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Convergence of Accounting Standards with International Financial Reporting Standards in India: Impact on Earnings Per Share of Selected Companies

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Abstract

To make the world a global market International Accounting Standards Board (IASB) framed International Financial Reporting Standards (IFRS) for creating uniformity in Accounting all over the world. To make India a global competitor Ministry of Corporate Affairs(MCA) also has made reporting as per IFRS mandatory from 1st April, 2011, for the companies listed on Bombay Stock Exchange and National Stock Exchange having paid up capital of Rs.1000 Cr. or more. Many foreign researches say that there are significant changes in financial performance as well as in EPS of the companies on convergence of accounts with IFRS. So this study has been conducted to find out the impact on EPS of the selected companies on convergence of accounts with IFRS.

The objective of the study is to compare the Earning per share (E.P.S.) by converging its accounts as per IFRS and accounts made on the basis of Indian GAAPs and to specify reasons for changes in EPS.

For primary data collection 16 questionnaires filled by Chartered Accountants have been taken into consideration. The Questionnaire was framed to take views of Chartered Accountants and Accounting professionals of various companies (Ernst & young, KPMG, BHEL etc.) on the problems faced by them in convergence of accounts with IFRS and impact on financial performance of the companies.

For conducting study 5 companies were selected for comparison of EPS on the basis of Indian GAAP and IFRS. A significant change in EPS of the companies as per IFRS and Indian GAAP was found on comparison. The researchers found the various reasons for differences for the changes in EPS of selected companies.

Keywords: Convergence, Accounting Standards, International Financial Reporting Standards, Earnings per Share.

Introduction

International Financial Reporting Standards (IFRS) adopted by International Accounting Standards Board (IASB) is a standardized format of financial reporting that is gaining momentum worldwide and is a single consistent accounting framework that is likely to become predominant GAAP in times to come. In this world of globalization in which Indian economy has also flourished, adopting IFRS would not only make Indian companies at par with other global companies but shall also increase India's marketability globally in terms of foreign investments.

In general terms, 'convergence' means to achieve harmony with IFRSs; in precise terms convergence can be considered *"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 IFRSs"*. In this context, attention is drawn to paragraph 14 of International Accounting Standard (IAS) 1, *Presentation of Financial Statements*, which states that financial statements shall not be described as complying with IFRSs unless they comply with all the requirements of IFRSs. It does not imply that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance.

Difference between Convergence and Adoption

Adoption would mean full-fledged use of IFRS as issued by the IASB by the Indian public companies. Convergence means that the Indian Accounting Standards (AS) and the International Financial Reporting Standards (IFRS) would, over time, continue working together to develop high quality, compatible accounting standards.

IFRS in Indian Scenario

The Indian GAAP is influenced by several standard setters, by Statute, namely Companies Act, Income Tax Act, Banking Regulation Act, Insurance Act etc and directions from regulatory bodies like RBI, SEBI, IRDA.

The legal or regulatory requirement will prevail over the IFRS requirement, in case of conflicts. Therefore, pre-conditions for IFRS adoption by India to be effective need amendments in required legislation and clarity on impact of IFRS adoption on Direct and Indirect taxes, especially transactions recorded at fair values.

Institute of Chartered Accountants of India is actively promoting the IASB's pronouncements in the country with a view to facilitating global harmonization of Accounting Standards and ICAI has pronounced that Indian GAAP will converge to IFRS with effect from April 1, 2011(now from April 1, 2012).

Under the statutory mandate provided by the Companies Act, 1956 the Central Government of India prescribes accounting standards in consultation with National Advisory Committee on Accounting Standards (NACAS) established under the Companies Act, 1956. The Central Government had adopted a policy of enabling disclosure of company account in a manner at par with accepted international practices, through a process of convergence with the IFRS. The NACS has taken up initiative for harmonization of accounting standards with IFRS and it would continue with an intention of achieving convergence with IFRS by 2011.

