed under: (i) Age Status; (ii) Performance Status; (iii) Size Status; (iv) Operation Status; (v) Industrial Sector and (vi) Equity Base.

(i) Age Status:

The extent of a company's harmonization level may be influenced by its age (stage of development and growth). Table 5.1 presents the distribution of respondent companies according to their age status in terms of younger companies and older companies. A younger company has been identified in

TABLE 5.1
AGE STATUS

Status	No. of Respondents	Percentage
Younger	42	40.38
Older	62	59.62
Total	104	100.00

Source: Annual Reports.

the age group of below 25 years and those companies, which are above 25 years old, are identified as older companies. The number of younger companies stood at 42 representing 40.38 per cent of total respondent companies as against 62 older companies representing 59.62 per cent.

(ii) Performance Status:

Profitability is a measure of management performance, and as such the management of a profitable company is likely to disclose more information to support the continuance of their positions and the performance related compensatory schemes that may be due to them [Cerf:1961]. Table 5.2 highlights the distribution of respondents into high-profitable group and low-

TABLE 5.2
PERFORMANCE STATUS

Status	No. of Respondents	Percentage
High Profitable	51	49.04
Low Profitable	53	50.96
Total	104	100.00

Source: Annual Reports.

profitable group based on the performance status. The high-profitable group consisted of 51 respondents representing 49.04 percent as against the respondents of low-profitable group numbering 53 and constituting 50.96 percent.

(iii) Size Status:

Size of a company is likely to positively influence its mandatory disclosure practices. Table 5.3 presents the categorization of respondents on the basis of their size. From the viewpoint of size of the company, the respondents are classified into large companies and small companies. The large companies consisted of 53 and their percentage stood at 50.96. The small companies numbered 51 representing 49.04 percent.

TABLE 5.3
SIZE STATUS

Status	No. of Respondents	Percentage
Large	53	50.96
Small	51	49.04
Total	104	100.00

Source: Annual Reports.

(iv) Operation Status:

The extent of a company's mandatory disclosure may be influenced by its operation in countries. From this viewpoint, the respondent companies are divided into uni-national and multinational companies. Table 5.4 highlights the classification of the respondents based on their operation in countries. The uni-national companies numbered 58 and their percentage stood at 55.77 percent. The multinational companies numbered 46 and their percentage stood at 44.23 percent.

TABLE 5.4
OPERATION STATUS

Status	No. of Respondents	Percentage
Uni-national	58	55.77
Multinational	46	44.23
Total	104	100.00

Source: Annual Reports.

(v) Industrial Sector:

Industry type is also a likely significant factor for accounting differences in the disclosure levels of the companies. Table 5.5 depicts the industrial sector in which the sample respondents belong to. The classification of the respondent companies includes basic and capital goods, intermediate goods and consumer durable goods. The companies under basic and capital goods

TABLE 5.5
INDUSTRIAL SECTOR

Status	No. of Respondents	Percentage
Basic and Capital Goods	34	32.69
Intermediate Goods	30	28.85
Consumer Durable Goods	40	38.46
Total	104	100.00

Source: Annual Reports.

numbered 34 representing 32.69 percent and this was followed by companies with intermediate goods numbering 30 constituting 28.85 percent and the companies in consumer durable goods numbered 40 and their percentage stood at 38.46.

(vi) Equity Base:

Equity base may also be taken as one of the important independent variables. The classification of respondents based on the holdings of equity capital base consists of low equity base and high equity base respondents. The low equity base respondents numbered 53 representing 50.96 percent and high equity base respondents numbered 51and their percentage stood at 49.04.

TABLE 5.6
EQUITY BASE

Status	No. of Respondents	Percentage
Low Equity Base	53	50.96
High Equity Base	51	49.04
Total	104	100.00

Source: Annual Reports.

EMPIRICAL ANALYSIS

Based on the annual reports of 104 respondent companies for three selected accounting periods from the viewpoint of the level of harmonization measured in terms of H-index, the analysis and interpretation of data has been presented under: (I) Universal Analysis; (II) Group Analysis and (III) Composite Analysis.

(I) Universal Analysis:

The universal analysis presents an overview of harmonization level for all the 104 sample respondent companies put together. This analysis has been presented under: (i) Inventory Valuation Method; (ii) Inventory Costing Method; (iii) Depreciation; (iv) Borrowing Costs; (v) Valuation of Tangible Fixed Assets; (vi) Research and Development Cost; (vii) Taxation; (viii) Investments and (ix) Foreign Currency Transaction.

(i) Inventory Valuation Method:

Indian companies used to follow varied practices of inventory valuation. To narrow down these varied practices, Accounting Standard-2 (AS-2), which was originally issued by ICAI in June 1981, was revised and made it mandatory in nature with effect from 1-4-1999. As per this standard, the inventories should be valued at the lower of cost and net realizable value and the financial statements should disclose the accounting policies adopted in measuring inventories including the cost formula used; and the total carrying amount of inventories and its classification appropriate to the enterprise. Table-5.7 reveals the frequencies of different valuation methods followed by the sample respondent companies and the H-Index for three years. Based on the stated accounting policies in their respective annual reports of the reporting companies, it was evidenced that three methods were commonly applied for valuation of inventories. These were: lower of cost and net realizable value; cost; and cost or market value whichever is less. However, some companies used combination of these methods and a few of them did not disclose the method that they adopted. The not disclosed category has also being depicted in the Table.

TABLE 5.7
HARMONIZATION LEVEL IN INVENTORY VALUATION METHOD

Year	Frequencies and relative frequencies (in brackets) of inventory valuation methods							H-Index
	Method						Total	
	A	B	C	D	E	F		
1997	27 (26.47)	16 (15.69)	20 (19.61)	33 (32.35)	5 (4.90)	1 (0.98)	102	0.2452
2004	72 (69.23)	6 (5.77)	9 (8.66)	15 (14.42)	2 (1.92)	0 (0.00)	104	0.5113
2006	85 (81.73)	3 (2.88)	9 (8.66)	7 (6.73)	0 (0.00)	0 (0.00)	104	0.6808
□□ = 70.98 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

Table 5.7 highlighted that companies opted for lower of cost and net realizable value method and this trend was on the rise. It was 26.47 percent in 1997, followed by 69.23 percent in 2004 and 81.73 percent in 2006. The cost or market price whichever is less is not permitted in the revised AS-2. However, some companies were adopting this method. In 1997, it was 19.61 percent and this progressively

reduced to 8.66 percent in 2006. The cost as a basis for inventory valuation was also losing its prominence; it was 15.69 percent in 1997 and 2.88 percent in 2006. The H-Index trend between 1997 and 2006 showed that there was substantial increase in the level of harmonization in case of adopting inventory valuation method. In 1997, the H-Index was 0.2452 followed by 0.5113 in 2004 and 0.6808 in 2006. It was evidenced that the harmony level achieved was 68.08 percent on the issue of inventory valuation method in 2006 compared to 24.52 percent in 1997 and 51.13 percent in 2004. The computed chi-square value of 72.29 shown in Table-5.7 was significant at 5% significance level and this showed that inventory valuation methods used by Indian companies in the sample period were significantly different. For purposes of the chi-square test, the method F was excluded and method D and E were combined to avoid the problem of small-expected frequencies.

(ii) Inventory Costing Method:

Inventory costing methods are a subset of inventory valuation methods [Herrmann: *261*]. As per AS-2, the cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects should be assigned by specific identification of their individual costs. The other inventory items should be assigned by using the first-in first-out (FIFO), or weighted average cost formula. The formula used should reflect the fairest possible approximation to the cost incurred in bringing the items of inventory to their present location and condition. Further, it is mandatory to disclose the formula used by the company in the financial statements. Hence accounting regulations covering inventory-costing methods are diverse in India. AS-2 is flexible in the sense that it permits the FIFO and the weighted average cost method and the techniques for the measurement of cost of inventory such as the standard cost method and the retail method may be used for convenience, if the results approximate the actual cost.

Table 5.8 depicts inventory-costing methods applied by the sample respondent companies in three selected years. After examining the annual reports of the companies, it was found that majority of the companies were adopting weighted average cost method and FIFO method. Some companies were using a combination of these two methods. Companies, which used retail method, standard cost method and absorption cost method, were categorized under other method. Those companies, which did not disclose the cost formula used in the financial statement, were also depicted in the table. However, these were excluded for calculation of index and chi-square purposes. Table 5.8 exhibits significant progress for disclosure of inventory costing methods. During 1997, 63.73 percent companies did not disclose their inventory costing method(s) when compared to 10.58 percent in 2006. The H-Index for 1997 was 0.0562 followed by 0.3338 in 2004 and 0.4089 in 2006 shown that there was significant improvement in the harmonization level in

TABLE 5.8
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

Year	Frequencies and relative frequencies (in brackets) of inventory costing methods						H-Index
	Method					Total	
	A	B	C	D	E		
1997	22 (21.57)	9 (8.82)	4 (3.92)	2 (1.96)	65 (63.73)	102	0.0562
2004	55 (52.88)	22 (21.15)	10 (9.63)	1 (0.96)	16 (15.38)	104	0.3338
2006	62 (59.61)	23 (22.12)	7 (6.73)	1 (0.96)	11 (10.58)	104	0.4089
□□= 26.79 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

case of adoption of inventory costing methods in the sample companies, approximately an increase from 5 percent to 41percent. Based on the chi-square statistic (□□= 26.79) at 5% significance level, significant differences existed for inventory costing methods adopted by the sample companies in the sample period. The method C and D columns were combined for calculation of chi-square value and column E was excluded.

(iii) Depreciation:

As per AS-6, the depreciable amount of a depreciable asset should be allocated on a systematic basis to each accounting period during the useful life of the asset. The depreciation method selected should be applied consistently from period to period. A change from one method of providing depreciation to another should be made only if the adoption of the new method is required by statute or for compliance with an accounting standard or if it were considered that the change would result in a more appropriate preparation or presentation of the financial statements of the enterprise. The standard also requires that the financial statements should disclose the historical cost or other amount substituted for historical cost of each class of depreciable assets; total depreciation for the period for each class of assets; and the related accumulated depreciation. Apart from these disclosures, the company has to disclose the depreciation method used; and depreciation rates or the useful lives of the assets, if they are different from the principal rates specified in the statute governing the enterprise.

Table 5.9 highlights different methods of depreciation adopted by the sample companies in three sample periods. AS-6 does not stipulate which depreciation method the company has to follow. It has given impetus only on disclosure of method followed and its consistency in future years. The review of annual reports of sample companies revealed that both straight-line method and written down cost methods were adopted. However, some companies adopted a combination of these two methods. It was evidenced that the adoption of depreciation methods by the sample companies were very consistent. There were no many differences in the H-Index for these three sample years. However, comparatively a small degree of de-harmonization was depicted in the year 2006 compared to1997 reflecting a divergence in adopting accounting standard on the depreciation method. At 5% significance level, the computed chi-square value of 0.56 was not significant. Significant differences were not found in case of depreciation method adopted by these sample respondent companies in the sample period. To conclude, a moderately low level of de-harmonization was evidenced due to alternative choices available to the companies as AS-6 permitted both straight-line method and written down cost method.

TABLE 5.9
HARMONIZATION LEVEL IN DEPRECIATION METHOD

Year	Frequencies and relative frequencies (in brackets) of depreciation methods				H-Index
	Method			Total	
	A	B	C		
1997	77 (75.49)	11 (10.78)	14 (13.73)	102	0.6003
2004	78 (75.00)	12 (11.54)	14 (13.46)	104	0.5939
2006	77 (74.04)	10 (9.62)	17 (16.34)	104	0.5841
□□= 0.56 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(iv) Borrowing Costs:

Borrowing costs are the interest component and other costs incurred by an enterprise in connection with the borrowing of funds. The AS-16 came into effect from 1-4-2000 as mandatory. As per this standard, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalized as part of the cost of that asset. Other borrowing costs should be recognized as an expense in the period in which they are incurred. The standard also stipulates to disclose the accounting policy adopted for borrowing costs; and the amount of borrowing costs capitalized during the period as mandatory. Table 5.10 presents the treatment of borrowing costs by the respondent companies. It was evidenced that no company disclosed the treatment of borrowing costs in their annual reports during 1997. In view of this standard becoming mandatory since 1-4-2000, every company started disclosing the borrowing cost in the financial statements. As a result, only 50.96 percent of the sample companies disclosed the treatment of borrowing costs in the financial statements in 2004 and this was followed by 55.57 percent in 2006. The other companies did not disclose the accounting policy in treating the borrowing costs even though, the standard was mandatory. The non-disclosing percentage (44.23 percent) was comparatively high in this case. The H-Index indicated the trend in harmonization level as moderate only at 25.97 percent in 2004 as against 31.10 percent in 2006. The chi-square value was significant at 5% significance level and it was evidenced that there were differences in the treatment of borrowing costs in the study periods.

TABLE 5.10

HARMONIZATION LEVEL IN BORROWING COSTS

Year	Frequencies and relative frequencies (in brackets) of treatments of borrowing costs			H-Index
	Method		Total	
	A	B		
1997	0 (0.00)	102 (100.00)	102	0.0000
2004	53 (50.96)	51 (49.04)	104	0.2597
2006	58 (55.77)	46 (44.23)	104	0.3110
□□= 85.32 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(v) Valuation of Tangible Fixed Assets:

Fixed assets comprise of a significant portion of the total assets of an enterprise, and therefore, they are important in the presentation of financial position. A fixed asset is an asset held with the intention of being used for the purpose of producing or providing goods or services and is not held for sale in the normal course of business. The accounting standard (AS 10) issued by the ICAI on 'Accounting for Fixed Assets' became mandatory with effect from 1-4-1993. AS-10 stipulates that the gross book value of a fixed asset should be either historical cost or a revaluation computed in accordance with this standard and the financial statements should disclose the gross and net book values of fixed assets both at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements, expenditure incurred on account of fixed assets and the revaluation amounts substituted for historical costs of fixed assets.

The scrutiny of the respective company's annual reports revealed that the companies, for valuation of fixed assets adopted three methods, viz. historical cost; current cost and revalued cost methods. Table 5.11 reveals that the valuation method adopted by the respondent companies in three sample periods. The frequencies of methods used showed that there were no changes in valuation policies across respondent companies in the sense that the number of companies choosing a particular method was almost the same in the three periods. However, there was a significant improvement in case of disclosure of accounting practices as cent percent companies disclosed the method that they adopted. The H-Index trend shown in the table

indicated that there was a stable level of harmonization trend between the sample years and the harmonization level stood at 46 percent in 2006. The low degree of harmonization might be due to no dearth of alternatives permitted in the AS–10. The chi-square statistic also highlighted that it was not significant at 5% level and there was an insignificant difference existing in valuation method used by the companies between the sample periods.

TABLE 5.11
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

Year	Frequencies and relative frequencies (in brackets) of methods of valuation of fixed assets					H-Index
	Method				Total	
	A	B	C	D		
1997	66 (64.71)	9 (8.82)	23 (22.55)	4 (3.92)	102	0.4773
2004	62 (59.62)	19 (18.27)	23 (22.11)	0 (0.00)	104	0.4377
2006	65 (62.50)	16 (15.38)	23 (22.12)	0 (0.00)	104	0.4632
□□= 3.55 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(vi) Research and Development Cost:

The ICAI issued AS-8 on the treatment of costs of research and development in financial statements in 1985 and it was mandatory in nature with effect from 1-4-1993. As per AS-8, research and development costs are charged to expense in the period in which they are incurred. However, the cost of a project may be deferred to future periods, if the product or process is technically and commercially feasible and the deferred research and development costs are amortized on a systematic basis. The financial statements should disclose the total research and development costs, including the amortized portion of deferred costs charged and as expense should be disclosed in the profit and loss account for the period.

Table 5.12 presents the frequencies of treatment of research and development cost of respondent companies for three selected sample years based on the policy disclosed in their annual reports. It was evidenced that the companies adopted divergent treatments, but they consistently adopted these methods in three periods. The percentage respondents not disclosing the method adopted was high. This might be due to those companies which did not incur the research and development cost in the sample periods. The H-Index indicated marginally decreasing trend in harmonization level in case of research and development cost. Due to divergent treatment of research and development cost among the companies, the harmonization level stood at 19.40 percent in 2006 as against 22.92 percent in 1997 and 20.54 percent in 2004. The chi-square test was not significant at 5% level of significance and it indicated that the respondent companies' treatment of research and development cost was not significantly different in the study period covering three years.

TABLE 5.12
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

Year	Frequencies and relative frequencies (in brackets) of Treatments of R&D Cost					H-Index
	Method				Total	
	A	B	C	D		
1997	9 (8.82)	48 (47.06)	0 (0.00)	45 (44.12)	102	0.2292
2004	9 (8.65)	46 (44.23)	5 (4.81)	44 (42.31)	104	0.2054
2006	9 (8.65)	44 (42.31)	9 (8.65)	42 (40.39)	104	0.1940
□□ = 8.73 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(vii) Taxation:

AS-22, 'Accounting for Taxes on Income,' issued by the ICAI, came into effect in respect of accounting periods commencing on or after 1-4-2001. This standard is mandatory in nature. As per AS-22, tax expense for the period, comprising current tax and deferred tax, should be included in the determination of the net profit or loss for the period. Deferred tax should be recognized for all the timing differences, subject to the consideration of prudence in respect of deferred tax assets. And these

deferred tax assets should be recognized and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. However, where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized. Current tax should be measured at the amount expected to pay to (recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax assets and liabilities should be measured using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Table-5.13 highlights frequencies and relative frequencies of recognition of taxation treatments of selected sample companies in the sample period. Here, only the recognition aspects of the sample companies are considered and not the measurement methods. Companies, which did not disclose the information, were included in the table for inference. It was evident that majority of the companies did not disclose the information and it stood at 90.20 percent in 1997. However, the percentage of disclosure was substantially reduced to 8.65 percent in 2004 followed by 3.85 percent in 2006. The H-Index, which was 0.0079 in 1997, increased to 0.5955 in 2004 followed by 0.7154 in the year 2006. The increasing trend was quite significant. The significant change was due to direct effect of mandatory nature of AS-22 with effect from 1-4-2001. It was also evidenced that the chi-square value relating to the treatment of taxation was 83.25 and it was significant at the 5% level and the methods of recognition of taxation adopted by the sample companies in the sample period were significantly different. For calculation of chi-square, method A and B were combined to avoid the problem of small-expected frequencies.

