



Academician's Efficiency of the Converged International Financial Reporting System

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Abstract: *Business and finance today operates on a global basis. National economies all over the world are so intricately with each other that a crisis in one can send shock waves to many others. Hence Government, banks, businessmen and investors need information in a form that is relevant, reliable and universally understandable, so that international flow of capital is encouraged. Because of valid historical, economic and legal reasons, the accounting systems continue to be constrained by national boundaries. But in an age of instant information and efficient international markets it became necessary to make financial statements globally understandable. In this way the importance of international accounting practice studies has grown over the past few years in order to meet economic agent demands and to facilitate international business practices. It is essential to understand that international accounting convergence is an important topic. The understanding and implementation of IFRS is not easy, the transition will be a tough challenge for the country as it requires a shift in the academic approach, along with regulatory challenges. As the major problem to cope up with convergence is the lack of timely and whole hearted acknowledgement to the need and importance of convergence by the academician and regulation authorities. As to cope up with this pressure of convergence, the only solution is to train the trainers and most importantly the academicians. This paper made an attempt to explain the efficiency of the international financial reporting system.*

Key Words: Accounting Standards, Efficiency, GAAP, IASB, IFRS.

1. Introduction:

India has in recent years experienced strong economic growth, rising foreign exchange reserves, falling inflation, global recognition of its technological competence, and the interest shown by many developed countries to invest in the engineers and scientists produced in the country including setting up of new Research and Development centers. Above all, as the largest democracy in the world, India has a reputation for providing leadership for one billion people in a country with different cultures, languages and religions. India's

technological competence and value systems are highly respected. Foreign institutional investors find investing in India attractive. Indians are also investing in companies abroad and are opening new business ventures. The Government of India is also committed to economic development by ensuring a growth rate of 7 to 8 per cent annually, enhancing the welfare of farmers and workers and unleashing the creativity of the entrepreneurs, business persons, scientists, engineers and other productive forces of the society. Today, India is one of the fastest growing economies in the world with a



compounded average growth rate of 5.7 per cent over the past two decades. The Government of India has plans to transform India into a developed nation by 2020. In India, accounting standards are issued by the Institute of Chartered Accountants of India based on IFRSs. Departures from the IFRS are made keeping in view the prevailing legal position and customs and usages in the country. Accordingly, this case study of India is prepared to highlight the practical challenges involved in adapting International Financial Reporting Standards in India. This case study also throws light on the existing regulatory framework in the country and the enforcement of the standards in the country.

Accounting Standards-Setting in India:

India's accounting profession is among the earliest to develop after the introduction of the Indian Companies Act in the mid-1800s, giving the accounting profession its start. Since then, considerable efforts have been made to align India's accounting and auditing standards and practices with internationally accepted standards. Indian accounting and auditing standards are developed on the basis of international standards; and the country has many accountants and auditors who are highly skilled and capable of providing international-standard services. The Institute of Chartered Accountants of India (ICAI) set up the Accounting Standards Board (ASB) in 1977 to prepare accounting standards. In 1982, ICAI set up the Auditing and Assurance Standards Board (initially known as the Auditing Practice Committee) to prepare auditing standards. ICAI became one of the

associate members of the International Accounting Standards Committee (IASC) in June 1973. The ICAI also became a member of the International Federation of Accountants (IFAC) since its inception in October 1977. While formulating accounting standards in India, the ASB considers International Financial Reporting Standards (IFRS) and tries to integrate them, to the extent possible, in the light of the laws, customs, practices and business environment prevailing in India. The Accounting Standards Board has worked relentlessly to introduce an overall. As accounting standards in India are formulated on the basis of IFRS (issued by IASB), ICAI interacts with the IASB at various levels, namely:

- Sending comments on the various draft IFRSs issued by IASB;
- Active participation in the meetings of the global standard-setters with IASB;
- Active participation in the meetings of the regional standard-setters with IASB;
- Contribution in the discussions on various ongoing projects of the IASB, e.g. on the IASB management commentary project;
- ICAI is approaching IASB to take up projects to be carried on by India, e.g. IFRS for regulated enterprises.

Objectives of the Study:

To study the efficiency of academicians about convergence of Indian Accounting Standards to IFRS

Research methodology of the study:

The present study is based on the both primary and secondary data, an exploratory in nature, was conducted in Visakhapatnam city. Ninety eight respondents were selected who teach accounting and finance and taxation papers. Purposive sampling technique



was used. Teachers sample represent 13 junior Lecturers, 20 Senior Lecturers, 18 Associate professors, 21 Assistant professors, and 26 Professor thus, bringing total respondents number to 98. A structured questionnaire containing different questions relating

to various aspects of awareness of convergence of Indian Accounting Standards to IFRS has been used. The SPSS 16.0 version was used to interpret and analyze the data. The techniques of frequencies, percentage and Anova applied to derive the results.