In this changing scenario, India cannot cut off itself from the developments taking place worldwide. At present, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) formulates Accounting Standards (ASs). Complex nature of IFRSs and the differences between the existing ASs and IFRSs, the ICAI is of the view that IFRSs should be adopted for the public interest entities such as listed entities, banks and insurance entities and large sized entities from the accounting periods beginning with effect from April, 2011. Convergence to IFRS would mean India would join a league of more than 100 countries, which have converged with IFRS. Converging to IFRS by Indian companies will be very challenging and on the contrary it could also be rewarding too.

IFRS Adoption Procedure in India

Based on the recommendation made by the Task Force and on the basis of outcome of discussions and public opinions on IFRS adoption procedure, a 3 step process was laid down by the Accounting Professionals in India.

This three steps-IFRS adoption procedure can be summarized as follows:

Step 1 – IFRS Impact Assessment

In this step, the firm will begin with the assessment of the impact of IFRS adoption on Accounting and Reporting Issues, on systems and processes, and on Business of the firm. The firm will then identify the key conversion dates and accordingly an IFRS training plan will be laid down. Once the training plan is in place, the firm will have to identify the key Financial Reporting Standards that will apply to the firm and also the differences among current financial reporting standards being followed by the firm and IFRS. The firm will also identify the loopholes in the existing systems and processes.

Step 2 – Preparations for IFRS Implementation

This step will carry out the activities required for IFRS implementation process. It will begin with documentation of IFRS Accounting Manual. The firm will then revamp the internal reporting systems and processes. IFRS 1 which deals with the first time adoption of IFRS will be followed to guide through the first time IFRS adoption procedure. To make the convergence process smooth, some exemptions are available under IFRS 1.These exemptions are identified and applied. To ensure that the IFRS are applied correctly and consistently, control systems are designed and put in place.

Step 3 – Implementation

This step involves actual implementation of IFRS. The first activity carried out in this phase is to prepare an opening Balance Sheet at the date of transition to IFRS.A proper understanding of the impact of the transition from Indian Accounting Standards to IFRS is to be developed. This will follow the complete application of IFRS as and when required. First time implementation of IFRS requires a lot of training and some difficulties may also be experienced. To ensure a smooth transition from Indian Accounting Standards to IFRS, continuous training to staff and addressing all the difficulties that would be experienced while carrying out the implementation is also required.

Review of Literature

The Researcher has reviewed various national and international studies to examine the impact of IFRS on profitability. **John Goodwin, Kamran Ahmed and Richard Heaney (2007)**[1] found that IFRS increases total liabilities, decreases equity and more firms have earnings decreases than increases. The leverage ratio is higher under IFRS. Using two different models, they find no evidence that IFRS earnings and book value are more value relevant than Australian GAAP earnings and book value. They also find that the changes to accounting for share-based payment, intangibles, provisions and impairment components are value relevant but not consistent with the way the market perceives these components, but that goodwill accounting under IFRS improves associations with market value. The information in the earnings reconciliations was impounded in prices before the release of the reconciliation note. **Thomas Jeanjean and Hervé Stolowy (2008)**[2] examined that earnings management remained consistent in Australia and the U.K. after IFRS adoption. However, in France, earnings management appeared to increase, suggesting that, overall, earnings quality was not improved by adopting IFRS. **Shuang, Wuivy Zhang (2008)**[3] hypothesize that the voluntary adoption of international accounting standards is associated with changes in firm's internal performance evaluation process; in particular, it is associated with increases in the sensitivities of CEO turnover and employee layoffs to accounting earnings. The results of the study are consistent with these predictions. The results of **Elaine Henry, Stephen Lin and Ya-Wen Yang (2009)**[4] show that convergence between U.S. GAAP and IFRS is occurring. Using 2004 to 2006 reconciliation disclosures, the authors found that the calculated difference between shareholders' equity under U.S. GAAP and under IFRS declined from 2004 to 2006. In addition, the difference between U.S. GAAP and IFRS reported net income during this period also declined but remained significantly different. Pensions and goodwill appeared to be the dominant reconciliation items. **Lantto and Sahlström (2009)**[5] **studied the Impact of IFRS adoption on key financial ratios** revealed increase in profitability ratios and decrease in price to earnings ratio; decrease in liquidity ratio; increase in gearing ratio and decrease in equity ratios. The results of the study indicated that the adoption of IFRS changes the magnitudes of the key accounting ratios of Finnish companies by considerably increasing the profitability ratios and gearing ratio moderately, and considerably decreasing the PE ratio and equity and quick ratios slightly. **Siqi Li (2010)**[6] concluded that on an average, the IFRS mandate significantly reduces the cost of equity for mandatory adopters. He also suggested in his research that this reduction is present only in countries with strong legal enforcement and that increased disclosures and enhanced information comparability are two mechanisms behind the cost of equity reduction. **Iatridis (2010)**[7] concluded, on the basis of data of firms listed on London Stock Exchange, that the IFRS implementation has favouraly affected the financial performance (measured by profitability and growth potential) of firms. The study also demonstrated that following the fair value orientation of IFRS, the transition to IFRS appears to introduce volatility in Income statement figures. **Devalle et al (2010)**[8] concluded that with adoption of IFRS by 3721 firms listed on 5 European Stock Exchanges, influence of earning on share price increased.

