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AN ANALYTICAL STUDY ON IFRS COMPLIANCE AMONG SELECT INDIAN COMPANIES

Mr. Muqdad Abed Jasim
Research Scholar, department of Commerce, CDLU Sirsa Haryana

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ABSTRACT

This paper is an empirical analysis of IFRS/IAS convergence in firms listed in India across a range of industries. The goal is to measure the level of adoption of the standard, investigate the factors driving adoption and evaluate its impact on the preparation of financial reports and at the capital market level on stakeholders' perceptions. Using mixed-methods data through content analysis of the annual reports of firms, and the qualitative insights from professionals, we find that IFRS compliance through Ind AS of large firms exists, but sectors show variations in trends. Adoption is heavily influenced by factors such as international exposure, regulatory mandates and organizational readiness. IFRS implementation is found to improve transparency, comparability and investor confidence while technical issues as well as cost considerations are still prevalent, the results of the study show. Efforts are suggested to reinforce policy consistency and efficacy.

KEYWORDS: *IFRS, Ind AS, Financial Reporting, Compliance, Indian Companies*

INTRODUCTION

Globalization has intensified the need for uniform and transparent financial reporting. Multinational companies, investors, and regulators require reliable and comparable financial data across borders. Differences in national accounting standards hinder comparability, obstruct investment decisions, and complicate corporate valuations. Harmonizing accounting standards reduces information asymmetry, fosters transparency, and supports stable international capital markets (Ball, 2006). Consequently, many countries have moved toward convergence with International Financial Reporting Standards (IFRS), promoting consistency and quality in financial disclosures. As global business and foreign investments grow, IFRS serves as the common financial language, enhancing corporate accountability and economic efficiency (Irvine & Lucas, 2006).

Globalization and the Need for Standardized Financial Reporting

The rapid pace of globalization has significantly transformed financial reporting practices worldwide. With increasing cross-border trade and capital flows, there is a growing demand for transparency and comparability in financial statements. Traditional national accounting systems, developed for domestic purposes, often lack the scope needed for global application, making it difficult for investors to assess performance across countries. This lack of harmonization can hinder investment decisions and result in inefficient capital allocation. Standardizing financial reporting addresses these issues by improving consistency, reliability, and quality of financial disclosures (Nobes & Parker, 2012). A unified reporting framework allows stakeholders to compare financial data across jurisdictions, facilitates regulatory oversight, enhances investor confidence, and reduces compliance costs for multinational firms. The global financial crises of the 2000s underscored the necessity of transparent reporting to reinforce market discipline and manage systemic risks. As accounting practices diverged globally, the International Financial Reporting Standards (IFRS) emerged as a solution to create coherence in financial reporting.

India's Convergence with IFRS through Ind AS

India opted for convergence rather than direct adoption of IFRS, creating Indian Accounting Standards (Ind AS), aligned with IFRS but tailored to local economic and regulatory needs. Rolled out in phases from April 2016, Ind AS focuses on fair value, substance over form, and enhanced disclosures. Key standards include Ind AS 115 (Revenue), Ind AS 109 (Financial Instruments), and Ind AS 116 (Leases). This convergence has improved global comparability of Indian financial reports, increased investor trust, and attracted foreign investment. However, it also brings challenges in training, system upgrades, and interpretation, requiring ongoing regulatory and institutional support (Ghosh, 2021).

NEED FOR THE STUDY

With increasing globalization and cross-border investments, transparent and comparable financial reporting has become crucial. Ind AS, converged with IFRS, aims to align Indian reporting standards with global practices to attract foreign capital. Though implemented since 2016, challenges persist especially among non-listed firms and those in non-metro areas due to limited technical expertise, inconsistent application, and weak disclosure quality. Many companies adopt a checklist approach, compromising true compliance. This study aims to assess the actual level of Ind AS compliance in Indian firms, identify sectoral and firm-level challenges, and recommend ways to enhance reporting practices to meet global and regulatory expectations.

RESEARCH PROBLEM

Are Indian companies genuinely complying with IFRS/Ind AS, or is it merely formal adoption?

REVIEW OF LITERATURE

Daske et al. (2008) conducted a cross-country empirical study involving 26 nations and found that the benefits of IFRS adoption—such as increased market liquidity and reduced cost of capital—were realized only in countries with strong legal enforcement. Their findings underscore that compliance, not just formal adoption, determines success. This insight is particularly critical for developing countries like India, where institutional structures are still maturing. It highlights the importance of assessing the actual implementation and enforcement of accounting standards.