Analysis and Interpretations:

Table.1: Age Group-wise Distribution of Respondents

Age in years	Frequency	Percent
Below – 30	9	9.2
31-40	23	23.5
41-50	41	41.8
50 and Above	25	25.5
Total	98	100.0

Source: primary Data

Table .1 presents age wise distribution of the respondents. Out of the total respondents 41.8% are in the age group of 41-50 years, 25.5% are in the age

group of 50 and above years. Further, 23.5 per cent are in the age group of 31-40 years and 9.2 per cent are aged below 30 years.

Table.2: Gender of the Respondents

Gender	Frequency	Percent
Male	66	67.3
Female	32	32.7
Total	98	100.0

Source: primary Data

Table.2: depicts gender-wise distribution of respondents. It can be observed from the sample that majority of the respondents i.e., 66 out of 98 total

respondents representing 67.3 per cent belongs to male category whereas the remaining 32 respondents representing 32.7 per cent belongs to female category.

Table.3: Academic Qualifications of the Respondents

Academic Qualifications	Frequency	Percent
Ph.D.	53	54.1
M.Phil.	15	15.3
Master	30	30.6
Total	98	100.0

Source: primary Data

Academic Qualifications of the sample respondents is presented in table: 3. Out of the total sample 53 respondents

representing 54.1 per cent possess Ph.D. as their academic qualification, followed by 30 respondents representing 30.6 per



cent are having Master's Degree as their academic qualification and 15 respondent's representing 15.3 per cent

possess M.Phil. Degree as their academic qualification.

Table.4: Professional Qualifications of the Respondents

Professional Qualifications	Frequency	Percent
Commerce	91	92.9
Management	7	7.1
Total	98	100.0

Source: primary Data

Table.4: depicts the Professional Qualifications of the Respondents. It can be observed from the sample that majority of the respondents i.e., 91 out of 98 total respondents representing 92.9 per cent

possess Commerce as their Professional Qualifications whereas the remaining 7 respondents representing 7.1 per cent possess Management as their Professional Qualifications.

Table.5: Designation of the respondents

Designation	Frequency	Percent
Junior Lecturer	13	13.3
Degree Lecturer	20	20.4
Assistant Professor	18	18.4
Associate Professor	21	21.4
Professor	26	26.5
Total	98	100.0

Source: primary Data

Table.5: shows the Designation of the respondents. Out of the total sample 26 respondents representing 26.5 per cent their designation is Professor, followed by 21 respondents representing 21.4 per cent their designation is Associate Professor, whereas 20 respondents representing 20.4

per cent their designation is Degree Lecturer, 18 respondents representing 18.4 per cent their designation is Assistant Professor and the remaining 13 respondents representing 13.3 per cent their designation is Junior Lecturer

Table.6: Work Experience of the respondents

Work Experience	Frequency	Percent
Below 5 years	11	11.2
6-10 years	32	32.7
11-15 years	23	23.5
16-20 years	10	10.2
21 years and above	22	22.4



cannot say	15	15.30
Total	98	100.00

Source: primary Data

Table 9: narrates about the introducing of IFRS in India. The majority of the respondents (74.7 percent) agreed that introducing of the IFRS in India, and rest of them disagree regarding this issue. Hence, it can be concluded that majority of the respondents wanted to introduce the IFRS in India.

Table.10:

Respondents Response on ICAI has announced the Mandatory Convergence of Indian Accounting Standards

Mandatory Convergence	Frequency	Percent
Yes	71	72.4
No	27	27.6
Total	98	100.0

Source: primary Data

Table 10: The majority of the respondents (72.44 percent) opined that ICAI should announce the majority convergence of Indian Accounting standards with the IFRS from 1st April 2011, and rest of the respondents not supported this issue. Hence, it can be concluded that the majority of the respondents opined that to have a convergence with the international financial reporting system

Table.11: Respondents Response on Aware of Recent International Accounting Standards

Mandatory Convergence	Frequency	Percent
Yes	68	68.36
No	31	31.64
Total	98	100.0

Source: primary Data

Table 11: This table narrates about the, whether the respondents aware of recent international accounting standards. The majority of the respondents (68.36 percent) know about the recent international accounting standards, and rest of them does not aware of them. Hence it can be concluded that the majority of the respondents know about the international accounting standards.

Table.12: Respondents Response on AS and IFRS mean one and the same thing

AS and IFRS mean one and the same thing	Frequency	Percent
Yes	37	37.8
No	61	62.2
Total	98	100.0

Source: primary Data



Table 12: extracts that whether the respondents agree that accounting standards and IFRS means one and the same. The 62.2 percent of the respondents did not agree with the accounting standards and the IFRS mean one and the same, and rest of them agrees with this issue.

Table.13: Respondents Response on Indian companies following IFRS in their reports preparation

Indian companies following IFRS in their report preparation	Frequency	Percent
Yes	34	34.7
No	64	65.3
Total	98	100.0

Source: primary Data

Table 13: reveals that the majority of the respondents (65.3 percent) opined that the Indian companies did not follow the IFRS in their reports preparation, but a few of the respondents opined that the Indian companies follow the IFRS in their financial statements.

