



# Impact Of International Financial Reporting Standards On Manufacturing Companies In India

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## ARTICLE INFO

## ABSTRACT

This study looks at how Indian manufacturing companies are affected IFRS. A cohesive set of exceptionally high-quality IFRS, comprehensible, enforceable, and universally acknowledged. Standards as such are founded on well-defined concepts. These standards facilitate the ability among financiers and other parties who utilize financial statements to make meaningful comparisons between financial statements, ensuring a consistent and equitable basis for comparison with foreign counterparts. This study mainly focusing on to recognize the convergence process of Indian AS into IFRS and to identify the IFRS accounting norms that will impact manufacturing companies.

**KEYWORDS:** IFRS, Financiers, Financial Statements, Convergence and Accounting Norms

## INTRODUCTION

This study looks at how Indian manufacturing companies are affected IFRS. A cohesive set of exceptionally high-quality IFRS, comprehensible, enforceable, and universally acknowledged. Standards as such are founded on well-defined concepts. These standards facilitate the ability among financiers and other parties who utilize financial statements to make meaningful comparisons between financial statements, ensuring a consistent and equitable basis for comparison with foreign counterparts. At the Chartered Accountants Council's request, Accounting Standards Board develops accounting standards in India. The aforementioned Accounting Standards are then assessed and discussed by the National Advisory Committee on Accounting Standards (NACAS), which was founded in accordance with the Indian Companies Act of 1956 (as modified in 2013). NACAS evaluates the Standards and then forwards them to the Central Government for official notification of the Act.

## REVIEW OF LITERATURE

**Bushman and Smith (2001)** propose that robust investor protection at the national level generates high-quality accounting information and that the interaction between these two factors has a positive impact on economic development. Similar to this discovered that earnings management was less prevalent among corporations in nations with developed equity markets, dispersed ownership, robust investor rights, and legal enforcement.

**Singh J (2008)** The objective of the research was to analyse and contrast the superiority, location, content, scope, nature, and quality of disclosures pertaining to business societal accountability made by Indian corporations. Additionally, the study aimed to investigate the perspectives of stockholders and stock brokers concerning these matters.

**Sarbapriya Ray (2011)** believes that IFRS will finally prime to the approval of a unified, superior-quality set for both national and international financial reporting. Additionally, she reaches the supposition that the establishment of a standardized international writing verbal will facilitate the transfer of investor funds across the global market, while the acceptance of IFRS in India will bolster investors' trust in allocating capital to the Indian economy.

**Meenu Sambaru (2014)** argues in learning on IFRS in India that although IFRS is critical to the expansion and success of Indian businesses, there is a need to address the challenges posed by its implementation and effort in the direction of full implementation of IFRS in India. He goes on to say that Indian corporations need

to step up their readiness for the adoption of IFRS. Adapting the models developed in industrialized nations of the West to local requirements is preferable to neither completely rejecting nor completely accepting such models. This will frequently necessitate the creation of a two-tier system, as the stakeholders of larger, publicly traded entities are distinct. Users of financial statements, to employ the terminology of financial accounting, frequently arrive at vastly different analyses.

**Chaklader B (2015)** studied the Indian listed companies' discretionary disclosure policies. It shows how far companies have gone with their corporate governance policies. During the examination of the influence of Ind AS application on the telecom sector, it is suggested that IFRS adoption converged and will lead to several modifications in reporting. These changes are expected to primarily impact financial statements, subsequently affecting specific aspects of financial management. The implementation of IFRS is expected to yield notable effects on a multitude of financial reporting dimensions, such as the income statement's disclosure of profits and the balance sheet's presentation of financial position. Furthermore, it is anticipated that the adoption of IFRS will have an impact on financial performance thus enhancing evaluation and the decision-making processes within organisations.

### STATEMENT OF RESEARCH PROBLEM

The mandatory adoption of a diverse array of reporting standards is an outcome of the adoption of IFRS. These reporting criteria are still not widely known among the many stakeholders, such as companies, banks, stock exchanges, commodity exchanges, etc. It will be difficult to properly understand these requirements from these parties. The proper implementation of IFRS is trusted to the expertise of licensed accountants. The current financial reporting system must be modified for Indian enterprises to conform with IFRS. Numerous new IFRS requirements will be addressed by the updated reporting system.

### RESEARCH QUESTIONS

1. How do accounting professionals feel regarding IFRS?
2. What are the IFRS accounting norms that would impact manufacturing companies?

### OBJECTIVES OF THE RESEARCH STUDY

1. To analyse the present perspectives of IFRS at Indian manufacturing companies.
2. To suggest the major findings and suggestions for Indian manufacturing companies.

### RESEARCH METHODOLOGY

The present study has employed the quantitative research methodology in order to achieve its research objectives. Since the goal was to examine the IFRS regime in India from various angles, effort had been first made to identify these problems and obstacles in an impartial manner.

### RESEARCH INSTRUMENT

A structured, closed-ended questionnaire was developed that contained to recognize significant professional perceptions and other matters pertaining to the enactment of the IFRS regime in India. It was developed based on an evaluation of previous research, expert comments, and the researcher's personal experiences.

### RESEARCH DESIGN

The concept of "research design" pertains to the comprehensive scheme or framework of the investigation. The only significant research design implemented in this investigation is the between-group design. A group design is a research design in which differences in the properties of the groups are compared.