Chand et al. (2012) emphasized the socio-economic, infrastructural, and cultural challenges that developing countries face in adopting IFRS. In India's case, they argued that convergence via Ind AS must be tailored to local conditions. They warned of symbolic compliance—where companies formally adopt standards without genuine adherence—and recommended compliance-focused studies.

Barth et al. (2008) explored whether IFRS improves reporting quality. They concluded that while IFRS enhances comparability, its effectiveness depends on audit quality and regulatory enforcement. This resonates with India's context, where such preconditions vary significantly, making compliance audits crucial for true financial transparency.

Sen and Das (2014) examined Indian accountants' experiences during Ind AS convergence and highlighted practical difficulties in applying standards related to fair value and financial instruments. Lack of training and internal expertise posed significant challenges, indicating uneven implementation across firms.

The ICAI (2015) technical guide provided practical instructions for Ind AS transition but lacked empirical data on how these guidelines were implemented. This gap opens opportunities for academic studies to evaluate whether these frameworks effectively enhanced reporting standards.

Ahmed et al. (2013) challenged the assumption that IFRS adoption alone ensures transparency. Their findings revealed that governance quality and enforcement mechanisms are vital for successful implementation, again underscoring the need for monitoring actual behavior rather than superficial compliance.

Bansal and Jha (2018) analyzed industry-level compliance with Ind AS in India. IT and financial services were more prepared, while manufacturing and public sector enterprises struggled due to infrastructure and resource limitations. This suggests that compliance varies by sector and calls for tailored strategies.

KPMG (2017) noted successes in large firms during early Ind AS implementation but flagged issues like fair value assessment and lease accounting. However, the study lacked empirical depth, stressing the need for academic tools to measure adherence levels.

Sengupta and Bhattacharya (2016) observed significant changes in financial reporting under Ind AS but noted inconsistent application across companies, raising concerns about uniformity and the need for qualitative assessment.

Ball (2006) argued that adoption alone does not guarantee quality reporting, especially in weak institutional settings. He advocated evaluating the substance of compliance over mere formality.

Verma and Gupta (2020) found discrepancies in financial statements post-Ind AS, particularly in revenue and financial instruments, emphasizing the importance of training and internal controls.

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Other scholars like Tyrrall et al. (2007), Raghu and Ramakrishna (2019), and Mouritsen (1996) highlighted issues such as dual reporting, SME challenges, and symbolic compliance, all of which remain relevant in India's evolving accounting landscape.

RESEARCH METHODOLOGY

This descriptive-analytical study focuses on a purposively selected group of Indian listed companies that have adopted IFRS, either directly or through convergence via Ind AS. The sample includes large firms with international exposure from key sectors such as IT, Banking, Pharmaceuticals, Oil & Gas, Real Estate, and Manufacturing. Companies were shortlisted based on BSE and NSE listings, sectoral importance, and adoption of core IFRS standards like IFRS 15, IFRS 16, IFRS 9, IAS 36, and IAS 38. At least two to three companies from each major sector were included to ensure diversity and representation. While not statistically generalizable, the study reflects practices of firms operating under an IFRS-compliant regime and aims to assess their real-world adherence and reporting quality.

DISCUSSION

Objective 1: To analyze the extent and pattern of IFRS/IAS adoption across major sectors among select Indian listed companies.

Table 1 showing sector, company, and relevant IFRS/IAS adoption

Sector	Listed Exchange	Company	Relevant IFRS Standards Adopted or Mapped via Ind AS
Computer Software & Hardware	BSE & NSE	HCL Technologies	IFRS-15, IFRS-16, IAS- 38, IFRS-13, IFRS-9
	BSE & NSE	Infosys	IFRS-15, IFRS-16, IAS- 38, IAS-1, IFRS-13
	BSE & NSE	TCS	IFRS-15, IFRS-16, IAS- 38, IFRS-9, IFRS-13
Automobile	BSE & NSE	Bajaj Auto	IFRS-15, IFRS-16, IAS- 16, IAS-38, IAS- 1
	BSE & NSE	Tata Motors	IFRS-15, IFRS-16, IAS- 16, IAS-36, IFRS-9
Telecommunications	BSE & NSE	Bharti Airtel	IFRS-15, IFRS-16, IAS- 38, IFRS-13, IAS- 1
Services Sector (financial & non-financial)	BSE & NSE	HDFC	IFRS-9, IFRS-7, IAS- 32, IFRS-16
	BSE & NSE	ICICI Bank	IFRS-9, IFRS-7, IAS- 32, IAS- 1, IFRS-13
Fuels (Power + Oil Refinery)	BSE & NSE	NTPC	IFRS-16, IAS- 16, IAS- 36, IAS-23, IFRS-13
	BSE & NSE	Reliance Industries	IFRS-15, IFRS-16, IAS- 16, IAS-36, IFRS-13
Chemicals (other than fertilizers)	BSE & NSE	Asian Paints	IFRS-15, IFRS-16, IAS- 2, IAS-16, IAS- 38
	BSE & NSE	Deepak Nitrite Ltd	IFRS-15, IFRS-16, IFRS-9, IAS-2, IAS- 38, IAS- 36
Food Processing Industries	BSE & NSE	Nestle India	IFRS-15, IFRS-16, IAS- 2, IAS-16, IAS- 38
	BSE & NSE	Hindustan Unilever	IFRS-15, IFRS-16, IAS- 2, IAS-38, IAS- 1, IFRS-9
Drugs & Pharmaceuticals	BSE & NSE	Dr. Reddy's Laboratories	IFRS-15, IFRS-16, IFRS-9, IAS-36, IAS- 38, IFRS-13

