



A STUDY ON IMPACT OF IMPLEMENTATION OF IND AS

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ABSTRACT Following the proposal made by the finance minister, the ministry of Corporate Affairs, Government of India started notifying Ind AS to implement in a phased manner. Ind AS had been implemented to increase the transparency and uniformity. So introduction of a new concept leads to changes in the value of asset and liabilities. Tools used are ratios and Paired t-test. So the present study focuses on understanding the effect on ratio after the implementation of Ind AS. It had been found out that there is significant difference in Debt-Equity Ratio.

KEYWORDS : Accounting Standards, Ind AS, Ratios

INTRODUCTION

Accounting standards in India are issued by (ASB) Accounting Standard Board of the Institute of Chartered Accounts of India and these are largely based on IFRS. In the year 2009, India made a commitment towards the convergence of Indian AS with IFRS at G-20 summit held at Pittsburgh USA. Following this; the ministry of corporate Affairs came with IFRS starting April 2011. Following the proposal made by the finance minister, the ministry of Corporate Affairs, Government of India started notifying Ind AS to implement in a phased manner. But in India the first Phase of implementation was a failure. So after amending the Companies Act in 2013 a new implementation phase has been introduced in April 2016.

STATEMENT OF PROBLEM

Introduction of a new concept will lead to changes in the presentation of data. These changes in the presentation of data will lead to increase this transparency, understand ability and flexibility of data. It is assumed that by increasing the transparency all material information will be disclosed. Therefore investors will be able to understand more about the financial data. This will further lead to changes in the values of assets and liabilities. Thus the present study focus on understanding the effect of ratio after the implementation of Ind AS

OBJECTIVE OF THE STUDY

- To examine the impact on liquidity ratios after the implementation of Ind AS.
- To examine the impact on leverage ratios after the implementation of Ind AS.
- To examine the impact on profitability ratios after the implementation of Ind AS.

HYPOTHESIS

Following are the hypothesis created for the analysis.

Hypothesis 1:- There is no significant difference between the Liquidity Ratios as per IGAAP and Ind AS.

Hypothesis 2:- There is no significant difference between the Leverage Ratio as per IGAAP and Ind AS

Hypothesis 3:- There is no significant difference between Profitability Ratios as per IGAAP and Ind AS

RESEARCH DESIGN

Study is analytical in nature. Study concentrate mainly on secondary data. Secondary data is collected from home page of concerned companies'. From the companies' official site, annual report for the year 2015-16 & 2016-17 is downloaded for the analysis. Companies listed in National Stock Exchange had been selected for the study. Companies which implemented Ind AS during the year 2016-17, among Nifty 50 companies had been selected for the study. Only those companies which implemented Ind AS during the year had been analysed. Among the various sectors automobile, cement & cement products, construction, consumer goods, energy, fertilisers & pesticides, IT, media & entertainment, metals, pharma, services, telecom, the energy sector is the highest number of sector which implemented Ind AS. Thus energy sector had been selected for the study. Energy sector consists of 8 companies. Analysis had been done using Ratios and Paired t-test.

ANALYSIS AND DISCUSSION

Energy Sector consist of 8 companies and all the eight companies in

that sector had implemented Ind AS in the year 2016-17.

Table 1 shows the listed Nifty 50 Companies implemented Ind AS in 2016-17

Industry	Number of companies in Nifty 50	Number of companies implemented Ind AS in Nifty 50
Automobile	6	6
Cement & Cement Products	2	2
Construction	1	1
Consumer Goods	4	4
Energy	8	8
Fertilizers & Pesticides	1	1
Financial Services	11	0
IT	5	5
Media & Entertainment	1	1
Metals	5	5
Pharma	3	3
Services	1	1
Telecom	2	2
	50	39

(Source: Compiled from Annual Reports)

Table 1 shows the listed sectors in the Nifty 50 companies that implemented Ind AS in the 2016-17. Total number of sectors in the Nifty 50 companies is 13 sectors. From that highest number of sector is selected for the study. Energy sector is the highest sector which implemented Ind AS. Financial services haven't implemented Ind AS in 2016-17. Financial services industry will implement Ind AS in the year 2018-19.

Analysis on Liquidity Ratio

Following Liquidity ratio had been analysed this section.

Current Ratio= Current Asset/ Current Liability

Quick Ratio= Quick Asset/Quick Liability

Cash Ratio= cash and cash equivalents / current liability

Table 2:- Table showing Current Ratio in energy sector among Nifty 50 companies

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.98	1.01	0.03
2	GAIL (India) Ltd.	0.86	0.95	0.09
3	Hindustan Petroleum Corporation Ltd.	0.96	1.03	0.08
4	Indian Oil Corporation Ltd.	0.91	0.87	-0.03
5	NTPC Ltd.	0.86	0.94	0.07
6	Oil & Natural Gas Corporation Ltd.	0.92	1.13	0.21
7	Power Grid Corporation of India Ltd.	0.41	0.39	-0.03
8	Reliance Industries Ltd.	0.68	0.69	0.01

(Source: Compiled from Annual Reports)

Table 2 shows the current ratio of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP ,highest difference in the Oil and natural gas corporation Ltd. (0.21) and lowest in the GAIL Ltd(0.09).

