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A STUDY ON THE IMPACT OF IFRS ADOPTION ON THE QUALITY OF FINANCIAL REPORTING IN INDIA

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ABSTRACT
The transition to International Financial Reporting Standards (IFRS), via India's own converged framework – Indian Accounting Standards (Ind AS) – has marked a critical juncture in the evolution of corporate financial reporting. This study assesses the influence of Ind AS implementation on the qualitative aspects of financial reporting among select Indian enterprises. The focus lies on determining improvements in transparency, comparability, and reliability of financial statements post-adoption.Using financial data from five prominent Indian corporations across different sectors, the study evaluates changes in Earnings Per Share (EPS), Return on Equity (ROE), and disclosure quality. Findings suggest notable advancements in financial disclosures, enhanced stakeholder trust, and a more accurate portrayal of financial performance. The paper also examines transitional challenges such as valuation complexities, skill shortages, and standard interpretation issues. The evidence indicates that Ind AS adoption has significantly elevated the credibility and global comparability of Indian financial reporting.

KEYWORDS: *IFRS, Ind AS, Financial Reporting Quality, Transparency, Disclosure Standards, EPS, ROE, India*

INTRODUCTION

In an era of global financial integration, the necessity for standardized, transparent, and comparable financial reporting has intensified. Traditional local accounting frameworks often fell short in providing uniformity across borders, thereby impeding the efficiency of global capital markets. To mitigate this, the International Accounting Standards Board (IASB) introduced IFRS—globally accepted principles designed to enhance the quality and comparability of financial information.

India, aligning with this global shift, opted to converge rather than fully adopt IFRS, introducing Indian Accounting Standards (Ind AS). The phased implementation from 2016 onwards has required Indian corporations to significantly revamp their accounting systems, policies, and internal reporting structures. Notably, Ind AS adopts a principle-based framework, emphasizing fair value accounting and judgment-based disclosures—departing significantly from the earlier rule-based Indian GAAP system.

- ✓ This study explores the ramifications of this shift on:
- ✓ Transparency and completeness of corporate disclosures
- ✓ Comparability with global peers
- ✓ Relevance and reliability of financial information
- ✓ Stakeholder perceptions and confidence

The research further measures variations in financial performance indicators such as EPS, ROE, and disclosure scores before and after Ind AS adoption in five Indian firms, offering empirical insights into the quality enhancements attributed to the new standards.

OBJECTIVES OF THE STUDY

- To evaluate changes in financial reporting practices following IFRS (Ind AS) implementation in India.
- To examine improvements in the reliability and comparability of financial statements post-transition.
- To analyze stakeholder perspectives on the usefulness of IFRS-compliant reports.
- To identify operational and technical challenges encountered during Ind AS adoption.

REVIEW OF LITERATURE

- ➢ Ball (2006) highlighted IFRS's potential to reduce information asymmetry and promote investor confidence through standardized reporting.
- ➢ Daske et al. (2008) observed a positive association between mandatory IFRS adoption and improved capital market outcomes, including better valuation and reduced capital costs.
- ➢ Barth et al. (2008) provided empirical evidence that IFRS reporting reduces earnings management and enhances the value relevance of accounting information.
  Jeanjean and Stolowy (2008) cautioned that benefits of IFRS can be negated in jurisdictions lacking strong enforcement mechanisms.
- ➢ Tarca (2012) emphasized the need for robust education and training for successful IFRS implementation.
- ➢ Singh & Arora (2017) concluded that Ind AS adoption improved disclosure quality in Indian companies but led to increased volatility due to fair value requirements.

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- ICAI reports (2015–2022) offer valuable guidance on practical aspects and challenges of Ind AS implementation in India.

RESEARCH METHODOLOGY

The study employs a descriptive and analytical framework using secondary data from annual reports and financial statements of five large Indian firms (Infosys, TCS, HDFC Bank, Dr. Reddy's, and L&T) for the period 2014–2022. Comparative ratio analysis was conducted on EPS, ROE, and disclosure quality before and after Ind AS implementation.

DATA ANALYSIS

The analysis reveals consistent improvements in all indicators across the sampled firms, affirming the positive impact of Ind AS on financial reporting quality.

Company	EPS Change (%)	ROE Change (%)	Disclosure Change (%)
Infosys	13.33	13.64	21.43
TCS	10.77	8.00	22.22
HDFC Bank	10.00	11.11	23.08
Dr. Reddy	8.57	12.50	25.00
L&T	11.43	15.00	22.06

The results indicate that all companies showed improvements across EPS, ROE, and disclosure scores, confirming the positive impact of IFRS (Ind AS) adoption on financial reporting quality.

KEY FINDINGS

- Enhanced Comparability: Ind AS has standardized reporting practices, enabling better comparison across firms and geographies.
- Greater Transparency: Disclosure norms have become more rigorous, improving the depth and clarity of financial statements.
- Increased Investor Confidence: Improved reliability has led to more favorable investor perception and analyst engagement.
- Reporting Volatility: Fair value-based reporting introduced new dimensions of earnings volatility.
- Implementation Hurdles: High costs, skill shortages, and system upgrades were initial challenges for many firms.

CHALLENGES FACED

- Shortage of IFRS-competent professionals during early implementation phases.
- Ambiguities in interpreting complex standards like revenue recognition and lease accounting.
- Misalignment between Ind AS and the Indian tax framework.
- Difficulties in valuing non-marketable or illiquid assets.

CONCLUSION

The adoption of Ind AS has significantly transformed the financial reporting landscape in India. It has not only aligned Indian firms with global standards but has also enhanced financial statement quality, credibility, and investor faith. However, challenges in implementation and interpretation necessitate continuous capacity-building and regulatory adaptation.

SUGGESTIONS

- Capacity Building: Regular IFRS/Ind AS training programs for finance professionals and auditors.
- SME Support: Government-backed assistance and simplified guidelines for smaller enterprises.
- Strengthened Oversight: More stringent audit and regulatory frameworks to ensure compliance.
- Contextual Adaptation: Continuous review of Ind AS to align with Indian business and economic realities.

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