

# Impact of Convergence with IFRS on Selected Pharmaceuticals Companies in India

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**Abstract---** This research paper proposes to analyse the impact of International Financial Reporting Standards (IFRS), on pharmaceutical companies. A graphical representation of its impact on the key performance indicators, after converging with IFRS, is presented in this paper. This study compared the financial ratios, prepared by using IGAAP and IFRS, on the date of transition, i.e. 1st April 2016, using Wilcoxon Signed Ranked Test. The study has exhibited significantly positive impact on most of the ratios under IFRS, when compared to those derived under Indian GAAP.

**Keywords---** International Financial Reporting Standards (IFRS), Indian Generally Accepted Accounting Principles (IGAAP) and Financial Ratios.

## I. Introduction

In recent times, convergence to IFRS has been one of the most noteworthy decision in financial reporting, having global consequences. Australia converged with IFRS from 2005 and New Zealand voluntarily adopted with IFRS from 1st January 2005, with mandatory adoption of IFRS from 1st January 2007 (Md H. Kabir, F. Laswad & Md A. Islam 2010). IFRS is created as a commonly used global accounting language of business affairs, so that the financial statements of companies are transparent, reliable, pertinent and comparable across international boundaries.

IFRS is an outcome of developing global shareholding and trade and it is especially important for organisation that has dealings in several countries. The IFRS has become the predominant financial reporting system on the international scenario as it is either adopted or converged to IFRS in more than 140 countries, including the European Union, Africa, Asian, Oceanic and South American countries. As stated earlier the, Indian accounting standards converged with IFRS voluntarily (referred to as Ind AS), with effect from Financial Year 2015-16 and on a mandatory basis, from Financial Year 2016-17 (Bhatia, S. and Tripathy, A. 2018).

The phased adoption of Ind-AS commenced on 1st April 2016, for larger companies holding net worth equal to or exceeding Rs. 500 crores. This study focuses on the sample pharmaceuticals companies listed at Bombay Stock Exchange (BSE) 100 and, which had announced their results, under IndAS, for the first time. In other words, the paper proposes to study the impact of converging with IFRS on financial ratios of BSE listed Pharmaceutical Companies in India.

## II. Literature Review

This section comprises the reviews of the literatures on the impact of IFRS convergence across the world and explore the important theoretical differences pertain with IFRS and IGAAP, methodology of the analysis and the findings related to adoption of IFRS.

Ahmed Kouki (2019) indicated that the information contained by non-IFRS-firms, during the post convergence period, had recorded with higher quality accounting information than in the pre convergence period. There was higher relationship between accounting information, the stock prices and stock returns over the two time frames but the difference in results was not statistically significant. Amrutha Pavithran (2019) analysed the impact of IFRS on

the S&P BSE100 firms and found that there was significant impact on the accounting ratios, after convergence with IFRS. Sandhya Bhatia and Arindam Tripathy (2018) measured different efficiencies of firms, with the application of window analysis based on Data Envelopment Analysis (DEA), for selected IT firms in India. Downes, J. F., et al (2018) investigated the effects of mandatory adoption of IFRS by European Union on the relationship between accounting estimates and future cash flows.

The study concentrated on the quality of financial information of companies lies within the International Accounting Standard Board conceptual framework and found that the forecasted accounting value estimates improved after adopting IFRS.

Olivera Gjorgieva Trajkovska, et al., (2018) studied the impact of IFRS adoption by European Union considering the expenses and gains from implementation, and their impact on capital market efficiency. The paper concluded by indicating a mixed result, regarding economic and firm specific differences, among the nations that could be attributed to IFRS adoption.

Collette E. Kirwan and Aileen Pierce (2017) examined the effects of IFRS on accounting standards applicable primarily to private companies, limited by shares in the Republic of Ireland (ROI). Hung, M. and Subramanyam, K.R., (2007) tested the effects of adopting International Accounting Standards (IAS) using the financial statements of German firms. It was identified that the total assets, book value of equity and income were significantly higher on converging with International Accounting Standards, than under German GAAP (HGB).

### ***Objectives of the Study***

The main objective of the study was to analyse the impact of IFRS adoption on its key financial ratios of sample pharmaceutical companies, listed in S&P BSE100. Secondly, to analyse percentage change in the key performance indicators (Revenue, PAT and Equity), on converging with IFRS, by sample pharmaceutical firms, listed in S&PBSE100.