Objectives of the Study:

a. To bring out how the convergence with IFRS affects the earnings per share of the companies in India.

b. To find out the reasons for changes in profitability and the heads of financial statements through reconciliation.

Research Methodology

Sample Size

For attaining the different objectives of the study, the researcher selected 5 companies of BSE-SENSEX which gave their accounting data as per IFRS.

Duration of the Study

- For the purpose of the analysis of the data annual accounts as per Indian GAAP and converged accounts of financial year 2009-10 and 2010-11had taken into consideration for measuring the shareholder's wealth of selected companies.
- Companies taken as sample were a part to determine BSE SENSEX as on 1-04-2010.

Collection of Data

Both the primary and secondary data would be taken into consideration-

- Primary data of study were collected through the questionnaire and interview with 25 accounting professionals and 25 executives of the companies. Such persons were selected from companies, professional institutes and members of ICAI. Interview was conducted with the professional selected on stratified random sampling.
- Secondary data were collected from the annual reports and annual audited financial statements of the selected companies, journals, books, web sites, different researches, articles, magazines etc.

ANALYSIS AND COMPARISON

Out of 80 companies only 5 companies gave their data as per IFRS, in their annual reports. Comparison of their data is as follows:

TABLE 1. companies earnings per share basic and diluted

Company name	*Indian AS 2010*	*Indian AS 2011*	*IFRS 2010*	*IFRS 2011*
Infosys	**Basic**-101.22 **Diluted**-101.10	**Basic**-112.26 **Diluted**-112.22	**Basic**-109.02 **Diluted**-108.90	**Basic**-119.45 **Diluted**-119.41
Bharti Airtel	**Basic**- 23.83 **Diluted**- 23.82	**Basic**- 20.32 **Diluted**- 20.32	**Basic**- 23.67 **Diluted**- 23.67	**Basic**- 15.93 **Diluted**- 15.92
Dabur india ltd.	**Basic**-2.89 **Diluted**- 2.88	**Basic**-3.27 **Diluted**- 3.25	**Basic**- 2.83 **Diluted**- 2.82	**Basic**- 3.22 **Diluted**- 3.21
Wipro ltd.	**Basic**- 20.16 **Diluted**- 20.03	**Basic**- 19.88 **Diluted**- 19.78	**Basic**- 21.74 **Diluted** -21.61	**Basic**- 22.54 **Diluted**- 22.55
Dr. Reddys ltd.	**Basic** -20.83 **Diluted**- 20.69	**Basic**- 59.06 **Diluted**- 58.72	**Basic** – 6.33 **Diluted**- 6.30	**Basic**- 65.28 **Diluted**- 64.95

