CHAPTER 7

CONCLUSION

The rationale behind undertaking this research study was to find out the problems faces in harmonization with International Accounting Standards in India, problems of International Financial Reporting Standard’s convergence in India is the selected title of the research and it has been analysed from different aspects.

The study began with an extensive literature survey on International Financial Reporting Standards’ and this was followed by a discussion on the concept of International Financial Reporting Standards’ and convergence with International Financial Reporting Standards’ in India. This was followed by research methodology, result and discussion.

The main findings of this study, suggestion for practice and future research are given bellow:

7.1 Main Findings of the Study:

- Among the 123 IASB member countries the study selected 100 countries. Among the selected 100 sample countries, 49 have adopted IFRS, 41 countries have gone for convergence for IFRS and there were only 10 countries which have not-adopted countries. Thus, it is clear that most of the countries around the world already start IFRS implementation process.

- Degree of implementation of IFRS among IASB member countries, IFRS has been implemented totally in 49 adopting countries and at moderate level in converging countries and at lowers level is intend among non-adopting countries.
• IFRS adopting countries have returns commitment to implementation of international financial reporting standards represent by IFRS more than converging and non-adopting countries.

• IFRS adopting countries who have done implementation of IFRSs are not at the same level of adoption and implementation.

• There are different modifications in IFRS for the purpose of implementation in different countries. For example in Hong Kong ‘HKFRS’ is using which is close to IFRS. Ind-AS proposed in India for the purpose of convergence with IFRS or AIFRS introduced in Australia.

• The auditor's report on the basis of presentation footnotes in some adopting countries like ‘Chile’ it is not possible but in some other countries like ‘Finland’ dual reporting is possible it means conformity with both IFRS and the national GAAP.

• IFRSs incorporated into law or regulations countries faced this problem either directly or indirectly the first group directly faced problem with rules and regulation like ‘France’ and ‘Finland’ second group indirectly involved with this problem for example in European Union the accounting regulation establishes a process for endorsement of IFRSs for use in the European Union. After the Regulation was adopted, the IFRSs existing at that time were endorsed. Subsequently, new and amended standards and interpretations are individually subject to the endorsement process.
• IFRS translated into the local language in some adopting and converging countries. For instance there are 23 official languages in the European Union and according to EU regulations; IFRSs must be translated into those languages.

• Most of the adopting countries, though already adopted IFRS, still do not implement IFRS for small and medium size enterprises.

• The majority of stakeholders believe that International Financial Reporting Standards’ implementation process is affected by legal factor in India and only a few of stakeholders do not accept it.

• Recognition, measurement and disclosure of elements of financial statements under Indian Companies Act is affected due to convergence with IFRS in India, therefore Indian Companies Act 1956 was amended as Companies Act 2013.

• International Financial Reporting Standards’ implementation process is affected by social factor in India is another finding of the study, most of respondent believe that IFRS is affected by social factor in India.

• Institute of Chartered Accountants of India ‘ICAI’ allows industries to present their financial statement either as per IFRS or Indian GAAP. Some companies like, Infosys, Wipro, Noida Toll Bridge and Dr. Reddy's already starts to prepare their books of account based on IFRS.

• Analysed data represent that there is problems influence in institutional factors for International Financial Reporting Standards’ convergence in India.
• Universities and higher educational institution are offering graduate and post graduate program in IFRS, plays a critical role to achieve better implementation of IFRS in country.

• The majority of stakeholders believe that International Financial Reporting Standards’ implementation process is affected by economic factor in India and only 12% of stakeholders do not accept.

• According to the study there is a difference among user’s perspective in problems for International Financial Reporting Standards’ convergence in India and majority believes there is difficulty in convergence with IFRS.

• With a view to preparers’ point of view, there is a difference among them about difficulty of International Financial Reporting Standards’ convergence in India and majority believe that there is difficulty in convergence with IFRS.

• There is 88.60% similarity between proposed Indian Accounting Standards and International Financial Reporting Standards although there is difference in recognition, measurement and disclosure of elements of financial statement in proposed Indian Accounting Standards and International Financial Reporting Standard but still there is no direct relationship between them.