Table.14: Respondents Response on possibility to Introduce IFRS in all companies without any restrictions

Possibility	Frequency	Percent
Yes	29	29.6
No	69	70.4
Total	98	100.0

Source: primary Data

Table 14: This table explained about the possibility to introduce IFRS in all companies without any restrictions. The majority of the respondents (70.4 percent) opined that it was not possible to introduce IFRS in all companies without any restrictions, but 29.6 percent of respondents opined that it was possible to introduce IFRS in India.

Table.15: Respondents Response on Revise the Existing Indian Standards to Converge with the IFRS

Review	Frequency	Percent
Yes	63	64.3
No	17	17.3
cannot say	18	18.4
Total	98	100.0

Source: primary Data



Table 15: reflects that the respondents opinion whether they want to revise the existing Indian standards to converge with the IFRS. The table tells us that the 64.3 percent of respondents wanted to revise the existing Indian standards to

converge with the IFRS, and 18.4 percent of them does not convey anything about this issue, but only 17.3 percent of the respondents opined that existing Indian accounting standards should not revise to converge with the IFRS.

Table.16: Respondents Response on Promotion of the high quality and consistent application of IFRS around the world

Quality and Consistency	Frequency	Percent
Yes	93	94.9
No	2	2.0
cannot say	3	3.1
Total	98	100.0

Source: primary Data

Table 16: selects that the promotion of the quality and consistent applications of IFRS around the world. The majority of the respondents (94.9 percent) opined that it was possible to promotion of the

quality and consistent applications of IFRS around the world and 3.1 percent of them did not express any opinion about this issue, rest of them negatively opined that.

Table.17: Respondents Response on number of seminar/conference/Symposium Attend on Accounting subjects Regional/ National/ International

Number of Seminars	Frequency	Percent
Not attended	43	43.9
1	8	8.2
2	20	20.4
3	7	7.1
4	7	7.1
5	13	13.3
Total	98	100.0

Source: primary Data

Table 17: This table reflects that the number of seminars/ conference/ symposium attended, the 43.9 percent of the respondents did not attend the single seminar/conference and symposium, but

20.4 percent of them attended for two seminars, 13.3 percent of them appeared for five seminars and 8.5 percent of them appeared for the one seminar.

Table.18: Respondents Response on convergence period to IFRS will be accomplished

Convergence period	Frequency	Percent
Within 2 year	8	8.2
3 to 5 years	74	75.5
6 to 10 years	16	16.3
Total	98	100.0

Source: primary Data



Table 18: discloses about the how much time is required to convergence in auditing standards will be accomplished the majority of the respondents (75.51 percent) opined that it was required a three to five years to converge in auditing standards with the IFRS, but a few of them expected to be taken more time to convergence in auditing standards.

Hypothesis: there is no significant difference in opinion for different category

of academicians regarding introduction of IFRS in all companies without any Instructions. It can be noted that the obtained significance value for introduction of IFRS in all companies without any Instructions (0.832) is not significant. Hence it can be concluded that there is no significant difference of opinions on introduction of IFRS in all companies without any Instructions based on the different category of academicians.

Table.19: ANOVA

	Sum of squares	df	Mean Square	F	Sig.
Between Groups	.317	4	.079	.367	.832
Within groups	20.101	93	.216		
Total	20.418	97			

Significant at 5% level.

Findings of the Study

After analyzing the perception of respondents by applying the description statistics with the help of the SPSS, the following findings were observed.

1. 77.6 percent of respondents aware of the IFRS, and they know about the IFRS through the Magazine, followed by the Seminars, journal and website.
2. 74.78 percent of respondents agreed to introduce IFRS in India.
3. The study found that 72.4 percent of respondents, opined that ICAI should announce the mandatory convergence of Indian accounting standards with IFRS from 1st April 2011.

4. 68.36 percent of respondents aware of the recent international accounting standards.
5. The study observed that 37.8percent of respondents agreed that accounting standards and IFRS mean one and the same thing.
6. The study found that 65.3 percent respondents opined that Indian companies did not follow IFRS in their report preparation.
7. The study reveals that 70.4 percent of respondents opined that it was not possible to introduce IFRS in all companies without any restrictions and rest of them opines that it was possible to introduce IFRS.
8. The study found that there was only 64.3 percent of respondents revise the existing Indian standards to converge with the IFRS, and 18.3



percent of them did not express any opinion.

9. The majority of the respondents (94.9 percent) opined that it was possible to promote the quality and consistent application of IFRS around the world.
10. The study observed that majority of the respondents (75.51 percent) expected to take minimum two years to converge auditing standards into IFRS.
11. The study found that 43.9 percent of respondents did not attend any seminar/conference/ symposium.
12. The study found that there is no significant difference of opinions on introduction of IFRS in all companies without any Instructions based on the different category of academicians.

6. Conclusion:

Indian companies using the Indian accounting standards are experiencing fewer difficulties accessing international financial markets, as Indian accounting standards are becoming closer to the IFRSs. Indian standards are expected to converge even further in the future. For successful implementation of IFRS in India through convergence, it is necessary to train the academicians about various intricacies of the IFRS. Then only, the academicians would be in a position to give contribution in such implementation. The role of academicians is at the Centre stage as they have an ability to prepare the young aspirants in the field of

accountancy to face the challenges posed in the profession of accountancy.

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