



INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND SMES IN INDIA

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KEYWORDS

INTRODUCTION

Among the various practitioners are the academic who possess the theoretical background or knowledge of accounting as a discipline all over the world. Their opinions are not far-fetched from the opinions of other stakeholders. But what makes this paper unique is that their (academic) opinions have not been well articulated in this part of the world i.e. the developing countries, in recent researches unlike their counterparts in the industry about their perception of IFRS for SMEs. Hence the reason why this paper is looking at whether the academic believe if the proposed IFRS for SMEs will ease the burden of financial reporting by SMEs or not.

RESEARCH OBJECTIVES

As stated above in the introductory part, the purpose of this research is among others to:

1. Identify whether the academic believe that the proposed IFRS for SMEs (Statement of GAAP for SMEs) will ease or alleviate the burden of financial reporting and preparation by SMEs in India.
2. To find out if Nigeria government should support the adoption/adaption of IFRS for SMEs.
3. To find out how outspoken the academic have been towards the adoption of IFRS for SMEs in India

A previous study related to this research topic by Carsberg (1985) cited in Stainbank & Wells (2007), submitted that disclosure itself adds little to the burden of financial reporting by SMEs. This paper however takes a cue from what Rossouw & Van Wyk (2009) considered in focusing on accounting principles of recognition and measurement. The next section which is the literature review would however covers why IFRS for SMEs, the objectives of fashion out IFRS for SMEs, the benefits and advantages to SMEs and the need for differential reporting. However the following hypotheses were formulated to address the objectives as proposed above.

HYPOTHESES

H₀: There is no significance difference in the opinion of the academic on whether the proposed IFRS for SMEs will ease or alleviate the burden of financial reporting and preparation by SMEs in India.

H₁: There is no significance difference in the opinion of the academic with professional qualification on whether the proposed IFRS for SMEs will ease or alleviate the burden of financial reporting and preparation by SMEs in India

VARIABLES

No Percentage from the survey in table one, 56 people were surveyed out of which 39 were B.Sc holders which is 69.6% of the total sample surveyed, while 11 had M.Sc (20% of the sample) and only 5 had PhD which represent about 9.1% of

the sample. 14 of the samples were situated in the academic, hence they held different academic positions as Graduate Assistants, Assistant Lecturers, Lecturer II and etc. 46 were from the department of accounting, which represent 86.8% of the total sample, while 7 were from other departments.

This makes the result of this work most apt and relevant, as the majority of the samples are from the department of accounting, hence they will be very knowledgeable about the state of IFRS.

VARIABLES	AGR EE%	UNDEC IDED%	DISAG REE%
Proposed IFRS to ease burden	74.5	16.1	1.8
More capital for growth and expansion	69.6	19.6	5.4
Differential reporting to reduce burden	57.2	25	10.7
Govt. should support adoption of IFRS	85.7	Nil	12.7
Narrow down IFRS to capture smaller entities	67.9	16.1	5.4
Attracting foreign investors to India	7	8.9	1.8
More enlightenment needed for operators/managers	92.9	3.6	nil
Academic not outspoken	75	19.6	3.6
Reduce cost of preparing financial report	64.3	14.3	19.6

From table II above, the empirical result shows that 1.8% of the sample size strongly disagrees with the proposition that the IFRS will ease the burden of SMEs in India while 3.6% agree. 16.1% of the sample was undecided and a major proportion of 50% agree to the fact, while 24.5% strongly agree to the proposition.

With regards to the IFRS helping SMEs gain access to more capital for growth, 69.6% totally agree to this fact, while 5.4% disagree to this. Only 19.6% were undecided. Further inquiries was made with regards to the differential reporting helping to reduce the burden of financial reporting and 57.2% agree to this. 10.7% disagree to this, while 25% were undecided about this. 85.7% of the sample agrees that the Nigerian government should support the adoption/adaptation of the IFRS for SMEs, while a lesser percentage of 12.7% disagree to this fact. How about the complexities involved with regards to this, 67.9% agree that the IFRS for SMEs need to be narrowed down so as to capture other smaller entities than it is now which are 50 employees, while 5.4% disagree to this notion. 16.1% were undecided about this. Majority of the respondents agree that the adoption of the IFRS will attract foreign investors into the nation, while 10.7% disagree to this. As regard the fact that more enlightenment are needed through organizing seminars and conferences for SMEs operators/management, 62.9% subscribed to the idea while 3.6% was against it. This means more exposures are really needed for the stakeholders before the eventual takeoff. We also digged into the fact that academic have not been outspoken about the adoption of

IFRS for SMEs in Nigeria, 75% agree that academics have not been outspoken while 3.6% disagree and 19.6% was undecided on the issue. Lastly, this paper also probed to find out if the adoption of IFRS for SMEs will reduce the cost of preparing financial report, 64.3% agrees, 14.3% undecided while 19.6% disagrees.

