

AN EVALUATION OF PERCEPTION OF CHARTERED ACCOUNTANTS TOWARDS IMPLEMENTATION OF 'IND AS' IN INDIA

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ABSTRACT:

International Financial Reporting Standards (IFRS) are the global accounting standards prepared for ensuring increased understandability and comparability of financial statements across the globe. The Indian Accounting Standards (IND AS) are the accounting standards which are converged with IFRS. The implementation of Ind AS in India has both benefits and challenges for various stake holders like chartered accountants and auditors, investors, shareholders, company management and government. Chartered accountants are the central point of this study and this paper examines the perception of 100 chartered accountants towards the implementation of Ind AS in India as well as the theoretical background of the Ind AS. The Five Point Likert Scale questionnaire has been administered and direct interview method has been used to collect the response from the samples. The study concluded that implementation of Ind AS benefits the country as well as the chartered accountants in the long run.

Keywords: IFRS, Ind AS, Convergence, Perception

INTRODUCTION:

Global accounting standards are required to ensure uniformity, comparability, reliability and better understanding of financial reports throughout the world and International Financial Reporting Standards (IFRS) are formulated by International Accounting Standards Board (IASB), an independent and not-for-profit organization, for ensuring the same.

Ind AS are the accounting standards converged with IFRS which are notified by Ministry of Corporate Affairs (MCA). Ind AS are formulated by Accounting Standards Board (ASB) of Institute of Chartered Accountants of India (ICAI). ASB was constituted as a body in the year 1977 and it is a committee under ICAI which is responsible for issue, supervision and control of accounting standards in India. ASB consists of representatives from government department, academicians, other professional

bodies such as ICAI, ASSOCHAM (The Associated Chambers of Commerce and Industry of India), CII (Confederation of Indian Industry), FICCI (Federation of Indian Chambers of Commerce and Industry) etc.

REVIEW OF LITERATURE:

Dr. Manoj Kumara N V, Sowmya Erappa K and Abhilasha N (2016) in their study titled “IND-AS: Evolution Or Revolution (Major beneficiaries of IND-AS)” explored by collecting response from 30 Chartered Accountants, 20 Accounting Professors, 20 Research Scholars and 30 Accounting Students that the main reason for adopting the IFRS in India is the better comparability of financial statements. The study also explored that investors are the major beneficiaries of implementation of Ind AS followed by companies and national regulatory bodies. It also highlights and suggests that there is a need for proper training to academicians, chief financial officers, auditors and accountants in order to achieve smooth convergence as well as suggests amending the laws and regulations as soon as possible in order to meet the requirement of IFRS.

Petricia S and Aishwarya B (2016) in their study on “A Paradigm shift from Current Accounting Standards to Ind AS – An Auditor’s Perspective” analysed the perception of 30 auditors towards the implementation of Ind AS. The study viewed that the initial transition phase would be a tedious task for the auditors to accept, as this adoption would pose serious challenges to the auditors such as first time reporting implementation which is a demanding factor and the reconciliation of the previous year’s financial statements with the current year’s financial statements. The study also examines the challenges and benefits for auditors from implementation of Ind AS. It is also concluded in the study that it is essential for the auditors to be proficient in order to sell their talent in the global market.

Kusuma C N and Shradha Anjali (2016) in their study on “IFRS is in convergence with Ind AS - An evaluation” stated that in order to give knowledge about Ind AS to the existing accounting professional and chartered accountants, ICAI can implement a compulsory certificate course for all the existing accounting professionals and Chartered Accountants. The study also states that ICAI must conduct more seminars, conferences and workshops to create awareness among the different users.

Dr.Veena K P and Ms. Shilpa (2016) in their study on “Convergence of International Financial Reporting Standards (IFRS) with Indian Perspectives: Issues and Challenges” focuses on the theoretical framework, history of IFRS and its implementation procedure in India, issues and challenges in convergence of Indian accounting standards with IFRS and gives a comparative statement of IFRS with Ind AS. They also stated in their paper that financial report is authenticated by auditor for reliance to be placed on it by users of the report. In reporting under statute, the auditor must ensure full compliance with statutory requirements.

Tawfiq Abu-Raqabeh and Beverley Alleyne (2017) in their study on “Indian Accounting Standards and the transition to IFRS” evaluate the benefits of convergence of Indian GAAP to IFRS. The study was completely based on secondary data and concluded that the convergence of accounting standards has both benefits and drawbacks but the benefits are more when compared to drawbacks.