TABLE- 5.13
HARMONIZATION LEVEL IN TAXATION

Year	Frequencies and relative frequencies (in brackets) of recognition of taxation					H-Index
	Method				Total	
	A	B	C	D		
1997	9 (8.82)	1 (0.98)	0 (0.00)	92 (90.20)	102	0.0079
2004	2 (1.92)	14 (13.47)	79 (75.96)	9 (8.65)	104	0.5955
2006	0 (0.00)	13 (12.50)	87 (83.65)	4 (3.85)	104	0.7154
□□ = 83.25 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(viii) Investments:

Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. AS-13, Accounting for Investments, comes into effect for financial statements covering the periods commencing on or after April 1, 1995. As per this standard, an enterprise should disclose current investments (CI) and long-term investments (LTI) distinctly in its financial statements. Investments classified as current investments should be carried in the financial statements at the lower of cost and fair value determined either on an individual investment basis or by category of investment, but not on an overall (or global) basis. Investments classified as long-term investments should be carried in the financial statements at cost. However, provision for diminution shall be made to recognize a decline, other than temporary, in the value of the investments, such reduction being determined and made for each investment individually. Further, the company has to disclose in the financial statements of the accounting policies for determination of carrying amount of investments; classification of investments; the amounts included in profit and loss statements derived from these investments; restrictions regarding ownership and reliability on these investments; aggregate amount of quoted and unquoted investments; and any other disclosures specifically required.

Table-5.14 exhibits the policy adopted by the sample companies in the respective sample periods. Based on the policy disclosed in the sample companies' annual report, investments are categorized into two groups: A = classified as current and long term investments and current Investments are valued at lower of cost and fair value and long term investments are valued at cost less provision for diminution in value; and B = No classification is made and valued at cost. Those companies, which did not disclose the policy adopted, were categorized as C and this category was excluded from the statistical tests. It was evidenced that 78.85 percent companies adopted method A in the year 2006 compared to 39.29 percent in 1997 and there was a drastic shift from method B to method A. The relative frequency in respect of method B stood at 44.12 percent in 1997 and reduced to 17.31 percent in 2004 followed by 12.50 percent in 2006. The non-disclosed percentage also reduced to 8.65 percent in 2006 from 20.59 percent in 1997.

TABLE 5.14
HARMONIZATION LEVEL IN INVESTMENTS

Year	Frequencies and relative frequencies (in brackets) of investment valuation methods				H-Index
	Method			Total	
	A	B	C		
1997	36 (35.29)	45 (44.12)	21 (20.59)	102	0.3192
2004	77 (70.04)	18 (17.31)	9 (8.65)	104	0.5781
2006	82 (78.85)	13 (12.50)	9 (8.65)	104	0.6373
□□ = 42.93 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

Significant improvement was found in case of H-Index trend. In 1997 the H-Index stood at 0.3192 followed by 0.5781 in 2004 and 0.6373 in 2006. It showed that there was an increasing trend in the harmonization level in case of adopting valuation bases of investments in the sample period. The chi-square value of 42.93 shown in Table-5.14 was significant at the 5% level indicated the prevailing significant differences in the adopting investment valuation methods in the selected sample period.

(ix) Foreign Currency Transaction:

A foreign currency transaction is a transaction, which is denominated in or requires settlement in a foreign currency. Accounting Standard (AS-11), 'The Effects of Changes in Foreign Exchange Rates,' issued by the ICAI, comes into effect in respect of accounting periods commencing on or after 1-4-2004 and is mandatory in nature from that date. AS-11 stipulates that a foreign currency transaction should be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction and in the subsequent balance sheet dates. It should be reported using the closing rate or which is likely to be realized from, or required to disburse, such item at the balance sheet date and for any forward exchange contract forward rate that can be used. However, an enterprise should disclose the amount of exchange differences included in the profit and loss account. Therefore, AS-11 allowed the companies to use more than one rates depending upon circumstances of the transactions.

Table 5.15 exhibits the frequencies and relative frequencies of treatment of foreign currency transactions of the respondent companies. It was evidenced that the percentage of non-disclosure of method used by the company reduced from 18.63 percent in 1997 to 6.73 percent in 2006. Companies using the combination of A and B method increased from 36.27

TABLE 5.15
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

Year	Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction					H-Index
	Method				Total	
	A	B	C	D		
1997	28 (27.45)	18 (17.65)	37 (36.27)	19 (18.63)	102	0.2381
2004	16 (15.38)	17 (16.35)	62 (59.62)	9 (8.65)	104	0.4058
2006	11 (10.58)	18 (17.31)	68 (65.39)	7 (6.73)	104	0.4687
□□ = 17.87 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction's; C= Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

percent in 1997 to 59.62 percent in 2004 followed by 65.39 percent in 2006. The H-Index indicated that there was an increasing trend in the harmonization level and it was 0.2381 in 1997, 0.4058 in 2004 and 0.4687 in 2006. Approximately, the harmonization level stood at 23.81 percent in 1997, 40.58 in 2004 and 46.87 in 2006. The chi-square test was significant at 5% significance level and this indicated the existence of differences in treatment of foreign currency transaction in the sample period among the sample companies.

To conclude, the empirical study evidenced an upward harmonization trend in the areas of inventory valuation method, inventory-costing method, borrowing cost, taxation, investment and foreign currency transactions and a downward trend in the areas of depreciation and research. A flexible trend is evidenced with regard to valuation of tangible fixed assets. The chi-square value was significant at 5% significance level indicated that significant differences existed in the study period excepting the areas of depreciation, tangible fixed assets and research and development cost.

(II) GROUP ANALYSIS

The group analysis of accounting policies practiced by the respondent companies are presented under: (i) Age Status and Harmonization Level; (ii) Performance Status and Harmonization Level; (iii) Size Status and Harmonization Level; (iv) Operation Status and Harmonization Level; (v) Sector Status and Harmonization Level and (vi) Equity Base and Harmonization Level.

(i) Age Status and Harmonization Level:

Age of an enterprise indicates the experience and expertise gained over the years and it is believed to streamline the operating polices and help in better management of the enterprise on prudent lines. The extent of a company's mandatory disclosure and harmonization level may be influenced by its age (stage of development and growth). Older, well-established companies are likely to disclose much more information in their annual reports than younger companies. The contributing phenomenon to this is: younger companies may suffer competitive disadvantage, if they disclose certain items compared to older companies. They are naturally motivated to disclose such information, as their presentation may not hurt their competitive position. Another contributing factor is the cost and the case of

gathering, processing, and disseminating the required information. These costs are likely to be more onerous for younger companies than for their older counterparts. The younger companies may lack a 'track record' to rely on for public disclosure compared to older companies. Under age status, the respondent companies are divided into two categories, viz. younger (less than 25 years) and older (more than 25 years) companies. The harmonization levels based on age status are presented under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.16 presents the frequencies and relative frequencies of inventory valuation method adopted by the sample companies in the sample period. The table indicated that the companies were adopting divergent methods of inventory valuation before AS 2 became mandatory. In the year 1997, 27.5 percent younger companies and 25.81 percent of older companies adopted lower of cost and net realizable value method. In 2004, this percentage enormously increased to 69.05 followed by 80.95 in 2006 in case of younger companies and 69.35 and 82.26 in 2006 with regard to older companies respectively. The harmonization level indicated by the H-Index was an increasing trend in both the categories. However, it was evidenced that the harmonization level was higher with regard to older companies and it stood at 69.04 percent when compared to 66.78 percent in younger companies. The chi-square value was significant at the 5% level of significance test.

TABLE 5.16
HARMONIZATION LEVEL IN INVENTORY VALUATION METHODS

AGE STATUS: YOUNGER								
Year	**Frequencies and relative frequencies (in brackets) of inventory valuation methods**						**Total**	**H-Index**
	Method							
	A	B	C	D	E	F		
1997	11 (27.5)	9 (22.5)	5 (12.5)	2 (5)	13 (32.5)	0 (0.00)	40	0.2500
2004	29 (69.05)	4 (9.53)	3 (7.14)	1 (2.38)	5 (11.90)	0 (0.00)	42	0.5057
2006	34 (80.95)	2 (4.76)	3 (7.14)	0 (0.00)	3 (7.14)	0 (0.00)	42	0.6678
□□= 50.24 P = 0.05								
AGE STATUS: OLDER								
Year	**Method**						**Total**	**H-Index**
	A	B	C	D	E	F		
1997	16 (25.81)	7 (11.29)	15 (24.19)	3 (4.84)	20 (32.26)	1 (1.61)	62	0.2443
2004	43 (69.35)	2 (3.23)	6 (9.68)	1 (1.61)	10 (16.13)	0 (0.00)	62	0.5177
2006	51 (82.26)	1 (1.61)	6 (9.68)	0 (0.00)	4 (6.45)	0 (0.00)	62	0.6904
□□= 51.46 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(b) Inventory Costing Method:

Table 5.17 depicts the frequencies of inventory costing method adopted by the companies under age status. It indicated that spontaneous changes were found in the disclosure level of method adopted by both the categories of the companies. In 1997, 60.00 percent of younger companies and 66.13 percent of older companies did not disclose the method that they adopted. But in 2004, the percentage reduced to 21.43 and 11.29 followed by 19.05 percent and 4.84 percent in 2006 for younger and older companies respectively. It also indicated that the older companies were more inclined to weighted average method in contrast to the younger companies, which preferred FIFO method. In 1997, 20.00 percent of the younger companies adopted weighted average method but in 2004 it increased to 40.48 percent followed by 47.62 percent in 2006. In case of older companies, the increasing

TABLE 5.17
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

AGE STATUS: YOUNGER							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**					**Total**	**H-Index**
	Method						
	A	B	C	D	E		
1997	8 (20.00)	6 (15.00)	2 (5.00)	0 (0.00)	24 (60.00)	40	0.0650
2004	17 (40.48)	15 (35.71)	0 (0.00)	1 (2.38)	9 (21.43)	42	0.2920
2006	20 (47.62)	14 (33.33)	0 (0.00)	0 (0.00)	8 (19.05)	42	0.3379
□□=6.96 P = 0.05							
AGE STATUS: OLDER							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	14 (22.58)	3 (4.84)	2 (3.23)	2 (3.23)	41 (66.13)	62	0.0554
2004	38 (61.29)	7 (11.29)	10 (16.13)	0 (0.00)	7 (11.29)	62	0.4144
2006	42 (67.74)	9 (14.52)	7 (11.29)	1 (1.61)	3 (4.84)	62	0.4930
□□=19.51 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

trend was little higher; it was 22.58, 61.29 and 67.24 percent in the respective years. The H-Index also showed an increasing trend in the harmonization level in both categories of companies. However, the older companies achieved higher harmonization level compared to younger companies. The chi-square results showed that it was statistically significant at 5% significance level.

(c) Depreciation Method:

Table 5.18 reveals the depreciation method adopted by the respondent companies of two categories based on age. It was evidenced from the table that the adoption of straight-line method of depreciation was higher in case of younger companies than in older companies. The average percentage stood at 86.31 in younger companies as against 67.20 in older companies. The percentage of companies using the combination of straight line and written down cost method was higher in older companies, which stood at 22.58 percent in 2006 than 7.14 percent in younger

companies. The H-Index indicated consistent harmonization trend for all three-sample periods. Surprisingly, it was found that the harmonization level was higher among younger companies in case of adoption of depreciation method with the average standing at 75.53 percent as against 50.93 percent in older companies. The chi-square test revealed that no significant differences existed among companies in the sample period of study.

TABLE 5.18
HARMONIZATION LEVEL IN DEPRECIATION METHOD

AGE STATUS: YOUNGER					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	35 (87.50)	4 (10.00)	1 (2.50)	40	0.7763
2004	36 (85.72)	3 (7.14)	3 (7.14)	42	0.7449
2006	36 (85.72)	3 (7.14)	3 (7.14)	42	0.7449
□□=0.07 P = 0.05					
AGE STATUS: OLDER					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	42 (67.74)	7 (11.29)	13 (20.97)	62	0.5156
2004	42 (67.74)	9 (14.52)	11 (17.74)	62	0.5114
2006	41 (66.13)	7 (11.29)	14 (22.58)	62	0.5010
□□= 0.73 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(d) Borrowing Costs:

Table 5.19 exhibits treatment of borrowing costs by the younger and older companies in three selected sample years. It was evidenced that both the categories of companies did not disclose the treatment of borrowing costs in their respective annual reports for the year, 1997. However, after AS-16 became mandatory with effect from 1-4-2000, majorities of the companies were inclined to disclose the method that they adopted and they capitalized the borrowing costs as part of respective asset and other expenses are charged to revenue. The percentage of disclosure level was high in case

of older companies compared to younger companies which stood at 40.48 percent and 42.86 percent for younger and 58.06 and 64.52 percent for older for the years 2004 and 2006 respectively. Significant difference was found in the H-Index trend. For the year 2006 the H-Index shows 0.4162 for older compared to 0.1837 for younger companies. The chi-square value also indicates that significant differences existed in the disclosure levels of borrowing costs in the selected sample periods.

TABLE 5.19
HARMONIZATION LEVEL IN BORROWING COSTS

AGE STATUS: YOUNGER				
Year	**Frequencies and relative frequencies (in brackets) of treatments of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 (0.00)	40 (100.00)	40	0.0000
2004	17 (40.48)	25 (59.52)	42	0.1638
2006	18 (42.86)	24 (57.14)	42	0.1837
□□=23.28 P = 0.05				
AGE STATUS: OLDER				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	62 (100.00)	62	0.0000
2004	36 (58.06)	26 (41.94)	62	0.3371
2006	40 (64.52)	22 (35.48)	62	0.4162
□□=64.79 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(e) Valuation of Tangible Fixed Assets:

Table 5.20 highlights the policies adopted by the respondent companies of two categories in case of tangible fixed assets. Except with a minute deviation, majority of companies consistently adopted similar valuation methods in all the three sample years. The younger companies' choice towards historical cost was comparatively higher and the average percentage stood at 78.49 percent when compared to 51.61 percent in case of older companies. The harmonization trend, indicated by the H-Index, was found to be consistent level in both younger and older categories.

However, the average harmonization level was higher among younger companies, which stood at 64 percent as against 41 percent in the older companies. The chi-square value was not significant at 5% level and this indicated that there were no differences in the policy adopted for valuation of tangible fixed assets in the sample period of the study.

TABLE 5. 20
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

AGE STATUS: YOUNGER						
Year	**Frequencies and relative frequencies (in brackets) of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	32 (80.00)	5 (12.50)	1 (2.50)	2 (5.00)	40	0.6563
2004	32 (76.19)	9 (21.43)	1 (2.38)	0 (0.00)	42	0.6270
2006	33 (78.57)	7 (16.67)	2 (4.76)	0 (0.00)	42	0.6474
□□= 0.88 P = 0.05						
AGE STATUS: OLDER						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	34 (54.84)	4 (6.45)	22 (35.48)	2 (3.23)	62	0.4308
2004	30 (48.39)	10 (16.13)	22 (35.48)	0 (0.00)	62	0.3861
2006	32 (51.61)	9 (14.52)	21 (33.87)	0 (0.000	62	0.4022
□□= 2.98 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(f) Research and Development Cost:

Table 5.21 presents the frequencies of treatment of research and development cost by the younger and older companies for three years. It was evidenced from the table that the majority of the younger companies did not disclose the method that they used and hence it was presumed that these companies did not incur the research and development expenses in the sample period or they might not have had deliberately disclosed to avoid competitive disadvantages. However, the percentage of non-disclosure of the policy declined marginally as it was 62.50, 59.53 and 57.15 for younger companies and 32.25, 30.65 and 29.03 for older companies in 1997, 2004 and 2006 respectively. The H-Index for both the categories of companies slightly

decreased from 14.06 in 1997 to 11.00 2006 in case of younger companies and from 30.44 in 1997 to 27.52 in 2006 and this indicated de-harmonization trend. This was aroused due to companies' shift from method B to method C. The chi-square value was not significant at 5% level and indicated that there were no differences in the method adopted by the companies in the study period.

TABLE 5.21
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

AGE STATUS: YOUNGER						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R&D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	0 (0.00)	15 (37.50)	0 (0.00)	25 (62.50)	40	0.1406
2004	0 (0.00)	14 (33.33)	3 (7.14)	25 (59.53)	42	0.1162
2006	0 (0.00)	13 (30.95)	5 (11.90)	24 (57.15)	42	0.1100
□□= 4.81 P = 0.05						
AGE STATUS: OLDER						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	9 (14.52)	33 (53.23)	0 (0.00)	20 (32.25)	62	0.3044
2004	9 (14.52)	32 (51.60)	2 (3.23)	19 (30.65)	62	0.2885
2006	9 (14.52)	31 (50.00)	4 (6.45)	18 (29.03)	62	0.2752
□□=0.80 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue expenses written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(g) Taxation:

Table 5.22 demonstrates the frequencies and relative frequencies of recognition of taxation on the basis of younger and older companies in the sample periods. It was observed that both younger companies and older companies did not disclose the accounting practice on taxation and their respective percentages stood at 92.50 percent and 88.71 percent respectively in 1997. However, this percentage drastically reduced in the following years. Obviously, this was due to the direct effect of mandatory nature of accounting standard (AS 22, Accounting for Taxes on Income) with effect from 1-4-2001. As a result, the accounting practice towards taxation was disclosed by both younger and older companies and the percentages of disclosure stood at 80.95 and 85.48 respectively in 2006. The H-Index showed an increasing trend in harmonization level. The harmonization level was higher in case of older companies as against younger companies, which stood at 68.31 percent

TABLE 5.22
HARMONIZATION LEVEL IN TAXATION

AGE STATUS: YOUNGER						
Year	**Frequencies and relative frequencies (in brackets) of recognition of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	3 (7.50)	0 (0.00)	0 (0.00)	37 (92.50)	40	0.0056
2004	0 (0.00)	7 (16.67)	31 (73.81)	4 (9.52)	42	0.5726
2006	0 (0.00)	7 (16.67)	34 (80.95)	1 (2.38)	42	0.6831
□□=32.83 P = 0.05						
AGE STATUS: OLDER						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	6 (9.68)	1 (1.61)	0 (0.00)	55 (88.71)	62	0.0096
2004	2 (3.23)	7 (11.29)	48 (77.42)	5 (8.06)	62	0.6132
2006	0 (0.00)	6 (9.68)	53 (85.48)	3 (4.84)	62	0.7401
□□= 51.5 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

and 74.01 percent for respectively in 2006. The computed chi-square value was significant at the 5% significance level and it was evidenced that there existed a significant differences in the method adopted by the companies in the sample periods.