Table 3:- Table showing Quick ratio in energy sector among nifty 50 companies

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.52	0.54	0.02
2	GAIL (India) Ltd.	0.71	0.79	0.08
3	Hindustan Petroleum Corporation Ltd.	0.52	0.53	0.01
4	Indian Oil Corporation Ltd.	0.50	0.37	-0.13
5	NTPC Ltd.	0.66	0.75	0.09
6	Oil & Natural Gas Corporation Ltd.	0.76	0.98	0.22
7	Power Grid Corporation of India Ltd.	0.38	0.36	-0.02
8	Reliance Industries Ltd.	0.43	0.44	0.01

(Source: Compiled from Annual Reports)

Table 3 shows the quick ratio of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP ,highest difference in the Oil & natural gas corporation Ltd (0.22) and lowest in the Indian oil corporation Ltd.(-0.13).

Table 4:- Table showing Cash Ratio in energy sector among nifty 50 companies

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.14	0.14	0.00
2	GAIL (India) Ltd.	0.16	0.01	-0.15
3	Hindustan Petroleum Corporation Ltd.	0.08	0.01	-0.07
4	Indian Oil Corporation Ltd.	0.02	0.01	-0.01
5	NTPC Ltd.	0.13	0.04	-0.09
6	Oil & Natural Gas Corporation Ltd.	0.40	0.04	-0.36
7	Power Grid Corporation of India Ltd.	0.13	0.06	-0.07
8	Reliance Industries Ltd.	0.06	0.06	0.00

(Source: Compiled from Annual Reports)

Table 4 shows the cash ratio of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP ,highest difference in the energy sector is nil and lowest in the Reliance Industries Ltd and Bharat petroleum corporation Ltd (0.00).

Hypothesis 1:- There is no significant difference between the Liquidity Ratios as per IGAAP and Ind AS

Table 5:- Table showing a paired t-test values of Liquidity Ratio

		Mean	N	Std. Dev	P-Value
Current Ratio	As Per IGAAP	0.82	8	0.19	0.095
	As Per Ind AS	0.87	8	0.23	
Quick Ratio	As Per IGAAP	0.56	8	0.13	0.358
	As Per Ind AS	0.59	8	0.22	
Cash ratio	As Per IGAAP	0.14	8	0.11	0.062
	As Per Ind AS	0.04	8	0.04	

(SPSS Output)

Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to current ratio. Hence it concluded that there is no significant difference in the current ratio as per IGAAP and Ind AS (p=0.095).

Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to quick ratio. Hence it concluded that there is no significant difference in the quick ratio as per IGAAP and Ind AS (p=0.358).

Since p-value is greater than 0.05 the null hypothesis is accepted at 5%

with regard to cash ratio. Hence it concluded that there is no significant difference in the cash ratio as per IGAAP and Ind AS (p=0.062).

Analysis on Leverage Ratio

Following Leverage Ratio had been analysed this section.

Debt-Equity ratio= Debt/ Equity

Table 6:- Table showing Debt Equity-Ratio in energy sector among nifty 50companies

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.93	0.72	-0.21
2	GAIL (India) Ltd.	0.36	0.19	-0.17
3	Hindustan Petroleum Corporation Ltd.	1.81	1.25	-0.56
4	Indian Oil Corporation Ltd.	0.64	0.5	-0.14
5	NTPC Ltd.	1.19	0.94	-0.25
6	Oil & Natural Gas Corporation Ltd.	0.26	0.2	-0.06
7	Power Grid Corporation of India Ltd.	2.40	2.31	-0.09
8	Reliance Industries Ltd.	0.59	0.6	0.01

(Source: Compiled from Annual Reports)

Table 6 shows the debt equity of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP ,highest difference in the energy sector is Reliance Industries Ltd (0.01)and lowest in the Bharat petroleum corporation Ltd (-0.21).

Hypothesis 2:- There is no significant difference between the Leverage Ratio as per IGAAP and Ind AS

Table 7:- Table showing a paired t-test values of Debt-Equity Ratio

		Mean	N	Std. Dev	P-Value
Debt-Equity Ratio	As Per IGAAP	1.02	8	0.74	0.02
	As Per Ind AS	0.83	8	0.69	

(SPSS Output)

Since p-value is less than 0.05 the null hypothesis is rejected at 5% with regard to Debt-Equity ratio. Hence it concluded that there is significant difference in the Debt-Equity ratio as per IGAAP and Ind AS.(p=0.02)

Analysis on Profitability Ratio

Following Profitability Ratio had been analysed this section.

