

IFRS AND DISCLOSURE QUALITY: A PERCEPTIONAL STUDY

*Shruthi S **Dr.S. MariGowda

*Research Scholar, **Principal and Professor

*VVERF, Mysuru, Karnataka, India

**Vidyavardhaka First Grade College, Mysuru, Karnataka, India.

Abstract: The purpose of this study is to know the perceptions of Academicians about the disclosure quality of financial reporting during International Financial Reporting Standards (IFRS/IND-AS) regime. The Structured Questionnaire was used to collect the opinion from the respondents. The hypothesis developed for the study has been tested using one sample-t test (parametric). From the study it is found that there is a positive relationship between IFRS/IND-AS and Disclosure Quality since all the disclosure items significant at 5% level of significance.

Keywords: IFRS, Disclosure of financial reporting and Quality

I. INTRODUCTION

Recent years have seen major changes in financial reporting worldwide under which the most obvious is the continuing adoption of IFRS worldwide. An upcoming economy on world economic map, India, too, decided to converge to International Financial Reporting Standards (IFRS). While regulators, standard setters and law makers sit together to rollout the road map for implementation of IFRS in India, a wide section of the industry is already debating about the impact that they are going to have on transitioning to IFRS. IFRS is a single set of high quality, understandable and enforceable global accounting standards that require high quality, transparent and comparable information in financial statements and other financial reporting to help participants in the world's capital markets and other users make economic decisions". At present, Accounting Standards Board (ASB) formulates and issues accounting standards in India which are more or less in line with IFRS except for a few instances where departure is necessary to comply with the legal, regulatory and economic environment. Council of the Institute of Chartered Accountants of India (ICAI) opined in May 2006 that adopting IFRS was considered and supported by the ASB. IFRS task force was set up to provide a road map for convergence and it decided to converge with IFRS from the accounting period commencing on or after 1 April 2011. In India, Ministry of Corporate Affairs carried out the process of convergence of Indian Accounting Standards with IFRS after a wide range of consultative process with all the stakeholders in pursuance of G-20 commitment and as result thirty five Indian Accounting Standards converged with International Financial Reporting Standards henceforth called IND AS. In India, Convergence with IFRS is being done in the form of IND-AS, which has been made mandatorily applicable from 1st April 2016 as per the new companies' act of 2013. The Ministry of Corporate Affairs (MCA) is designated as the nodal Ministry for converging Indian GAAP with IFRS/IND-AS.

A disclosure is additional information attached to an entity's financial statements, usually as explanation for activities which have significantly influenced the entity's financial results. An entity is required to provide information in their financial statements to enable the users' to evaluate the position of the company. Disclosures provide internal and external business stakeholders with additional information regarding a company's financial operations. Disclosure includes Financial Statements that comprise of Statement of financial position, Statement of profit and loss, Statement of cash flow, and the Statement of changes in equity and also Notes to consolidated financial statements. Companies release this information in their compiled form of annual reports. It is compulsory by law and regulators to disclose accounting policies to the various stakeholders of the business. Such disclosures are important for potential investors to decide on investment in the business or corporation. In this article Disclosure of information (financial or non-financial) is considered as proxy to measures the quality of financial reporting.

II. REVIEW OF LITERATURE

Grace (2018) investigated the disclosure practices after adopting IFRS in Nigeria. The study checked disclosure items like General items, Corporate Governance, Directors report, CSR report, Independent audit reports and disclosure of accounting policies. From the study it is found that the disclosures of the financial and non-financial information have been improved in post adoption period by disclosing most of the items mentioned above. Menash (2013) conducted an empirical study to investigate the quality of financial reporting in pre and post adoption of IFRS in Ghana. He also analyzed to what extent the size, profitability, debt-equity ratio, liquidity and size of the audit firm influencing the quality of financial information. A sample of 35 firms listed in Ghana stock exchange were considered by collecting the audited annual reports of the year 2006 indicating pre-adoption period and year 2008 indicating post-adoption period of IFRS. To measure the disclosure quality The Quality of Financial Information Index based on IASB's IFRS theoretical framework was used. The quality of the reporting divided in to four groups namely, relevance, faithful representaion, comparability and understandability. The results of the analysis indicates that company's each specific characteristics has different impact on the quality of financial reporting. The study also revealed that, the quality of disclosure is higher in post adoption period with 87.9% and it is only 60.61% in pre-adoption period. The overall study indicating the quality of disclosures are more and improved with the adoption of IFRS Nazh (2011) studied disclosure practices between pre and post adoption of IFRS in Turkey. The disclosure index used to measure the trend in disclosure between these two regimes. From the analysis of the annual reports it is observed that, cultural factors influencing more on quality of disclosures and the material information have been disclosed more in post adoption IFRS period Daske (2006) analyzed the quality of financial