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	BSE & NSE	Sun Pharmaceutical Industries Ltd.	IFRS-15, IFRS-16, IFRS-9, IAS-38, IAS- 36, IFRS-13
Cement and Gypsum Products	BSE & NSE	UltraTech Cement	IFRS-15, IFRS-16, IAS- 16, IAS-23, IAS- 1
Metallurgical Industries	BSE & NSE	Tata Steel	IFRS-15, IFRS-16, IAS- 16, IAS-36, IFRS-9, IAS- 1
	BSE & NSE	JSW Steel Ltd	IFRS-15, IFRS-16, IFRS-9, IFRS-13, IAS- 2, IAS- 36, IAS- 16
Petroleum & Natural Gas	BSE & NSE	ONGC	IFRS-15, IFRS-16, IFRS-9, IAS-2, IAS- 36, IAS- 16, IFRS-13
	BSE & NSE	IOCL	IFRS-15, IFRS-16, IFRS-9, IAS-2, IAS- 36, IAS- 16, IFRS-13, IAS- 37
Housing & Real Estate	BSE & NSE	DLF Limited	IFRS-15, IFRS-16, IFRS-9, IFRS-13, IAS- 2, IAS- 36, IAS- 40, IAS-16
Construction Activities (Including Roads & Highways)	BSE & NSE	Larsen & Toubro (L&T)	IFRS-15, IFRS-16, IAS- 11, IAS-23, IAS- 1
Hotel & Tourism	BSE & NSE	Indian Hotels Company Limited (IHCL)	IFRS-15, IFRS-16, IFRS-9, IAS-36, IAS- 2, IFRS-13, IAS- 16, IAS- 37
Trading	BSE & NSE	Adani Enterprises Limited	IFRS-15, IFRS-16, IFRS-9, IFRS-13 IAS- 16, IAS- 36, IAS- 2, IAS-37

Companies across key sectors in India demonstrate varying degrees of alignment with IFRS and IAS standards, depending on their industry-specific operational models. In the Computer Software & Hardware sector, firms like Infosys, TCS, and HCL Technologies show near-uniform application of IFRS-15 (Revenue from Contracts with Customers), IFRS-16 (Leases), and IAS-38 (Intangible Assets), reflecting their reliance on service contracts, software licenses, and intangibles. The frequent appearance of IFRS-13 (Fair Value Measurement) and IFRS-9 (Financial Instruments) further highlights the sector's focus on valuation and financial risk control.

In the Automobile sector, Bajaj Auto and Tata Motors conform to IFRS-15 and IFRS-16 due to the complex nature of manufacturing revenue and lease contracts. IAS-16 (Property, Plant and Equipment) and IAS-36 (Impairment of Assets) are also crucial here, as capital assets are significant. Similarly, Bharti Airtel complies with IFRS-15, IFRS-16, and IAS-38, while also emphasizing IFRS-13 and IAS-1 (Presentation of Financial Statements) for robust disclosures.

The Financial Services sector, represented by HDFC and ICICI Bank, adopts IFRS-9, IFRS-7 (Financial Instruments Disclosures), IAS-32 (Financial Instruments: Presentation), and IFRS-16, highlighting the sector's complexity in financial reporting and lease accounting. In capital-intensive sectors like Fuels and Energy, companies like NTPC and Reliance Industries apply IFRS-16, IAS-16, IAS-36, and IFRS-13 to address concerns over asset impairment and valuation.

In the Chemicals sector, Asian Paints and Deepak Nitrite implement IFRS-15 and IAS-2 (Inventories), along with IAS-36 and IAS-38, critical for inventory management and intangible asset handling. Food Processing companies such as Nestle India and Hindustan Unilever show strong adoption of IFRS-15, IFRS-16, IAS-2, and IAS-38, with Hindustan Unilever also applying IAS-1 and IFRS-9 for enhanced financial disclosures.