(h) Investments:

Table 5.23 portraits the frequencies of investment valuation methods adopted by the younger and older categories of respondent companies. It was found that the percentage of non-disclosure of the method used by the companies was higher in case of younger companies than in case of older companies. The non-disclosure percentage reduced progressively from 1997 to 2006. It was 35.00 percent in 1997 followed by 19.05 percent in 2004 and 16.67 percent in 2006 in younger companies and 11.29 percent in 1997, 1.61 percent in 2004 and 3.24 percent in 2006 in older companies. It was also

TABLE 5.23
HARMONIZATION LEVEL IN INVESTMENTS

AGE STATUS: YOUNGER					
Year	**Frequencies and relative frequencies (in brackets) of investment valuation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	9 (22.50)	17 (42.50)	14 (35.00)	40	0.2313
2004	26 (61.90)	8 (19.05)	8 (19.05)	42	0.4195
2006	29 (69.05)	6 (14.29)	7 (16.67)	42	0.4972
□□= 17.32 P = 0.05					
AGE STATUS: OLDER					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	27 (43.55)	28 (45.16)	7 (11.29)	62	0.3936
2004	51 (82.26)	10 (16.13)	1 (1.61)	62	0.7027
2006	53 (85.49)	7 (11.29)	2 (3.24)	62	0.7435
□□=26.8 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

observed that the older companies the rate of preference was higher by older companies regarding method A to the rate perceived for younger companies. In other words, the shift from method B to A in case of younger companies was in slow progress. The H-Index evidenced an increasing trend in harmonization level in both the categories of companies. However, harmonization level was substantially higher among older companies than in younger companies and it was 74.34 percent and 49.72 percent in 2006 in older and younger companies respectively. The chi-square value was significant at 5% level and this indicated significant differences in the sample periods of study.

(i) Foreign Currency Transaction:

Table 5.24 presents the frequencies and relative frequencies of rates used for foreign currency transaction by the younger and older companies in the sample period. It was evidenced that the percentage of non-disclosure level was higher in case of younger companies which stood at 25.00 percent in 1997, 14.29 percent in 2004 and 11.90 percent in 2006 as against 14.52 percent in 1997, 4.84 percent in 2004 and 3.23 percent in 2006 for older companies. But there was a decreasing trend in both the categories of the nondisclosure. It was also interesting to note that the reporting of foreign currency transactions was based more on the rate at the date of transaction for both younger and older companies. However, more number of older companies opted for method C and the percentages stood at 72.52 and 54.76 respectively. From the viewpoint of the harmonization level, the H-Index indicated that insignificant differences existed among younger companies in the sample period and the average harmonization level stood at 31 percent. However, the harmonization level was on the raise among the older companies and it increased from 26.66 percent in 1997, 43.42 percent in 2004 and 55.93 percent in 2006. The average harmonization level for all the three years was 42 percent for older companies. The chi-square value was not significant at 5% level in case of younger companies, but it was significant for older companies.

TABLE 5.24
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

AGE STATUS: YOUNGER						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	7 (17.50)	8 (20.00)	15 (37.50)	10 (25.00)	40	0.2113
2004	7 (16.67)	5 (11.90)	24 (57.15)	6 (14.29)	42	0.3685
2006	6 (14.29)	8 (19.05)	23 (54.76)	5 (11.90)	42	0.3566
□□= 2.97 P = 0.05						
AGE STATUS: OLDER						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	21 (33.87)	10 (16.13)	22 (35.48)	9 (14.52)	62	0.2666
2004	9 (14.52)	12 (19.35)	38 (61.29)	3 (4.84)	62	0.4342
2006	5 (8.06)	10 (16.13)	45 (72.58)	2 (3.23)	62	0.5593
□□= 20.08 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(ii) Performance Status and the Harmonization Level:

Profitability is a measure of management performance, and as such the management of a profitable company is more likely to disclose information to support the continuance of its position and the performance-related compensatory schemes that may be due to them [Cerf: 1961]. In prior studies, profitability has been identified as a variable influencing the extent to which companies disclose mandatory information in their annual reports [Cerf: 1961; Singhvi: 1968; Singhvi & Desai: 1971; Wallace & Naser: 1995; Inchausti: 1997]. Inchausti [1997] states that management when in possession of "good news" due to better performance is more likely to disclose more detailed information. It can also be argued that unprofitable companies will also be inclined to release more information in defense of poor performance. The extent of companies' harmonization level may be reflected on its performance level. High profitable companies are likely to disclose more information and the degree of compliance is more than low profitable companies. In this study,

companies are categorized into high profitable companies and low profitable companies under performances status based on the median, i.e., companies below median (<26 crores) are classified as low profitable companies and above median (>26 crores) are classified as high profitable companies. The harmonization level under performance status of the respondent companies' practiced accounting policies are presented under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.25 presents the frequencies of inventory valuation methods adopted by the low profitable and high profitable companies in the selected

TABLE 5.25
HARMONIZATION LEVEL IN INVENTORY VALUATION

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES								
Year	**Frequencies and relative frequencies (in brackets) of inventory valuation methods**							**H-Index**
	Method						**Total**	
	A	B	C	D	E	F		
1997	11 (20.75)	12 (22.64)	11 (20.75)	1 (1.89)	17 (32.08)	1 (1.89)	53	0.2407
2004	32 (60.38)	5 (9.43)	6 (11.63)	2 (3.77)	8 (15.09)	0 (0.00)	53	0.4105
2006	39 (73.58)	3 (5.66)	6 (11.32)	0 (0.00)	5 (9.43)	0 (0.00)	53	0.5664
□□=32.19 P = 0.05								
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES								
Year	**Method**						**Total**	**H-Index**
	A	B	C	D	E	F		
1997	16 (32.65)	4 (8.16)	9 (18.37)	4 (8.16)	16 (32.65)	0 (0.00)	49	0.2603
2004	40 (78.43)	1 (1.96)	3 (5.88)	0 (0.00)	7 (13.73)	0 (0.00)	51	0.6378
2006	46 (90.20)	0 (0.00)	3 (5.88)	0 (0.00)	2 (3.92)	0 (0.00)	51	0.8185
□□= 43.10 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

sample periods. It was evidenced that the majority of the companies inclined towards lower of cost and net realizable value method under both the categories. In case of low profitable companies, it was observed that 20.75 percent of sample respondents of low profitable companies adopted the above practice in 1997 and it was followed by 60.38 percent in 2004 and 73.58 percent in 2006. It was also found that the same trend was comparatively higher with regard to high profitable companies, with 32.65 percent in 1997, 78.43 percent in 2004 and 90.20 percent in 2006 respectively of the companies following the practice of lower of cost or market price. The harmonization level was found to have an increasing trend in both the categories. However, the level of harmonization was significantly more in high profitable companies to the extent of 25.21 percent in the year 2006. The chi-square value indicated the existence of different methods of inventory valuation in the sample period and it was significant at 5% level.

(b) Inventory Costing Method:

Table 5.26 highlights the frequencies of inventory costing methods adopted by the low profitable and high profitable companies. The comparative figures evidenced that the non-disclosure percentages were higher in low profitable companies and the percentage of these companies stood at 69.81 percent, 24.54 percent and 18.86 percent as against 57.14 percent, 5.88 percent and 1.96 percent for low profitable companies and high profitable companies respectively for the respective years of 1997, 2004 and 2006. Comparatively, the choice for combination of weighted average method and FIFO method was higher among high profitable companies with their average percentage of 11.82 as against 1.89 percent in low profitable companies. The harmonization level of H-index indicated that the level of harmonization was high in case of high profitable companies at 0.4691 in 2006 when compared to 0.3692 for low profitable companies. The chi-square value tested at 5% significance level also indicated that there were significant differences in the study period.

TABLE 5.26
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**						**H-Index**
	Method					**Total**	
	A	B	C	D	E		
1997	11 (20.75)	3 (5.66)	2 (3.77)	0 (0.00)	37 (69.81)	53	0.0477
2004	24 (45.28)	14 (26.42)	1 (1.89)	1 (1.89)	13 (24.54)	53	0.2755
2006	29 (54.72)	14 (26.42)	0 (0.00)	0 (0.00)	10 (18.86)	53	0.3692
□□=13.98 P = 0.05							
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	11 (22.45)	6 (12.24)	2 (4.08)	2 (4.08)	28 (57.14)	49	0.0687
2004	31 (60.78)	8 (15.69)	9 (17.65)	0 (0.00)	3 (5.88)	51	0.4252
2006	33 (64.71)	9 (17.65)	7 (13.73)	1 (1.96)	1 (1.96)	51	0.4691
□□= 12.80 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(c) Depreciation Method:

Table 5.27 highlights the depreciation method adopted by the sample respondent companies in both the categories of companies for three years. The table indicated that cent percent of the companies disclosed the method they adopted in their respective annual reports. However, the method adopted by these companies in both the categories was more or less consistent. There was a marginal increase in adopting a combination of straight line and written down cost method with regard to low profitable companies. The H-Index stood at 0.7052, 0.6511 and 0.6355 in 1997, 2004 and 2006 respectively for low profitable companies and this indicated a slightly decreasing trend in harmonization level. But with regard to high profitable companies, the H-index was same for 2004 and 2006. At 5% significance level the chi-square test showed that there were no insignificant differences in the respective sample years in either category.

TABLE 5.27
HARMONIZATION LEVEL IN DEPRECIATION METHOD

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	44 (83.02)	3 (5.66)	6 (11.32)	53	0.7052
2004	42 (79.25)	4 (7.55)	7 (13.21)	53	0.6511
2006	41 (77.36)	2 (3.77)	10 (18.87)	53	0.6355
		□□=1.91	P = 0.05		

PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	33 (67.35)	8 (16.33)	8 (16.33)	49	0.5069
2004	36 (70.59)	8 (15.69)	7 (13.73)	51	0.5417
2006	36 (70.59)	8 (15.69)	7 (13.73)	51	0.5417
		□□= 0.21	P = 0.05		

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(d) Borrowing Costs:

Table 5.28 exhibits the disclosure and measurement practices adopted by the respondent sample companies under performance status. It revealed that the non-disclosing percentage decreased in both the categories with the percentages standing at 100, 50.94 and 43.40 in low profitable companies as against the percentages of 100, 47.06 and 45.10 in high profitable companies for 1997, 2004 and 2006 respectively. It was observed that moderate level of harmonization trend existed in both the categories under performance status. Even though the harmonization level in both the categories increased from 24.07 percent in 2004 and 32.04 percent in 2006 in case of low profitable companies as against an increase from 28.03 percent in 2004 to 30.14 percent in 2006 in high profitable companies, the rate of harmonization level was higher in low profitable companies than in high profitable companies. The chi-square value indicated significant in both the categories of companies.

TABLE 5.28
HARMONIZATION LEVEL IN BORROWING COSTS

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES				
Year	**Frequencies and relative frequencies (in brackets) of treatment of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 (0.00)	53 (100.00)	53	0.0000
2004	26 (49.06)	27 (50.94)	53	0.2407
2006	30 (56.60)	23 (43.40)	53	0.3204
□□= 28.43 P = 0.05				

PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	49 (100.00)	49	0.0000
2004	27 (52.94)	24 (47.06)	51	0.2803
2006	28 (54.90)	23 (45.10)	51	0.3014
□□= 26.45 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(e) Valuation of Tangible Fixed Assets:

Table 5.29 depicts the valuation methods adopted by the sample respondent companies under both the categories of performance status with regard to the tangible fixed assets. It was found that the measuring practices for tangible fixed assets were consistently adopted in the respective years of the study in both the categories of companies. During 1997, the non-disclosure of valuation policy was very low and it was completely discontinued by all the sample respondent companies. Majority of the companies adopted historical cost method as against current cost or revalued cost method. Although, the percentage was higher in low profitable companies, the average stood at 66 percent when compared to 58 percent in high profitable companies. The harmonization trend indicated by the H-Index also showed that there was a consistent level of harmonization in both the categories of companies. However, the level of harmonization was slightly higher in low profitable companies than in high profitable companies. Further, it was observed that the harmonization level had a decreasing trend between 1997 and 2004 and then an increasing trend

between 2004 and 2006 in both low profitable and high profitable companies with a slightly higher harmonization trend evidenced in low profitable companies for the period between 2004 and 2006. However, the chi-square test evidenced that there were no significant differences the valuation method adopted by the companies with regard to valuation of tangible fixed assets.

TABLE 5.29
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	37 (69.81)	4 (7.55)	9 (16.98)	3 (5.66)	53	0.5219
2004	33 (62.26)	9 (16.98)	11 (20.75)	0 (0.00)	53	0.4596
2006	35 (66.04)	6 (11.32)	12 (22.64)	0 (0.00)	53	0.5002
□□= 2.67 P = 0.05						
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	29 (59.18)	5 (10.20)	14 (28.57)	1 (2.04)	49	0.4423
2004	29 (56.86)	10 (19.61)	12 (23.53)	0 (0.00)	51	0.4171
2006	30 (58.82)	10 (19.61)	11 (21.57)	0 (0.00)	51	0.4310
□□= 2.32 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(f) Research and Development Cost:

A summary of treatment of research and development cost frequencies are presented in the Table 5.30 under performance status. Throughout the sample period the companies consistently pursued almost similar treatments of research and development cost in the sense that the majority of the companies followed either method B or method C in both the categories. The percentage of non-disclosure method adopted by the companies was higher in low profitable companies as against high profitable companies and it stood at three years' average percentage of about 51 and 32 in low profitable and high profitable companies respectively. It was evidenced that though the harmonization level was lower in both the categories, the lower level

of harmonization was in low profitable companies than in high profitable companies. In both the categories, the chi-square value was not significant at 5% level and it was evidenced that there were no significant differences in the treatment of research and development cost in three periods.

TABLE 5.30
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R&D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	6 (11.32)	18 (33.96)	0 (0.00)	29 (54.72)	53	0.1282
2004	6 (11.32)	19 (35.85)	2 (3.77)	26 (49.06)	53	0.1428
2006	6 (11.32)	16 (30.19)	5 (9.43)	26 (49.06)	53	0.1129
□□= 0.30 P = 0.05						
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	3 (6.12)	30 (61.22)	0 (0.00)	16 (32.65)	49	0.3786
2004	3 (5.88)	27 (52.94)	3 (5.88)	18 (35.29)	51	0.2872
2006	3 (5.88)	28 (54.90)	4 (7.84)	16 (31.37)	51	0.3110
□□= 1.79 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(g) Taxation:

Table 5.31 exhibits the methods of reporting taxation items in the financial statements by the low profitable and high profitable sample companies under performance status. Before accounting for income taxes as a standard becoming mandatory since 2001, the method of reporting was not disclosed in the financial statements. However, the accrual method of accounting must have been adopted and the clue for this was found to be available through an accounting item of provision for income taxes. It was also evidenced that majority of the sample companies adhere to recognition of deferred tax under liability method along with very few companies recognizing income tax items as both current year charge and deferred tax. With

harmonization level being zero in 1997 for both the categories of sample companies, there was a high level of harmonization evidenced in 2004 and 2006. Further, higher harmonization level was evidenced in low profitable companies with the value of 0.7590 than in high profitable companies with the value of 0.6774 during 2006. Lastly, significant differences were evidenced in the harmonization level before and after the standard becoming mandatory with a higher level of harmonization evidenced with regard to low profitable companies and hence there was significant difference at 5% significance level.

TABLE 5.31
HARMONIZATION LEVEL IN TAXATION

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	3 (5.66)	0 (0.00)	0 (0.00)	50 (94.34)	53	0.0032
2004	1 (1.89)	6 (11.32)	39 (73.58)	7 (13.21)	53	0.5546
2006	0 (0.00)	4 (7.55)	46 (86.79)	3 (5.66)	53	0.7590
□□= 45.22 P = 0.05						
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	6 (12.24)	1 (2.04)	0 (0.00)	42 (85.71)	49	0.0154
2004	1 (1.96)	8 (15.69)	40 (78.43)	2 (3.92)	51	0.6401
2006	0 (0.00)	9 (17.65)	41 (80.39)	1 (1.96)	51	0.6774
□□= 39.16 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.

Source: Annual Reports of Selected Indian Companies.

(h) Investments:

Table 5.32 highlights the frequencies and relative frequencies of valuation methods adopted by the sample respondent companies regarding reporting of investments in the sample period. It was evidenced that the percentage of companies adopting method A rapidly increased between 1997 and 2006 for both the categories of companies. However, the percentage of companies adopting method A was more evidenced in high profitable companies than in low profitable companies and the respective percentages stood at 84.31 and 73.58 respectively during 2006. If both the categories of companies switched over method B to method A the intensity of switching over was higher in high profitable companies. If high profitable companies had a high harmonization index value of 0.4406 when compared to 0.2325 in low profitable companies during 1997, the intensity of harmonization level was

TABLE 5.32
HARMONIZATION LEVEL IN INVESTMENTS

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES					
Year	**Frequencies and relative frequencies (in brackets) of valuation of investment methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	13 (24.53)	22 (41.51)	18 (33.96)	53	0.2325
2004	37 (69.81)	9 (16.98)	7 (13.21)	53	0.5162
2006	39 (73.58)	7 (13.21)	7 (13.21)	53	0.5589
□□= 24.59 P = 0.05					
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	23 (46.94)	23 (46.94)	3 (6.12)	49	0.4406
2004	40 (78.43)	9 (17.65)	2 (3.92)	51	0.6463
2006	43 (84.31)	6 (11.76)	2 ((3.92)	51	0.7247
□□= 19.73 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued at cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

also evidenced to be higher in high profitable companies at 0.7247 than in low profitable companies at 0.5589 during 2006. The chi-square value was significant at 5% significance level highlights that differences existed in the investment valuation method adopted by both the low profitable and high profitable companies.

