

PERCEPTIONS OF CHARTERED ACCOUNTANTS: THE ROAD TO IFRS ADOPTION

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Abstract

The adoption of International Financial Reporting Standards (IFRS) represents a significant global shift in accounting practices and financial reporting standards. This study aims to analyse the perceptions of Chartered Accountants (CAs) based in Ahmedabad city regarding the adoption of IFRS. The research objectives focus on understanding the attitudes of CAs towards IFRS and examining the correlation between respondents' demographic profiles and their perceptions of IFRS. In pursuit of a comprehensive analysis, both primary and secondary sources of data have been utilized. Primary data collection involved interviews with 150 CAs from Ahmedabad, enabling a direct insight into their perspectives and experiences concerning IFRS adoption. These firsthand accounts provide valuable, real-time insights into the topic. Additionally, secondary data sources, such as published research, government reports, financial statements, and online resources, have been leveraged to provide a broader context and theoretical foundation for the study. The study employed a random sampling technique to select participants, ensuring that each member of the population had an equal chance of inclusion in the research. This approach contributes to the representativeness and generalizability of the findings, reducing the risk of selection bias. The significance of this study lies in its potential to shed light on how CAs in Ahmedabad perceive IFRS adoption, a critical transition in the accounting and financial reporting landscape. Understanding their views and the impact of demographic factors on these views can inform strategies for IFRS education and implementation, thereby contributing to the effective adoption of IFRS in the region and enhancing the quality and comparability of financial reporting.

Keywords: IFRS, Chartered Accountants, Account, Financial Reporting

1. INTRODUCTION

In the modern, interconnected world of commerce, enterprises operate internationally, catering to a wide array of markets and stakeholders. To enable clear and comparable financial reporting, the International Financial Reporting Standards (IFRS) have emerged as a set of accounting principles guiding the creation and exhibition of financial statements. IFRS is a universally acknowledged framework crafted and upheld by the International Accounting Standards Board (IASB). Its main aim is to deliver high-quality, uniform, and dependable financial data, enabling investors, creditors, and other users to make knowledgeable decisions regarding an entity's financial performance and status. The journey of IFRS commenced with the establishment of the International Accounting Standards Committee (IASC) in 1973. Recognizing the necessity for a universal global accounting language, the IASC embarked on a mission to formulate a single set of top-tier accounting standards. As time passed, the IASC evolved into the IASB, which now supervises the creation and upkeep of IFRS.

The widespread adoption of IFRS has gained significant traction since its inception. At present, over 144 countries, including the European Union, have either adopted or authorized the use of IFRS in their financial reporting frameworks. This global acceptance has led to increased consistency and comparability of financial statements, cultivating trust and confidence in financial markets across the globe. IFRS is tailored to address a wide range of complexities and challenges that arise in financial reporting. It offers clear instructions on the recognition, measurement, presentation, and disclosure of financial information across various business dealings and industries. The standards encompass a broad spectrum of subjects, encompassing revenue recognition, leasing, financial instruments, business combinations, and fair value measurement, among others.

The principles-based approach of IFRS prioritizes the essence of transactions and occurrences over their legal structure. It encourages the use of judgment, granting entities the freedom to represent their financial performance and status in an accurate manner. This flexibility ensures that financial statements accurately depict the economic substance of an entity's transactions, enabling users to grasp the underlying financial implications with precision. IFRS not only serves the interests of investors and creditors but also plays a pivotal

role in elevating the responsibility and openness of financial reporting. By supplying consistent and comparable information, it empowers regulators, standard-setters, and policymakers to make informed choices, create effective policies, and sustain financial stability. As the global business landscape continues to evolve, the requirement for consistent and transparent financial reporting remains of paramount importance. IFRS stands as the cornerstone of this endeavor, guaranteeing that financial information is created and displayed in a manner that mirrors the economic realities of today's dynamic business environment. Through its principles-based approach and worldwide recognition, IFRS continues to influence the way financial data is communicated, cultivating trust and aiding informed decision-making across international boundaries.