NEED FOR THE STUDY:

Globalisation necessitates the adoption of IFRS or convergence of Indian GAAP with IFRS as IFRS became the global accounting language. The convergence of national accounting standards with IFRS poses so many challenges to concerned stake holders, but at the same time it results in long term benefit for them. The study of perception of chartered accountants towards adoption of Ind AS is needed to know how they perceived the implementation of Ind AS and to examine the challenges and benefits for Chartered accountants due to the implementation of Ind AS in India.

OBJECTIVES OF THE STUDY:

- 1) To understand the concept of convergence and the stages of implementation of Ind AS in India
- 2) To analyse the need and benefits of convergence of Indian GAAP with IFRS
- 3) To study the reasons for departure in Ind AS from IFRS
- 4) To understand the perception of chartered accountants towards the implementation of Ind AS in India
- 5) To study the challenges and benefits for chartered accountants due to implementation of Ind AS.

SCOPE:

This study analyses the theoretical background of the Ind AS and also considers the perception of chartered accountants towards the implementation of Ind AS in India. Due to implementation of Ind AS, the chartered accountants are facing some challenges as well as have certain benefits for their carrier and the same has been analysed in this study.

SAMPLE DESIGN:

To study the perception of chartered accountants towards implementation of Ind AS in India, 100 chartered accountants were selected as samples. The samples were drawn from population using convenient method of sampling.

RESEARCH METHODOLOGY:

- **Sources of Data:** In this study both primary data and secondary data are collected. Primary data has been collected by administering a ‘Five Point Likert Scale Questionnaire’ to the selected respondents as well as through direct interview method. The Five Point Likert Scale consists the options of Strongly agree(SA), Agree(A), Neutral(n), Disagree(DA) and Strongly Disagree(SDA) which are assigned with

values 5,4,3,2 and 1 respectively. Secondary data has been collected from various secondary sources like books, journals, websites etc.

- **Statistical tools:** Simple percentage analysis and Descriptive statistics such as Mean and Standard Deviation(SD) are used to analyse the data

THE CONCEPT OF CONVERGENCE:

The IFRS converged accounting standards are those standards which are formulated based on IFRS with certain departures. The concept paper on convergence with IFRS in India released by ICAI defines the convergence both in general and precise terms. As per the concept paper in general terms 'convergence' means to achieve harmony with IFRS and in precise terms 'convergence' can be considered as to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRS. It is stated in the paragraph 14 of International Accounting Standard (IAS) 1- Presentation of Financial Statements that, financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs. It does not imply that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRS only when IFRSs are adopted word by word. The IASB accepts in its 'Statement of Best Practice: Working Relationships between the IASB and other Accounting Standards-Setters' that adding disclosure requirements or removing optional treatments does not create noncompliance with IFRS. Indeed, the IASB aims to remove optional treatments from IFRS. This makes it clear that if a country wants to add a disclosure that is considered necessary in the local environment, or removes an optional treatment, this will not amount to noncompliance with IFRS.

NEED FOR CONVERGENCE WITH IFRS:

- **Globalization and liberalization:** The world has become a single market due to globalisation and liberalization, which removes the national boundaries for the purpose of trade and business. Globalization and liberalization results in establishment of business by number of multi-national companies in various countries. When a company is operating in more than one country it has to prepare its financial statements as per the requirement of all the countries where it is operating, which is a tedious task for the company. This problem can be overcome by adopting internationally accepted accounting standards by all the countries of the world. Therefore there is a need for adoption of globally accepted accounting standards.
- **Elimination of confusion among the users in understanding the financial statements:** When the different accounting frameworks are followed in different countries, the same underlying economic transactions will be treated differently by the countries. This will result in creation of confusion in understanding the financial statements among its users. This confusion leads to inefficiency in capital

markets across the world. Therefore, increasing complexity of business transactions and globalisation of capital markets call for a single set of high quality accounting standards.

- **Increased comparability and understandability of financial statements:** In order to increase the comparability and understandability of financial statements across the world, there is need for adoption of globally accepted accounting standards. The increased comparability and understandability of financial statements can results in various economic benefits for the nation.
- **Cross border investments:** Investors trust in financial and non-financial information will increase with high standards of financial reporting. Therefore many countries are moving towards the adoption of IFRS or convergence with IFRS.

