



Auditors Perception and Convergence of Accounting Standards to IFRS –A Study

KEYWORDS

Auditors Perception, Awareness, Implementation IFRS.

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ABSTRACT *Most obvious is the continuing adoption of IFRS worldwide. Many territories have been using IFRS for some years, and more are planning to come on stream from 2011. The next wave of transitioning countries includes Korea, India, Japan, South and Central America and Canada. The key country in this regard but still something of an unknown quantity is the US. The decision about adoption of IFRS in the US is still to be taken, although many US companies are acting as if it will definitely happen. Despite this the likely adoption date is now more often quoted as 2016 rather than 2014. The present paper have undertaken empirical study to analysis auditors perception and Convergence of Accounting Standards to IFRS – an Analysis. The recent years have seen major changes in financial reporting worldwide.*

Introduction

It is common sense that for any reform to succeed, the call for it should come from the market. The need should precede the deed. Looked at from this angle, it does appear that the International Financial Reporting Standards, which some 1,500 Indian companies should begin to follow from April 1, 2011, is an idea whose time has not yet come. The ushering in of IFRS, at least in India, is founded on a heap of myths: that all the countries in the world are following IFRS and India should not isolate itself. That IFRS will facilitate capital inflows. It is transparent and hence investor friendly.

The paper of financial Reporting in the final course of commerce concentrates on aspects of preparing and analyzing financial statements. Students are expected to acquire advanced knowledge in this paper. The importance of the subject of financial reporting is growing over the years due to various factors like liberalization, flow of cross border capital, emergence of global corporation and movement towards better corporate governance practices. Standardization of accounting policies and financial reporting norms are significant aspects that make the subject more interesting in the recent years. Various new Accounting standards and guidance notes have been formulated by the Institute of Chartered Accountants of India keeping in mind the growing importance of financial reporting in the corporate scenario.

The students are required to develop understanding of the Accounting Standards and the relevant Guidance notes and gain ability to apply the provision contained therein to practical situations. The last decade has witnessed a sea change in the global economic scenario. The emergence of transnational corporations in search of money, not only for fuelling growth, but to sustain ongoing activities has necessitated raising of capital from all parts of the world. When an enterprise decides to raise capital from the foreign markets, the rules and regulations of that country will apply and the enterprise should be able to understand the differences between the rules governing financial reporting in the foreign country as compared to that of its own country. Thus translation and reinstatements of financial statements are of great significance. Therefore, chapter based on overview of Indian Accounting Standards, International Accounting Standards/ International Financial Reporting Standard and US GAAPs has also been included in the Final course of commerce curriculum.

Statement of the problem

"IFRS poses a great challenge to the drafters of financial statements and auditors"

Globalization has helped Indian business look for offshore

capital. This necessitated Indian companies desirous of looking for foreign capital to report their accounting procedures in the GAAP of the investing Country. The different disclosure requirement for listing purpose has hindered the free flow of Capital and made comparison of financial statements almost impossible.

The International Organization of Securities Commission has initiated a movement to harmonies diverse disclosure practice. This resulted in a uniform global reporting and disclosure practice called the IFRS. Policymakers in India have realized the need to follow IFRS. This poses a great challenge to the drafters of financial statements and also to auditors. There is an urgent need to understand the nuances of IFRS implementation.

In this situation, the Research raised the following questions

- What is the reason to implement the International Financial Reporting Standards (IFRS) in India?
- What are the difference between GAAP and IFRS?
- Are Auditors having awareness about IFRS?
- What are the issues while implementing IFRS?
- What are the benefits in IFRS?
- What are the problems faced by the companies while implementing IFRS?

In order to discover the solution to the above problems, the Researcher has undertaken this research titled " A Study on International Financial Reporting Standards (IFRS): Implementation, Problems and Prospects."

Objectives of the Study

- (i) To examine the implementation of International Financial Reporting Standards (IFRS) in India and abroad
- (ii) To identify the problems faced by the companies while implementing IFRS and come out with the suggestions for overcoming the problems.
- (iii) To examine the "Perception towards IFRS among the auditors in Salem District"
- (iv) To offer suggestions for effective implementation of IFRS in India.