FEATURES OF IFRS CONVERGENCE

Convergence to International Financial Reporting Standards (IFRS) is a substantial transition for accounting and financial reporting practices around the world. This process involves aligning national accounting standards with IFRS, and it has several key features:

- **Global Standardization:** One of the primary features of IFRS convergence is the move towards global standardization. IFRS is developed and maintained by the International Accounting Standards Board (IASB), and it aims to create a common language for financial reporting across countries. This feature ensures consistency and comparability in financial reporting, making it easier for investors, regulators, and other stakeholders to understand financial information.
- **Principles-Based Approach:** IFRS is known for its principles-based approach to accounting. Unlike some national standards that may be more rules-based, IFRS provides principles and guidelines, allowing accountants and preparers to exercise judgment in applying the standards. This approach reflects the economic substance of transactions rather than focusing solely on legal form.
- **Fair Value Measurement:** IFRS places significant emphasis on fair value measurement, which means that assets and liabilities are reported at their current market values. This feature provides a more accurate reflection of an entity's financial position, particularly for items such as financial instruments and investment properties.
- **Comprehensive Coverage:** IFRS covers a wide range of financial reporting topics, including revenue recognition, leasing, financial instruments, business combinations, and more. Its comprehensive nature ensures that all significant aspects of financial reporting are addressed under a single framework.
- **Disclosure Requirements:** IFRS places importance on transparency and requires comprehensive disclosures in financial statements. This feature ensures that users of financial statements have access to relevant information, even if it is not presented on the face of the financial statements.
- **Flexibility and Judgment:** While IFRS provides guidance, it also allows for flexibility and judgment in the application of the standards. This feature acknowledges the diversity of transactions and industries and permits entities to adapt the standards to their specific circumstances.
- **Continual Evolution:** IFRS is not static; it evolves over time to keep pace with changes in the global business environment. The IASB regularly updates and improves IFRS to address emerging issues and align with international best practices.
- **Adoption and Convergence Efforts:** The process of convergence involves countries aligning their national accounting standards with IFRS. Some countries may fully adopt IFRS, while others may converge their standards to achieve substantial compatibility. This feature allows for a gradual transition and adaptation to IFRS based on a country's unique needs and circumstances.
- **Improved Access to Capital Markets:** IFRS convergence can improve access to global capital markets. Companies that use IFRS are more likely to attract international investors and financing, as their financial statements are in a format that is familiar and trusted globally.
- **Increased Comparability:** By adopting or converging with IFRS, financial statements from different countries become more comparable. This feature benefits investors and analysts who need to evaluate and compare the performance and financial position of entities operating across borders.

Overall, IFRS convergence is marked by global standardization, principles-based accounting, fair value measurement, comprehensive coverage, flexibility, and continual evolution. This transition enhances transparency, improves access to capital markets, and promotes increased comparability in financial reporting practices on a global scale.

2. LITERATURE REVIEW

Adhana (2020) in his research paper "Convergence of International Financial Reporting Standards (IFRS) in Indian Accounting Curriculum" found that among various reporting results under both GAAP and IFRS, majority showed higher earnings with the international standards in place. Issues such as awareness, training, cost, interpretation, IT infrastructure and staffing have been unanimously perceived as challenges during the implementation process in the context of India.

Selvam (2020) in their research paper “Impact of Convergence with IFRS on Selected Pharmaceuticals Companies in India” has found that the trend analysis on the key performance indicators and Wilcoxon Signed Rank Test found considerable changes in the profitability and leverage ratios. The key performance indicators like revenue, equity and profits reported significant difference on converging with IFRS with reference to pharmaceutical firms. The transition from currently followed IGAAP brought changes in the reported accounting amounts of similar commercial transaction under two different accounting standards and thereby influencing financial statement of the entities in a different manner, leading to different financial position outcome.

Ramesh (2019) in her research paper “Insight towards Adoption of International Financial Reporting Standards (IFRS) in India” has analysed the factors contributing to perception of respondents and implications of IFRS adoption in Indian Financial System. There is a vital need to deal with the challenges and work towards full adoption of IFRS by implementing the road map in India. To implement IFRS successfully and effectively, a high level of mutual international understanding about corporate targets, financial reporting targets and harmonization targets need to be achieved.

Ram Singh, Santosh Kumar Srivastava, (2019), “Implementation of IFRS as Indian Accounting Standard for Similarity in Financial Reporting in India: Challenges and Benefits”. The paper reflects the notable IFRS benefits to improve quality of financial reporting; elimination of multiple reporting standards and ensuring easy to make decision; easy listing across the border and reduce cost of capital. Further, the paper reports that the IFRS is not free from the challenges, as inclusive of complicated nature; insufficient qualified personnel and lack of coordination between financial reporting regulators. Finally, the paper concludes that the benefits of IFRS convergence are real but not automatic in other hand challenges in the way of adoption and convergence can't be ignored thus the recommendation to all the stakeholders that they must participate actively for a successful move.

