



## A STUDY ON IMPACT OF IND AS ON CORPORATE GOVERNANCE

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**ABSTRACT**

Current Indian economy is result of number of reforms, resulting in a more market-oriented economy. Out of which Liberalization, Privatization and globalization can be considered as a key reform, and as a result the size of Indian corporate is becoming much bigger across the borders and accordingly the expectations of various stakeholders have also increased, which can be achieved by good Corporate Governance. In order to satisfy stake holders, Indian companies are required to make more and more intricate disclosures than have been making hitherto, for which they are also required to adhere to the uniform and proper accounting standards, as the standards reduce discretion, discrepancy and improves the utility of the disclosure.

Due to growth in international capital markets and cross border mergers and acquisitions, harmonization of accounting standards became essential in order to achieve confidence of global investors. As accounting is "the language of business." And so the language of financial reporting which is key driving force for making investment decisions must be comparable. This leads to adoption and implementation of International Financial Reporting Standards (IFRS) in Indian accounting environment. As a result India made a commitment towards the convergence of Indian accounting standards with IFRS at the G20 summit in 2009. In that process the Ministry of Corporate Affairs, Government of India (MCA) previously issued a roadmap for implementation of Indian Accounting Standards (Ind AS) converged with International Financial Reporting Standards (IFRS) beginning April 2011. However, this plan was suspended due to unresolved tax and other issues. In the presentation of the Union Budget 2014-15, the Honourable Minister for Finance, Corporate Affairs and Information and Broadcasting proposed the adoption of Ind AS. Ind AS is not intact adoption of IFRS. It is a separate accounting framework based on IFRS as created by the MCA with certain alterations according to Indian business requirements. The present study aims to identify and evaluate impact of IND AS adoption on corporate governance.

**KEYWORDS :** Growth of International Capital Market, Corporate governance, IFRS, Ind As, True and Fair view etc.

**Introduction-**

Corporate governance is the system of rules, practices and processes by which a company is directed and controlled. As corporate governance also provides the framework for attaining a company's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement and corporate disclosure.

Corporate Governance reflects the way corporation is governed. It is the technique by which companies are directed and managed. It aims in doing business in the interest of stake holders like Shareholders, financiers, suppliers, creditors etc. It is actually conducted by the board of Directors along with considering individual and societal goals, as well as, economic and social goals.

Corporate Governance can be called interaction between various participants like shareholders, board of directors, and company's management.

Corporate Governance denotes transparency which results in to strong and balanced economic development. It also insures interests of stakeholders. Corporate Governance has a broad scope. It includes both social and institutional aspects. Corporate Governance encourages a trustworthy, moral, as well as ethical environment.

**Benefits of Corporate Governance**

1. Good corporate governance results in to economic prosperity.
2. Corporate governance boosts confidence of stake holders ,which also results in to easy capital formation for companies.
3. It lowers the capital cost.
4. There is a positive impact on the share price.
5. Good corporate governance also reduces wastages, corruption, risks and mismanagement.
6. It creates brand formation and development.

**APPLICABILITY OF INDIAN ACCOUNTING STANDARD (Ind As)-**

As per Notification of Ministry of Corporate Affairs on 16th February 2015 Ind As has come into force. They shall come into force on the 1st day of April, 2015.

**Obligation to comply with Indian accounting Standards (Ind AS)**

The Companies and their auditors shall comply with the Indian Accounting Standards (Ind AS) specified in Annexure to Companies (Indian Accounting Standards) Rules, 2015 in preparation of their financial statements and audit respectively, in the following manner, namely:-

1. For Accounting periods beginning on or after 1st April, 2015 with the comparatives for periods ending on 31st March, 2015, or thereafter. Any company may comply with the Ind AS.

S .No	Conditions	Net worth of Rs. 500 Cores or more	Net worth less than Rs. 500 Cores
(a)	Companies whose equity or debt securities are listed or are in the process of being listed in India or outside India.	Apply Accounting periods beginning on or after 1st April, 2016 with the comparatives for periods ending on 31st March, 2016, or thereafter	Apply For Accounting periods beginning on or after 1st April, 2017 with the comparatives for periods ending on 31st March, 2017, or thereafter
(b)	Companies whose equity or debt securities are Not listed on any stock exchange in India or outside India.	Apply Accounting periods beginning on or after 1st April, 2016 with the comparatives for periods ending on 31st March, 2016, or thereafter	Net worth of Rs. 250 Cores but less than Rs. 500 Cores. Apply For Accounting periods beginning on or after 1st April, 2017 with the comparatives for periods ending on 31st March, 2017, or thereafter
(c)	Holding, subsidiary, joint venture or associate companies of companies covered in point 1, & 2 of this table.		

3. companies whose securities are listed or are in the process of being listed on SME exchange (as referred to in Chapter XB or on the Institutional Trading Platform ) without initial public offering (in accordance with the provisions of Chapter XC of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009) only clause (I) i.e. Any company may comply with Ind AS for financial statements for accounting periods beginning on or after 1st April, 2015, with the comparatives for the periods ending on 31st March, 2015, or thereafter; shall apply.

This paper aims to analyse impact of Ind As on corporate governance of companies.

**Literature Review-**

- Klapper and Love (2004) analysed firm level data (based on CLSA governance index) of 14 emerging stock markets in their study in order to examine the Corporate Governance practices and firm valuations of those countries. They observed that there exists positive relationship between Corporate Governance and Performance of firm. proxied by Tobin's Q and ROA.