GRAPHICAL ANALYSIS AND COMPARISION

INFOSYS

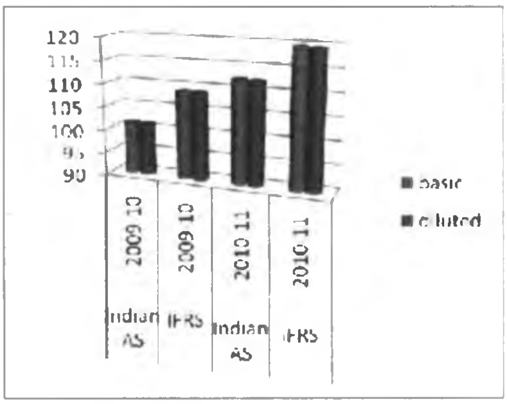

Figure 1. EPS of Infosys for 2009-10,11-12

BHARTI AIRTEL

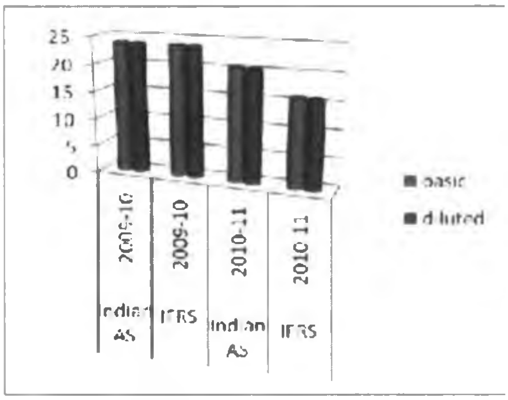

Figure 2. EPS of Bharti Airtel for 2009-10,11-12

DABUR INDIA LTD

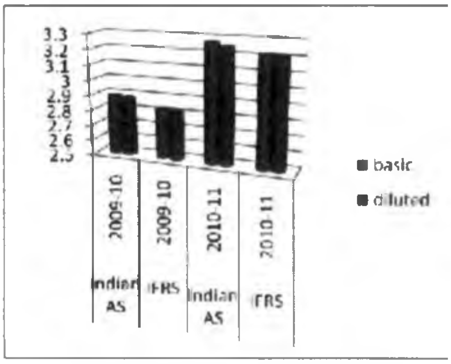

Figure 3. EPS of Dabur for 2009-10,11-12

WIPRO LTD.

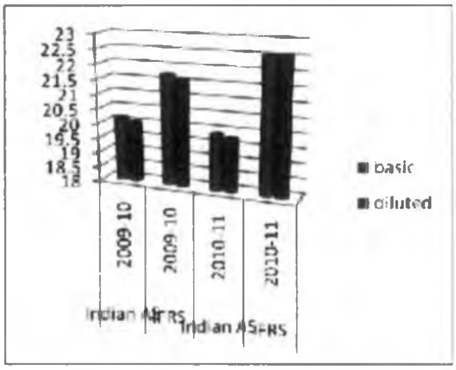

Figure 4. EPS of Wipro for 2009-10,11-12

DR. REDDYS LTD

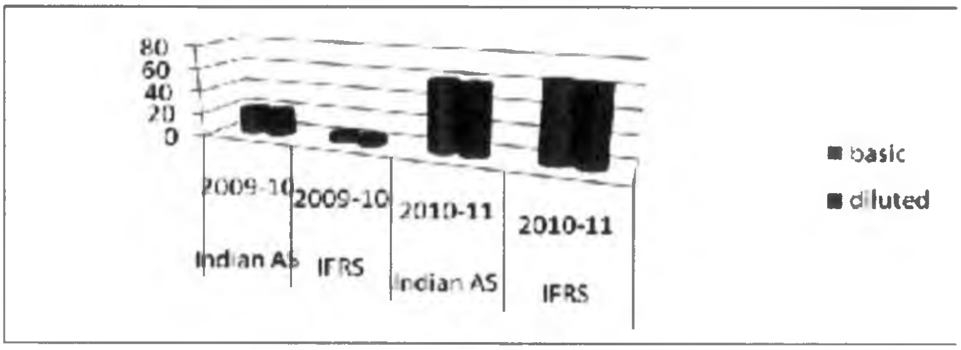

figure 5. EPS of Dr. Reddys ltd. for 2009-10,11-12

CONCLUSION

On comparison of accounting data made by Indian AS and IFRS we found that there is a significant change in profitability and earnings per share (EPS) of the companies in year 2009-10 and 2010-11.