### ***Hypotheses of the Study***

**NH01:** There is no normality in sample financial ratios computed by IGAAP and IFRS

**NH02:** There is no statistically significant difference between the sample financial ratios computed by IGAAP and IFRS.

## **III. Methodology of the Study**

To study the impact of IFRS adoption on financial statements, sample financial ratios and the key performance indicators (Revenue, PAT and Equity) were used. The financial statements and ratios were computed under IFRS and such results were compared with financial figures calculated under IGAAP. A firm's first financial reports under IFRS should include at least one year of comparative information.

This allows the comparison of accounting figures in IFRS and IGAAP for the year prior to the transition to IFRS. As a result, the comparison between IFRS and IGAAP could be done, using the original 2015 financial statements in IGAAP and the 2015 statements retrospectively, adjusted to IFRS, which are presented as part of financial statements published in 2016 (in cases when the shift to IFRS occurred in 2016) (Yahya, K. A.2015).

### ***Sample Selection***

This paper analysed the impact of IFRS transition of companies, listed in S&PBSE100, with a net worth of above 500 crores that had converged with IFRS, on its phase 1 of transition with effect from 1st April 2016. Since the study concentrated on the impact of IFRS adoption of pharmaceutical companies, out of the 100 listed firms in BSE100 index, the sample size was limited to eleven companies under pharmaceutical sectors which had adopted IFRS.

The financial data, relating to all sample companies, were taken from the Prowess Database, website of BSE India and respective company websites.

### ***Empirical Analysis***

This section analyses the percentage changes in the key performance indicators (Revenue, PAT and Equity) after converging with IFRS, by pharmaceutical firms listed in S&P BSE 100. Those Key Performance Indicators were identified from the financial reports published in IFRS and IGAAP format, during the FY 2015-16 and 2016-17.

The impact is shown from a graphical representation of the percentage change, in the key performance indicators, namely, Revenue, PAT and Equity during convergence with IFRS by the sample firms.

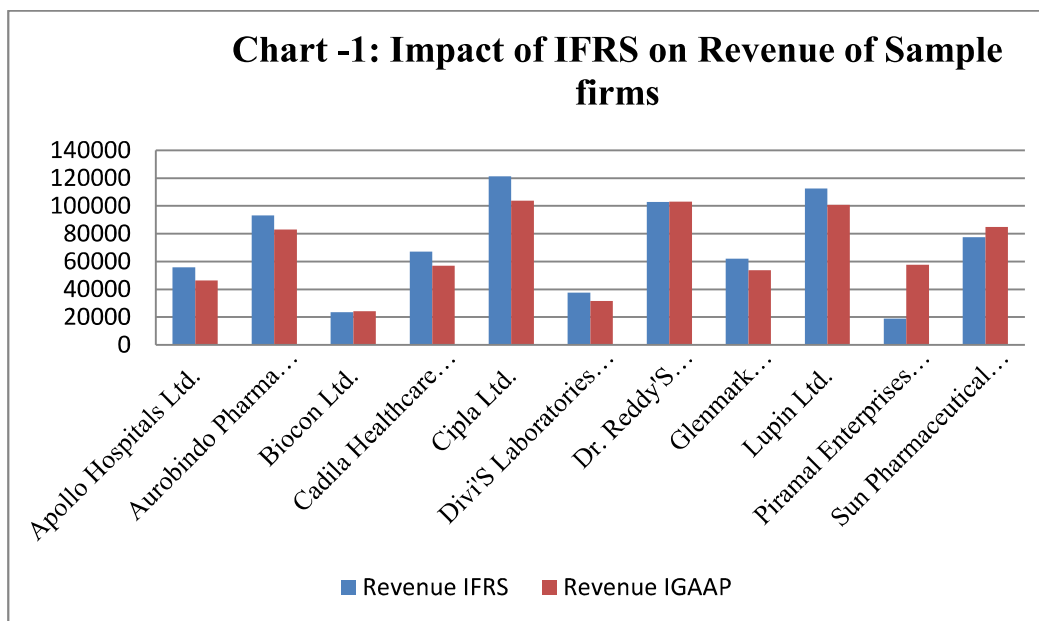
Table 1: Impact of IFRS on the Revenue of Sample Companies