Table III: Test For Significance Difference Amongst The Key Variables Academic Qualification: Testing the significance difference across Academic Qualification

Variables	Sum of Square	F	Significant
Ease burden	34.981	5.438	0.007*
More capital	40.519	3.503	.038**
Reduce burden	51.769	0.017	0.983
Govt. should support	30.593	0.671	0.516
Narrow down IFRS	40.980	2.469	0.096***
Attract foreign investors	27.019	0.079	0.925
More enlightenment	16.679	1.594	0.213
Academic outspoken	34.981	0.652	0.525
Reduce cost	79.204	1.245	0.296

Note: *, ** and *** signifies that the variables are significant at 1%, 5% and 10%. Source: the researcher's survey

One way ANOVA was used to test if any significant difference exists across the academic qualifications of the respondents based on the variables identified for the perception of academics with regards to IFRS for SMEs. The table above implies that there is a significant difference across the academic qualifications of the respondents with regards to whether the proposed IFRS will ease the burden of SMEs in India, if IFRS for SMEs will help to gain more capital for growth and expansion and if IFRS for SMEs in Nigeria still need to be narrowed down to capture smaller entities.

IMPLICATIONS

The apriority expectation of the researcher was that, there would be no significance difference in the opinions of the academic giving to their series of researches and exposures. The reason adduce at this point is that, first, this subject matter was relatively new in the Indian context and the IFRS whether in full or partial is yet to be adopted officially in India.

Secondly, the researchers sought for the opinions of other academic in related disciplines in order to have a wider coverage and each responded from the point of their various disciplines, hence likely reason for the significance difference on the three variables mentioned above. However, about 50% of the respondents believed the proposed IFRS will ease the burden of SMEs in India.

Table IV: Testing the significance difference across Professional Qualification

Variables	Sum of squares	F	Statistics Significant
Ease burden	17.429	0.124	0.731
More capital	13.231	0.138	0.717
Reduce burden	19.077	0.464	0.510
Support Govt	12.400	0.014	0.907
Narrow down IFRS	14.929	0.023	0.882
Attract foreign investors	12.933	0.306	0.590
More enlighten	2.400	1.300	0.275
Academic outspoken	8.400	0.021	0.887
Reduce cost	27.733	0.046	0.834

Note: *, ** and *** signifies that the variables are significant at 1%, 5% and 10%.

Source: Researchers' Survey

One way ANOVA was used to test if any significant difference exists across the professional qualifications of the

respondents based on the variables identified for the perception of academics with regards to IFRS for SMEs. The table above implies that there is no significant difference across the professional qualifications of the respondents with regards to whether the proposed IFRS will ease the burden of SMEs in India, if IFRS for SMEs will help to gain more capital for growth and expansion and if IFRS for SMEs in India still need to be narrowed down to capture smaller entities and the rest of the variables tested as shown in the table above.

IMPLICATIONS

The empirical result showed that, there is no significant different in the opinion based on their professional background couple with their academic experience. This group relates often with their counterpart in the industry, hence the perceived reason on why there are no divergent views in their responses. The responses are well captured in the analysis as stated in the descriptive statistics in table II above. It is therefore with utmost important that academic strive to belong to at least one professional body to support the theoretical background they possess in the academia.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

For some time now, SMEs in India compliance with GAAP in the preparation of their financial report has been a challenge. This is not peculiar to India. South-Africa as well is facing the challenge Van Wyk & Rossouw (2009). During 2007, the IFRS for SMEs was issued, and it omitted certain topics not applicable to SMEs, reduced the disclosure for SMEs and simplified some of the principles of recognition and measurement.

The intention of this standard was to reduce the burden of preparing financial statement by SMEs. And now that the country is moving to adoption of IFRS for SMEs in 2014, the first objective of this research work was to find out whether the academic believe that the proposed IFRS for SMEs (Statement of GAAP for SMEs) would reduce the burden of financial reporting of SMEs in Nigeria. But the empirical result revealed doubt among the academic about whether this would be so. This was inspite of the good and sincere intentions in establishing IFRS for SMEs.

The second objective is whether the Indian government should support the adoption/adaption of IFRS for SMEs. After reviewing the literatures and the empirical result, it was believed that Indian government should put all the necessary machinery in place to fast track the adoption of IFRS for SMEs in India.

The last objective is to find out how outspoken the academic have been towards the adoption/adaption of IFRS for SMEs in India. The empirical result also showed that academics have been relatively quiet in time past in India since the IFRS for SMEs was proposed. This is against public opinion because the academics are meant to champion this topic in various seminars and conferences for other practitioner to follow. However, this could be as a result of dearth of conferences and seminars in the academia relating to the topic. A limitation of the research was that because the views other practitioners outside the academia were not considered and that of the users of financial statements were not also evaluated, therefore, their perceptions were unable to be documented.

RECOMMENDATIONS

1. We therefore recommend that the decision of the government to start implementing IFRS for SMEs in 2014 should be reviewed and the date brought forward.

2. It is also recommended that more opportunities and platforms on this topic should be encouraged for academics for discussion of pertinent issues relating to IFRS for SMEs.

3. We also recommend that enlightenment campaigns should be embarked upon by the parties involved to sensitize the general public about the impact and the benefits of adopting IFRS in our local context. They should also demonstrate how the stakeholders will derive optimum gains from the standard.

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