Hypothesis-

On applying *paired sample t-test* on EPS of 2010 as per Indian GAAP and EPS of 2010 as per IFRS we found Significance (2 tailed) .785 and Std. Deviation 8.18402 and Correlation 0.988 at degree of freedom 4. Hence *null hypothesis* is accepted.

On applying *paired sample t-test* on EPS of 2011 as per Indian GAAP and EPS of 2011 as per IFRS we found Significance (2 tailed) .334 and Std. Deviation 4.73506 and Correlation 0.998 at degree of freedom 4. Hence *null hypothesis* is accepted.

On comparison no significant changes in earnings per share have been found. But in case of some companies there is significant difference which we can't ignore at all such as in Dr. Reddy's ltd. There are various reasons for the difference mentioned later.

Many companies are still not giving any accounting records as per IFRS.

Increment and decrement of EPS is not in order, it sometimes increases as per IFRS and sometimes as per Indian AS. So it depends on the situations of companies.

IMPACT OF TRANSITION TO IFRS

The following is a summary of the effects of the differences between IFRS and Indian GAAP on the Group's total equity shareholders' funds and profit for the financial period for the periods previously reported under Indian GAAP following the date of transition to IFRS.

Subsequent reconciliations post transition on March 31, 2009

Table 1. Group, its joint ventures and associates reconciliation of Equity as on March 31, 2010:

Particulars	*Notes*	*Regrouped I GAAP*	*IFRS Adjustments*	*IFRS*
Assets				
Non-current assets				
Property, plant and equipment	I	503,919	(21,290)	482,629
Intangible assets	II	28,841	31,049	59,890
Investment in associates		57	-	57
Derivative financial assets	III (i)	393	2,944	3,337
Other financial assets	III (ii)	10,824	(3,456)	7,368
Other non-financial assets	III (ii)	4,177	3,308	7,485
Deferred tax asset	V	14,093	(1,604)	12,489
		562,304	**10,951**	**573,255**
Current assets				
Inventories		484	-	484
Trade and other receivable		35,711	-	35,711
Derivative financial assets		144	-	144
Prepayments and other assets	III (ii)	22,174	(1,339)	20,835
Income tax recoverable		2,826	-	2,826
Short-term investments	III (iii)	51,622	642	52,264
Other financial assets		98	-	98
Cash and cash equivalents		25,323	-	25,323
		138,382	**(697)**	**137,685**
Total assets		**700,686**	**10,254**	**710,940**
Equity and liabilities				
Equity				
Issued capital		18,988	0	18,988
Treasury shares	VI	(1)	(80)	(81)

Particulars	*Notes*	*Regrouped I GAAP*	*IFRS Adjustments*	*IFRS*
Share premium		40,533	15,966	56,499
Deferred stock compensation		2,620	(2,620)	-
Retained earnings/(deficit)		301,294	48	301,342
Foreign currency translation reserve	I (iii) (b)	158	666	824
Other components of equity	III (iv)	35,197	9,171	44,368
Equity attributable to equity holders of parent		**3 98,789**	**23,151**	**421,940**
Non-controlling interest	III (iv)	28,554	(3,269)	25,285
Total equity		**427,343**	**19,882**	**447,225**
Non-current liabilities				
Borrowing	III (iv)	81,571	(97)	81,474
Deferred revenue	I (iii) (b)	11,999	(777)	11,222
Provisions	I (ii)	7,822	(4,043)	3,779
Derivative financial liabilities		289	-	289
Deferred tax liability		3,737	-	3,737
Other financial liabilities	III (ii)	13,380	(2,520)	10,860
Other non-financial liabilities	III (ii)	1,490	2,422	3,912
		120,288	**(5,015)**	**115,273**
Current liabilities				
Borrowing		20,424	-	20,424
Deferred revenue		19,027	-	19,027
Provisions		881	(7)	874
Other non-financial liabilities		5,399	-	5,399
Derivative financial liabilities		415	-	415
Trade and other payables	IV	106,909	(4,606)	102,303
		153,055	**(4,613)**	**148,442**
Total liabilities		**273,343**	**(9,628)**	**263,715**
Total equity and liabilities		**700,686**	**10,254**	**710,940**