• There is 44.74% similarity between current Indian Accounting Standards and International Financial Reporting Standards as well as there is difference in recognition, measurement and disclosure of elements of financial statement in Indian GAAP and International Financial Reporting Standards but there is not direct relationship between them.
• Similarity between proposed Indian Accounting Standards and International Financial Reporting Standards is more than similarity between current Indian Accounting Standards and International Financial Reporting Standards.

• There is no direct relationship between proposed Indian Accounting Standards and Current Indian Accounting Standards with International Financial Reporting Standards.

7.2 Main Recommendations of the Study

Based on findings of the study, the following suggestions were made for problems in convergence with International Financial Reporting Standards: 

• To ensure implementation of International Financial Reporting Standards in India three alternatives are suggested.
  ➢ First, based on turnover of the companies and for companies and industries with Rs 1,000 crore turnovers, in first stage. Companies and industries having turnover between Rs 500 crore in second stage and other companies and industries in third stage.
  ➢ Like some other countries for example China instead of converging all accounting standards by time schedule based on their turn over, it is suggested to start to convergence with IFRS for each standard one by one according to item schedule based.
  ➢ It is possible to apply all accounting standards in one time by slight modification like Australia that is using AIFRS or European Union which have done modification on IAS39.
• Universities and higher educational institution might offer graduate and post
graduate program in IFRS to facilitate convergence with International
Financial Reporting Standards in India.

• To facilitate convergence with International Financial Reporting Standards in
India high quality of accounting education helps. Hence Universities might
encourage research on IFRS.

• Promotion activities by ICAI and MCA by conducting educational workshop,
seminars and conferences to create users and investors aware of financial
statements prepared under International Financial Reporting Standards.

• Government may create sound and clear economic policies for Foreign Direct
Investment (FDI).

• Clear Government policies for supporting small and medium enterprises
(SMEs) encourage companies with implementation of International Financial
Reporting Standards (IFRS).

• Amendments and modifications of Indian Companies Act 2013 include
provision to facilitate convergence with International Financial Reporting
Standards.

• Amendments and modifications for Provisions measurement in Income Tax
Act 1961 relating Fair value measurement and deferred tax under section 145
to facilitate IFRS convergence in India.
• Transparency in financial reporting under International Financial Reporting Standards (IFRS) facilitates convergence.

• Conducting professional courses for chartered accountant and those who are not familiar with IFRS to prevent of early retirement and loss of expert human resources.

• Implementation of proposed Indian accounting standards (Ind.AS) to facilitates convergence with International Financial Reporting Standards.

• Encouraging Banking sector, Insurance sector and also telecoms sector to implement IFRS through policies changes.

• Announcing clear liberalization policies by the Government for encouraging companies with IFRS.

• Announcing clear Privatization policies by the Government for encouraging companies with IFRS.

• Encouraging of Indian companies go abroad for listing in their stock market so it may an enforcement for implementation of IFRS in such companies.

• Encouraging of foreign companies to come to India for investment in Indian market it may facilitate of implementation of IFRS in India.

• Make presence of non-financial information in terms of business opportunities and risks complement the financial information.

• Presentation of annual report in a well organized manner with the help of XBRL to have a comparable annual report with information provided by other countries.
7.3. Suggestions for Future Study:

International Financial Reporting Standards’ is a new phenomenon in India. Hence there is wide scope for the studies in the future. Future research in this subject may focus on the:

- “Accounting for Derivatives” or “Hedge Accounting” under International Financial Reporting Standards.

- Implementation of XBRL in banking sector as well as insurance sector could also be taken up.

- A comparative study between Ind-AS and previous GAAP after mandatory implementation of International Financial Reporting Standards’ would be an area for further research.

- Amendments and changes of Indian Companies Act due to convergence with International Financial Reporting Standards is also another study area.

- Study can be taken up in IFRS implementation at regional trading blocs such as: SAARC countries, G20 countries, BRICS countries, etc.