(i) Foreign Currency Transaction:

The treatment of foreign currency transactions under performance status by the sample companies are presented in the Table 5.33. It was evidenced that majority of the companies were inclined to adopt a combination of both closing rate and the rate at the date of transaction (method C) and the percentages stood at 26.42, 50.94 and 58.49 with regard to low profitable companies and 46.94, 68.63 and 72.55 percent in high profitable companies for 1997, 2004 and 2006 respectively. It was also evidenced that the percentage of non-disclosure of treatment of methods

TABLE 5.33
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

PERFORMANCE STATUS: LOW PROFITABLE COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	12 (22.64)	13 (24.53)	14 (26.42)	14 (26.42)	53	0.1812
2004	10 (18.87)	9 (16.98)	27 (50.94)	7 (13.21)	53	0.3240
2006	7 (13.21)	9 (16.98)	31 (58.49)	6 (11.32)	53	0.3884
□□= 8.93 P = 0.05						
PERFORMANCE STATUS: HIGH PROFITABLE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	16 (32.65)	5 (10.20)	23 46.94)	5 (10.20)	49	0.3374
2004	6 (11.76)	8 (15.69)	35 (68.63)	2 (3.92)	51	0.5094
2006	4 (7.84)	9 (17.65)	37 (72.55)	1 (1.96)	51	0.5636
□□=14.28 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

adopted reduced progressively. Further, the harmonization level evidenced an increasing trend in both the categories of companies with the harmonization level was found to be higher in high profitable companies at 0.5636 than in low profitable companies at 0.3884 during 2006. The chi-square value was also significant at 5% significance level.

(iii) Size Status and Harmonization Level:

Economic theory, intuition and empirical evidence suggest that size of a company is likely to positively influence its mandatory disclosure practices and harmonization level. Due to possible economies of scale in the production and storage of information, large companies tend to allocate relatively greater amount of resources to the production of information [Stigler: 1961; Alchian: 1969]. Since gathering, generating and disseminating of data are costly activities, small companies may not be able to afford such costs from their resource base Cooke [1989a, *118*] observes that the size of an enterprise can be measured in a number of different ways and he advocates market capitalization as the base for measuring the size of an enterprise. But it is important to note that market capitalization fluctuates continuously in a given time frame and hence it is very difficult to choose a point of time for measuring market capitalization. Hence the present empirical study adopts book value at the end of 2006 disclosed in the annual reports of the respective companies to measure the size of the company. Classification is based on the median, i.e. companies below the median (<104.37 crores) are classified as small companies and above median (>104.37 crores) are classified as large companies. The harmonization level under size status of the respondent companies practiced accounting policies are presented under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.34 presents the frequencies of inventory valuation method adopted by the respondent companies based on size status. With almost wide diversity in inventory valuation methods practiced by both small companies and large companies in 1997, the percentage of companies opting for the policy of lower of cost and net realizable value considerably increased and the percentage increase of respondent companies was higher in small companies at 92.16 percent in 2006 than the percentage increase of only 71.70 percent in large companies. Similarly, the harmonization index increased enormously from 0.2388 in small companies during 1997 to 0.8524 during 2006 as against the harmonization level of large companies increasing from 0.2448 to only 0.5436 for the same periods. The chi-square value indicated that significant differences existed in the sample years in both the categories of companies.

TABLE 5.34
HARMONIZATION LEVEL IN INVENTORY VALUATION

SIZE STATUS: SMALL COMPANIES								
Year	**Frequencies and relative frequencies (in brackets) of inventory valuation methods**							**H-Index**
	Method						**Total**	
	A	B	C	D	E	F		
1997	14 (28.00)	6 (12.00)	10 (20.00)	3 (6.00)	16 (32.00)	1 (2.00)	50	0.2388
2004	42 (82.35)	1 (1.96)	2 (3.92)	0 (0.00)	6 (11.76)	0 (0.00)	51	0.6940
2006	47 (92.16)	0 (0.00)	2 (3.92)	0 (0.00)	2 (3.92)	0 (0.00)	51	0.8524
□□= 53.71 P = 0.05								
SIZE STATUS: LARGE COMPANIES								
Year	**Method**						**Total**	**H-Index**
	A	B	C	D	E	F		
1997	13 (25.00)	10 (19.23)	10 (19.23)	2 (3.85)	17 (32.69)	0 (0.00)	52	0.2448
2004	30 (56.60)	5 (9.43)	7 (13.21)	2 (3.77)	9 (16.98)	0 (0.00)	53	0.3770
2006	38 (71.70)	3 (5.66)	7 (13.21)	0 (0.00)	5 (9.43)	0 (0.00)	53	0.5436
□□= 24.64 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(b) Inventory Costing Method:

Table 5.35 exhibits the frequencies and relative frequencies of inventory costing method adopted by the respondent companies in the respective study period based on size status. Under both the categories of companies, non-disclosure level reduced extensively and the companies in both the categories moved towards weighted average method and FIFO method. In 1997, the percentage of small companies having adopted weighted average method was 24 percent and it was followed by 64.71 percent in 2004 and 66.67 percent in 2006 as against 19.23, 41.51, and 52.83 percent of large companies in 1997, 2004 and 2006 respectively. The H-Index was in an upward trend in both the categories of companies with a comparatively higher level in case of small companies at 6.96 percent, 46.21 percent and 48.83 percent in 1997, 2004 and 2006 respectively as against 4.47 percent, 25.42 percent, and 35.92 percent in 1997, 2004 and 2006 respectively in large companies. In both the categories, the chi-square test indicated that significant differences existed in the sample period.

TABLE 5.35
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

SIZE STATUS: SMALL COMPANIES							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**						**H-Index**
	Method					**Total**	
	A	B	C	D	E		
1997	12 (24.00)	5 (10.00)	2 (4.00)	1 (2.00)	30 (60.00)	50	0.0696
2004	33 (64.71)	7 (13.73)	8 (15.69)	0 (0.00)	3 (5.88)	51	0.4621
2006	34 (66.67)	8 (15.69)	7 (13.73)	1 (1.96)	1 (1.96)	51	0.4883
□□=14.39 P = 0.05							
SIZE STATUS: LARGE COMPANIES							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	10 (19.23)	4 (7.69)	2 (3.85)	1 (1.92)	35 (67.31)	52	0.0447
2004	22 (41.51)	15 (28.30)	2 (3.77)	1 (1.89)	13 (24.53)	53	0.2542
2006	28 (52.83)	15 (28.30)	0 (0.00)	0 (0.00)	10 (18.87)	53	0.3592
□□= 12.70 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(c) Depreciation Method:

The frequencies of depreciation methods adopted by the small and big companies are depicted in Table 5.36. It showed that the methods of depreciation were consistently adopted in both the categories of companies. It was interesting to note that even though both the categories of companies preferred straight line method in large numbers for the period of the study, they also had a preference towards a combination of straight line method and written down cost method and the percentage of companies were resorting to this combination method with much intensity. The reason must be that they adopted the combination method for different fixed asset classes. As a result, the harmonization was lower in the sense that the level increased from 0.5168 during 1997 to only 0.5648 during 2006 in smaller companies and from 0.6990 during 1997 to a lower level of 0.6041 in large companies. As a result, the chi-square value was not significant at 5% level of significance and this indicated that there were no significant differences in the methods adopted for three-sample periods in both the categories of companies.

TABLE 5.36
HARMONIZATION LEVEL IN DEPRECIATION METHOD

SIZE STATUS: SMALL COMPANIES					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	34 (68.00)	6 (12.00)	10 (20.00)	50	0.5168
2004	37 (72.55)	6 (11.76)	8 (15.69)	51	0.5648
2006	37 (72.55)	6 (11.76)	8 (15.69)	51	0.5648
□□= 0.10 P = 0.05					
SIZE STATUS: LARGE COMPANIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	43 (82.69)	5 (9.62_	4 (7.69)	52	0.6990
2004	41 (77.36)	6 (11.32)	6 (11.32)	53	0.6241
2006	40 (75.47)	4 (7.55)	9 (16.98)	53	0.6041
□□= 0.59 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(d) Borrowing Costs:

Table 5.37 presents the frequencies of treatments of borrowing cost by the small and large companies. It was evidenced that the percentage of non-disclosure of method adopted by the companies was comparatively high with regard to large companies as against small companies. There was an increasing trend in harmonization level in both the categories of companies, but the percentage level of harmonization was higher in case of small companies with 39.37 percent than 24.07 percent for large companies in 2006. At 5% significance level, the calculated chi-square value was significant and indicated the existence of differences in method used in the sample period.

TABLE 5.37
HARMONIZATION LEVEL IN BORROWING COSTS

SIZE STATUS: SMALL COMPANIES				
Year	**Frequencies and relative frequencies (in brackets) of treatments of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 (0.00)	50 (100.00)	50	0.0000
2004	30 (58.82)	21 (41.18)	51	0.3460
2006	32 (62.75)	19 (37.25)	51	0.3937
□□= 30.49 P = 0.05				
SIZE STATUS: LARGE COMPANIES				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	52 (100.00)	52	0.0000
2004	23 (43.40)	30 (56.60)	53	0.1883
2006	26 (49.06)	27 (50.94)	53	0.2407
□□=24.31 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(e) Valuation of Tangible Fixed Assets:

Table 5.38 highlights the frequencies of valuation methods adopted in tangible fixed assets under size status. Unlike depreciation methods, the companies consistently adopted the valuation method for tangible fixed assets in the sample period. Majority of the companies adopted historical cost method and their average percentage stood at 59.20 and 65.20 percent in small and large companies respectively. By 2004, percentage of non-disclosure of method used was reduced to zero in both the case. The harmonization level evidenced by the H-Index was at a very consistent level in both small and large companies for the period of the study. The average harmonization level in case of small companies stood at 44.48 percent as against 48.52 percent in large companies for the period of study. This was supported by the calculated value of chi-square was not significant at 5% significance level.

TABLE 5.38
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

SIZE STATUS: SMALL COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	29 (58.00)	4 (8.00)	16 (32.00)	1 (2.00)	50	0.4452
2004	30 (58.82)	7 (13.73)	14 (27.45)	0 (0.00)	51	0.4402
2006	31 (60.78)	8 (15.69)	12 (23.53)	0 (0.00)	51	0.4494
□□= 1.98 P = 0.05						
SIZE STATUS: LARGE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	37 (71.15)	5 (9.62)	7 (13.46)	3 (5.77)	52	0.5337
2004	32 (60.38)	12 (22.64)	9 (16.98)	0 (0.00)	53	0.4446
2006	34 (64.15)	8 (15.09)	11 (20.75)	0 (0.00)	53	0.4774
□□= 4.14 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(f) Research and Development Cost:

The frequencies and relative frequencies of treatment of research and development cost of sample respondent companies have been displayed in the Table 39. It was evidenced that no differences existed in both the categories of companies. It was interesting to note that the average percentage of non-disclosure of treatment of research and development cost was higher in large companies and the percentage stood at 53 as against 32 percent in small companies. Due to this, the H-Index indicated comparatively lower level of harmonization in large companies. At 5% significance level, the calculated chi-square value was not significant and this indicated that there were no many differences in the methods adopted by the companies for three sample periods in both the categories.

TABLE 5.39
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

SIZE STATUS: SMALL COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R&D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	3 (6.00)	32 (64.00)	0 (0.00)	15 (30.00)	50	0.4132
2004	3 (5.88)	27 (52.94)	3 (5.88)	18 (35.29)	51	0.2872
2006	3 (5.88)	28 (54.90)	5 (9.80)	15 (29.41)	51	0.3145
□□= 2.75 P = 0.05						
SIZE STATUS: LARGE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	6 (11.54)	16 (30.77)	0 (0.00)	30 (57.69)	52	0.1080
2004	6 (11.32)	19 (35.85)	2 (3.77)	26 (49.06)	53	0.1428
2006	6 (11.32)	16 (30.19)	4 (7.55)	27 (50.94)	53	0.1096
□□= 1.25 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(g) Taxation:

Table 5.40 presents the frequencies of recognition of taxation items by the sample respondent companies based on size status. It was evidenced that 86 percent of the small companies and 94 percent of the large companies did not disclose the method that they adopted in 1997. However, the trend was enormously changed in the years 2004 and 2006. Majority of both the categories of companies disclosed the method that they adopted and found that they applied a combination of methods A and B. The harmonization level was significantly high in both the categories of companies in 2006 and it stood at 72.97 percent and 70.20 percent for small and large companies respectively. The calculated chi-square value was significant at 5% significance level and this indicated the existence of differences in the recognition of taxation items among the companies in the study period.

TABLE 5.40
HARMONIZATION LEVEL IN TAXATION

SIZE STATUS: SMALL COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of recognition of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	6 (12.00)	1 (2.00)	0 (0.00)	43 (86.00)	50	0.0148
2004	1 (1.96)	8 (15.69)	40 (78.43)	2 (3.92)	51	0.6401
2006	0 (0.00)	7 (13.73)	43 (84.31)	1 (1.96)	51	0.7297
□□= 41.17 P = 0.05						
SIZE STATUS: LARGE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	3 (5.77)	0 (0.00)	0 (0.00)	49 (94.23)	52	0.0033
2004	1 (1.89)	6 (11.32)	39 (73.58)	7 (13.21)	53	0.5546
2006	0 (0.00)	6 (11.32)	44 (83.02)	3 (5.66)	53	0.7020
□□= 42.71 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(h) Investments:

Table 5.41 reveals the investment valuation policies adopted by the small and large companies based on size status. It was evidenced that 34.62 percent of the large companies did not disclose the method that they adopted in 1997 and this was followed by 15.09 percent in 2004 and 2006 as well. However, the non-disclosure was a negligible percentage in case of small companies. It also revealed that companies in both the categories progressively inclined towards method A, i.e., classifying investments as current and long term. The harmonization level reflected in the H-Index indicated an upward trend in the sample period of study in both the categories of company. But the level of harmonization was comparatively higher for small companies as against large companies. The chi-square value was significant at 5% significance level.

TABLE 5.41
HARMONIZATION LEVEL IN INVESTMENTS

SIZE STATUS: SMALL COMPANIES					
Year	**Frequencies and relative frequencies (in brackets) of investment valuation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	28 (56.00)	19 (38.00)	3 (6.00)	50	0.4580
2004	42 (82.35)	8 (15.69)	1 (1.96)	51	0.7028
2006	44 (86.27)	6 (11.76)	1 (1.96)	51	0.7582
□□= 12.93 P = 0.05					
SIZE STATUS: LARGE COMPANIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	8 (15.38)	26 (50.00)	18 (34.62)	52	0.2737
2004	35 (66.04)	10 (18.87)	8 (15.09)	53	0.4717
2006	38 (71.70)	7 (13.21)	8 (15.09)	53	0.5315
□□= 34.73 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(i) Foreign Currency Transaction:

Table 5.42 portraits the treatment of foreign currency transaction of respondent companies for the selected sample periods. It was evidenced that the sample companies inclined towards the combination of closing rate and rate at the date of transaction progressively. For small companies, it was 44 percent, 62.75 percent and 74.51 percent for 1997, 2004 and 2006 respectively and it was 28.85 percent for 1997 and 56.60 percent for 2004 and 2006 for large companies. The harmonization trend reflected in the H-Index also depicted an increasing trend. However, the level of harmonization was higher in case of small companies standing at 58.98 percent in 2006 as against 37.20 percent for large companies. The non-disclosure of method used by the companies was also higher with respect to large companies. It was interesting to note that the chi-square value was significant for small companies but not significant for large companies at 5% significance level.

TABLE 5.42
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

SIZE STATUS: SMALL COMPANIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	18 (36.00)	5 (10.00)	22 (44.00)	5 (10.00)	50	0.3332
2004	8 (15.69)	9 (17.65)	32 (62.75)	2 (3.92)	51	0.4494
2006	3 (5.88)	9 (17.65)	38 (74.51)	1 1.96)	51	0.5898
□□= 17.71 P = 0.05						
SIZE STATUS: LARGE COMPANIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	10 (19.23)	13 (25.00)	15 (28.85)	14 (26.92)	52	0.1827
2004	8 (15.09)	8 (15.09)	30 (56.60)	7 (13.21)	53	0.3660
2006	8 (15.09)	9 (16.98)	30 (56.60)	6 (11.32)	53	0.3720
□□= 7.55 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(iv) Operation Status and Harmonization Level:

Multinational corporations dominate the present industrial and economic scenario and there are several multinational corporations operating in India. Multinational companies have their parent company in one country and have operations in more than one country. Prior studies have found evidence of higher disclosure level and compliance by multinational corporations in emerging countries and newly industrialized countries [Ahmed and Nicholls: 1994; Owusu-Ansah: 1998; Craig and Diga: 2000]. Multinational affiliation of a company is a significant variable explaining disclosure levels in countries [Ahmed and Nicholls: 1994]. The impact of operational status on harmonization level in the respondent companies is presented under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.43 presents the frequencies of inventory valuation method adopted by the sample respondent companies under operation status. It was evidenced that both the uni-national and multinational companies inclined towards lower of cost or net realizable value method. In case of uni-national companies the relative frequencies stood at 20.69, 68.97 and 75.86 percent as against 34.09, 69.57 and 89.13 percent in multinational companies for 1997, 2004 and 2006 respectively. Even though there was an increasing trend in the harmonization in both the categories of companies, the harmonization level of uni-national companies was lower at 21.55 percent, 50.59 percent and 60.05 percent than that of multinational companies at 31.10 percent, 53.59 percent and 79.96 percent for multinational companies for the years 1997, 2004 and 2006 respectively. The harmonization level was substantially higher in multinational companies than in uni-national companies. The chi-square value was significant at 5% significance level.