STAGES OF IMPLEMENTATION OF IND AS IN INDIA:

India has chosen a path of International Financial Reporting Standards convergence rather than its adoption. The Ministry of Corporate Affairs (MCA) of India has given a roadmap for implementation of Ind AS in India. The corporate has to follow this roadmap for adoption of Ind AS in preparation and presentation of their financial statements.

Ind AS are implemented in India voluntarily from 01/04/2015 and mandatorily from 01/04/2016. As per the roadmap given by MCA, Ind AS to be followed by companies on a voluntary basis from April 1, 2015. For companies having net worth of ₹500 crore or more, the new norms would be mandatory from April 1, 2016. Ind AS are mandatory from April 1, 2017 for companies whose equity and/or debt securities are listed or are in the process of being listed within India or outside having a net worth of less than ₹500 crore. Other companies which are unlisted having a net worth of ₹250 crore or more but less than ₹500 crore are required to implement Ind AS from April 1, 2017.

BENIFITS OF IMPLEMENTATION OF IND AS IN INDIA:

- **Benefits to the Economy:** Global expansion of the market increases the need for convergence of national accounting standards with IFRS. Convergence of accounting standards benefits the economy by increasing the growth of its international business. Economic growth of the country can be achieved through convergence of accounting standards with IFRS which facilitates maintenance of orderly and efficient capital markets and also helps to increase the capital formation. Convergence attracts the cross border investments and brings more foreign capital into the nation.
- **Benefits to the Investors:** Investors are one of the beneficiaries of the convergence of accounting standards. Investors invest their money not only in their own country but also they wanted to make a cross border investment. So many factors are required to be considered by the investors while making an investment abroad. They need to analyse the financial statements of the foreign enterprises where they willing to invest their money. When the financial statements are prepared by using different set of

accounting standards by the entities in different countries, it will be very difficult for the investors to analyse them. Moreover the investors are required to incur certain cost for conversion of financial statements into their understandable one. When all the countries follow the globally accepted accounting standards, it can lead to increased understandability and comparability of the financial statement throughout the world. Convergence of national accounting standards with IFRS leads to create more confidence in the minds of investors about the investments opportunities.

- **Benefits to the Industry:** With the convergence of accounting standards, industry will be benefited mainly in two ways. Firstly it can reduce its cost of preparation of financial statements as it is not required to prepare its accounts under different sets of standards when it operates in different countries and secondly it can attract more foreign investment by creating confidence in the minds of foreign investors through preparation of its financial statements under globally accepted accounting standards.
- **Benefits to the Accounting Professionals:** The Accounting Professionals are also going to derive benefits from convergence of national accounting standards with IFRS. They can get the opportunities of serving at international level in any part of the world when the same accounting standards are being followed throughout the world.

REASONS FOR DEPARTURE FROM IFRS:

There are certain departures in Ind AS from IFRS due to various unavoidable reasons such as,

- **To maintain consistency with the Legal and Regulatory Requirements:** In certain cases, the legal and regulatory requirements in India are different from that of the IFRSs. Therefore, in such cases, Indian Accounting Standards are diverged from IFRSs to avoid the various legal problems which may arise otherwise.
- **Economic environment:** The economic environment of one country is different from that of the other country in various aspects and it plays an important role in prescribing the accounting requirements applicable to various enterprises. Therefore there are certain departures in Ind AS from IFRS. For instance, while various IFRSs have been based on the fair value approach, there has been reluctance in India to adopt this approach in view of the fact that various markets in the country have not been considered to possess necessary depth and breadth providing reliable fair values on measurement of various assets and liabilities.
- **Level of preparedness:** When the IFRS are adopted by the country in the same way as they are formulated, it may cause hardship to the industry and, to avoid the same, modifications are made in Accounting Standards until the industry is prepared for the IFRS.
- **Conceptual differences:** There are a few conceptual differences between the Indian Accounting Standards and the IFRS. To overcome those differences departures are made in preparation of Ind AS which are primarily based on IFRS.