Sample Companies	Revenue IFRS	Revenue IGAAP	Changes in Revenue	%Changes in Revenue	Result
Apollo Hospitals Ltd.	55883.2	46380.7	9502.5	20.49%	Increase
Aurobindo Pharma Ltd.	93227.6	83120.6	10107	12.16%	Increase
Biocon Ltd.	23461	24326	-865	3.56%	Decrease
Cadila Healthcare Ltd.	67123	57041	10082	17.68%	Increase
Cipla Ltd.	121191	103726	17465	16.84%	Increase
Divi'S Laboratories Ltd.	37516.2	31538.4	5977.8	18.95%	Increase
Dr. Reddy'S Laboratories Ltd.	102919	103189	-270	0.26%	Decrease
Glenmark Pharmaceuticals Ltd.	62030.8	53709.9	8320.9	15.49%	Increase
Lupin Ltd.	112439	100676	11763.1	11.68%	Increase
Piramal Enterprises Ltd.	18904.4	57747.9	-38844	67.26%	Decrease
Sun Pharmaceutical Inds. Ltd.	77537.8	84865.2	-7327.4	8.63%	Decrease

**Impact of IFRS Adoption on the Revenue of Sample Companies**

Table 1 shows the impact of converging with IFRS, on the revenue of the sample companies. It is understood from the results that the quantum and nature of the impact on the revenue varied with each individual company and the choices made by the sample companies while converging with IFRS. According to the results of Table-1, there was positive change in the revenue, earned by Apollo (20.49%), Aurobindo (12.16%), Cadila (17.68%), Cipla (16.84%), Divi’s Lab (18.95%), Glenmark (15.49%) and Lupin (11.68%), indicating an improvement in their revenue on convergence with IFRS while there was negative change in the revenue, earned by Biocon (3.56%), Dr. Reddy's Lab (0.26%) Piramal (67.26%) and Sun Pharma (8.63%), indicating decline in their revenue on convergence with IFRS.

The impact of converging with IFRS, measured by one of the three key performance indicators, namely Revenue, on individual pharmaceutical companies listed in S&PBSE100 companies, is depicted in Chart-1. There was significant difference in the revenue of sample pharmaceutical firms when converged with IFRS. It is clear that there was considerable increase in the revenue of companies like (Appollo, Aurobindo, Cadila, Cipla, Divi’s, Glenmark and Lupin) on converging with IFRS. But companies like Biocon, Dr Reddy’s Lab, Piramal and Sun Pharma reported decline in their revenue after converging with IFRS. In other words, there was mixed result of positive and negative impact, on the revenues of pharmaceutical companies, on converging with IFRS.



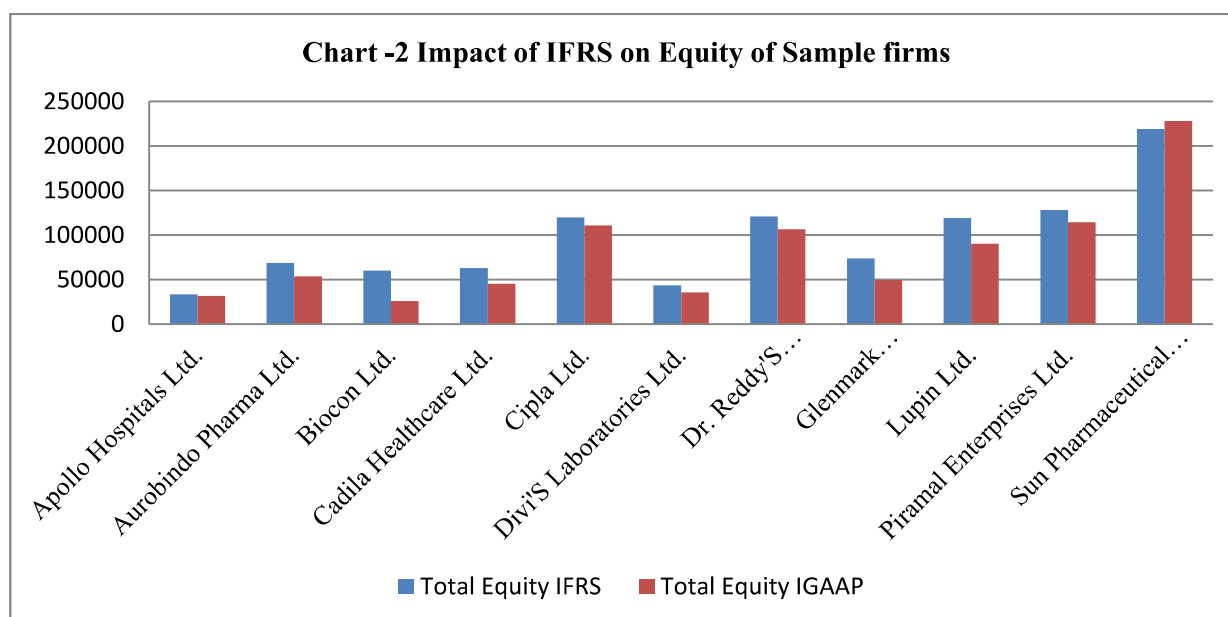
**Impact of IFRS on the Equity of Sample Firms**

