



## Auditors Awareness In Convergence From Indian GAAP To IFRS

### KEYWORDS

Awareness, Convergence, Indian Accounting standards, International accounting standards, International Financial Reporting Standards.

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**ABSTRACT** Accounting Standards are a set of rules that are aimed at making accounts more consistent, comparable and thereby bringing in a harmonization of accounting policies and principles and practices that, in turn, are expected to enhance corporate governance and responsibility. Globalization has laid down a way for all the countries to adopt a single set of accounting standards. Recent years have seen major changes in financial reporting worldwide under which the most obvious is the continuing adoption of International Financial Reporting Standards (IFRS) worldwide. These are designed as a common global language for business affairs so that company accounts are understandable and comparable across international boundaries. The Introduction of International Financial Reporting Standards (IFRS) is closely related to the entire issue of globalization because it has changed close economy into open economy. The Government of India had committed to convergence of Indian Accounting Standards with IFRS from April 1, 2011. An understanding of Indian Generally Accepted Accounting Principles (GAAP) and IFRS standards is an urgent need for today's Auditors. That is why, this paper attempts to study the auditors awareness in convergence from Indian GAAP to IFRS.

### INTRODUCTION

Convergence in India began with the ICAI announcing convergence of Indian Accounting standards with IFRS by issuing "Concept paper on Convergence with IFRS" in 2007. The concept paper proposed convergence by April 2011. Government of India in May 2008 confirmed that convergence should happen by April 2011 and mooted the efforts in that direction. ICAI has spelt out very clearly that 'convergence' is not migration from Indian Accounting standards to IFRS. ICAI has explained convergence 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 essentially would mean "adapting" rather than adopting those standards as such. Because the existing standards are based on IFRS (formerly called IAS). The transformation of existing standards to IFRS is expected to be an easy affair for the Indian corporate.

### Review of Literature

Shruti Rastogi and Shipra Agarwal (2012) developed that no doubt the whole implementation process is costly and time consuming, but the countries like India will be definitely benefited from the adoption of globally acceptable accounting standards in accessing the international capital markets. The convergence will not only impact the financial statements presentations or finance only but will also transcend various other functions. Anbalagan (2013) concluded that 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. Manpreet Kaur (2014) tested that the roles of Indian accounting standards, which are becoming closer to IFRS,

have assumed a great significance from the point of view of global financial reporting. Though there are many issues and challenges in the way of harmonization of accounting standards but finally India has announced its convergence with IFRS by 2015. Subhendu Kumar Nag (2015) the convergence of INDIAN GAAP and IFRS which led to the rise of a new accounting standard named as *Ind AS* would be very much practicable for the preparation of financial statement by the Indian companies. This is because it will help the companies to compare their performance on a global basis and will help in attracting foreign investment which will help them to expand their business. But the convergence procedure has a lot of hindrance to its implementation.

### Objective of the study

To study the auditors awareness in convergence from Indian GAAP to IFRS

### Research methodology of the study

The present study is based on descriptive in nature using both primary and secondary data. Primary data collected through a structured questionnaire containing different questions relating to various aspects of awareness of convergence of Indian Accounting Standards to IFRS has been used. Secondary data were collected through various sources such as books, Journals, Magazines, Official's websites and unpublished sources. Convenience sampling technique was used for the study. 150 of auditors are taken for the study. Out of 150 auditors only 98 of them are practicing and rest of them employed in different organizations. To assess the awareness level of the selected auditors regarding various issues related to convergence in IFRS. The level of awareness is classified as highly not aware, not aware, neutral, aware, and highly aware. The SPSS 16.0 version was used to interpret and analyze the data. The techniques of frequencies, percentage, ANOVAs applied to derive the results.

## Analysis and interpretations

Table.1: personal Information

Particulars	Variables	Frequency	Percentage
Age in years	Below – 30 years	48	32.0
	31-40 years	56	37.3
	41-50 years	9	6.0
	Above 51 years	37	24.7
	Total	150	100.0
Gender	Male	123	82.0
	Female	27	18.0
	Total	150	100.0
Profession	Practicing	98	65.3
	Employed	52	34.7
	Total	150	100.0
Experience	Below 5 Years	76	50.7
	6-10 years	21	14.0
	11-15 years	12	8.0
	16-20 years	2	1.3
	21 years and above	39	26.0
	Total	150	100.0
Number of companies currently auditing	Below 5 Companies	34	22.7
	5-10 Companies	20	13.3
	10-15 Companies	13	8.7
	15-20 Companies	4	2.7
	Above 20 Companies	27	18.0
	Not auditing (Employed)	52	34.7
Total	150	100.0	

Table .1 presents personal information of the respondents. Out of the total respondents 37.3% are in the age group of 31-40 years, 32.0% are in the age group of below - 30 years.