Source: Bharti Airtel ltd. Annual report

Table 2. Group, its joint ventures and associates reconciliation of Statement of comprehensive income for the year ended March 31, 2010:

Particulars	*Notes*	*Regrouped I GAAP*	*IFRS Adjustments*	*IFRS*
Revenue	III (ii)	418,295	177	418,472
Operating expenses	III (ii)	(250,741)	(98)	(250,839)
		167,554	**79**	**167,633**
Depreciation and amortisation	I & II	(64,099)	1,267	(62,832)
Profit/(Loss) from operating activities		**103,455**	**1,346**	**104,801**
Share of results of associates		(48)	-	(48)
Other income		698	(1)	697
Non-operating expense		(181)	-	(181)
Profit/(Loss) before finance income and cost and tax		**103,924**	**1,345**	**105,269**
Finance income	I (ii), I (iii) & III	16,670	711	17,381
Finance costs	I (ii), I (iii) & III	(11,639)	(5,920)	(17,559)
Profit/(Loss) before tax		**108,955**	**(3,864)**	**105,091**
Income tax income/(expense)	V	(15,339)	1,886	(13,453)
Net profit/(loss) for the year		**93,616**	**(1,978)**	**91,638**
Profit/(loss) attributable to :				
Equity holders of the parent		91,632	(1,864)	89,768
Non-controlling interests		1,984	(114)	1,870
Net Profit/(Loss)		**93,616**	**(1,978)**	**91,638**

Source: Bharti Airtel ltd. Annual report

PRINCIPAL DIFFERENCE BETWEEN IFRS AND INDIAN GAAP

Measurement and recognition difference

I. Property, Plant and Equipment

i. Assets previously revalued under Indian GAAP

Under Indian GAAP, under the Scheme of demerger ("The Scheme") sanctioned by The High Courts, the Group revalued the passive Infrastructure assets to fair value with corresponding increase in business restructuring reserve.

Under IFRS, these assets have been restated at historical cost with a corresponding reversal of business restructuring reserve.

ii. Decommissioning liabilities or Asset retirement obligations

Asset retirement obligations (ARO) are capitalized under both Indian GAAP and IFRS. However, under Indian GAAP the ARO is initially measured at the expected cost to settle the obligation, whereas under IFRS the ARO is initially measured at the present value of expected cost to settle the obligation.

iii. Foreign exchange fluctuation

a) Fluctuations in foreign exchange on foreign currency denominated loans and liabilities. Under Indian GAAP, certain foreign exchange gains or losses on foreign currency denominated loans and liabilities were capitalised into the carrying value of fixed assets until March 31, 2008.

Under IFRS, the Group recognizes such gains and losses immediately in profit or loss and the cost of fixed assets has correspondingly been adjusted as at the date of transition to IFRS.

b) Translation of foreign operations' financial statements Under Indian GAAP, financial statements of integral foreign operations is translated as if the transactions have been conducted by the Group itself. The resulting translation difference is adjusted in the statement of comprehensive income under finance cost/ income.

Under IFRS, the functional currency of certain entities previously treated as integral has been assessed as a foreign currency. Accordingly, assets, liabilities and results of these foreign operations are translated in accordance with the Group's accounting policy for foreign operations.