Table 2 provides the summary of impact of converging with IFRS, on the equity of sample companies in pharmaceutical industry. The results clearly indicated that there was positive change in the equity value of sample companies like Apollo (4.89%), Aurobindo (28.11%), Biocon (57.50%), Cadila (38.69%), Cipla (8.16%), Divi’s Lab (22.32%), Dr. Reddy’S Lab (13.58%), Glenmark (48.75%), Lupin (31.96%) and Piramal (3.93%). In other words, there was improvement in their equity due to convergence to IFRS. But there was negative change in the equity value in the case of one company namely, Sun Pharma (8.63%), indicating a decline in their equity value, on convergence with IFRS.

Table 2: Impact of IFRS on Equity of Sample Firms

Company	Equity IFRS	Equity IGAAP	Changes in Revenue	%Changes in Revenue	Result
Apollo Hospitals Ltd.	33155.4	31610.8	1544.6	4.89%	Increase
Aurobindo Pharma Ltd.	68658.5	53595.4	15063.1	28.11%	Increase
Biocon Ltd.	59966	25792	34174	57.50%	Increase
Cadila Healthcare Ltd.	62762	45254	17508	38.69%	Increase
Cipla Ltd.	119858.8	110811.8	9047	8.16%	Increase
Divi’S Laboratories Ltd.	43570.5	35619.6	7950.9	22.32%	Increase
Dr. Reddy’S Laboratories Ltd.	120784	106340	14444	13.58%	Increase
Glenmark Pharmaceuticals Ltd.	73659.6	49520.6	24139	48.75%	Increase
Lupin Ltd.	119130.7	90277.4	28853.3	31.96%	Increase
Piramal Enterprises Ltd.	128006.1	114468.4	13537.7	11.83%	Increase
Sun Pharmaceutical Inds. Ltd.	218907	227862.7	-8955.7	3.93%	Decrease

The impact of converging with IFRS, measured by one of the three key performance indicators, namely Equity on individual pharmaceuticals companies listed in S&P BSE 100 firms are shown in Chart-2. There was significant difference noticed in the equity of pharmaceutical companies when converged with IFRS. Moreover, there was considerable increase in the value of equity, for all companies like Appollo, Aurobindo, Biocon, Cadila, Cipla, Divi’s, Dr Reddy’s Lab, Glenmark, Lupin and Piramal, on converging with IFRS. But, only one company, Sun Pharma, was found to report decline in their equity, on converging with IFRS. Therefore, it is understood that there was highly positive impact on the equity of pharmaceutical companies, on converging with IFRS.