Methodology

The present study is based on descriptive in nature using both primary and secondary data. Primary data were collected through structured questionnaire methods. Secondary data were collected through various sources such as Books, journals, Magazines, official's reports websites and unpublished sources. The total auditors in Salem District are 1160, out of this, only 300 of them are practicing. Rest of them

partly employed in a concern 400 and 360 of them are having their own consultancies. Based on that the auditors are classified in to three groups namely practicing, corporate, and consultancies. Then the practicing is again classified in to partnership firm and own firm. Then from the group the leading auditors are taken as sample. The total auditors taken for the study is 150. Stratified Random Sampling method has been adopted for selecting the Sample.

Study Area

Area of the study refers to Salem District, it is the third largest City in Tamil Nadu. It is one of the most popular for Steel in Tami INadu and famous for power loom and sago Industrials.

Analysis of Data

The collected data will be analyzed and interpreted against stated objectives. The data collected from the International Financial Reporting Standards (IFRS) is to be classified and presented.

Table-1: Personal Information

Particular		No. of Auditors	Percentages
Age	Below30 years	19	13
	31- 40 years	75	50
	41- 50 years	30	20
	Above 51 years	26	17
	Total	150	100
Sex	Male	126	84
	Female	24	16
	Total	150	100
Marital status	Married	111	74
	Unmarried	39	26
	Total	150	100
Monthly Income	Below 50000	48	32
	50001-100000	49	33
	100001-150000	22	15
	150001-200000	16	10
	Above 200000	15	10
Total	150	100	
Working Experience	5-10 Years	37	25
	10-15 Years	103	68
	15-20 years	7	5
	20 years and above	3	2
Total	150	100	
Profession	Practicing	78	52
	Corporate	22	15
	Consultancy	50	33
	Total	150	100

(Source: Primary Data)

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards (IFRS) is a set of accounting standards, developed by the International Accounting Standards Board (IASB) that is becoming the global standard for the preparation of public company financial statements. The IASB is an independent accounting standards body, based in London. Today businesses are crossing their national boundaries, promoting the synchronization of accounting standards across the globe. The objective behind the IFRS is to create a common platform for better understanding of accounting, internationally.

Growing interest in the global acceptance of a single set of robust accounting standards coming from all participants in the capital markets. Many multinational companies and national regulators and users support it because they believe that the use of common standards in the preparation

of public company financial statements will make it easier to compare the financial result of reporting entities from different countries. It will help investors understand opportunities better. Large public companies with subsidiaries in multiple jurisdictions would be able to use one accounting language company- wide and present their financial statements in the same language as their competitors.

Table-2: Auditors Perception

Particular		No. of Auditors	Percentages
Objection in Implementing IFRS	Yes	24	16
	No	126	84
	Total	150	100
Convergence from GAAP to IFRS	Yes	107	71
	No	43	29
	Total	150	100
IFRS Provide worldwide Opportunity	Yes	147	98
	No	3	2
	Total	150	100
IFRS Provide quality audit report	Yes	144	96
	No	6	4
	Total	150	100
Attended workshop Regarding IFRS	Yes	99	66
	No	51	34
	Total	150	100
Number of Companies Currently Auditing	5-10 Companies	7	5
	10-15 Companies	103	68
	15-20 Companies	37	25
	Above 20 Companies	3	2
	Total	150	100

(Source: Primary Data)

Common Accounting Standards

Ever since the Norwalk agreement of 2002, the International Accounting Standards Board (IASB) and the Financial Accounting Standards board (FASB) have been attempting to seamlessly issue accounting standards that are based on common principles. They may not have been entirely successful thus far but all credit goes to them for continuing with the task irrespective of regulatory and political hurdles. The G-20 group of most industrialized nations patronizes the efforts of the IASB and the FASB. Mean while, on the issue of exponential growth in regulatory agencies in economic and social sectors.

Technology has increased communication among countries while making time extraneous, and free trade and outsourcing have opened up many business opportunities for few and existing businesses. Because of the internet and technology, a person can own a firm in France, be located in India and do their business mainly with the US and china. These new business opportunities needed to perform the firm's financial work needs the knowledge of the standards of each of the countries. Accounting is predominantly known as the profession that analyzes the past, but because of globalization it is important to look into the future. As a result, it is important to educate the accounting field on the standards of other countries. The future will also hold mandatory adoption of International Financial Reporting Standards (IFRS) in the U.S which will change reporting from rules-based US GAAP to principle-based IFRS standards.