ANALYSIS AND INTERPRETATION OF DATA:**Table 1: Demographic profile of the respondents**

Sl. No.	Particulars	Number of respondents	Percentage
1	Gender:		
	Male	100	100
	Female	00	00
2	Qualification: CA(Chartered Accountant)	100	100
3	Age :		
	Below 30 years	9	9
	30-40 years	13	13
	40-50 years	68	68
	Above 50 years	10	10
4	Experience :		
	Below 5 years	9	9
	5-10 years	13	13
	Above 10 years	78	78

Source: Field survey

The above table depicts that all the selected respondents are male only with the qualification of CA. Majority of 68% of the respondent's age lies between 40-50 years and majority of 78% of the respondents are having the experience of more than 10 years

Table 2: Analysis of Chartered accountants perception towards implementation of Ind AS in India

Sl. No.	Statements	N	SA (%)	A (%)	N (%)	DA (%)	SDA (%)	Total (%)	Mean	S.D
1	Implementation of Ind AS is a boon for the development of the country	100	42	58	00	00	00	100	4.42	.496
2	Implementation of Ind AS improves the quality of financial reporting	100	38	58	04	00	00	100	4.91	.404
3	Implementation of Ind AS makes financial statements more understandable across international boundaries	100	36	61	03	00	00	100	4.33	.533
4	Implementation of Ind AS makes financial statements more comparable across international boundaries	100	36	61	03	00	00	100	4.33	.533
5	Implementation of Ind AS helps to attract cross border investments	100	34	59	04	03	00	100	4.24	.668

6	It is difficult to bring about awareness of Ind AS implementation and its impact among the users of financial statements	100	12	22	18	46	02	100	2.96	1.118
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Source: Field survey

The above table made it clear that, all the respondents agreed that implementation of Ind AS is a boon for the country with a mean value of 4.42 and SD of 0.496. The response of all the samples concentrates on the positive side of the statement. 96% of the respondents are in favour that Ind AS increases the quality of the financial reporting with a mean value of 4.91 and SD of 0.404. 97% of the respondents agreed that Ind AS improves the comparability and understandability of the financial statements and only 3% are neutral about the same with the assigned mean value of 4.33 and a SD of 0.533. 93% of the respondents agreed and 3% of the respondents disagreed that Ind AS helps to attract cross border investments towards the country with a mean value of 4.24 and SD of 0.668. 48% of the respondents disagreed that it is difficult to bring about awareness of Ind AS implementation and its impact among the users of financial statements with the assigned mean value of 2.96 and a SD of 1.118 which shows the high scatteredness of responses among different scales.

Table 3: Analysis of benefits for Chartered accountants from implementation of Ind AS in India

Sl. No.	Statements	N	SA (%)	A (%)	N (%)	DA (%)	SDA (%)	Total (%)	Mean	S.D
1	Implementation of Ind AS provides scope for chartered accountants to enhance their knowledge and skills about global level accounting standards	100	23	77	00	00	00	100	4.23	.423
2	Implementation of Ind AS provides opportunities for chartered accountants to serve at global level	100	17	81	02	00	00	100	4.15	.411

Source: Field survey

It is clear from the above table that, all the respondents agreed that implementation of Ind AS provides scope for chartered accountants to enhance their knowledge and skills about global level accounting standards with a mean value of 4.23 and SD of 0.423. The opinion of all the respondents concentrates on the favourability part of the statement. 98% of the respondents are in favour that implementation of Ind AS provides opportunities for chartered accountants to serve at global level and 2% of respondents are neutral about the same with a mean value of 4.15 and SD of 0.411.

Table 4: Analysis of challenges for Chartered accountants from implementation of Ind AS in India

Sl.	Statements	N	SA	A	N	DA	SDA	Total	Mean	S.D
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No.			(%)	(%)	(%)	(%)	(%)	(%)		
1	Implementation of Ind AS poses challenges to chartered accountants with respect to learning and development	100	00	02	09	87	02	100	2.11	.424
2	Implementation of Ind AS would pose serious challenge to the chartered accountants with respect to first time reporting implementation	100	00	05	08	79	08	100	2.10	.595
3	Non applicability of Ind AS for the smaller companies creates problem for chartered accountants that they have to follow two different set of standards i.e. IGAAP and Ind AS	100	00	00	00	89	11	100	1.89	.314

Source: Field survey

89% of the respondents disagreed that implementation of Ind AS poses challenges to chartered accountants with respect to learning and development and 2% of respondents agreed and 9% are neutral about the same with a mean value of 2.11 and SD of .424. 87% of the respondents disagreed that implementation of Ind AS would pose serious challenge to the chartered accountants with respect to first time reporting implementation with a mean value of 2.10 and SD of .595. All the respondents disagreed that non applicability of Ind AS for the smaller companies creates problem for chartered accountants that they have to follow two different set of standards i.e. IGAAP and Ind AS with the assigned mean value of 2.10 and a SD of .595 which shows that all the respondents rejects the given statement.