TABLE 5.43
HARMONIZATION LEVEL IN INVENTORY VALUATION

OPERATION STATUS: UNI-NATIONAL								
Year	**Frequencies and relative frequencies (in brackets) of inventory valuation methods**							**H-Index**
	Method						**Total**	
	A	B	C	D	E	F		
1997	12 (20.69)	12 (20.69)	14 (24.14)	4 (6.90)	15 (25.86)	1 (1.72)	58	0.2155
2004	40 (68.97)	3 (5.17)	8 (13.79)	2 (3.45)	5 (8.62)	0 (0.00)	58	0.5059
2006	44 (75.86)	2 (3.45)	8 (13.79)	0 (0.00)	4 (6.90)	0 (0.00)	58	0.6005
□□=44.82 P = 0.05								
OPERATION STATUS: MULTINATIONAL								
Year	**Method**						**Total**	**H-Index**
	A	B	C	D	E	F		
1997	15 (34.09)	4 (9.09)	6 (13.64)	1 (2.27)	18 (40.91)	0 (0.00)	44	0.3110
2004	32 (69.57)	3 (6.52)	1 (2.17)	0 (0.00)	10 (21.74)	0 (0.00)	46	0.5359
2006	41 (89.13)	1 (2.17)	1 (2.17)	0 (0.00)	3 (6.52)	0 (0.00)	46	0.7996
□□= 30.96 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(b) Inventory Costing Method:

Inventory costing methods adopted by the uni-national and multinational companies under operation status are presented in Table 5.44. It was found that the percentage of companies on non-disclosure of the method was the highest in the year 1997 and it stood at 63.79 percent and 63.64 percent for uni-national and multinational companies respectively. But this percentage but this percentage drastically reduced in the following years with the effect of mandatory nature of AS-2. In the years 2004 and 2006, both uni-national and multi-national companies switched over to the weighted average method. By 2006, the percentages of these companies in this switch over stood at 58.62 and 60.87 in case of uni-national and multi-national companies. The harmonization level was evidenced to be on the rise. The harmonization level was 41.17 percent for uni-national companies and 41.30 for multinational companies in the year 2006. The chi-square value was significant at 5%

significance level, indicating significant differences existed in inventory costing method for the sample period.

TABLE 5.44
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

OPERATION STATUS: UNI-NATIONAL							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**						**H-Index**
	Method					**Total**	
	A	B	C	D	E		
1997	12 (20.69)	5 (8.62)	3 (5.17)	1 (1.72)	37 (63.79)	58	0.0532
2004	30 (51.72)	14 (24.14)	4 (6.90)	1 (1.72)	9 (15.52)	58	0.3309
2006	34 (58.62)	15 (25.86)	2 (3.45)	0 (0.00)	7 (12.07)	58	0.4117
□□= 17.47 P = 0.05							
OPERATION STATUS: MULTINATIONAL							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	10 (22.73)	4 (9.09)	1 (2.27)	1 (2.27)	28 (63.64)	44	0.0610
2004	25 (54.35)	8 (17.39)	6 (13.04)	0 (0.00)	7 (15.22)	46	0.3426
2006	28 (60.87)	8 (17.39)	5 (10.87)	1 (2.17)	4 (8.70)	46	0.4130
□□= 11.51 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(c) Depreciation Method:

Table 5.45 highlights the depreciation method adopted by the sample respondent companies for three years under operation status. It was evidenced that with the exception of small deviation, the depreciation methods adopted by the companies in both the categories were in consistent level. The harmonization trend in uni-national companies was marginally lower as against that of multinational companies. However, the level of harmonization was higher in case of uni-national companies with 61.00 percent in 2006 as against 55.48 percent in multinational companies. The indicated chi-square value was not significant at 5% significance level.

TABLE 5.45
HARMONIZATION LEVEL IN DEPRECIATION METHOD

OPERATION STATUS: UNI-NATIONAL					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	48 (82.76)	5 (8.62)	5 (8.62)	58	0.6998
2004	46 (79.31)	5 (8.62)	7 (12.07)	58	0.6510
2006	44 (75.86)	4 (6.90)	10 (17.24)	58	0.6100
□□= 2.04 P = 0.05					
OPERATION STATUS: MULTINATIONAL					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	29 (65.91)	6 (13.64)	9 (20.45)	44	0.4948
2004	32 (69.57)	7 (15.22)	7 (15.22)	46	0.5302
2006	33 (71.74)	6 (13.04)	7 (15.22)	46	0.5548
□□= 0.68 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(d) Borrowing Costs:

Table 5.46 exhibits the disclosure of method adopted by the uni-national and multinational companies under operation status. It was evidenced that the percentage of non-disclosure of the method adopted by the companies was cent percent in both the categories of companies in the year 1997. After AS-16 became mandatory with effect from 1-4-2000, this percentage reduced to 44.83 percent in 2004 and 39.66 percent in 2006 in uni-national companies and to 54.35 percent in 2004 and to 50.00 percent in 2006 for multinational companies. Comparatively, high percentage of non-disclosure of the method adopted by the company in multinational companies reduced the harmonization level. The calculated chi-square value at 5% significance level was significant and this indicated that the differences existed in the methods adopted by the companies in the sample period.

TABLE 5.46
HARMONIZATION LEVEL IN BORROWING COSTS

OPERATION STATUS: UNI-NATIONAL				
Year	**Frequencies and relative frequencies (in brackets) of treatments of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 (0.00)	58 (100.00)	58	0.0000
2004	32 (55.17)	26 (44.83)	58	0.3044
2006	35 (60.34)	23 (39.66)	58	0.3641
□□= 33.69 P = 0.05				
OPERATION STATUS: MULTINATIONAL				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	44 (100.00)	44	0.0000
2004	21 (45.65)	25 (54.35)	46	0.2084
2006	23 (50.00)	23 (50.00)	46	0.2500
□□= 21.18 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(e) Valuation of Tangible Fixed Assets:

Table 5.47 displays the frequencies of valuation methods adopted for valuing the tangible fixed assets under operation status. It was evidenced that consistency was maintained in all three-sample periods under both the categories of companies. However, the harmonization level evidenced by the H-Index indicated that comparatively a higher harmonization level existed in uni-national companies as against multinational companies in the study period. The harmonization level stood at 54.04 percent, 48.87 percent and 49.82 percent in uni-national companies and 41.01 percent, 39.04 percent and 43.01 percent in multinational companies for 1997, 2004 and 2006 respectively. Consistent level of policy adopted by the companies in three sample years was supported by the chi-square test, which indicated that it was not significant at 5% significance level.

TABLE 5.47
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

OPERATION STATUS: UNI-NATIONAL						
Year	**Frequencies and relative frequencies (in brackets) of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	41 (70.69)	4 (6.90)	11 (18.97)	2 (3.45)	58	0.5404
2004	38 (65.52)	10 (17.24)	10 (17.24)	0 (0.00)	58	0.4887
2006	38 (65.52)	6 (10.34)	14 (24.140	0 (0.000	58	0.4982
□□= 3.70 P = 0.05						
OPERATION STATUS: MULTINATIONAL						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	25 (56.82)	5 (11.36)	12 (27.27)	2 (4.55)	44	0.4101
2004	24 (52.17)	9 (19.57)	13 (28.26)	0 (0.00)	46	0.3904
2006	27 (58.70)	10 (21.74)	9 (19.57)	0 (0.00)	46	0.4301
□□= 2.53 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(f) Research and Development Cost:

Table 5.48 demonstrates the frequencies and relative frequencies of treatment of research and development cost by uni-national companies and multinational companies. It was observed that the percentage of non-disclosure of the method adopted by the uni-national companies was high and it stood at an average percentage of 54.02 as against 27.24 in multinational companies. The harmonization level indicated by the H-Index was comparatively higher with regard to multinational companies and the index stood at 40.96 percent, 33.13 percent and 32.28 percent in 1997, 2004 and 2006 respectively as against an average of 12.62 percent in uni-national companies in these years. The chi-square value was insignificant at 5% significance level.

TABLE 5.48
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

OPERATION STATUS: UNI-NATIONAL						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R&D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	6 (10.34)	20 (34.48)	0 (0.00)	32 (55.17)	58	0.1296
2004	6 (10.34)	20 (34.48)	1 (1.72)	31 (53.45)	58	0.1299
2006	6 (10.34)	19 (32.76)	2 (3.45)	31 (53.45)	58	0.1192
□□=0.32 P = 0.05						
OPERATION STATUS: MULTINATIONAL						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	3 (6.82)	28 (63.64)	0 (0.00)	13 (29.55)	44	0.4096
2004	3 (6.52)	26 (56.52)	4 (8.70)	13 (28.26)	46	0.3313
2006	3 (6.52)	25 (54.35)	7 (15.22)	11 (23.91)	46	0.3228
□□= 3.78 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(g) Taxation:

Table 5.49 presents the frequencies and relative frequencies of recognition of taxation items by the uni-national and multinational companies based on operation status. It was evidenced that the percentage of non-disclosure of recognition of taxation items was very high in both the uni-national and multinational companies before AS-22 became mandatory and hence the harmonization level was very low at 0.0012 and 0.0258 in uni-national companies and multi-national companies during 1997. The recognition percentage enormously increased in 2004 and majority of the companies recognized current year charge based on effective tax rates and deferred tax using liabilities method and it stood at 70.69 percent in uni-national companies and 82.61 percent in multinational companies. The increase in harmonization level was also further evidenced in 2006, during which year the percentage stood at 79.31 percent and 89.13 percent for uni-national and multinational companies respectively.

However, the harmonization level was higher with regard to multinational companies with 80.62 percent in 2006 as against 64.80 percent for uni-national companies. The chi-square value was significant at 5% significance level.

TABLE 5.49
HARMONIZATION LEVEL IN TAXATION

OPERATION STATUS: UNI-NATIONAL						
Year	**Frequencies and relative frequencies (in brackets) of recognition of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	2 (3.45)	0 (0.00)	0 (0.00)	56 (96.55)	58	0.0012
2004	1 (1.72)	9 (15.52)	41 (70.69)	7 (12.07)	58	0.5241
2006	0 (0.00)	8 (13.79)	46 (79.31)	4 (6.90)	58	0.6480
□□= 49.13 P = 0.05						
OPERATION STATUS: MULTINATIONAL						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	7 (15.91)	1 (2.27)	0 (0.00)	36 (81.82)	44	0.0258
2004	1 (2.17)	5 (10.87)	38 (82.61)	2 (4.35)	46	0.6947
2006	0 (0.00)	5 (10.87)	41 (89.13)	0 (0.00)	46	0.8062
□□= 38.85 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(h) Investments:

Table 5.50 depicts the frequencies and relative frequencies of investment valuation method adopted by the respondent companies. It was evidenced that both uni-national and multi-national companies preferred the presentation of current and long term investment separately as current and long term investments, but the percentage of companies preferring this method of disclosure was higher in multinational companies than in uni-national companies. Specifically, the percentage was significantly higher in multinational companies standing at 47.73, 86.96 and 93.48 percent as against 25.86, 63.79 and 67.24 percent in uni-national companies for 1997, 2004 and 2006 respectively. It was also evidenced that the harmonization level ranged between 0.2999 and 0.4881 with regard to uni-national companies and between 0.3771 and 0.8757 with regard to multinational companies for the period of

the study indicating that multinational companies had the higher level of harmonization. The chi-square value was also significant at 5% significance level.

TABLE 5.50
HARMONIZATION LEVEL IN INVESTMENTS

OPERATION STATUS: UNI-NATIONAL					
Year	**Frequencies and relative frequencies (in brackets) of investment valuation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	15 (25.86)	28 (48.28)	15 (25.86)	58	0.2999
2004	37 (63.79)	13 (22.41)	8 (13.79)	58	0.4572
2006	39 (67.24)	11 (18.97)	8 (13.79)	58	0.4881
□□= 21.56 P = 0.05					
OPERATION STATUS: MULTINATIONAL					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	21 (47.73)	17 (38.64)	6 (13.64)	44	0.3771
2004	40 (86.96)	5 (10.87)	1 (2.17)	46	0.7680
2006	43 (93.48)	2 (4.35)	1 (2.17)	46	0.8757
□□= 23.95 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(i) Foreign Currency Transaction:

Table 5.51 shows the frequencies of treatment of foreign currency transactions under operation status for three sample periods. It was interesting to note that uni-national companies adopted a non-disclosure policy to a considerable level for the period of the study as against the disclosure policy adopted by multinational companies in its entirety. It was also evidenced that the sample respondent companies inclined towards the method C. was in an upward trend and this reduces the percentage of non-disclosure of methods.

TABLE 5.51
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

OPERATION STATUS: UNI-NATIONAL						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	16 (27.59)	13 (22.41)	16 (27.59)	13 (22.41)	58	0.2024
2004	9 (15.52)	9 (15.52)	31 (53.45)	9 (15.52)	58	0.3338
2006	7 (12.07)	10 (17.24)	34 (58.62)	7 (12.07)	58	0.3879
□□=11.89 P = 0.05						
OPERATION STATUS: MULTINATIONAL						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	12 (27.27)	5 (11.36)	21 (47.73)	6 (13.64)	44	0.3151
2004	7 (15.22)	8 (17.39)	31 (67.39)	0 (0.00)	46	0.5076
2006	4 (8.70)	8 (17.39)	34 (73.91)	0 (0.00)	46	0.5841
□□= 8.04 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

The harmonization trend moderately increased in both the uni-national and multinational companies. However, the trend indicated that it was higher in multinational companies standing at 31.51 percent, 50.76 percent and 58.41 percent for 1997, 2004 and 2006 respectively than that of 20.24 percent, 33.38 percent and 38.79 percent in uni-national companies. The methods adopted by the sample companies were not significantly different in the sample years. This was evidenced by the chi-square test. The calculated value at 5% significance level was not significant.

(v) Sector Status and Harmonization Level:

Accounting policies and techniques may vary by industry. Hence mandatory disclosure practices of companies are not likely to be the same across different industries. Certain industries are highly regulated due to their overall contribution towards a country's export earnings or national income. Therefore, the regulations may affect the disclosure and reporting practices of the companies in this industry. The association between industry-type and mandatory disclosure is partially supported by empirical evidence. Stanga [1976] and Fekrat et. al., [1996] found that

industry-type played a significant factor for the differences in the disclosure levels of the companies in their sample. McLeay and Jaafar [2003] observed that both the country of domicile and the sector of operations were significant determinants of the choice of accounting method. A publication by the Ministry of Statistics and Program Implementation of Government of India (http://mospi.nic.in/mospi_iip.htm) has classified the industries as given below: (i) Basic and Capital goods industries; (ii) Intermediate goods industries; and (iii) Consumer durable goods industries. Based on these classifications, the harmonization level has been analyzed under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.52 presents the inventory valuation method adopted by the companies based on sector status. It was evidenced that the harmonization level was comparatively higher in consumer goods industries and the index stood at 31.49, 42.13 and 73.13 percent for 1997, 2004 and 2006 respectively followed by intermediate goods industries having the value of 22.33, 51.56 and 66.89 percent as against 23 percent, 64 percent and 64 percent for basic and capital goods industries in 1997, 2004 and 2006 respectively. In all the three categories of companies, the chi-square value at 5% significance level was significant and it revealed the existence of differences in the valuation methods of the companies in three selected periods of the study.

TABLE 5.52
HARMONIZATION LEVEL IN INVENTORY VALUATION

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES

Year	Frequencies and relative frequencies (in brackets) of inventory valuation methods							H-Index
	Method						Total	
	A	B	C	D	E	F		
1997	9 (27.27)	8 (24.24)	5 (15.15)	2 (6.06)	9 (27.27)	0 (0.00)	33	0.2342
2004	27 (79.41)	2 (5.88)	1 (2.94)	0 (0.00)	4 (11.760	0 (0.00)	34	0.6488
2006	27 (79.41)	2 (5.88)	1 (2.94)	0 (0.00)	4 (11.76)	0 (0.00)	34	0.6488
□□= 26.21 P = 0.05								

SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES

Year	Method						Total	H-Index
	A	B	C	D	E	F		
1997	10 (33.33)	5 (16.67)	6 (20.00)	2 (6.67)	6 (20.00)	1 (3.33)	30	0.2233
2004	21 (70.00)	1 (3.33)	3 (10.00)	2 (6.67)	3 (10.00)	0 (0.00)	30	0.5156
2006	24 (80.00)	0 (0.00)	5 (16.67)	0 (0.00)	1 (3.33)	0 (0.00)	30	0.6689
□□= 15.51 P = 0.05								

SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES

Year	Method						Total	H-Index
	A	B	C	D	E	F		
1997	8 (20.51)	3 (7.69)	9 (23.08)	1 (2.56)	18 (46.15)	0 (0.00)	39	0.3149
2004	24 (60.00)	3 (7.50)	5 (12.50)	0 (0.00)	8 (20.00)	0 (0.00)	40	0.4213
2006	34 (85.00)	1 (2.50)	3 (7.50)	0 (0.00)	2 (5.00)	0 (0.00)	40	0.7313
□□= 35.51 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(b) Inventory Costing Method:

Table 5.53 highlights the frequencies of inventory costing methods adopted by the respondent companies based on sector status. It was evidenced that with regard to inventory costing method the harmonization level was on the rise across all the sectors. It was also observed that the highest harmonization level was evidenced to be 0.5260 in case of basic and capital goods industries and this was followed by 0.4156 and 0.3394 in case of intermediate goods industries and consumer durable goods

industries respectively during 2006. It was interesting to note that in case of consumer goods industries the harmonization level was higher for inventory valuation method but it was just opposite for inventory costing method. The chi-square value was not significant at 5% significance level with regard to basic and capital goods industries and intermediate goods industries, but it was significant for consumer durable goods industries.