### SAMPLE DESIGN

Randomization of industry personnel or professionals who responded to the questionnaires was feasible by employing suitable probability criteria, the stratified random probability sampling with a proportionate method has been used.

### SAMPLE SIZE

The data gathered from 383 participants in the current study were determined to be valid. Thus, 383 can be the sample size for the current study. Sample size has been determined using Cochran's equation with a 95% confidence level.

COCHRAN'S EQUATION IS CONSIDERED FOR DETERMINING SAMPLE SIZE

$$n = Z^2 P (1-P)/e^2$$

Confidence Level = 95%, Margin of Error = 5%, Proportion = 50%, Z-Score for 95% = 1.96

$$n = (1.96)^2 (0.50) (1-0.50) / (0.05)^2$$

$$n = (3.8416) (0.50) (0.50) / (0.0025)$$

$$n = 0.9604/0.0025$$

$$n = 384.16$$

## ANALYSIS AND INTERPRETATION

**Table:1** Descriptive statistics on perspectives of IFRS at Indian Manufacturing Companies

Perspectives of IFRS at Indian Manufacturing Companies	Mean	Std. Deviation
In order to obtain a true and fair representation of the financial statements, IFRS are suitable.	3.79	1.359
IFRS implementation will enhance the clarity and visibility of financial statements.	3.97	1.291
Financial statements will be more internationally comparable as a result of IFRS implementation.	4.21	1.038
More opportunities will become available for Indian companies to enter the global market as a result of IFRS implementation.	3.11	1.517
IFRS implementation will enhance the comprehensibility of financial statements.	3.41	1.466
When IFRS is put into place, accounting information will be more useful for making decisions.	4.04	1.030
The adoption of IFRS will reduce the cost of capital.	3.24	1.315
Implementation of IFRS will assure the greater accessibility to funds for Indian Companies.	2.88	1.534
When IFRS is put into place, there will be more cross-border listings.	3.47	1.550
When IFRS is put into place, it will open up job opportunities for Indian professionals all over the world.	3.14	1.653
IFRS are more complicated than Indian Accounting Standards.	3.45	1.630
IFRS cannot be considered global standards due to their lack of global implementation.	3.96	1.256
Staff must be trained on IFRS due to its complexity.	3.38	1.451
Accounting must change under IFRS.	3.99	1.443
IFRS requires major IT infrastructure changes.	3.08	1.636
The implementation of IFRS will result in a greater degree of earnings volatility for the company.	3.52	1.459
Implementation of IFRS will necessitate an excessive amount of financial information disclosure, which is problematic.	3.33	1.668
Application of the fair value concept, which is generally challenging to implement, is recommended by IFRS.	3.75	1.069
Implementation of IFRS will incur enormous expenses for staff training.	3.65	1.244
Adoption of IFRS will necessitate substantial amendments to numerous preexisting statutes.	3.77	1.097

The descriptive statistics provided offer valuable insights regarding the mean and standard deviation of each statement pertaining to the impact and implementation of International Financial Reporting Standards (IFRS) across different facets of financial reporting.

## SUGGESTIONS

- Extend the research to include other sectors outside of manufacturing to compare and contrast the perceptions of employees from different industries. This analysis can provide insights into the sector-specific implications of IFRS adoption and identify any unique challenges or opportunities in the manufacturing sector.
- Further investigate the specific contributions of different occupational groups (auditors, academicians, investors, accounting professionals, and others) to gain a deeper understanding of their respective insights, challenges, and recommendations regarding IFRS adoption in the manufacturing industry.
- Explore the factors that contribute to the awareness gap between IFRS and Indian Accounting Standards and investigate effective strategies to enhance awareness and knowledge among professionals in the manufacturing sector. This research can inform the development of targeted training programs, educational initiatives, and industry-wide awareness campaigns.
- Conduct qualitative research, such as interviews or focus groups, to gain a deeper understanding of the underlying reasons for the age-related differences in perceptions. Explore the specific factors that shape employees' beliefs and opinions about the impact of IFRS, considering their age and professional experiences.

- Examine the influence of the organizational context on employees' perceptions of IFRS accounting norms. Investigate whether factors such as organizational culture, leadership styles, or the extent of IFRS implementation within a company moderate the relationship between age and perception.

### CONCLUSION

Invest in ongoing professional development programs that focus on IFRS and related topics. Provide resources and training sessions to help employees stay updated with the evolving standards, regulations, and industry practices. Encourage employees to pursue certifications or attend relevant seminars or conferences, which can enhance their expertise and confidence in working with IFRS. Encourage collaboration between employees from different departments within an organization and across different organizations within the same industry. This can help employees gain a holistic perspective on how IFRS implementation impacts various aspects of their work and the overall industry. Sharing knowledge and experiences can create a more comprehensive understanding of the benefits and challenges associated with IFRS.

Establish effective communication channels to keep employees informed about the progress, updates, and implications of IFRS implementation within their industry. Provide clarity on the objectives, timelines, and potential challenges, while also addressing any misconceptions or concerns. Open dialogue can promote a better understanding of the rationale behind IFRS adoption and its long-term benefits. Encourage regular forums or workshops where employees from different organizations within the same industry can exchange experiences, best practices, and insights related to IFRS implementation. This can help foster a sense of community and shared understanding among industry professionals.

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