The number of globalize business in the world is vast and increasing, which emphasizes the importance of achieving

a common accounting language. That although nearly fifty percent of the top accounting firms in the US have multinational clients and have working with IFRS for years, it is increasingly important that second-tier firms and their clients also become familiar with these standards. A level of preparedness is needed for this coming transition to international standards.

Use of IFRS enables today not only national, but also international comparability of financial statements, and this is a challenge for all preparers and their auditors, which requires maximum quantity of information for investors and demands on management and auditors of this information corresponding to it. Based on comparison of available financial statements complied in accordance with IFRS it is obvious that Czech preparers still owe some information to this aim. In future, together with development of an account platform on the basis of XBRL, the language barrier will be overcome, which enables full comparability of all financial statements according to criteria chosen by a user, which will further increase the pressure of users, regulators and, as a final consequence, also of auditors on quality and a completeness of financial information that are presented by the companies about themselves.

Regulatory Process

The Ministry of Corporate Affairs (MCA) has issued a clarification on the International Financial Reporting Standards (IFRS) roadmap for India. The MCA has confirmed that companies will be required to comply with the converged accounting standards (AS) that are in the process of being notified by the Institute of Chartered Accountants of India (ICAI), and not 'full' IFRS. The differences between full IFRS and converged AS are not known at this point in time as the Converged AS have not yet been notified. However, it is expected that these may be in the area of presentation format, depreciation, actuarial valuation of long-term employee benefits, etc. Almost all developed capital markets of the world, require full IFRS. The converged AS will not be acceptable in these markets, as they may not be fully compliant with full IFRS. The adoption of full IFRS in India will make it easy for Indian entities to access these markets.

Auditors Awareness in Convergence from Indian GAAP to IFRS

To assess the awareness level of the selected auditors regarding various issues related to convergence in IFRS. The level of awareness is classified as HR- Highly aware, A- Aware, N – Neutral, NA- Not Aware, HNA- Highly Not Aware.

Table-3
Awareness Level in IFRS

Issues	HA	A	N	NA	HNA	Total
Convergence to IFRS	46(31)	60(40)	8(5)	16(11)	20(13)	150/100
Date of implementation	55(37)	46(31)	8(5)	14(9)	27(18)	150/100
Format of IFRS	20(13)	82(55)	18(12)	27(18)	3(2)	150/100
Roadmap framed by MCA	42(28)	78(52)	10(7)	18(12)	2(1)	150/100
Benefits of convergence	6(4)	84(56)	22(15)	8(5)	30(20)	150/100

Workshop conducted by ICAI	32(21)	66(44)	29(19)	13(9)	10(7)	150/100
IFRS statements	18(12)	62(41)	31(21)	31(21)	8(5)	150/100
Key challenges faced while implementing IFRS	38(25)	12(8)	75(50)	15(10)	10(7)	150/100
Adoption made by other countries	8(5)	42(28)	42(28)	42(28)	16(11)	150/100

(Source: Primary Data)

Findings

Personal Profile:

- Most of the auditors belong to the age group of 31-40 Years
- Majority of the auditors are male (84%)
- Most of the auditors are married 74%
- Majority of the auditors are earning monthly income 50001-100000.
- Most of the auditors is working experience is 10-15 years.
- 525 of the auditors are practicing.

Auditors perception in IFRS

- The majority of the auditors are favorable for implementing IFRS.
- The majority of the auditors said that the convergence from GAAP to IFRS is possible.
- Most of the auditors IFRS provide worldwide opportunity.
- Majority of the auditors IFRS provides quality audit report.
- Most of the auditors attended seminar/ Conference/ Workshop regarding IFRS.
- Majority of the auditors are currently auditing 10 to 15 companies.

Suggestions

- Government and institute of chartered accountants on India should take proper steps to organize conference, workshops, and other awareness programs in order to create awareness among the accounting professionals and concerns regarding the IFRS standards.
- Institute of chartered account of India want to introduce the IFRS course for students.
- ICAI should give proper training to the accounting professional.
- Auditors should work closely throughout the implementation process documentation is updated.

Conclusion

The present scenario of the world economy and the position of India convergence with IFRS can be strongly recommended. But at the same time it can also be said that this transition to IFRS will not be a swift and painless process. Implementing IFRS would rather require change in formats of accounts, change in different accounting policies and more extensive disclosure requirement.

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