statements after the adoption of IFRS in Australia, Germany and Switzerland. The study used disclosure quality scores to measure the quality of disclosures of financial statements. From the study it is found that, disclosures quality have been improved by presenting more and detailed information about the company affairs on above countries. Matthew (2015) the objective of the paper was to know the quantitative differences in the financial reports prepared by Nigerian Banks under NGAAP and IFRS. The Annual reports of fourteen Banks were collected for the study. The study reveals that the financial statements under IFRS are slightly different from NGAAP. Adoption leads to positive impact and brought more disclosures in terms of foot notes, additional information etc.

III. SCOPE OF THE STUDY

The study is concerned with Impact of IFRS/IND-AS on the disclosure quality of Financial Reporting in Mysore City. The study confines perceptual analysis of the Academicians. The scope of the study is mainly confined to Mysuru city only. The study has been taken into the consideration the Academicians who are teaching Accounting and engaged in doing research in the field of accounting.

IV. RESEARCH QUESTION

Is implementation of IFRS/IND-AS improves the disclosure of quality of financial reporting ?

V. OBJECTIVES OF THE STUDY

The study is intended with the following objective

1. To know the impact of IFRS/IND-AS on the disclosure quality of financial reporting.

VI. HYPOTHESIS

The following Hypothesis has been developed based on the set objective.

H0: There is no improvement in the disclosure quality of financial reporting during IFRS/IND AS regime.

H1: There is an improvement in the disclosure quality of financial reporting during IFRS/IND-AS regime.

VII. RESEARCH METHODOLOGY

Source of data: The Data has been collected from the Academicians. Primary data has been gathered from the targeted respondents by administering structured questionnaire. The secondary data has been collected from the Annual Reports of the IFRS/IND-AS Companies and also from websites.

VIII. SAMPLING DESIGN

Population: Academicians in Mysore City, Karnataka State.

Sampling procedure: Simple Random Sampling

Sampling area: The area of sampling has been restricted to Mysuru city.

Sampling size: 65 respondents

XI. DATA ANALYSIS

The data has been collected from primary sources through structured questionnaires and totally 150 questionnaires were distributed to the Academicians. But 65 respondents were fully completed the questionnaire with the response rate of 43 %. The study deployed Suitable statistical techniques such as mean, standard deviation and One Sample t- test was used with the help of SPSS Software 20 version to testing hypothesis and interpret the data to draw the conclusion .

Table No 1: showing the Demographics profile of the respondents.

Particulars		No. of Respondents	Percentage
Age	21 to 30	14	21.54
	31 to 40	18	27.69
	41 to 50	20	30.77
	Above 50	13	20.00
Total		65	100%
Qualification	Post-Graduation	13	20.00
	PG plus MPhil	12	18.46

	PG plus PhD	16	24.62
	PG plus MPhil plus PhD	24	36.92
	Total	65	100%
Professional Experience	0-5 Years	20	30.77
	6-10 Years	14	21.54
	11-15 Years	13	20.00
	16-20 Years	08	12.31
	Above 20 Years	10	15.38
	Total	65	100%

Source: Primary Data

The table no.1 depicts the demographic profile of the respondents. Majorly 30.77% of respondents are belong to the Age group of 31-40 it indicates majority of them are middle age group. 36.92% of the respondents completed their Post-Graduation, MPhil and PhD it shows they are having expertise over the subject. 30.77% of the respondents are having Professional experience in between 0-5 years.

IX. RESULT AND DISCUSSION

Table-2 showing the Perceptions of Academicians about the disclosure practices during IFRS (IND-AS) Regime.