-Crowther and Seifi (2011) found in their study that protection of investors is essential for the existence of organization. With current unstable economic and commercial scenario, Investors have become vigilant, and so they stress upon In today's turbulent commercial scenario, investors are highly cautious and stress upon strict adherence of Corporate Governance principles .

Durnev and Kim (2005) analysed data of 859 firms in 27 countries focusing on governance and transparency elements .It was found in the study that the firms which have high governance rankings, also have higher firm valuations. This study also used Tobin's Q as a measurement tool. They also revealed that firms which have high requirement of external source of funds also prefer to adopt higher standards of Corporate Governance.

Dr. B. Shekhar (2013) found in his research that IFRS removes puzzlement from the minds of investor because it gives precise, transparent single accounting statements,which infact gives true and fair view of state of affairs of an organization.

Bhatt, 2006 observed in his study that with rapid changing global economy, accounting has also become more complex in all the sectors. Which results in to need of simplified accounting procedures by people,economic sector and international environment. The second health of any corporate enterprise can be analysed by its financial position.Information that is conveyed through the various published accounts at the end of each accounting period has been accepted to be a far more effective mode of providing information for improvement and progress of the accounting standards.

Kaushik datta found in his study , “similarities and differences a comparison of IFRS, US GAAP and India GAAP”in the year of May2009,that converge of accounting standards will definitely result in to benefits to various stakeholders.

**3.Review of Literature:**

Some of the important research papers relevant for this research paper are presented in tabular form, for analysis.

Author	Purpose	Title of Research Paper	Result
(Dr. Preeti shrivastava , 2015)	The main objective of this study was to analyse implication of importance of IFRS in the present situation and the process in adopting IFRS.It also focuses on its impact on Indian corporate.	“A Study on Challenges and Prospects of IFRS in Indian Accounting System.”	It was found in the study that Accounting Standards (AS) to be converged with IFRS will result in to benefits to Indian companies and accounting professionals. Though adoption of converged IFRS has various challenges and complexities, but once it is adopted, it will result in to drastic change in the contents of corporate

			financial statements. Due to more advanced measurements of performance and state of affairs, and enhanced disclosures financial statements will become more transparent and comparable.
ACCA (2009)	An article states increasing importance of corporate governance for survival of corporate.	ACCA.(2009) .Disclosures on Corporate Governance, Report Part 2, Sydney: The Association of Chartered Certified Accountants	An article states that the influence of a Company's Corporate Governance practices and protocols and the importance of public disclosures are gaining significance and weight age. Sustainability is the major issue of today's corporate world and stakeholders are highly keen on how reports on Corporate Governance and Sustainability are made public. The international reoccurrence of economic slowdown have intensified the vigilance the stakeholders have towards Corporate Governance's policies and have raised the standards for increased, thorough and proactive revelations for futuristic companies.
Parmanand Barodiya & Sonal Saxena	The paper highlights importance of convergence of accounting standards in global economy.	A Study of International Accounting Standard and Indian Accounting Standard	Author found in his study that International financial Reporting Standard focuses on quality, reliability & relevancy aspects of the information to all its users all over the globe while setting a new standard. And due to globalisation Harmonization of Accounting Standard has become essential. Harmonisation will result into true & fair presentation of financial statement, which can be easily understood by all stake holders. For Organizations working cross borders, adoption of IFRS will result into reduction in the cost of preparation of financial statement & also make consolidation of financial statements true and fair.
The Economic Times	This Article states deferment by IRDAI in implementation of Ind AS, It also reveals presentation done by IRDAI to the authority.	“Irdai defers Ind-AS implementation to April 2020 “	As per an article in THE ECONOMIC TIMES, The IRDAI (Insurance Regulatory and Development Authority of India) deferred its Ind AS implementation to April 2020 from April 2018, with the approval of the authority. The IRDAI also noted that , implementation of Ind

			AS in the present situation may lead to mismatch in the asset and liabilities valuation and as a result will also create volatility in the financial statements of the insurance companies.
Tokar (2005)	The main objective of this paper is to analyse impact of convergence of accounting standards on working of business entities.	“Convergence and the Implementation of a Single Set of Global Standards: The Real-life Challenge”	Tokar (2005) found in his study that convergence of accounting standards is not painless process, It is costly as well as Lengthy. And as a result It involves huge investment of money. Convergence will also create need for training accounting students.

### FINDINGS-

Following are the observations from above literature reviews.

- One of the study affirms that due to globalization and world economy, stricter standards of Corporate Governance has become essential. It also reveals that due to economic slowdowns stake holders have become more vigilant.
- While one of the study reflects importance of international Financial Reporting Standards. Parmanand Barodiya & Sonal Saxena found in their study that Harmonization of Accounting Standards are needs of today's corporate. It makes financial statements more reliable and relevant. Harmonization of Accounting standard also reduces cost of preparation of financial statements as well as It results in to true and fair view of financial statements. Here It can be said that definitely harmonization of accounting standards will be a value addition in corporate governance.
- Dr. Preeti shrivastava, 2015, confirmed in his paper that though convergence of Accounting Standards is a hard-hitting process with various challenges. But after its adoption due to its advanced measurement principles, Financial Statements will become more transparent and comparable.
- However along with so many positive arguments in favour of adoption of Ind AS, Tokar has revealed in his paper that convergence process is a lengthy process, involving huge training cost.
- An article in The Economic Times also flashes a light on deferment of IRDAI in implementation of Ind
- AS, which is approved by authority. This highlights hurdles in the process of convergence of accounting standards.

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