II. Intangibles

i. Goodwill

Under the Indian GAAP, Goodwill on acquisition is initially measured as the excess of purchase consideration over the Company's interest in the net identifiable assets of the acquired entity. Subsequently it is amortised on a straight line basis over the remaining period of service license of the acquired company or over 10 years, whichever is less (*in telecom companies*).

Under IFRS, Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition together with the previously held interest in respect of acquired entity over the Company's interest in the net fair value of the identifiable assets and liabilities of the entity. Goodwill is not subject to amortization but is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. In IFRS goodwill relating to acquisition of foreign operations is held in the currency of the acquired entity and revalued to the closing rate at each date of statement of financial position. The Company opted to retrospectively apply IFRS 3 (revised) "Business Combination". Accordingly, it has re-measured goodwill stated earlier under the Indian GAAP for all business combinations affected prior to April 1, 2009.

ii. Other intangibles acquired on business combination

Under Indian GAAP, assets and liabilities acquired in a business combination are recognised in the consolidated statement of financial position at their previous carrying value.

Under IFRS, assets and liabilities acquired in a business combination are recognised at fair value. Intangible assets recognised comprise brands, customer relationships and distribution networks. They are capitalised at fair value on the date of acquisition and subsequently amortised in accordance with the Group's accounting policy.

III. Financial instruments

I. Derivative financial instruments

Under Indian GAAP, derivative contracts are measured at fair value at each balance sheet date to the extent of any reduction in fair value, and the loss on valuation is recognised in the income statement. A gain on valuation is only recognised by the Group if it represents the subsequent reversal of an earlier loss.Under IFRS, both reductions and increases to the fair values of derivative contracts are recognised in profit or loss.

II. Fair valuation of financial assets and liabilities

a. Company's other financial receivables and payables which are not derivative financial instruments, Under Indian GAAP, were measured at transaction cost less allowances for impairment, if any.

b. Under IFRS, these financial assets and liabilities are generally classified as loans and receivable or other financial liabilities. They are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. The resulting finance charge or income is included in finance expense or finance income in the statement of comprehensive income for financial liabilities and financial assets respectively.

III. Held for trading investments

a. Under Indian GAAP held for trading investments are measured at the lower cost or market price. Difference between the cost and market price is recognised in profit or loss.

b. Under IFRS held for trading investments are measured at fair value and any gain or loss is recognised in profit or loss.

IV. Compound financial instrument

a. Under the Indian GAAP, Compulsory Convertible Debentures (CCD) are stated initially at cost. On conversion, the carrying amount is transferred to equity.

b. Under IFRS, the CCD is analysed as a compound financial instrument and is separated into a liability and an equity component. The fair value of the liability component is initially measured at amortized cost determined using a market rate for an equivalent non-convertible bond. The residual amount is recognised in equity. The finance cost arising on the liability component is included in finance cost in the statement of comprehensive income. The carrying amount of the conversion option as reflected in the equity is not re-measured in subsequent periods.

V. Proposed dividend

a. Under Indian GAAP, proposed dividends are recognized as liability in the period to which they relate irrespective of the approval by shareholders.

b. Under IFRS, a proposed dividend is recognised as a liability in the period in which it is declared by the company (on approval of Shareholders in a general meeting) or paid. Therefore the liability recorded has been derecognised.

VI. Deferred tax

a. The Group has accounted for deferred tax on the various adjustments between Indian GAAP and IFRS at the tax rate at which they are expected to reverse.

VII. Treasury shares

a. Under Indian GAAP the shares issued to Employees' Welfare Trust are recognized as an investment in trust whereas under IFRS the same is deducted from equity as treasury shares.

VIII. Statement of cash flows

a. The impact of transition from Indian GAAP to IFRS on the statement of cash flows is due to various reclassification adjustments recorded under IFRS in Consolidated statement of financial position and consolidated statement of comprehensive income and difference in the definition of cash and cash equivalents under these two GAAPs.