Net Profit Ratio= Profit after Tax/Net Sales

ROI= Profit after Tax/Debt &Equity

ROE= Profit after Tax/ Equity

ROA= Profit after Tax/ Total Asset

Table 8:- Table showing Net Profit Ratio in energy sector among Nifty 50 companies

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.04	0.04	0.00
2	GAIL (India) Ltd.	0.04	0.04	0.00
3	Hindustan Petroleum Corporation Ltd.	0.03	0.02	-0.01
4	Indian Oil Corporation Ltd.	0.03	0.03	0.00
5	NTPC Ltd.	0.13	0.15	0.02
6	Oil & Natural Gas Corporation Ltd.	0.11	0.1	-0.01
7	Power Grid Corporation of India Ltd.	0.28	0.29	0.01
8	Reliance Industries Ltd.	0.09	0.11	0.02

(Source: Compiled from Annual Reports)

Table 8 shows the Net Profit Ratio of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP ,highest difference in the energy sector is NTPC Ltd (0.02) and lowest is Hindustan Petroleum Corporation Ltd and Oil & natural gas corporation Ltd (-0.01).

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.15	0.16	0.01
2	GAIL (India) Ltd.	0.05	0.04	-0.01
3	Hindustan Petroleum Corporation Ltd.	0.10	0.12	0.02
4	Indian Oil Corporation Ltd.	0.09	0.09	0.00
5	NTPC Ltd.	0.05	0.06	0.01
6	Oil & Natural Gas Corporation Ltd.	0.06	0.05	-0.01
7	Power Grid Corporation of India Ltd.	0.04	0.04	0.00
8	Reliance Industries Ltd.	0.07	0.08	0.01

(Source: Compiled from Annual Reports)

Table 9 shows the ROI of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP, there is much difference.

Sl no	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.28	0.27	-0.01
2	GAIL (India) Ltd.	0.06	0.05	-0.01
3	Hindustan Petroleum Corporation Ltd.	0.28	0.28	0.00
4	Indian Oil Corporation Ltd.	0.15	0.14	-0.01
5	NTPC Ltd.	0.11	0.12	0.01
6	Oil & Natural Gas Corporation Ltd.	0.08	0.07	-0.01
7	Power Grid Corporation of India Ltd.	0.14	0.14	0.00
8	Reliance Industries Ltd.	0.11	0.13	0.02

(Source: Compiled from Annual Reports)

Table 10 shows the ROE of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP, there is much difference.

Sl No	Name Of the company	As per IGAAP	As Per Ind AS	Difference
1	Bharat Petroleum Corporation Ltd.	0.09	0.09	0.00
2	GAIL (India) Ltd.	0.03	0.03	0.00
3	Hindustan Petroleum Corporation Ltd.	0.07	0.06	-0.01
4	Indian Oil Corporation Ltd.	0.05	0.05	0.00
5	NTPC Ltd.	0.05	0.04	-0.01
6	Oil & Natural Gas Corporation Ltd.	0.04	0.04	0.00
7	Power Grid Corporation of India Ltd.	0.03	0.03	0.00
8	Reliance Industries Ltd.	0.05	0.05	0.00

(Source: Compiled from Annual Reports)

Table 11 shows the ROA of the companies who implemented Ind AS in the year 2016-17 .On comparing the both Ind AS and IGAAP there is no much difference.

Hypothesis 3:- There is no significant difference between Profitability Ratios as per I GAAP and Ind AS

		Mean	N	Std. Dev	P-Value
Net profit Ratio	As Per IGAAP	0.093	8	0.08	0.402
	As Per Ind AS	0.097	8	0.09	

ROI	As Per IGAAP	0.076	8	0.03	0.351
	As Per Ind AS	0.080	8	0.04	
ROE	As Per IGAAP	0.151	8	0.08	0.763
	As Per Ind AS	0.150	8	0.08	
ROA	As Per IGAAP	0.051	8	0.02	0.17
	As Per Ind AS	0.048	8	0.01	

(SPSS Output)

Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to Net Profit Ratio. Hence it concluded that there is no significant difference in the Net Profit Ratio as per IGAAP and Ind AS (p=0.402). Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to ROI. Hence it concluded that there is no significant difference in the ROI as per IGAAP and Ind AS (p=0.351). Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to ROE. Hence it concluded that there is no significant difference in the ROE as per IGAAP and Ind AS (p=0.763). Since p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to ROA. Hence it concluded that there is no significant difference in the ROA as per IGAAP and Ind AS (p=0.17).

CONCLUSION

On the analysis, p-value is greater than 0.05 the null hypothesis is accepted at 5% with regard to Current Ratio (p=0.095), Quick Ratio (p=0.358), Cash Ratio (p=0.358), Net Profit Ratio (p=0.402), ROI (p=0.351), ROE (p=0.763) and ROA (p=0.17) Hence it concluded that there is significant difference in these ratios as per IGAAP and Ind AS. Since p-value is less than 0.05 the null hypothesis is rejected at 5% with regard to Debt-Equity Ratio (p=0.02). Hence it concluded that there is significant difference in the ratios as per IGAAP and Ind AS.

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