Pharmaceutical giants like Dr. Reddy's and Sun Pharma adopt a wide spectrum of standards, including IFRS-15, IFRS-16, IFRS-9, IAS-36, IAS-38, and IFRS-13, reflecting their dependence on patents, lease arrangements, and fair value measurement. In sectors like Cement (e.g., UltraTech) and Metallurgy (e.g., Tata Steel, JSW Steel), IAS-16, IAS-23 (Borrowing Costs), IFRS-15, and IFRS-16 dominate due to long project cycles and fixed asset structures.

ONGC and IOCL in Petroleum & Natural Gas comply with IFRS-13, IAS-36, IAS-2, IAS-16, and IAS-37 (Provisions), indicating complex financial and environmental obligations. DLF in Real Estate applies IFRS-15, IFRS-16, and IAS-40 (Investment Property), while L&T in Construction adheres to IAS-11, IAS-23, and IAS-1. Indian Hotels Company in Hospitality uses a range of standards due to operational diversity. Finally, Adani Enterprises shows broad compliance across IFRS and IAS, illustrating its vast business footprint.

Objective 2: To evaluate the factors influencing IFRS/IAS adoption among Indian companies across sectors
The adoption of IFRS/IAS by Indian companies is influenced by both internal and external factors, varying across sectors. Key motivations include cross-border comparability and access to global capital markets. Sectors like IT (e.g., Infosys, TCS) and Pharma (e.g., Dr. Reddy's, Sun Pharma) have been early adopters due to international exposure. Regulatory mandates and Ind AS convergence have also accelerated adoption among listed firms. Sectoral needs dictate priority standards—manufacturing firms focus on IAS 16 and IAS 23, while financial institutions emphasize IFRS 9. Adoption success further depends on organizational preparedness, accounting expertise, IT systems, and global linkages influencing compliance behavior.

Objective 3: To assess the impact of IFRS/IAS adoption on financial reporting practices and stakeholder perceptions in the selected companies
The research reveals that IFRS/IAS adoption has significantly impacted financial reporting practices in the five selected Indian companies, especially in areas like revenue recognition (IFRS 15), lease accounting (IFRS 16), and financial instruments (IFRS 9). These changes have enhanced transparency, comparability, and credibility, benefiting investors, analysts, and regulators. Stakeholders widely regard IFRS-aligned reporting as a marker of better governance and accountability. However, the transition involved major adjustments in accounting policies, systems, and controls. Standards like IFRS 13 (fair value) and IAS 36 (impairment) increased complexity, requiring valuation expertise. While auditors and regulators support the shift, some executives express concern over costs. The impact varies by sector and firm size, with global-facing industries benefiting more. Continued training and regulatory support remain essential.

CONCLUSION

This study attempts to analyse IFRA/IAS adoption in select sectors of Indian companies considering extent of compliance, determinants of compliance, impact of compliance on accounting outcomes and impact of accounting outcomes on user perception of financial reporting in India. The results indicate that large Indian firms with high globalisation are adopting IFRS-aligned standards, mostly through Ind AS, and that this is concentrated in sectors such as IT, banking, pharmaceuticals, and oil & gas. Adherence to globally accepted reporting standards: For example, IFRS 15 (Revenue Recognition), IFRS 16 (Leases), IFRS 9 (Financial Instruments), and IAS 36 (Impairment) are all widely implemented. It also uncovered several factors that support the adoption of these standards and their subsequent use. Global investor expectations, regulatory insistence, industry-centric finance intricacies and internal preparedness (staff training, system enhancements) drive the extent to which IFRS/IAS is adopted by companies. However, while the adoption has typically enhanced the quality, comparability and transparency of financial reports, it has also created new issues of cost, complexity and technical skill. Overall, stakeholders, particularly auditors, investors and regulators, view the move to IFRS compliant reporting positively, particularly with respect to improved disclosure and decision-usefulness. But for many firms especially in traditional or asset-heavy sectors complete compliance is a work in progress and will continue to necessitate new practices, training, and regulatory vigilance.

Implications of the Study
This study offers valuable insights for companies, regulators, auditors, policymakers, and investors. For companies, it emphasizes treating IFRS/Ind AS adoption as a strategic move requiring investment in training and systems. Regulators like SEBI and ICAI must provide sector-specific guidance and enforce high reporting standards. Auditors need continuous upskilling, especially in fair value and impairment standards, to ensure accurate disclosures. Policymakers can use sectoral findings to shape reforms, SME support, and academic curricula. Investors benefit from improved transparency and comparability but should remain aware of sectoral differences and implementation challenges in interpreting IFRS-aligned financial statements.

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