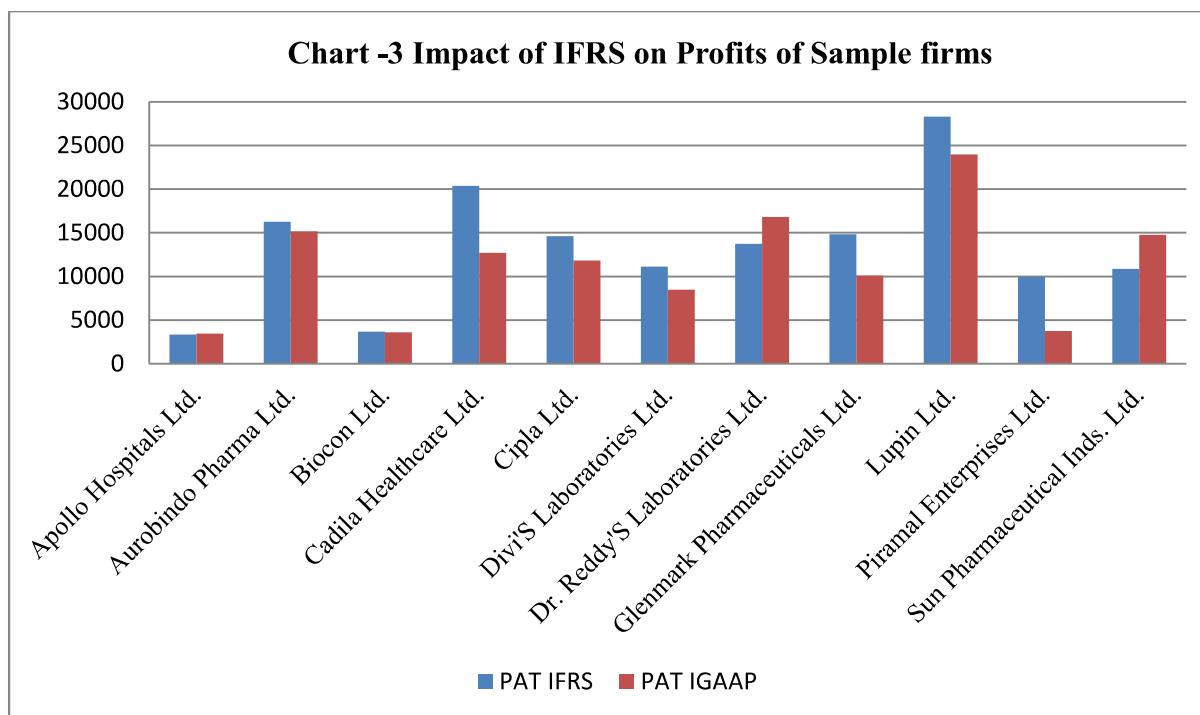
**Impact of IFRS on the Profits of Sample Firms**

Table 3 shows the impact of converging with IFRS, on the Profits (PAT) of sample companies in the pharmaceutical industry. It is understood from the results that the quantum and nature of the impact on profits varied with each individual company. Considering the impact on profits from the Table-1, there was positive change in the profits, earned by Aurobindo (7.28%), Biocon (2.05%), Cadila (60.29%), Cipla (23.81%), Divi’s Lab (31.14%), Glenmark (47.32%), Lupin (18.08%) and Piramal (62.57%) indicating an improvement in their revenue, on convergence with IFRS. There was also negative change in the revenue, reported by Apollo (3.65%), Dr. Reddy’S Lab (18.23%) and Sun Pharma (26.23%) indicating decline in their revenue on convergence with IFRS.

Table 3: Impact of IFRS on Profits of Sample Firms

Company	PAT IFRS	PAT IGAAP	Changes in PAT	%Changes in PAT	Result
Apollo Hospitals Ltd.	3339.5	3466	-126.5	3.65%	Decrease
Aurobindo Pharma Ltd.	16267	15163.5	1103.5	7.28%	Increase
Biocon Ltd.	3686	3612	74	2.05%	Increase
Cadila Healthcare Ltd.	20375	12711	7664	60.29%	Increase
Cipla Ltd.	14623	11810.9	2812.1	23.81%	Increase
Divi’S Laboratories Ltd.	11108.4	8470.6	2637.8	31.14%	Increase
Dr. Reddy’S Laboratories Ltd.	13743	16807	-3064	18.23%	Decrease
Glenmark Pharmaceuticals Ltd.	14842.7	10075.3	4767.4	47.32%	Increase
Lupin Ltd.	28308.7	23973.5	4335.2	18.08%	Increase
Piramal Enterprises Ltd.	9957	3727.4	6229.6	62.57%	Increase
Sun Pharmaceutical Inds. Ltd.	10875.1	14741.3	3866.2	26.23%	Decrease

The impact of converging with IFRS, measured by one of the three key performance indicators, namely, Profits on individual pharmaceutical companies listed in S&PBSE100 firms is given in Chart-3. There was significant difference in the profits of pharmaceutical companies. There was a considerable increase of profits for all companies like Aurobindo, Biocon, Cadila, Cipla, Divi’s, Glenmark, Lupin and Piramal on converging with IFRS. But only three companies, namely, Appollo, Dr Reddy’s Lab and Sun Pharma, reported decline in their profits on converging with IFRS. Therefore, it is understood that there was highly positive impact, on the profits of pharma companies, on converging with IFRS.