C. Vijai (2018), “Convergence of IFRS with Indian Perspective”– Trust and transparency prompted a talk of financial reporting. Steady, comparable and reasonable financial data is the soul of trade and making venture. Remembering this, Accounting Professionals and Accounting Bodies across the globe, amid a decade ago' had attempted to set up a financial reporting framework which is fit, hearty and have broad relevance. This examination endeavours to investigate the data accessible on IFRS appropriation process in India. It additionally talks about the IFRS reception methodology in India and the utility for India in embracing IFRS. In end part, paper draws out the routes through which these issues can be tended to.

S. S. Kadam, (2017), “IFRS: Challenges and prospects in Indian Accounting System” Accounting Standards AS at par with IFRS so that the Indian corporate and the accounting professional reap the benefits of global accounting standards irrespective of various challenges, adoption of converged IFRS in India will significantly change the contents of corporate financial statements as a result of more refined measurements of performance and state of affairs, and enhanced disclosures leading to greater transparency and comparability. Accounting Statement prepared according to IFRS enhance understanding ability, comparability, uniformity and reduce the dual set of accounting statement of companies which have operations in another country. The proper implementation process has required a complete change in formats of accounts, accounting policies and disclosure requirements. So, all parties concerned with financial reporting also need to share the responsibility of international harmonization and convergence because IFRS is a principle-based approach rather than a rule-based approach. All accounting professional requires attaining the knowledge of IFRS for smooth functioning of convergence process.

3. RESEARCH METHODOLOGY

3.1 RESEARCH OBJECTIVES

1. To analyse the perception of the CAs towards IFRS adoption.
2. To examine the demographic profile of the respondents and their perception towards IFRS.

3.2 SOURCES OF DATA

In this study, both primary and secondary sources of data have been utilized to provide a comprehensive analysis. Primary data were collected through interviews with Chartered Accountants (CAs) based in Ahmedabad city, and secondary sources of data were employed to support and enrich the research.

Primary Sources of Data:

Primary data collection involved conducting structured or semi-structured interviews with CAs based in Ahmedabad city.

Secondary Sources of Data:

- Published Research Papers and Academic Journals:
- Government Reports and Regulatory Documents:
- Financial Statements and Corporate Reports:
- Books and Textbooks:
- Websites and Online Resources:
- News Reports and Articles:

3.3 SAMPLING TECHNIQUE

In this study, a random sampling technique was employed to select participants for the interviews.

3.4 SAMPLE SIZE

In this study, a sample size of 150 Chartered Accountants (CAs) based in Ahmedabad city was interviewed. The sample size of 150 was chosen to ensure a representative and diverse set of responses and perspectives, allowing for a robust analysis of the perceptions and experiences of CAs regarding IFRS adoption in the city.

4. DATA ANALYSIS

1. H₀ : CAs do not believe that the adoption of IFRS has improved the quality of financial reporting.

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
IFRS has improved the quality of financial reporting	-15.554	149	.021	-.547	-1.12	-.95

INTERPRETATION

As per the above table it is seen that significance value is 0.021 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CAs do not believe that the adoption of IFRS has improved the quality of financial reporting.

2. H₀ : CAs do not believe that IFRS adoption has enhanced the comparability of financial statements.

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
IFRS adoption has enhanced the comparability of financial statements	-34.145	149	.031	-.314	-.42	-.10

INTERPRETATION

As per the above table it is seen that significance value is 0.031 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CAs believe that IFRS adoption has enhanced the comparability of financial statements.

3. H₀ : CAs do not believe that IFRS adoption is beneficial for investors and other stakeholders.

One-Sample Test

	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
IFRS adoption is beneficial for investors and other stakeholders	-29.497	149	.007	-.539	-.75	-.50

INTERPRETATION

As per the above table it is seen that significance value is 0.007 which is lower than standard value 0.05, So Null hypothesis is rejected and it is concluded that CAs believe that IFRS adoption is beneficial for investors and other stakeholders.

4.

H0 : There is no significant relation between demographic variables of the consumers and their perception towards social media marketing.