TABLE 5.53
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**					**Total**	**H-Index**
	Method						
	A	B	C	D	E		
1997	9 (27.27)	2 (6.06)	2 (6.06)	1 (3.03)	19 (57.58)	33	0.0826
2004	20 (58.82)	5 (14.71)	5 (14.71)	1 (2.94)	3 (8.82)	34	0.3901
2006	24 (70.59)	4 (11.76)	4 (11.76)	0 (0.00)	2 (5.88)	34	0.5260
□□= 8.47 P = 0.05							
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	7 (23.33)	4 (13.33)	2 (6.67)	1 (3.33)	16 (53.33)	30	0.0778
2004	16 (53.33)	8 (26.67)	3 (10.00)	0 (0.00)	3 (10.00)	30	0.3656
2006	17 (56.67)	9 (30.00)	2 (6.67)	0 (0.00)	2 (6.67)	30	0.4156
□□= 5.64 P = 0.05							
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	6 (15.38)	3 (7.69)	0 (0.00)	0 (0.00)	30 (76.92)	39	0.0296
2004	19 (47.50)	9 (22.50)	2 (5.00)	0 (0.00)	10 (25.00)	40	0.2788
2006	21 (52.50)	10 (25.00)	1 (2.50)	1 (2.50)	7 (17.50)	40	0.3394
□□= 13.63 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(c) Depreciation Method:

Depreciation methods adopted by the respondent companies based on sector status are presented in the Table 5.54. It was found that in all the three sectors of industries, the methods of deprecation were adopted consistently. The harmonization level was also found to be consistent. However, the harmonization level was comparatively higher with regard to intermediate goods industries standing at 76 percent, 70.89 percent and 66.22 percent in 1997, 2004 and 2006 respectively and this was followed by basic and capital goods industries, the index of which stood at 64.37 percent, 54.33 percent and 54.33 percent and by consumer durable goods industries, the indices of

TABLE 5.54
HARMONIZATION LEVEL IN DEPRECIATION METHOD

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	26 (78.79)	3 (9.09)	4 (12.12)	33	0.6437
2004	24 (70.59)	4 (11.76)	6 (17.65)	34	0.5433
2006	24 (70.59)	4 (11.76)	6 (17.65)	34	0.5433
□□= 0.35 P = 0.05					
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	26 (86.67)	2 (6.67)	2 (6.67)	30	0.7600
2004	25 (83.33)	3 (10.00)	2 (6.67)	30	0.7089
2006	24 (80.00)	2 (6.67)	4 (13.33)	30	0.6622
□□= 0.37 P = 0.05					
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	25 (64.10)	6 (15.38)	8 (20.51)	39	0.4767
2004	29 (72.50)	5 (12.50)	6 (15.00)	40	0.5638
2006	29 (72.50)	4 (10.00)	7 (17.50)	40	0.5663
□□=0.72 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

which was 47.67 percent, 56.38 percent and 56.63 percent for the years 1997, 2004 and 2006 respectively. To conclude, the calculated chi-square test at 5% significance level was statistically not significant in all the three categories of companies.

(d) Borrowing Costs:

Table 5.55 demonstrates the frequencies of the disclosure of the method adopted for borrowing costs by the three categories of the sample companies based on sector status. The table depicted that before mandatory of AS 16 (before 1-4-2000), all companies of three sectors did not disclose the

TABLE 5.55
HARMONIZATION LEVEL IN BORROWING COSTS

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES				
Year	**Frequencies and relative frequencies (in brackets) of treatments of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 ((0.00)	33 (100.00)	33	0.0000
2004	17 (50.00)	17 (50.00)	34	0.2500
2006	20 (58.82)	14 (41.18)	34	0.3460
□□=18.32 P = 0.05				
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	30 (100.00)	30	0.0000
2004	17 (56.67)	13 (43.33)	30	0.3211
2006	18 (60.00)	12 (40.00)	30	0.3600
□□= 17.55 P = 0.05				
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	39 (100.00)	39	0.0000
2004	19 (47.50)	21 (52.50)	40	0.2256
2006	20 (50.00)	20 (50.00)	40	0.2500
□□= 19.05 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

methods they adopted. By 2004, their disclosure level increased moderately and little progress was evidenced in the year 2006. Harmonization level evidenced by the H-Index had consistent level in all the three industrial categories of respondents, with the exception of marginal increase in intermediate goods industries. However, the chi-square value indicated significant differences in the study periods of the sample.

(e) Valuation of Tangible Fixed Assets:

Table 5.56 presents the frequencies and relative frequencies of valuation methods adopted by the respondent companies based on sector status. It was found that the methods adopted by the companies were at

TABLE 5.56
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES						
Year	**Frequencies and relative frequencies (in brackets) of valuation methods of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	22 (66.67)	5 (15.15)	6 (18.18)	0 (0.00)	33	0.5005
2004	16 (47.06)	11 (32.35)	7 (20.59)	0 (0.00)	34	0.3685
2006	19 (55.88)	6 (17.65)	9 (26.47)	0 (0.00)	34	0.4135
□□=4.38 P = 0.05						
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	18 (60.00)	2 (6.67)	6 (20.00)	4 (13.33)	30	0.4044
2004	22 (73.33)	4 (13.33)	4 (13.33)	0 (0.00)	30	0.5733
2006	22 (73.33)	2 (6.67)	6 (20.00)	0 (0.000	30	0.5822
□□= 2.02 P = 0.05						
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	26 (66.67)	2 (5.13)	11 (28.21)	0 (0.00)	39	0.5266
2004	24 (60.00)	4 (10.00)	12 (30.00)	0 (0.00)	40	0.4600
2006	24 ((60.00)	8 (20.00)	8 (20.00)	0 (0.00)	40	0.4400
□□= 4.93 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

consistent level in all the three categories of companies. However, the harmonization level had a moderate increase with regard to intermediate goods industries standing at 40 percent in 1997, 57 percent in 2004 and 58 percent in 2006. Contrary to this, the harmonization level showed downward trend in consumer durable goods industries and the level stood at 53 percent, 46 percent and 44 percent in 1997, 2004 and 2006 respectively. The calculated chi-square value at 5% significance level was not significant for any of the three categories of respondent companies.

(f) Research and Development Cost:

TABLE 5.57
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R&D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	1 (3.03)	14 (42.42)	0 (0.00)	18 (54.55)	33	0.1809
2004	1 (2.94)	13 (38.24)	1 (2.94)	19 (55.88)	34	0.1479
2006	0 (0.00)	12 (35.29)	3 (8.82)	19 (55.88)	34	0.1324
□□ = 0.01 P = 0.05						
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	3 (10.00)	16 (53.33)	0 (0.00)	11 (36.67)	30	0.2944
2004	2 (6.67)	16 (53.33)	2 (6.67)	10 (33.33)	30	0.2933
2006	3 (10.00)	15 (50.00)	2 (6.67)	10 (33.33)	30	0.2644
□□ = 0.04 P = 0.05						
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	5 (12.82)	18 (46.15)	0 (0.00)	16 (41.03)	39	0.2295
2004	6 (15.00)	17 (42.50)	2 (5.00)	15 (37.50)	40	0.2056
2006	6 (15.00)	17 (42.50)	4 (10.00)	13 (32.50)	40	0.2131
□□ = 0.23 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

Table 5.57 reflects the treatment of research and development cost based on sector status for three sample periods of the study. It was evidenced that there was no disclosure of the method adopted by any of the categories of companies. It was also found that the treatment of research and development cost by the companies in the sample period was almost at the consistent level between 2004 and 2006. However, the harmonization level was comparatively higher in intermediate goods industries followed by consumer durable goods industries. Because of high percentage of non-disclosure frequency, the H-Index indicated smaller percentage of harmonization level. The chi-square value being not significant at 5% significance level indicated that there were no differences in the treatment of research and development cost in the sample periods.

(g) Taxation:

Table 5.58 presents the frequencies and relative frequencies of treatment of taxation based on sector status. It was evidenced that majority of the companies did not disclose the treatment of policy with regard to taxation before AS-22 became mandatory (1-4-2001). With this effect, the non-disclosure level reduced substantially in the years 2004 and 2006 in all the sectors of companies. The harmonization level indicated by the H-Index was high in basic and capital goods industries standing at 78.63 percent in 2006 followed by 73.81 percent in consumer goods industries and 61.56 percent in intermediate goods industries. The calculated chi-square value in all the three sectors was significant at 5% significance level.

TABLE 5.58
HARMONIZATION LEVEL IN TAXATION

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	1 (3.03)	0 (0.00)	0 (0.00)	32 (96.97)	33	0.0009
2004	0 (0.00)	3 (8.82)	29 (85.29)	2 (5.88)	34	0.7353
2006	0 (0.00)	3 (8.82)	30 (88.24)	1 (2.94)	34	0.7863
□□= 29.15 P = 0.05						

Contd.,

SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES						
Year	Method				Total	H-Index
	A	B	C	D		
1997	1 (3.33)	1 (3.33)	0 (0.00)	28 (93.33)	30	0.0022
2004	0 (0.00)	6 (20.00)	18 (60.00)	6 (20.00)	30	0.4000
2006	0 (0.00)	5 (16.67)	23 (76.67)	2 (6.67)	30	0.6156
□□=21.78 P = 0.05						
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES						
Year	Method				Total	H-Index
	A	B	C	D		
1997	7 (17.95)	0 (0.00)	0 (0.00)	32 (82.05)	39	0.0322
2004	2 (5.00)	5 (12.50)	32 (80.00)	1 (2.50)	40	0.6581
2006	0 (0.00)	5 (12.50)	34 (85.00)	1 (2.50)	40	0.7381
□□= 23.24 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(h) Investments:

Table 5.59 portrays the frequencies of valuation methods adopted by the respondent companies for investment based on sector status of the study. It was found that the non-disclosure of the methods adopted by the companies was high with regard to basic and capital goods industries. However, the percentage reduced gradually. The harmonization trend indicated by the H-Index was in upward trend for consumer durable goods industries standing at 38 percent, 74 percent and 82 percent followed by basic and capital goods industries, stood at 29 percent, 52 percent and 64 percent for 1997, 2004 and 2006 respectively. But with regard to intermediate goods industries, it showed some slight fluctuations and it stood at 29 percent, 47 percent and 46 percent in 1997, 2004 and 2006 respectively. The calculated chi-square value was significant at 5% significance level in basic and capital goods industries and consumer durable goods industries, but it was insignificant in intermediate goods industries.

TABLE 5.59
HARMONIZATION LEVEL IN INVESTMENTS

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES					
Year	**Frequencies and relative frequencies (in brackets) of investment valuation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	11 (33.33)	14 (42.42)	8 (24.24)	33	0.2911
2004	24 (70.59)	5 (14.71)	5 (14.71)	34	0.5199
2006	27 (79.41)	3 (8.82)	4 (11.76)	34	0.6384
□□=16.36 P = 0.05					
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	8 (26.67)	14 (46.67)	8 (26.67)	30	0.2889
2004	19 (63.33)	8 (26.67)	3 (10.00)	30	0.4722
2006	19 (63.34)	7 (23.33)	4 (13.33)	30	0.4556
□□= 8.23 P = 0.05					
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	17 (43.59)	17 (43.59)	5 (12.82)	39	0.3800
2004	34 (85.00)	5 (12.50)	1 (2.50)	40	0.7381
2006	36 (90.00)	3 (7.50)	1 (2.50)	40	0.8156
□□= 21.30 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(i) Foreign Currency Transaction:

Table 5.60 highlights treatment of foreign exchange transaction by the respondent companies based on sector status. It was found that the harmonization trend was in an upward trend in all the three categories of companies in the present study. Comparatively, higher level of harmonization was found with regard to basic

and capital goods industries standing at 26.26 percent, 50.26 percent and 53.72 percent in 1997, 2004 and 2006

TABLE 5.60
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

SECTOR STATUS: BASIC AND CAPITAL GOODS INDUSTRIES						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	5 (15.15)	6 (18.18)	15 (45.45)	7 (21.21)	33	0.2626
2004	6 (17.65)	4 (11.76)	23 (67.65)	1 (2.94)	34	0.5026
2006	6 (17.65)	3 (8.82)	24 (70.59)	1 ((2.94)	34	0.5372
□□= 3.32 P = 0.05						
SECTOR STATUS: INTERMEDIATE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	10 (33.33)	7 (23.33)	10 (33.33)	3 (10.00)	30	0.2767
2004	5 (16.66)	5 (16.67)	17 (56.67)	3 (10.00)	30	0.3767
2006	4 (13.33)	5 (16.67)	18 (60.00)	3 (10.00)	30	0.4056
□□= 6.27 P = 0.05						
SECTOR STATUS: CONSUMER DURABLE GOODS INDUSTRIES						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	13 (33.33)	5 (12.82)	12 (30.77)	9 (23.08)	39	0.2222
2004	5 (12.5)	8 (20.00)	22 (55.00)	5 (12.50)	40	0.3581
2006	1 (2.50)	10 (25.00)	26 (65.00)	3 (7.50)	40	0.4856
□□= 18.58 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

respectively. This was followed by consumer durable goods industries in which the harmonization level was progressively increasing with the index level of 22.22 percent, 35.81percent and 48.56 percent for 1997, 2004 and 2006 respectively. A low level of harmonization trend was noticed in intermediate industries standing at 27.67 percent, 37.67 percent and 40.56 percent for the years 1997, 2004 and 2006 respectively. The chi-square value was significant for consumer durable goods

industries. However, it was not significant for other two categories of industries at 5% significance level.

(vi) Equity Base and Harmonization Level:

It is assumed that companies with higher equity base are associated with compliance of accounting standards and with mandatory disclosure rules. Modern companies are characterized by a separation of ownership and control. This arrangement for corporate control generates agency costs resulting from conflicting interests between management and owners and across classes of owners [Jensen & Meckling: 1976; Fama & Jensen: 1983]. Agency costs tend to be higher for companies with a widespread public ownership of securities. Therefore, shareholders of such companies press for more adequate information for monitoring purposes [Watts: 1977]. Based on the information provided in the annual reports of 2006 of selected companies regarding owners' equity, the companies are classified as high equity base companies and low equity base companies. Classification is based on the median, i.e. the companies below the median (<14.97 crores) are classified as low equity base companies and the companies above the median (>14.97 crores) are classified as high equity base companies. The harmonization level under equity base status of the respondent companies' practiced accounting policies are presented under: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction.

(a) Inventory Valuation Method:

Table 5.61 presents the frequencies of inventory valuation methods adopted by the sample respondent companies for the sample periods. It was evidenced that the tendency towards adopting the lower of cost and net realizable value method increased in both the low equity base companies and high equity base companies. This was due to the mandatory nature of AS 2 with effect from 1-4-1999. In both the categories of companies, the harmonization level had an upward trend. However, the trend was higher in high equity base companies standing at 25.36 percent, 54.09 percent and 72.24 percent for the years 1997, 2004 and 2006 respectively as against 23.78 percent, 49.23 percent and 64.83 percent for low equity base industries in the

years 1997, 2004 and 2006 respectively. In both the categories of companies, the calculated chi-square value was significant at 5% significance level.

TABLE 5.61
HARMONIZATION LEVEL IN INVENTORY VALUATION

EQUITY BASE STATUS: LOW EQUITY BASE								
Year	**Frequencies and relative frequencies (in brackets) of inventory valuation methods**							**H-Index**
	Method						**Total**	
	A	B	C	D	E	F		
1997	14 ((26.92)	11 (21.15)	10 (19.23)	1 (19.23)	15 (28.85)	1 (1.92)	52	0.2378
2004	36 (67.92)	5 (9.43)	6 (11.32)	1 (1.89)	5 (9.43)	0 (0.00)	53	0.4923
2006	42 (79.25)	2 (3.77)	7 (13.21)	0 (0.00)	2 (3.77)	0 (0.00)	53	0.6483
□□=33.38 P = 0.05								
EQUITY BASE STATUS: HIGH EQUITY BASE								
Year	**Method**						**Total**	**H-Index**
	A	B	C	D	E	F		
1997	13 (26.00)	5 (10.00)	10 (20.00)	4 (8.00)	18 (36.00)	0 (0.00)	50	0.2536
2004	36 (70.59)	1 (1.96)	3 (5.88)	1 (1.96)	10 (19.61)	0 (0.00)	51	0.5409
2006	43 (84.34)	1 (1.96)	2 (3.92)	0 (0.00)	5 (9.80)	0 (0.00)	51	0.7224
□□= 40.12 P = 0.05								

Note: A = Lower of Cost and Net Realizable Value, B = Cost, C = Cost or Market Value whichever is less, D = Combination of A & B, E = Combination of A &C, F = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(b) Inventory Costing Method:

Table 5.62 reveals the frequencies of selected sample companies with regard to the choice of inventory costing methods adopted based on equity base status. It was evidenced that the percentage of non-disclosure of the method adopted drastically reduced between 1997 and 2006 in both the categories of companies. The choice of method was getting concentrated towards the weighted average method in both the categories of companies. The harmonization trend reflected by the H-Index was in an upward trend. However, relatively high level of harmonization was found in high equity base companies standing at 10.80 percent, 38.10 percent and 46.41 percent as against 3.22 percent, 29.51 percent and 36.95 percent for 1997, 2004 and 2006 respectively. The calculated chi-square value was statistically significant at 5% significance level in both the categories of companies.

TABLE 5.62
HARMONIZATION LEVEL IN INVENTORY COSTING METHOD

EQUITY BASE STATUS: LOW EQUITY BASE							
Year	**Frequencies and relative frequencies (in brackets) of inventory costing methods**					**Total**	**H-Index**
	Method						
	A	B	C	D	E		
1997	6 (11.54)	7 (13.46)	1 (1.92)	1 (1.92)	37 (71.15)	52	0.0322
2004	26 (49.06)	12 (22.64)	3 (5.66)	0 (0.00)	12 (22.64)	53	0.2951
2006	29 (54.72)	14 (26.42)	1 (1.89)	0 (0.00)	9 (16.98)	53	0.3695
□□= 16.64 P = 0.05							
EQUITY BASE STATUS: HIGH EQUITY BASE							
Year	**Method**					**Total**	**H-Index**
	A	B	C	D	E		
1997	16 (32.00)	2 (4.00)	3 (6.00)	1 (2.00)	28 (56.00)	50	0.1080
2004	29 (56.86)	10 (19.61)	7 (13.73)	1 (1.96)	4 (7.84)	51	0.3810
2006	33 (64.71)	9 (17.65)	6 (11.76)	1 (1.96)	2 (3.92)	51	0.4641
□□=11.67 P = 0.05							

Note: A = Weighted Average Method, B = FIFO, C = Combination of A & B, D = other methods, E = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(c) Depreciation Method:

Table 5.63 exhibits the frequencies of depreciation method adopted by the sample respondent companies for the study period. It was found that both the low and high equity base companies adopted the depreciation methods consistently. On an average, 81 percent of the low equity base companies consistently adopted straight line method of depreciation. The harmonization level reflected by the H-Index showed that high level of harmonization was in equity base companies as against the high equity base companies, for which the percentages stood at 70.52, 65.11 and 63.55 compared to 54, 52.71 and 50.48 in high equity base companies for the years 1997, 2004 and 2006 respectively. However, downward trend of H-Index indicated the existence of de-harmonization trend in adopting depreciation methods. The chi-square value in both the case reflected no significant at 5% significance level.