#### IV. Results of Descriptive Statistics

The results of Descriptive Statistics, showing the general characteristics of financial ratios, measured by IGAAP and IFRS, are presented in Table-4. Financial ratios were categorised into Liquidity, Profitability and Leverage Ratios, for easy understanding of the nature and purpose of the ratios employed. Current ratio of sample firms ranged from 0.610 to 6.180 under IGAAP (with a mean value of 2.779 and standard deviation of 1.762) but it ranged from 0.410 to 5.980 under IFRS (with mean value of 2.419 and a standard deviation of 1.562). Similarly, the quick ratio ranged from 0.370 to 4.070, under IGAAP (with a mean of 1.998 and a standard deviation of 1.186), and it ranged from 0.370 to 3.710 under IFRS (with a mean of 1.743 and a standard deviation of 1.020). On comparing the mean values of liquidity ratios, under IFRS and IGAAP, it was found that there was considerable decline in the liquidity ratios after converging with IFRS. The profitability ratios help to measure the efficiency with which sample companies turns business activity into profits. The return on assets ratio ranged from -0.040 to 0.220 under IGAAP with a mean of 0.101 and standard deviation of 0.072, was compared to variation between -0.030 to 0.220 under IFRS, with a mean of 0.103 and a standard deviation of 0.080. The return on equity ratio ranged from -0.060 to 0.280 under IGAAP with a mean of 0.159 and standard deviation of 0.110, was compared to variation between -0.050 and 0.320 in IFRS, with a mean of 0.152 and a standard deviation of 0.108. But GPR ratio ranged from -0.110 to 0.270 under IGAAP with a mean of 0.135 and standard deviation of 0.121, compared to variation between negative 0.140 and positive 0.480 under IFRS, with a mean of 0.232 and a standard deviation of 0.170, during the study period.

Table 4: Results of Descriptive Statistics of the Financial Variables of Sample Firms

Financial Ratios	IGAAP				IFRS			
	Mean	Std Dev	Min	Max	Mean	Std Dev	Min	Max
<b>Liquidity Ratios</b>								
Current Ratio	2.779	1.762	0.610	6.180	2.419	1.562	0.410	5.980
Quick Ratio	1.998	1.186	0.370	4.070	1.743	1.020	0.370	3.710
<b>Profitability Ratios</b>								
ROA	0.101	0.072	-0.040	0.220	0.103	0.080	-0.030	0.220
ROE	0.159	0.110	-0.060	0.280	0.152	0.108	-0.050	0.320
GPR	0.135	0.121	-0.110	0.270	0.232	0.170	-0.140	0.480
<b>Leverage Ratio</b>								
Debt Ratio	3.414	1.568	2.130	7.150	4.005	2.034	1.700	7.440
Debt to Worth	0.570	0.233	0.170	0.900	0.573	0.443	0.160	1.460
Equity Ratio	0.622	0.097	0.520	0.810	0.657	0.157	0.400	0.860

Source: Compiled from Prowess Database and computed using SPSS

The leverage ratios indicate how the sample company’s assets and business operations are financed. The debt ratio, under IGAAP, ranged from 2.130 to 7.150 (with a mean of 3.414 and a standard deviation of 1.568) while debt ratio, under IFRS, ranged from 1.700 to 7.440 (with a mean of 4.005 and a standard deviation of 2.034). But the debt to worth ratio under IGAAP ranged from 0.170 to 0.900 (with a mean of 0.570 and a standard deviation of 0.233) while debt to worth ratio under IFRS ranged from 0.160 to 1.460 (with a mean of 0.573 and a standard deviation of 0.443). Equity ratio, under IGAAP, ranged from 0.520 to 0.810 (with a mean of 0.622 and a standard deviation of 0.097) while equity ratio under IFRS ranged from 0.400 to 0.860 (with a mean of 0.657 and a standard deviation of 0.157). The results of leverage ratios indicated an improvement in debt ratio, debt to worth and equity ratios on converging with IFRS.