CHALLENGES IN THE PROCESS OF ADOPTION OF IFRS IN INDIA

Adoption of IFRS in India is a difficult task and faces many challenges. Few of these have been listed below:

1. **Awareness of International Financial Reporting Practices:** Adoption of IFRS means that a complete set of different reporting standards has to be brought in. The awareness of these reporting standards is still not there among the stakeholders like Firms, Banks, Stock Exchanges, and Commodity Exchanges etc. To bring a complete awareness of these standards among these parties is a difficult task.

2. **Training** Professional Accountants are looked upon to ensure successful implementation of IFRS. Along with these Accountants, Government officials, Chief Executive Officers, Chief Information officers are also responsible for a smooth adoption process. India lack training facilities to train such a large group. As the implementation date draws closer (2011), it has been observed that India does not have enough number of fully trained professionals to carry out this task of adoption of IFRS in India.

3. **Amendments to the Existing Laws:** In India, Accounting Practices are governed mainly by Companies Act 1956 and Indian Generally Accepted Accounting Principles (GAAP). Existing laws such as Securities Exchange Board of India regulations, Indian Banking Laws & Regulations, Foreign Exchange Management Act also provide some guidelines on preparation of Financial Statements in India. IFRS does not recognize the presence of these laws and the Accountants will have to follow the IFRS fully with no overriding provisions from these laws. Indian Lawmakers will have to make necessary amendments to ensure a smooth transition to IFRS.

4. **Taxation:** IFRS adoption will affect most of the items in the Financial Statements and consequently, the tax liabilities would also undergo a change. Currently, Indian Tax Laws do not recognize the Accounting Standards. A complete overhaul of Tax laws is the major challenge faced by the Indian Law Makers immediately. Enough changes are to be made in Tax laws to ensure that tax authorities recognize IFRS-Compliant financial statements otherwise it will duplicate the administrative work for the Firms.

5. **Use of Fair Value as Measurement Base:** IFRS uses fair value to measure majority items in financial statements. The use of Fair Value Accounting can bring a lot of volatility and subjectivity to the financial statements. Adjustments to fair value result in gains or losses which are reflected in the Income Statements and valuation is reflected in Balance Sheet. Indian Corporate World which has been preparing its Financial Statements on Historical Cost Basis will have tough time while shifting to Fair Value Accounting.
6. **Financial Reporting System:** IFRS provide complete set of reporting system for companies to make their Financial Statements. In India, various laws and acts provide the financial reporting system but not as comprehensive as provided by the IFRS. Indian Firms will have to ensure that existing business reporting model is amended to suit the requirements of IFRS. The amended reporting system will take care of various new requirements of IFRS. Enough control systems have to be put in place to ensure the minimum business disruption at the time of transition. All the challenges mentioned here can be worked out by bringing in a proper Internal Control & Reporting system in place. Firms, Regulators and Stock Exchanges in India should take some guidelines from the countries which have adopted the IFRS and have similar economic, political and social conditions.

For primary data collection Questionnaire was sent to 50 Chartered Accountants out of which 40 CAs responded. On an analysis of questionnaire the researcher reached the following conclusions:

All the respondents are taken from chartered accountants profession because the first person who will get affected by IFRS is Chartered accountants because they have to play an important role in implementation of IFRS.

1. It was found that almost half population of accounting professionals are ***quite familiar*** and rest of respondents are ***properly familiar*** with IFRS. This shows that we have a big need of trained IFRS professionals as soon as possible for successful implementation because quite familiarity is not enough for successful implementation.
2. Half of the professional respondents say that Profits will increase while only 13% respondents say that profits will decrease and rest could not answer.
3. 67% respondents believe that reporting under IFRS will provide true financial performance and comparability disclosures.
4. 86% respondents believe that adoption of IFRS will facilitate investment decisions for investors.
5. 17% respondents think that there is a positive impact on shares' market price.
6. 66.67% respondents say that lacks of trained and experienced resources are major challenge and 33.33% says that regulatory environment and regulatory clarity are another major challenges for transition.
7. 67% respondents says that they have started training and awareness programme. 17% have not yet started any training programme and 16% says that implementation is in process.

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