It can be observed from the sample that majority of the respondents i.e., 123 out of 150 total respondents representing 82.0 per cent belongs to male category whereas the remaining 27 respondents representing 18.0 per cent belongs to female category.

is observed from the above table the majority of the selected auditors that is 98 (65.3 per cent) are in the practicing category, 52 (34.7 per cent) of the auditors are employed in different organizations.

Out of the total sample 76 respondents 50.7 per cent representing their work experience is below -5 Years followed by sample 39 respondents 26.0 per cent representing their work experience is 21 years and above, whereas 21 respondents 14.0 per cent representing and 12 respondents 8.0 per cent representing their work experience is 6-10 years and above and 11-15 years .

It can be noted that 34 (22.7 per cent) respondents are auditing below 5 companies, followed by 27 (18.0 percent) respondents are auditing above 20 companies, whereas 20 (13.3 percent) respondents are auditing 5-10 companies.

#### Profession Wise Awareness in Convergence from Indian GAAP to IFRS

**Hypothesis:** there is no significant difference in opinions for different category of auditors regarding awareness in convergence from Indian GAAP to IFRS

Table.2: ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Convergence to IFRS	Between Groups	11.063	1	11.063	12.759	.000***
	Within groups	128.330	148	.867		
	Total	139.393	149			
Date of implementation	Between Groups	33.178	1	33.178	34.703	.000***
	Within groups	141.495	148	.956		
	Total	174.673	149			
Format of IFRS	Between Groups	6.115	1	6.115	5.858	.017**
	Within groups	154.478	148	1.044		
	Total	160.593	149			
Roadmap framed by MCA	Between Groups	20.021	1	20.021	19.527	.000***
	Within groups	151.739	148	1.025		
	Total	171.760	149			
Benefits of Convergence	Between Groups	6.825	1	6.825	8.688	.004*
	Within groups	116.249	148	.785		
	Total	123.073	149			
Workshop conducted by ICAI	Between Groups	25.258	1	25.258	20.426	.000***
	Within groups	183.015	148	1.237		
	Total	208.273	149			
IFRS statements	Between Groups	13.179	1	13.179	12.356	.001*
	Within groups	157.861	148	1.067		
	Total	171.040	149			
Key challenges faced while implementation IFRS	Between Groups	6.025	1	6.025	5.309	.023**
	Within groups	167.949	148	1.135		
	Total	173.973	149			
Adoption made by other countries.	Between Groups	4.743	1	4.743	5.190	.024**
	Within groups	135.231	148	.914		
	Total	139.973	149			

\*\*\* - Highly Significant, \*\* - Significant at 5% level, \* - Significant at 1% level.

It can be observed that the obtained significance value for Convergence to IFRS (0.000), Date of implementation (0.000), Roadmap framed by MCA (0.000), Workshop conducted by ICAI (0.000) is highly significant. Hence it can be concluded that there is a high significant difference of opinions on for Convergence to IFRS, Date of implementation, Roadmap framed by MCA, Workshop conducted by ICAI based on different category of auditors.

It can be noted that the obtained significance value for Format of IFRS (0.017), Key challenges faced while implementation IFRS (0.023), Adoption made by other countries (0.024) is significant at 5% level. Hence it can be concluded that there

is significant difference of opinions on Format of IFRS, Key challenges faced while implementation IFRS, Adoption made by other countries based on different category of auditors.

It can be observed that the obtained significance value for Benefits of Convergence (0.004), an IFRS statements (0.001) is significant at 1% level. Hence it can be concluded that there is significant difference of opinions on Benefits of Convergence, IFRS statements based on different category of auditors.

### Findings of the study

Most of the auditors belong to the age group of 31-40 years.

Majority of the auditors are male (82%).

Ninety two percent of the auditors are practicing.

Most of the auditors is working experience is below -5 years.

Majority of the auditors are currently auditing below 5 companies.

The study reveals that there is a high significant difference of opinions on for Convergence to IFRS, Date of implementation, Roadmap framed by MCA, Workshop conducted by ICAI based on different category of auditors.

The study found that there is significant difference of opinions on Format of IFRS, Key challenges faced while implementation IFRS, Adoption made by other countries based on different category of auditors.

The study reveals that there is significant difference of opinions on Benefits of Convergence, IFRS statements based on different category of auditors.

### Conclusion

The study reveals that the transition to IFRS will not be a swift and painless process all parties concerned with financial reporting also need to share the responsibility of international harmonization and convergence. It is also come to know that the auditors in Visakhapatnam city having awareness regarding the implementation of IFRS. ICAI should take proper steps to organize conference, workshops and other awareness programs in order to create awareness among the accounting professional and concerns regarding the IFRS. ICAI should give proper training to the accounting professional. Auditors should work closely throughout the implementation process documentation is updated.

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