The overall analysis of financial ratios (profitability and leverage ratios) recorded improvement in their mean values. In other words, IFRS reporting helped in boosting the performance of a company, by providing opportunities to invest because of a positive picture.

#### Results of Normality Analysis

The normality analysis of the financial variables, used in this study was done by using Shapiro-Wilk Test and the results are presented in Table-5. Majority of financial variables selected for this study were based upon the variables used in the previous studies (Lantto & Sahlstorm 2009, Callao et al 2007) which identified the impact of IFRS adoption on European Countries. From the results of normality analysis, displayed in Table-3, it is evident that the values of financial ratios, prepared under IGAAP were at 0.279 for (CR), 0.192 for (QR), 0.102 for (ROA), 0.134 for (ROE), 0.188 for (GPR) 0.298 for (DR), 0.126 for (DER) and 0.282 for (ER) in respect of the sample firms.

Table 5: Results of Normality Analysis Using Sample Ratios

Financial Ratios	Kolmogorov-Smirnov test			
	IGAAP		IFRS	
	Statistic	Sig.	Statistic	Sig.
<b>Liquidity Ratios</b>				
Current Ratios	0.279	0.016	0.215	0.165
Quick Ratios	0.192	0.200	0.182	0.200
<b>Profitability Ratios</b>				
ROA	0.102	0.200	0.146	0.200
ROE	0.134	0.200	0.158	0.200
Gross Profit Ratio	0.188	0.200	0.132	0.200
<b>Leverage Ratios</b>				
Debt ratio	0.298	0.007	0.202	0.200
Debt Equity Ratio	0.126	0.200	0.223	0.131
Equity Ratio	0.282	0.015	0.130	0.200
Source: Compiled from Prowess Database and computed using SPSS				

Hence it is evident from the significant values for liquidity ratios, leverage ratios and profitability ratios, prepared under IGAAP, that these values were greater than the p-value of 0.05. The significance values of IFRS financial ratios, for all the three liquidity ratios, leverage ratios, and profitability ratios, were (0.215) for CR, (0.182) for QR, (0.146) for ROA, (0.158) for ROE, (0.132) for GPR, (0.202) for DR, (0.223) for DTW and (0.130) for ER, during the study period. These values were found to be greater than the p-value of 0.05. In other words, the financial ratios, prepared under IFRS and under IGAAP were not statistically significant (as the sig. value was greater than 0.05). Therefore, NH01-There is no normality in selected sample financial ratios computed by using IGAAP and IFRS, was accepted for the sample companies during the study period. In other words, sample variables were not normally distributed. Since the values of sample ratios were not normally distributed, the non parametric test, namely, Wilcoxon Signed-Rank Test was used to evaluate the selected financial variables, under the impact of convergence with IFRS.

**Results of Wilcoxon Signed Rank Test**

The non parametric Wilcoxon Signed Rank Test was used, to measure the statistically significant difference in the financial ratios of the sample firms, prepared under IGAAP and IFRS. This tool evaluated the significant differences in the various financial ratios (Liquidity, Leverage and Profitability), by comparing the means of ratios prepared under IGAAP and IFRS and the results are given in Table-6. A statistically significant positive difference was identified in profitability and leverage ratios, on converging with IFRS.

Table 6: Results of Wilcoxon Signed Rank Test Using Sample Ratios

Financial Ratios	IGAAP Means values	IFRS Mean values	Z Statistics	Sig Value
<b>Liquidity Ratios</b>				
Current Ratios	2.779	2.419	-1.334	0.182
Quick Ratios	1.998	1.743	-1.156	0.248
<b>Profitability Ratios</b>				
ROA	0.101	0.103	-0.267	0.790
ROE	0.159	0.152	-0.445	0.657
Gross Profit Ratio	0.135	0.232	-2.756	0.006
<b>Leverage Ratios</b>				
Debt ratio	3.414	4.005	1.511	0.031
Debt Equity Ratio	0.570	0.573	0.978	0.028
Equity Ratio	0.622	0.657	1.334	0.021
Source: Compiled from Prowess Database and computed using SPSS				

There was no significant impact, on the liquidity ratios of the sample firms as both current ratio (0.182) and quick ratios (0.248) reported significance values, more than the p value of 0.050 along with a negative Z Statistics of -1.334 for CR and -1.156 for QR. In other words, convergence with IFRS did not affect the liquidity ratios of the sample firms positively.