TABLE 5.63
HARMONIZATION LEVEL IN DEPRECIATION METHOD

EQUITY BASE STATUS: LOW EQUITY BASE					
Year	**Frequencies and relative frequencies (in brackets) of depreciation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	42 (80.77)	6 (11.54)	4 (7.69)	52	0.7052
2004	43 (81.13)	7 (13.21)	3 (5.66)	53	0.6511
2006	43 (81.13)	4 (7.55)	6 (11.32)	53	0.6355
□□= 0.83 P = 0.05					
EQUITY BASE STATUS: HIGH EQUITY BASE					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	35 (70.00)	5 (10.00)	10 (20.00)	50	0.5400
2004	35 (68.63)	5 (9.80)	11 (21.57)	51	0.5271
2006	34 (66.67)	6 (11.76)	11 (21.57)	51	0.5048
□□= 0.15 P = 0.05					

Note: A = Straight Line Method, B = Written down cost Method, C = Combination of A & B.
Source: Annual Reports of Selected Indian Companies.

(d) Borrowing Costs:

Table 5.64 displays the frequencies of disclosure of treatment of borrowing costs by the respondent companies based on equity base status. The non-disclosure percentage was comparatively higher in low equity base companies standing at 54.72 percent in 2004 and 49.06 percent in 2006 as against 43.14 percent and 39.22 percent for the same periods for high equity base companies. In 1997, both the categories of companies did not disclose the treatment of borrowing costs. However, the harmonization level was comparatively higher in high equity base companies standing at 32.33 percent and 36.95 percent as against 20.51 percent and 25.95 percent in low equity base companies for the years 2004 and 2006 respectively. The calculated chi-square value was significant at 5% significance level.

TABLE 5.64
HARMONIZATION LEVEL IN BORROWING COSTS

EQUITY BASE STATUS: LOW EQUITY BASE				
Year	**Frequencies and relative frequencies (in brackets) of treatments of borrowing costs**			**H-Index**
	Method		**Total**	
	A	B		
1997	0 (0.00)	52 (100.00)	52	0.0000
2004	24 (45.28)	29 (54.72)	53	0.2051
2006	27 (50.94)	26 (49.06)	53	0.2595
□□= 25.28 P = 0.05				
EQUITY BASE STATUS: HIGH EQUITY BASE				
Year	**Method**		**Total**	**H-Index**
	A	B		
1997	0 (0.00)	50 (100.00)	50	0.0000
2004	29 (56.86)	22 (43.14)	51	0.3233
2006	31 (60.78)	20 (39.22)	51	0.3695
□□= 29.52 P = 0.05				

Note: A = Acquisition cost and other related costs capitalized as part of respective asset & other than these expenses are charged to revenue; and B = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(e) Valuation of Tangible Fixed Assets:

Table 5.65 demonstrates the frequencies of valuation method adopted by the sample respondent companies for tangible fixed assets based on equity base status. With the exception of minor deviations, both the categories of companies consistently adopted the valuation methods for three sample periods. It was noticed that the majority of the low equity base companies inclined towards historical cost method and high equity base companies preferred revalued cost method. It showed little flexibility in the harmonization level in both cases *albeit* it is at consistent level. Comparatively, the harmonization level was higher in low equity base companies standing at 63.68 percent, 50.02 percent and 55.86 percent as against 40.08percent, 41.02 percent and 39.18 percent in high equity base companies for the years 1997, 2004 and 2006 respectively. The chi-square value was not significant in both the categories of companies at 5% significance level.

TABLE 5.65
HARMONIZATION LEVEL IN VALUATION OF TANGIBLE FIXED ASSETS

EQUITY BASE STATUS: LOW EQUITY BASE						
Year	**Frequencies and relative frequencies (in brackets) of tangible fixed assets**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	41 (78.85)	5 (9.62)	4 (7.69)	2 (3.85)	52	0.6368
2004	35 (66.04)	12 (22.64)	6 (11.32)	0 (0.00)	53	0.5002
2006	38 (71.70)	5 (9.43)	10 (18.87)	0 (0.00)	53	0.5586
□□= 7.65 P = 0.05						
EQUITY BASE STATUS: HIGH EQUITY BASE						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	25 (50.00)	4 (8.00)	19 (38.00)	2 (4.00)	50	0.4008
2004	27 (52.94)	7 (13.73)	17 (33.33)	0 (0.00)	51	0.4102
2006	27 (52.94)	11 (21.57)	13 (25.49)	0 (0.00)	51	0.3918
□□=4.55 P = 0.05						

Note: A = Historical Cost, B = Current Cost, C = Revalued Cost, D = Not Disclosed
Source: Annual Reports of Selected Indian Companies.

(f) Research and Development Cost:

Table 5.66 portrays the frequencies of treatment of research and development cost in the respondent companies for the sample periods. It was evidenced that the percentages of non-disclosure of the method adopted were comparatively low with regard to high equity base companies and the average percentage of non-disclosure stood at 24.31 percent as against 59.54 percent in low equity base companies. The harmonization trend of low equity base companies was flexible and a substantially lower level of harmonization was found due to high level of non-disclosure of the methods adopted. With regard to high equity base companies, downward trend of harmonization level was found. But the level of harmonization was higher in high equity base companies than in low equity base companies. However, the chi-square value at 5% significance level was not significant in both the categories of companies.

TABLE 5.66
HARMONIZATION LEVEL IN RESEARCH AND DEVELOPMENT COST

EQUITY BASE STATUS: LOW EQUITY BASE						
Year	**Frequencies and relative frequencies (in brackets) of treatment of R & D cost**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	3 (5.77)	14 (26.92)	0 (0.00)	35 (67.31)	52	0.0758
2004	3 (5.66)	18 (33.96)	2 (3.77)	30 (56.60)	53	0.1200
2006	3 (5.66)	17 (32.08)	4 (7.55)	29 (54.72)	53	0.1118
□□=1.98 P = 0.05						
EQUITY BASE STATUS: HIGH EQUITY BASE						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	6 (12.00)	34 (68.00)	0 (0.00)	10 (20.00)	50	0.4768
2004	6 (11.76)	28 (54.90)	3 (5.88)	14 (27.45)	51	0.3187
2006	6 (11.76)	27 (52.94)	5 (9.80)	13 (25.49)	51	0.3037
□□= 2.52 P = 0.05						

Note: A = Written off to Profit and Loss Account; B = Capital Expenditure Capitalized and Revenue exp. Written off to P/L account; C = Revenue Expenditure Charged to P/L account and Capital Expenditure Amortized over a Period and disclosed; D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(g) Taxation:

Table 5.67 depicts the frequencies of recognition of taxation items by the sample respondent companies based on equity base status. It was evidenced that after mandatory of AS-22 (with effect from 1-4-2001) disclosure level of these companies improved substantially. Majority of the companies complied with the treatment of taxation expenses by recognizing current years charge based on effective tax rates and deferred tax using liability method. The harmonization level evidenced in the H-Index was comparatively higher in high equity base companies standing at 60.02 percent and 75.39 percent as against 59.24 percent and 68.10 percent at low equity base companies for the years 2004 and 2006 respectively. The chi-square value was significant in both the categories of companies at 5% significance level.

TABLE 5.67
HARMONIZATION LEVEL IN TAXATION

EQUITY BASE STATUS: LOW EQUITY BASE						
Year	**Frequencies and relative frequencies (in brackets) of recognition of taxation**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	2 (3.85)	1 (1.92)	0 (0.00)	49 (94.23)	52	0.0018
2004	0 (0.00)	8 (15.09)	40 (75.47)	5 (9.43)	53	0.5924
2006	0 (0.00)	8 (15.09)	43 (81.13)	2 (3.77)	53	0.6810
□□=43.40 P = 0.05						
EQUITY BASE STATUS: HIGH EQUITY BASE						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	7 (14.00)	0 (0.00)	0 (0.00)	43 (86.00)	50	0.0196
2004	2 (3.92)	6 (11.76)	39 (76.47)	4 (7.84)	51	0.6002
2006	0 (0.00)	5 (9.80)	44 (86.27)	2 (3.92)	51	0.7539
□□= 41.85 P = 0.05						

Note: A = Current year charge based on effective tax rates alone recognized, B = Deferred tax using liabilities method alone recognized, C = Both 'A' and 'B' recognized, D = Not Disclosed.
Source: Annual Reports of Selected Indian Companies.

(h) Investments:

Table 5.68 presents the frequencies of investment valuation methods adopted by the sample respondent companies in the study periods. It was evidenced that percentage of non-disclosure of the adopted method was comparatively higher still persist in low equity base companies. However, companies' tendency towards method A considerably increased from 1997 to 2006 and it was 23.08 percent in 1997 followed by 69.81 percent in 2004 and 75.47 percent in 2006 with regard to low equity base companies and 48 percent, 78.43 percent and 82.35 percent for 1997, 2004 and 2006 in high equity base companies respectively. The harmonization trend indicated by the H-Index had an upward trend in both the categories of companies stood at 26.63 percent, 52.30 percent and 58.70 percent in low equity base companies and 40.68 percent, 63.08 percent and 69.20 percent in high equity base companies for 1997, 2004 and 2006 respectively. The calculated chi-square value was significant at 5% significance level in both the categories of companies.

TABLE 5.68

HARMONIZATION LEVEL IN INVESTMENTS

EQUITY BASE STATUS: LOW EQUITY BASE					
Year	**Frequencies and relative frequencies (in brackets) of investment valuation methods**				**H-Index**
	Method			**Total**	
	A	B	C		
1997	12 (23.08)	24 (46.15)	16 (30.77)	52	0.2663
2004	37 (69.81)	10 (18.87)	6 (11.32)	53	0.5230
2006	40 (75.47)	7 (13.21)	6 (11.32)	53	0.5870
□□= 27.89 P = 0.05					
EQUITY BASE STATUS: HIGH EQUITY BASE					
Year	**Method**			**Total**	**H-Index**
	A	B	C		
1997	24 (48.00)	21 (42.00)	5 (10.00)	50	0.4068
2004	40 (78.43)	8 (15.69)	3 (5.88)	51	0.6398
2006	42 (82.35)	6 (11.76)	3 (5.88)	51	0.6920
□□=16.92 P = 0.05					

Note: A = Classified as current and long term investments. Current investments are valued lower of cost and fair value and LTI are valued cost less provision for diminution in value, B = No classification is made and valued at cost, C = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

(i) Foreign Currency Transaction:

Table 5.69 reveals the frequencies of treatment of foreign currency transactions by the respondent companies based on equity base status. It was evidenced that majority of the companies adopted a combination of closing rate and rate at the date of transaction method in both the low equity base and high equity base companies. The non-disclosure percentage reduced progressively. The upward trend in the harmonization level was evidenced by the H-Index in both the categories and it stood at 21.38 percent, 42.93 percent and 43.97 percent in low equity base companies and 32.36 percent, 38.64 percent and 50.37 percent in high equity base companies for the years 1997, 2004 and 2006 respectively. This showed a comparatively higher level of harmonization in high equity base companies. Hence the chi-square value was not significant in low equity base companies, but it was significant in high equity base companies at 5% significance level.

TABLE 5.69
HARMONIZATION LEVEL IN FOREIGN CURRENCY TRANSACTION

EQUITY BASE STATUS: LOW EQUITY BASE						
Year	**Frequencies and relative frequencies (in brackets) of treatment of foreign currency transaction**					**H-Index**
	Method				**Total**	
	A	B	C	D		
1997	8 (15.38)	15 (28.85)	17 (32.69)	12 (23.08)	52	0.2138
2004	6 (11.32)	9 (16.98)	33 (62.26)	5 (9.43)	53	0.4293
2006	5 (9.43)	11 920.75)	33 (62.26)	4 (7.55)	53	0.4397
□□=8.35 P = 0.05						

EQUITY BASE STATUS: HIGH EQUITY BASE						
Year	**Method**				**Total**	**H-Index**
	A	B	C	D		
1997	20 (40.00)	3 (6.00)	20 (40.00)	7 (14.00)	50	0.3236
2004	10 (19.61)	8 (15.69)	29 (56.86)	4 (7.84)	51	0.3864
2006	6 (11.76)	7 (13.73)	35 (68.63)	3 (5.88)	51	0.5037
□□=15.05 P = 0.05						

Note: A = Closing rate/Year end rate and Forward Contract rate, B = Rate at the date of transaction; C = Combination of A & B; D = Not disclosed.
Source: Annual Reports of Selected Indian Companies.

To conclude, the group analysis evaluated the effect of independent variables on harmonization level. It was evidenced that non-disclosure led to low harmonization level and a high disclosure led to the presentation of accounting policy adopted by the companies in their annual reports thereby facilitating harmonization efforts. With standards becoming mandatory, the harmonization level substantially increased in all the dependent variables used in the present study. From the viewpoint of groupings of selected sample respondent companies based on their status of age, size, performance, operation, sector and equity base also, one could observe almost positive relationships between these independent variables and harmonization levels.

(III) COMPOSITE ANALYSIS

One of the serious limitations of measuring harmonization level based on group analysis has been that the overall harmonization of each of the nine selected dependent variables, viz., (i) Inventory valuation method; (ii) Inventory costing method; (iii) Depreciation; (iv) Borrowing costs; (v) Valuation of tangible fixed assets; (vi) Research and development cost; (vii) Taxation; and (ix) Investment, cannot be quantified on an objective basis. Therefore, the need arises for an overall analysis of variables. This has been done under composite analysis.

To evaluate the magnitude of harmonization level, the H-Indices of all the dependent variables are tabulated in a comparative form to study the composite analysis. The composite analysis of the independent variables is presented under: (i) Universal Analysis; (ii) Age Status; (iii) Performance Status; (iv) Size Status; (v) Operation Status; (vi) Sector Status and (vii) Equity Base

(i) Universal Analysis:

Table 5.70 presents the comparative indices of nine variables for three years of study based on universal analysis. It was evidenced that the varied levels of harmonization among the variables existed. With regard to depreciation, tangible fixed assets and research and development cost, harmonization trend marginally decreased and an increase in the harmonization level was evidenced in other reporting items. The consistent or marginally decreasing level of harmonization was evidenced in case of depreciation, research and development cost and valuation of tangible fixed assets and this was due to choice of policy available to the companies in view of accounting standards in India permitting more than one method of measurement practices. Significant improvement was found in the harmonization trend between the years 1997 and 2006. The mean value supported by the dispersion level evidenced that the overall harmonization level was 0.2409 in 1997 and this was followed by 0.4357 in 2004 and 0.4959 in 2006. On the whole, the harmonization level increased by 0.2550 in a span of 9 years from 0.2409 to 0.4959. The highest level of harmonization was evidenced with regard to the treatment of taxation items with the harmonization level increasing by 0.7075 and this was followed by inventory valuation method and inventory costing method, which evidenced the increase in the harmonization level by 0.4406 and 0.3527. The least increase in the harmonization level was found in case of accounting for tangible fixed assets with the value of

0.0141 and this was followed by accounting for depreciation with the value of 0.0162 and accounting for research and development cost with the value of 0.0352. However, low dispersion level was evidenced at 0.1466 in 2004 as against the higher dispersion level of 0.2055 in 1997 with a moderate increase in the dispersion level of 0.1750 over 1997.

TABLE 5.70
COMPARATIVE COMPOSITE INDEX: UNIVERSE

UNIVERSAL ANALYSIS			
AREAS	**YEAR**		
	1997	**2004**	**2006**
1.Inventory Valuation Method	0.2402	0.5113	0.6808 ***0.4406***
2.Inventory Costing Method	0.0562	0.3338	0.4089 ***0.3527***
3.Depreciation	0.6003	0.5939	0.5841 ***(0.0162)***
4.Borrowing Cost	0.0000	0.2597	0.3110 ***0.3110***
5.Tangible Fixed Assets	0.4773	0.4377	0.4632 ***(0.0141)***
6.Research and Development Cost	0.2292	0.2054	0.1940 ***(0.0352)***
7.Taxation	0.0079	0.5955	0.7154 ***0.7075***
8.Investments	0.3192	0.5781	0.6373 ***0.3181***
9.Foreign Exchange Transactions	0.2381	0.4058	0.4687 ***0.2306***
Mean	**0.2409**	**0.4357**	**0.4959** ***0.2550***
SD	**0.2055**	**0.1466**	**0.1750**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

(ii) Age Status:

Table 5.71 depicts the comparative indices of variables in the study based on age status for younger and older companies of the sample periods. The harmonization level was significantly high with regard to depreciation in younger companies standing at 0.7763 in 1997 and this was followed by 0.7449 in 2004 and 0.7449 in 2006 as against average 51 percent for older companies for the period of the study. As against this, the highest harmonization level was evidenced in the case of older companies with the value of 0.7305. The increasing trend in harmonization level was found in the areas of inventory valuation methods, inventory costing methods, borrowing cost, taxation, investment and foreign exchange transactions in both

younger and older companies. The overall harmonization level indicated by the mean value supported by the standard deviation was on the rise in both the categories of companies. However, the degree of harmonization was higher in older companies with 0.2467, 0.4673 and 0.5357 as against 0.2596, 0.4234 and 0.4698 at younger companies for 1997, 2004 and 2006 respectively. The marginal increase in the harmonization level was higher in older companies than in younger companies with their respective values standing at 0.2890 and 0.2102, taking all the nine variables into consideration.