Statements	N	Paired Sample Statistics		t-statistic	P-Value
		Mean	SD		
Basis of Preparation of Consolidated Financial Statements part contains:					
a) Statement of Compliance and basis of preparation	65	3.9333	.90719	23.748	.000
b) Basis of Measurement	65	3.9000	.92289	23.146	.000
c) Use of Estimates and Judgment	65	3.8000	.96132	21.651	.000
Significant Accounting policies part contains:					
a) Basis of Consolidation	65	3.7667	.93526	22.059	.000
b) Functional and Presentation Currency	65	3.6333	.80872	24.608	.000
c) Foreign currency Transactions and Translation	65	3.8667	.00801	21.010	.000
d) Financial Instruments	65	3.7667	.97143	21.238	.000
e) Equity and Share Capital	65	3.9245	.99481	21.473	.000
f) Property, Plant and Equipment	65	3.8567	.79148	26.528	.000
g) Business Combinations, Goodwill and Intangible Assets	65	3.8356	.87428	24.015	.000
h) Leases	65	3.7678	.65126	31.118	.000
i) Inventories	65	3.6367	.85029	23.405	.000
j) Impairment of Assets	65	3.7667	.89763	22.984	.000
k) Employee benefits	65	3.6654	.80230	25.032	.000
l) Share based payment transactions	65	3.9898	.90719	23.748	.000
m) Provisions	65	3.9984	.92289	23.146	.000
n) Revenue	65	3.8098	.96132	21.651	.000
o) Finance and Other Income	65	3.8789	.93526	22.059	.000
p) Income tax	65	3.6345	.80872	24.608	.000
q) EPS	65	3.8456	1.00801	21.010	.000
r) Cash Flow Statement	65	3.7677	.97143	21.238	.000
s) Finance Cost	65	3.9677	.99481	21.473	.000
t) Discontinued Operations	65	3.8333	.79148	26.528	.000

Source: Primary Data

Table 2 shows the perceptions of Academicians about the disclosure quality of Financial Reporting during IFRS regime. From the study it is observed that the mean value of all the sample respondents more than 3.5 indicating there is a moderate to high agreement about the statement and calculated SD inferred that there is a less deviation in the opinion of the Academicians except for the statement **Significant Accounting policies part contains** Earning Per Share (EPS). The one sample-t test was

used to analyze the impact of IFRS on the quality of disclosures. From the study it is cleared that, since the calculated p-value for all the disclosure items like **Basis of Preparation of Consolidated Financial Statements part contains** Statement of Compliance and basis of preparation, Basis of Measurement and Use of Estimates and Judgment and also **Significant Accounting policies part contains** Basis of Consolidation, Functional and Presentation Currency, Foreign currency Transactions and Translation, Financial Instruments, Equity and Share Capital, Property, Plant and Equipment, Business Combinations, Goodwill and Intangible Assets, Leases, Inventories, Impairment of Assets, Employee benefits, Share based payment transactions, Provisions, Revenue, Finance and Other Income, Income tax, EPS, Cash Flow Statement, Finance Cost and Discontinued Operations stood at less than 0.05 at 5% level of significance ($p < 0.05$). Hence, it can be rejected Null Hypothesis that “There is no significant improvement in the disclosure quality of financial reporting during IFRS/IND-AS regime” and the Alternative Hypothesis “There exists significant improvement in the disclosure quality of financial reporting during IFRS/IND-AS regime”. The study has answered for research question there is an improvement in the disclosure quality of financial reporting during IFRS/IND-AS regime.

XI. FINDINGS OF THE STUDY

The Quality of financial reporting is playing vital role among the users' of financial statements in making financial decisions. In this Study Disclosure of financial statements are considered as accounting attribute to measure the quality of financial reporting during IFRS regime. From the study it can be concluded that there is an considerable improvement in the disclosure quality of financial reporting which is evidenced by the p-value ($p < 0.05$) at 5% significance level for all the disclosure items.

XII. SUGGESTIONS

I would like to offer some suggestions to the ICAI that there should be more number of workshops, conferences should be conducted at institutional level and Every Universities in India should offer this type of subject as already few Universities in India included IFRS as their specialization in their syllabi structure.

XIII. CONCLUSION

The financial decision will be influenced by a number of factors. Disclosure of financial information reduces the information asymmetry and helps the smooth communication between managers and the stakeholders. Disclosure of more information improves companies' image, increases confidence in their activities and improves the quality of financial reporting.

REFERENCES

1. Ben K and Deajeon (2013) .Adoption of International Financial Reporting Standards (IFRS) in Ghana and the Quality of Financial Statement Disclosures. International Journal of Accounting and Financial Reporting. Vol.3.N0.2. p.269286.
2. Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. *Journal of Accounting Research*, 46, 1085–1142
3. Huseyin Temiz & Omer Faruk Gulec, 2017. "Mandatory Adoption of IFRS in Emerging Markets: The Case of Turkey," *Journal of Accounting and Management Information Systems*, Faculty of Accounting and Management Information Systems, The Bucharest University of Economic Studies, vol. 16(4), pages 560-580, December.
4. www.icaai.org
5. www.ifrs.org