According to the results of Table-6, the statistically significant differences in leverage ratios were indicated by their sig values for DR (0.031), DW (0.028) and ER (0.021), which were less than the P value of 0.050, during the study period. With a positive Z statistic of DR (1.511), DW (0.978) and ER (1.334), it is clear that the significant difference indicated positive impact on its ratios. The reasons for this positive impact were due to classification and measurement of financial assets, at fair value, done under IFRS, measurement of derivatives done at fair value, measurement of borrowings at amortised cost with reference to effective rate of interest etc.

Regarding profitability ratios, the significant values of ROA (0.267), ROE (0.445) and GPR (2.756) were less than the p value of 0.050 and Z statistics was positive with ROA (0.010), ROE (0.047) and GPR (0.006), during the study period. It is understood from the results that ROA, ROE and GPR had recorded their profitability ratios, which were statistically significant at 5%. The main reasons for the impact on the profitability ratios were mainly due to foreign currency fluctuations, restatement of past business combinations, measuring property, plant and equipment at fair value etc. The overall, results of Wilcoxon Signed Rank Test demonstrated that IFRS transition exercised significant effects on Indian accounting results. Hence, the NH02- 'There is no statistically significant difference between the selected sample financial ratios computed by using IGAAP and IFRS.' was rejected. The results of Table-6 clearly indicates that there were statistically significant differences among the financial ratios prepared under IFRS and IGAAP by the sample firms during its first time convergence with IFRS. These differences were mainly due to the fair valuation treatment followed in IFRS and exchange rate fluctuation. The findings of this study clearly concurred with the findings of previous studies (Hung, M. and Subramanyam, K.R. (2004), Shipper, K. (2005), Weetman, P., Jones, E.A.E., Adams, C.A. Gray, S.J. (1998) and M Cordazzo (2013)).

## V. Conclusion, Limitations & Scope for Further Research

This study analysed the impact of IFRS adoption in India, on financial statement figures and key financial ratios of pharmaceutical companies, listed in S&P BSE100, on its first time convergence with IFRS. The trend analysis on the key performance indicators and Wilcoxon Signed Rank Test found considerable changes in the profitability and leverage ratios. The key performance indicators like revenue, equity and profits reported significant difference on converging with IFRS with reference to pharmaceutical firms. The transition from currently followed IGAAP brought changes in the reported accounting amounts of similar commercial transactions under two different accounting standards and thereby influencing financial statements of the entities in a different manner, leading to a different financial position outcome. This change was mainly due to fundamental changes in the financial reporting framework, general shift from the historical cost convention to increased use of fair value and increased focus over substance rather than the legal form of the underlying transaction, thereby impacting every company and industry sector. Certain other studies also came out with similar findings ((Blanchette, Racicot and Girard, 2011; Pavithran, A (2018); Gray, S.J. (1980); Hellman, N. (1993); Jermakowicz, E.K. (2004); Amrutha Pavithran; et al (2019)).

The limitation of this study was that it was confined to pharmaceutical companies only, listed in S&P BSE 100. Further, only those pharmaceutical companies, which were included in the phase 1 of convergence process, carried out by the Ministry of Corporate Affairs (MCA), were considered for this study. This study concentrated on the impact of phase I companies alone as mandatory adoption of IFRS was still in progress. This paper explained the impact of convergence with IFRS by Indian firms, using a set of key financial ratios. The results could provide useful inputs for policymakers while deciding about the adoption or the extent of convergence of the existing GAAP with IFRS by putting forward a different dimension of impact assessment.

Future work could be extended by examining other industries and jurisdictions of varied contextual background currently having the reporting standards other than IFRS to enrich the ongoing debate on the implementation consequences of IFRS from the angle of efficiency. There is wide scope for further research in the area of investigating the association between accounting information and efficiencies reported under different reporting norms.

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