TABLE 5.71
COMPARATIVE COMPOSITE INDEX: AGE STATUS

AGE STATUS						
AREAS	**YOUNGER**			**OLDER**		
	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2500	0.5057	0.6678 ***0.4178***	0.2443	0.5177	0.6904 ***0.4461***
2.Inventory Costing Method	0.0650	0.2920	0.3379 ***0.2729***	0.0554	0.4144	0.4930 ***0.4376***
3.Depreciation	0.7763	0.7449	0.7449 ***(0.0314)***	0.5156	0.5114	0.5010 ***(0.0146)***
4.Borrowing Cost	0.0000	0.1638	0.1837 ***0.1837***	0.0000	0.3371	0.4162 ***0.4162***
5.Fixed Assets	0.6563	0.6270	0.6474 ***(0.0089)***	0.4308	0.3861	0.4022 ***(0.0286)***
6.Research and Development Cost	0.1406	0.1162	0.1100 ***(0.0306)***	0.3044	0.2885	0.2752 ***(0.0292)***
7.Taxation	0.0056	0.5726	0.6831 ***0.6775***	0.0096	0.6132	0.7401 ***0.7305***
8.Investments	0.2313	0.4195	0.4972 ***0.2659***	0.3936	0.7027	0.7435 ***0.3499***
9.Foreign Exchange Transactions	0.2113	0.3685	0.3566 ***0.1453***	0.2666	0.4342	0.5593 ***0.2927***
Mean	**0.2596**	**0.4234**	**0.4698** ***0.2102***	**0.2467**	**0.4673**	**0.5357** **0.2890**
SD	**0.2765**	**0.2109**	**0.2330**	**0.1888**	**0.1326**	**0.1630**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

(iii) Performance Status:

Table 5.72 reveals the comparative indices of the selected variables based on performance status for three years of the study. If the harmonization level was the highest in accounting for taxation in low profitable companies with regard to taxation with the value of 0.7590 in 2006, it was 0.8185 in high profitable companies with regard to inventory valuation methods in 2006. The least harmonization level was achieved in low profitable companies on research and development cost with the index value of 0.1129 in 2006 and it was 0.3014 for borrowing costs in high profitable companies. The marginal increase in the harmonization level between 1997 and 2006 was the highest in taxation with the value of 0.7558 in low profitable companies and 0.6620 percent in high profitable companies. Similarly, the least marginal increases in the harmonization level were evidenced in research and development costs, fixed assets and depreciation in both low profitable and high profitable

TABLE 5.72
COMPARATIVE COMPOSITE INDEX: PERFORMANCE STATUS

PERFORMANCE STATUS						
AREAS	**LOW PROFITABLE COMPANIES**			**HIGH PROFITABLE COMPANIES**		
	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2407	0.4105	0.5664 ***0.3257***	0.2603	0.6378	0.8185 ***0.5582***
2.Inventory Costing Method	0.0477	0.2755	0.3692 ***0.3215***	0.0687	0.4252	0.4691 ***0.4004***
3.Depreciation	0.7052	0.6511	0.6355 ***(0.0697)***	0.5069	0.5417	0.5417 ***0.0348***
4.Borrowing Cost	0.0000	0.2407	0.3204 ***0.3204***	0.0000	0.2803	0.3014 ***0.3014***
5.Fixed Assets	0.5219	0.4596	0.5002 ***(0.0217)***	0.4423	0.4171	0.4310 *(0.0113)*
6.Research and Development Cost	0.1282	0.1428	0.1129 ***(0.0153)***	0.3786	0.2872	0.3110 ***(0.0676***)
7.Taxation	0.0032	0.5546	0.7590 ***0.7558***	0.0154	0.6401	0.6774 ***0.6620***
8.Investments	0.2325	0.5162	0.5589 ***0.3264***	0.4406	0.6463	0.7247 ***0.2841***
9.Foreign Exchange Transactions	0.1812	0.3240	0.3884 ***0.2072***	0.3374	0.5094	0.5636 ***0.2262***
Mean	**0.2290**	**0.3972**	**0.4679** ***0.2389***	**0.2722**	**0.4872**	**0.5376** **0.2654**
SD	**0.2402**	**0.1646**	**0.1923**	**0.1967**	**0.1442**	**0.1794**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

companies for the period of the study. The overall harmonization level was marginally higher in high profitable companies with the value of 0.2654 as against 0.2389 in low profitable companies.

(iv) Size Status:

Table 5.73 exhibits the harmonization indices of nine variables for three comparative periods of study based on size status. The highest harmonization level was evidenced in treating taxation items in both small companies and large companies with a higher harmonization level of 0.7149 than that of 0.6987 in smaller companies. In tune with the trends in harmonization level of low profitable and high profitable companies, the least harmonization level were evidenced on the treatment of taxation items in both the categories of small companies and large companies with regard to treatments of research and development costs, fixed assets and depreciation. It was also evidenced that the total harmonization level was higher in small companies than in large companies with their respective values standing at 0.5712 and 0.4378 during

TABLE 5.73
COMPARATIVE COMPOSITE INDEX: SIZE STATUS

SIZE STATUS						
AREAS	**SMALL COMPANIES**			**LARGE COMPANIES**		
	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2388	0.6940	0.8524 ***0.6136***	0.2448	0.3770	0.5436 ***0.2988***
2.Inventory Costing Method	0.0696	0.4621	0.4883 ***0.4187***	0.0447	0.2542	0.3592 ***0.3145***
3.Depreciation	0.5168	0.5648	0.5648 ***0.0480***	0.6990	0.6241	0.6041 ***(0.0949)***
4.Borrowing Cost	0.0000	0.3460	0.3937 ***0.3937***	0.0000	0.1883	0.2407 ***0.2407***
5.Fixed Assets	0.4452	0.4402	0.4494 ***0.0042***	0.5337	0.4446	0.4774 ***(0.0563)***
6.Research and Development Cost	0.4132	0.2872	0.3145 ***(0.0987)***	0.1080	0.1428	0.1096 ***0.0016***
7.Taxation	0.0148	0.6401	0.7297 ***0.7149***	0.0033	0.5546	0.7020 ***0.6987***
8.Investments	0.4580	0.7028	0.7582 ***0.3002***	0.2737	0.4717	0.5315 **0.2578**
9.Foreign Exchange Transactions	0.3332	0.4494	0.5898 ***0.2566***	0.1827	0.3660	0.3720 ***0.1893***
Mean	**0.2766**	**0.5096**	**0.5712** ***0.2946***	**0.2322**	**0.3804**	**0.4378** ***0.2056***
SD	**0.2032**	**0.1493**	**0.1798**	**0.2424**	**0.1627**	**0.1858**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

2006. In tune with this lead by small companies, the marginal increase over the base year of 1997 was found to be higher in small companies than in large companies with their respective marginal increases standing at 0.2946 and 0.2056.

(v) Operation Status:

Table 5.74 highlights the comparative harmonization indices of variables with respect to uni-national and multinational companies. It was evidenced that the highest harmonization level was achieved by multinational companies in case of investments with the value of 0.7996 in 2006 and this was followed by investments and taxation items, the index values of which stood at 0.7804 and 0.4986 respectively. The uni-national companies achieved the highest harmonization level of 0.6468 in 2006 and this was followed by inventory valuation methods having the index value of 0.6005. However, the least harmonization level was achieved by both uni-national and multinational companies with regard to the treatment of research and

TABLE 5.74
COMPARATIVE COMPOSITE INDEX: OPERATION STATUS

OPERATION STATUS						
AREAS	**UNI-NATIONAL**			**MULTINATIONAL**		
	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2155	0.5059	0.6005 ***0.3850***	0.3110	0.5359	0.7996 ***0.4886***
2.Inventory Costing Method	0.0532	0.3309	0.4117 ***0.3585***	0.0610	0.3426	0.4130 ***0.3520***
3.Depreciation	0.6998	0.6510	0.6100 ***(0.0898)***	0.4948	0.5302	0.5548 ***0.0600***
4.Borrowing Cost	0.0000	0.3044	0.3641 ***0.3641***	0.0000	0.2084	0.2500 ***0.2500***
5.Fixed Assets	0.5404	0.4887	0.4982 ***(0.0422***)	0.4101	0.3904	0.4301 ***0.0200***
6.Research and Development Cost	0.1296	0.1299	0.1192 ***0.0104***	0.4096	0.3313	0.3228 ***0.0868***
7.Taxation	0.0012	0.5241	0.6480 ***0.6468***	0.0258	0.6947	0.8062 ***0.7804***
8.Investments	0.2999	0.4572	0.4881 ***0.1882***	0.3771	0.7680	0.8757 ***0.4986***
9.Foreign Exchange Transactions	0.2024	0.3338	0.3879 ***0.1855***	0.3151	0.5076	0.5841 ***0.2690***
Mean	**0.2380**	**0.4140**	**0.4586** ***0.2206***	**0.2672**	**0.4788**	**0.5596** ***0.2924***
SD	**0.2421**	**0.1542**	**0.1631**	**0.1874**	**0.1797**	**0.2262**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

development cost, fixed assets and depreciation and this was due to higher level of harmonization existing in the base year. The total harmonization level was found to be higher in case of multinational companies with the value of 0.5596 in 2006 than in case of uni-national companies with the value of 0.4586 over the base year of 1997. In tune with this trend, the marginal increase in the harmonization level in all the nine variables taken together was higher in multinational companies with the value of 0.2924 than in uni-national companies with the value of 0.2206.

(vi) Sector Status:

Table 5.75 presents the comparative harmonization indices of selected variables for three-sample study periods based on sector status. The highest levels of harmonization were achieved by consumer durable goods industries, basic and capital goods industries and intermediate goods industries in the accounting treatment of investments, taxation and inventory valuation method

TABLE 5.75
COMPARATIVE COMPOSITE INDEX: SECTOR STATUS

SECTOR STATUS									
AREAS	**BASIC AND CAPITAL GOODS INDUSTRIES**			**INTERMEDIATE GOODS INDUSTRIES**			**CONSUMER DURABLE GOODS INDUSTRIES**		
	1997	2004	2006	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2342	0.6448	0.6448 ***0.4106***	0.2233	0.5156	0.6689 ***0.4456***	0.3149	0.4213	0.7313 ***0.4164***
2.Inventory Costing Method	0.0826	0.3901	0.5260 ***0.4434***	0.0778	0.3656	0.4156 ***0.3378***	0.0296	0.2788	0.3394 ***0.3098***
3.Depreciation	0.6437	0.5433	0.5433 ***(0.1004)***	0.7600	0.7089	0.6622 ***(0.0978)***	0.4767	0.5638	0.5663 ***0.0896***
4.Borrowing Cost	0.0000	0.2500	0.3460 ***0.3460***	0.0000	0.3211	0.3600 ***0.3600***	0.0000	0.2256	0.2500 ***0.2500***
5.Fixed Assets	0.5005	0.3685	0.4135 ***(0.0870)***	0.4044	0.5733	0.5822 ***0.1778***	0.5266	0.4600	0.4400 ***(0.866)***
6.R and D Cost	0.1809	0.1479	0.1324 ***(0.0485)***	0.2944	0.2933	0.2644 ***(0.0300)***	0.2295	0.2056	0.2131 ***(0.0164)***
7.Taxation	0.0009	0.7353	0.7863 ***0.7854***	0.0022	0.4000	0.6156 ***0.6134***	0.0322	0.6581	0.7381 ***0.7059***
8.Investments	0.2911	0.5199	0.6384 ***0.3473***	0.2889	0.4722	0.4556 ***0.1667***	0.3800	0.7381	0.8156 ***0.4356***
9.Foreign Exchange Transactions	0.2626	0.5026	0.5372 ***0.2746***	0.2767	0.3767	0.4056 ***0.1289***	0.2222	0.3581	0.4856 ***0.2634***
Mean	**0.2441**	**0.4558**	**0.5075** ***0.2634***	**0.2586**	**0.4474**	**0.4922** ***0.2336***	**0.2457**	**0.4344**	**0.5088** ***0.2631***
SD	**0.2171**	**0.1861**	**0.1910**	**0.2350**	**0.1338**	**0.1447**	**0.1964**	**0.1890**	**0.2202**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

with the respective values of 0.8156, 0.7863 and 0.6689 for the period of the study. The least harmonization was evidenced to be lower in all the categories with regard to research and development cost, depreciation and fixed assets. Considering the treatment of all the nine variables, the highest level of harmonization was evidenced in consumer durable goods industries with the value of 0.5088 and this was followed by the harmonization levels of 0.5075 and 0.4922 in basic and capital goods and intermediate goods industries respectively for the period of the study. The marginal increase in harmonization level was found to be the highest in basic and capital goods industries and this was followed by consumer durable goods industries and intermediate goods industries with their respective increased values of 0.2631 and 0.2336 in 2006 over the base year of 1997.

(vii) Equity Base:

Table 5.76 displays the comparative indices of the nine variables taken together for three sample years of the study based on equity base. The highest harmonization level was evidenced with regard to treatment of taxation items with the value of 0.7539 in 2006 in high equity base companies and this index was followed by the adoption of inventory valuation method and the presentation of investment with their respective values of 0.7224 and 0.6920. Though the highest harmonization level was evidenced with regard to taxation with the value of 0.6810 in low equity base companies, the second and third highest levels of harmonization were evidenced in depreciation methods and inventory valuation methods having index levels of 0.6768 and 0.6483 in low equity base companies in 2006. In tune with general trend lower levels of harmonization were evidenced in the areas of depreciation, fixed assets and research and development costs in both low equity and high equity companies. Considering all the nine variables on equity base, the high equity companies achieved the maximum harmonization level with the value of 0.5229 as against the low equity companies achieving the harmonization level with the value of 0.4814 in 2006. However, the marginal increase in harmonization level for all the nine variables taken together was found to be higher in low equity companies than in high equity companies with their respective marginal increases of 0.2441 and 0.2419 by 2006 over the base year of 1997.

TABLE 5.76
COMPARATIVE COMPOSITE INDEX: EQUITY BASE

EQUITY BASE						
AREAS	**LOW EQUITY BASE**			**HIGH EQUITY BASE**		
	1997	2004	2006	1997	2004	2006
1.Inventory Valuation Method	0.2378	0.4923	0.6483 ***0.4105***	0.2536	0.5409	0.7224 ***0.4688***
2.Inventory Costing Method	0.0322	0.2941	0.3695 ***0.3373***	0.1080	0.3810	0.4641 ***0.3561***
3.Depreciation	0.6716	0.6789	0.6768 ***0.0052***	0.5400	0.5271	0.5048 ***(0.0352)***
4.Borrowing Cost	0.0000	0.2051	0.2595 ***0.2595***	0.0000	0.3233	0.3695 ***0.3695***
5.Fixed Assets	0.6368	0.5002	0.5586 ***(0.0782)***	0.4008	0.4102	0.3918 ***(0.0090)***
6.Research and Development Cost	0.0758	0.1200	0.1118 ***0.0360***	0.4768	0.3187	0.3037 ***(0.1731)***
7.Taxation	0.0018	0.5924	0.6810 ***0.6792***	0.0196	0.6002	0.7539 ***0.7343***
8.Investments	0.2663	0.5230	0.5870 ***0.3207***	0.4068	0.6398	0.6920 ***0.2852***
9.Foreign Exchange Transactions	0.2138	0.4293	0.4397 ***0.2259***	0.3236	0.3864	0.5037 ***0.1801***
Mean	**0.2373**	**0.4261**	**0.4814** ***0.2441***	**0.2810**	**0.4586**	**0.5229** ***0.2419***
SD	**0.2573**	**0.1840**	**0.2010**	**0.1986**	**0.1203**	**0.1638**

Note: Figures in *italics* indicate net change in harmonization index in 2006 over 1997.

(IV)Significance Test

Table 5.77 brings out a panoramic of significant differences in the harmonization level from different perspectives discussed so far with regard to all the nine independent variables in relation to the different groups identified in the study.

From the viewpoint of accounting practices adopted by all the 104 respondent companies, it was evidenced that significant differences existed in harmonization levels from the viewpoint of inventory valuation method; inventory costing method; borrowing cost; taxation; investments; and foreign exchange transactions. No significant differences existed with regard to the treatment of depreciation; fixed assets; and research and development costs when all the 104 companies were considered.

TABLE 5.77
SIGNIFICANCE TEST

AREAS	DEPENDENT VARIABLES													
	Universal Analysis	Age Status		Performance Status		Size Status		Operation Status		Sector Status			Equity Base	
		Younger	**Older**	**Low profitable companies**	**High profitable companies**	**Small companies**	**Large companies**	**Uni-national**	**Multi national**	**Basic and Capital goods industries**	**Intermediate goods industries**	**Consumer durable goods industries**	**Low equity base**	**High equity base**
1.Inventory Valuation Method	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2.Inventory Costing Method	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
3.Depreciation	No	No	No	No	No	No	No	No	No	No	No	No	No	No
4.Borrowing Cost	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5.Fixed Assets	No	No	No	No	No	No	No	No	No	No	No	No	No	No
6.R and D Cost	No	No	No	No	No	No	No	No	No	No	No	No	No	No
7.Taxation	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8.Investments	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9.Foreign Exchange Transactions	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes	No	Yes

When each dependent variable was related to each independent variable, it was evidenced there were differences in harmonization levels across all dependent variables in relation to age, performance, size, operation, sector and equity with regard to inventory valuation methods, borrowing costs, taxation items and investments. However, no differences existed in the harmonization levels in relation to all the independent variables in the areas of depreciation, fixed assets and research and development costs.

Lastly, anomalous relationships existed in the harmonization level of treating the foreign currency transactions only. Significant differences in the harmonization level were evidenced in older companies for the period of the study and no significant differences existed in younger companies. Similarly, the harmonization level was significant in case of small companies and low equity base companies and no significance was evidenced in case of large companies and high equity base companies. If significant differences in harmonization level were evidenced in consumer durable goods industries, no significant differences were found in case of basic and capital goods and intermediate goods industries. Added to this the value of significance difference was very small in case of basic and capital goods industries with regard to inventory costing method and slightly low value of no significance was observed in case of intermediate goods and consumer durable goods industries.

CONCLUSION

The analysis presented the comparative degree of harmonization accomplished in three years of the study from 1997 to 2006. The dependent variables included: (a) Inventory Valuation Method; (b) Inventory Costing Method; (c) Depreciation; (d) Borrowing Costs; (e) Valuation of Tangible Fixed Assets; (f) Research and Development Cost; (g) Taxation; (h) Investments and (i) Foreign Currency Transaction and the independent variables constituted : (i) Age Status; (ii) Performance Status; (iii) Size Status; (iv) Operation Status; (v) Industrial Sector and (vi) Equity Base. The analysis and interpretation of the data culled out from 104 respondent companies was presented under three components, viz. universal analysis, group analysis and composite analysis. The universal analysis included a study of accounting practices in all the 104 sample respondent companies. The group analysis focused on the study of accounting practices by classifying these 104 companies into

different groups cited above. The composite analysis brought together all the nine variables from the viewpoint of harmonization level with reference to each independent variable. The universal analyses indicated a high level of harmonization in the areas of inventory valuation method, inventory costing method, depreciation, taxation, investments and foreign exchange transactions. But the harmonization level was low in the areas of depreciation and valuation of tangible fixed assets. The group analysis indicated several differences in the harmonization level. The composite analysis portrayed the areas where substantial harmonization was achieved and also the areas where the level was considerably lower. The low marginal increase in the harmonization level was attributed to the presence of a reasonably high level of harmonization in the base year itself and these items included depreciation and valuation of tangible fixed assets. On the whole, the harmonization level substantially increased with more standards becoming mandatory between 2000 and 2003.