FINDINGS:

The major findings of the study are as follows,

- The Ministry of Corporate Affairs of India has given a roadmap for implementation of Ind AS in India which includes both voluntary as well as mandatory adoption stages. The corporate has to follow this roadmap for adoption of Ind AS in preparation and presentation of their financial statements.
- The need for implementation of Ind AS arises mainly due to globalization and liberalization
- The major beneficiaries of the implementation of Ind AS are the economy, investors, industry and the accounting and auditing professionals
- The Ind AS departs from the corresponding IFRS to maintain consistency with legal, regulatory and economic environment. In some cases, departures are made on account of conceptual differences with the treatments prescribed in the IFRS.

- All the sample respondents are male and no female respondents are included in the samples as samples are drawn from population using convenient method of sampling
- 68% of the respondents belong to the age group of 40 to 50 years.
- 78% of the respondents are having the experience of above 10 years
- All the respondents agreed that Implementation of Ind AS is a boon for the development of the country
- 97% of the respondents agreed that implementation of Ind AS improves the quality of financial reporting and makes financial statements more understandable and comparable across international boundaries
- 96% of the respondents agreed that Ind AS increases the quality of the financial reporting
- 93% of respondents agreed that implementation of Ind AS helps to attract cross border investments
- 48% of respondents agreed that it is difficult to bring about awareness of Ind AS implementation and its impact among the users of financial statements
- All the respondents agreed that implementation of Ind AS provides scope for chartered accountants to enhance their knowledge and skills about global level accounting standards
- 98% of the respondents agreed that implementation of Ind AS provides opportunities for chartered accountants to serve at global level and 2% are neutral about the same
- 89% of the respondents disagreed that implementation of Ind AS poses challenges to chartered accountants with respect to learning and development. Chartered accountants are required to learn the new accounting standards in order to get updated with their knowledge regarding the new IFRS converged accounting standards. With the help of direct interview with respondents it is came to know that greater part of chartered accountants are not considering this as a challenge and they are of the opinion that it is just a part of their professional requirements and they always needs to be updated in order to survive in their field and only few respondents are considering this as challenge.
- 87% of the respondents disagreed that implementation of Ind AS would pose serious challenge to the chartered accountants with respect to first time reporting implementation
- All the respondents disagreed that non applicability of Ind AS for the smaller companies creates problem for chartered accountants that they have to follow two different set of standards that is IGAAP and Ind AS

LIMITATIONS:

- The study is limited to the analysis of perspective, challenges and benefits for chartered accountants only due to implementation of Ind AS in India
- The primary data has been collected only from 100 chartered accountants which includes no female respondent.
- The views of the samples may not reflect on the views of universe.

SCOPE FOR FUTURE RESEARCH:

The present study has considered the perception of Chartered accountants regarding the implementation of Ind AS in India and also the benefits and challenges for Chartered accountants from this implementation. Here only the Chartered accountant's views are considered with the sample size of 100 Chartered accountants. The future studies can take into consideration the views of other stakeholders like shareholders, companies, investors and the government with the increased sample size.

CONCLUSION:

Even though the shift from the previous national accounting standards to Ind AS is a challenging task for all the stake holders, the chartered accountants are welcoming the change. Implementation of Ind AS in India can results in various benefits such as improved quality, understandability, comparability of financial statements, attraction of cross border investments, reduction in the cost of conversion of financial statements by the local companies to make investments abroad etc. Ind AS implementation not only benefits the country but also results in benefits for Chartered accountants in the long run through possible global exposure of their skills. Chartered accountants play a pivotal role in the accounting industry. Successful implementation of the Ind AS depends on Chartered accountants to the maximum extent as the financial statements are to be properly audited by them as per the new standards which results in global level comparability, transparency and which also helps in attracting cross border investments. Chartered accountants are required to work closely throughout the implementation process of Ind AS. It is believed that, in the future there would be a potential demand for the Indian chartered accountants across the globe. Even though there are certain difficulties in the initial stage of Implementation of Ind AS in India, in the long run it will benefit all the stakeholders including Chartered accountants in some or the other way.

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