Variable-1	Variable-2	Pearson Chi-Square	P Value	Decision
Years of Experience	The current level of IFRS awareness and knowledge among Chartered Accountants in Ahmedabad is sufficient	8.734	0.043	There is Significant Relation
	IFRS adoption has had a positive impact on the business environment	13.957	0.06	
	IFRS adoption aligns with the global trend toward harmonization of accounting standards	6.272	0.047	
	The regulatory environment in India adequately supports IFRS adoption	10.613	0.022	
Age	The current level of IFRS awareness and knowledge among Chartered Accountants in Ahmedabad is sufficient	15.225	0.09	
	IFRS adoption has had a positive impact on the business environment	12.51	0.14	
	IFRS adoption aligns with the global trend toward harmonization of accounting standards	18.649	0.032	
	The regulatory environment in India adequately supports IFRS adoption	19.918	0.024	
Job/Practice	The current level of IFRS awareness and knowledge among Chartered Accountants in Ahmedabad is sufficient	11.77	0.15	
	IFRS adoption has had a positive impact on the business environment	14.985	0.08	
	IFRS adoption aligns with the global trend toward harmonization of accounting standards	25.198	0.06	
	The regulatory environment in India adequately supports IFRS adoption	17.98	0.36	

Based on the above chi-square testing table, it can be seen that there is significant relation between demographic variables of the CAs targeted in this study and their perception towards IFRS adoption.

5. CONCLUSION

This study has revealed valuable insights into the opinions and beliefs of Chartered Accountants (CAs) in Ahmedabad regarding the transition to International Financial Reporting Standards (IFRS). Several key findings have emerged from the survey, each shedding light on CAs' perceptions and their relation to demographic profiles. Firstly, the study indicates that the majority of CAs do not believe that the adoption of IFRS has significantly improved the quality of financial reporting. While IFRS aims to enhance transparency and consistency in reporting, it appears that many CAs may not yet see a substantial improvement in this regard. Secondly, CAs generally believe that IFRS adoption has positively influenced the comparability of financial statements. This suggests that CAs perceive IFRS as a unifying framework that allows for more meaningful comparisons between financial reports, which can be advantageous for various stakeholders. Additionally, the study highlights that CAs believe that IFRS adoption is beneficial for investors and other stakeholders. This positive perception suggests that CAs recognize the potential advantages of IFRS in providing better information for decision-making and fostering investor confidence. Furthermore, the study establishes a significant relationship between the demographic profiles of CAs and their beliefs regarding the current level of IFRS awareness and knowledge. This indicates that factors such as age, experience, or education level might influence how CAs perceive the adequacy of IFRS awareness and understanding among their peers. Moreover, the research demonstrates that CAs generally believe that IFRS adoption has had a positive impact on the business environment. This positive perception suggests that CAs perceive IFRS as a driver for improved business practices and a more competitive environment in Ahmedabad. Furthermore, CAs acknowledge that IFRS adoption aligns with the global trend toward the harmonization of accounting standards. This awareness of international accounting trends reflects a recognition of the importance of global convergence in financial

reporting standards. Lastly, it is revealed that CAs believe that the regulatory environment in India adequately supports IFRS adoption. This implies that CAs perceive that regulatory bodies have been effective in providing the necessary framework and guidance for a smooth transition to IFRS. Overall, the study provides a nuanced understanding of CAs' perceptions regarding IFRS adoption in Ahmedabad. It underlines the complexity of their views on various aspects of IFRS, from its impact on financial reporting quality to its benefits for stakeholders. The identified relationships between demographics and beliefs emphasize the importance of tailoring support and educational programs to address the specific needs of CAs in different demographic groups. Overall, these findings contribute to the ongoing discourse on IFRS adoption in the region and may inform strategies for improving awareness and understanding among CAs and stakeholders in the business community.

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CA Vatsal Shah is a Chartered Accountant, providing consultancy with expertise in the field of Accounting Standards, Ind AS and IFRS. He is academically active & vibrant. He is currently associated with Navkar Institute, a highly reputed coaching institute for CA/CS/CPA/ACCA. He is also visiting faculty at Navkar Digital Institute, FAME Training Institute Dubai, Ahmedabad Branch of WIRC of ICAI, Ahmedabad Branch of ICSI, GLS University. He is also Co-Author of "Student's Reference Book and Compiler on Accounting Standards for CA Final" (DISH NINE PUBLICATIONS). CA Vatsal Shah has impeccable academic credentials. He completed his Masters in Commerce from Gujarat University. He secured rank in the University during Second Semester of M. Com. He also completed Certificate Course on Ind AS organized by ICAI. Being a professor at Navkar Institute & a practicing Chartered Accountant, he has in-depth knowledge as well as practical insight in the subject of Accounting Standards, Indian Accounting Standard and IFRS.. His dedication, untiring perseverance and knowledge of current events have helped him achieve an uncanny insight required to deal with complex subject like Accounting Standards. He actively engages with aspiring CA candidates; he motivates & guides them through the rough & tumble of the difficult CA examination. His approachable nature along with in-depth technical knowledge endears him to his students.

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