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Impact of Converging to IFRS on Key Financial Ratios with Reference to BSE Listed Firms

P. Amrutha, M. Selvam and C. Kathiravan

Abstract--- *This paper focused on providing prior evidence of impact of accounting ratios resulted due to convergence to International Financial Reporting Standards (IFRS) in India. A graphical representation of its impact on the key performance indicators, after converging with IFRS, is shown in this paper. The accounting ratios presented using IGAAP and Ind AS on the date of convergence 1st April 2016 was compared for the 79 sample companies using Wilcoxon Signed Ranked test. Although earlier research explored the economic outcomes from International Financial Reporting Standard (IFRS) adoption, very few indicate the effects of IFRS adoption on key accounting ratios, with reference to India. This study exhibit significantly higher impact on the accounting ratios prepared under IFRS compared to those prepared under Indian GAAP.*

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

I. INTRODUCTION

The International Accounting Standards (IAS), International Accounting Standards Board (IASB) and International Financial Reporting Standards (IFRS) are associated with following a single set of high-quality accounting standards which is accepted globally (e.g. Francis, J. R. et al. 2005; Ball, R. 2006; Haverals, J. 2007). The IFRS has become the predominant financial reporting method accepted internationally by over 140 countries. The accounting advisory bodies, across the globe, do consider these outcomes when they decide upon the converging of IFRS. The quantification of the framework, developed by Gray (1980), attempted to offer empirical proof, regarding the results of accounting values, especially on the conservatism and secrecy on various stages of IFRS adoption. Every nation, embracing IFRS, experiences a progress procedure in the time of adoption. The quality of financial reports is influenced by the quality of the underlying accounting standards, understanding this impact of shift from local GAAP to IFRS highly the benefits the users.

IFRS Implementation in India

The reporting standards in India which converged with IFRS was named as Ind AS, are applicable from FY 2015-16 voluntarily and on a mandatory basis, from FY 2016-17 (Bhatia, S. and Tripathy, A. 2018). The first stage of convergence to Ind-AS happened on 1st April 2016, for larger companies whose net worth equal to or above Rs. 500 crores and then subsequently for other companies, was a well-thought out approach. This not only gave the management of firm's sufficient time to prepare for IndAS adoption, but also benefitted smaller companies, which learned from the lessons and experiences of the larger companies. The study concentrated on sample firms that are listed at Bombay Stock Exchange (BSE) 100, also had published their financial reports for the first

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time using IndAS. This would be helpful, especially for Phase III which includes banks, NBFC's and insurance companies, as they can benefit from the transition experience of companies which completed their first Phase of IFRS adoption. This study provides some useful insights into how IndAS adoption had impacted the BSE100 companies in India, in the course of the first and second phase of transition.

II. REVIEW OF LITERATURE

This section contains the reviews of the recent literatures analysing the impact of IFRS adoption discussing the various methodology of the analysis and the findings associated to adoption of IFRS.

Kouki, A. (2018) indicated, companies after adoption of IFRS reported high quality on accounting results published than the period before IFRS adoption. There was close connection noticed among accounting practices and stock returns in both the period of reporting. Segal, M., & Naik, G. (2019) concluded the implementation of new accounting standards resulted in improvement in leased assets of the companies. Bhatia, S., & Tripathy, A. (2018) measured specific efficiencies of companies using data envelopment analysis (DEA) method for selected IT firms in India. Downes, J. F., et al. (2018) investigated results of IFRS adoption by European Union to understand the relationship between financial forecast and cash flow estimate, the study focused on the quality of accounting reports prepared following conceptual framework of International Accounting Standard Board and concluded that the accounting forecast improved after adopting IFRS. Wen He and Chien-Ju Lu (2018) found that greater was the effect of IFRS adoption in countries which followed strict rules and regulation. The study also concluded mandatory adoption of IFRS benefited sales analysts with more accurate and less dispersed sales forecasts. Kirwan, C. E., & Pierce, A. (2017) examined the direct and indirect effects of IFRS on accounting standards applicable predominantly to private companies limited by shares in the Republic of Ireland (ROI). Hung, M. and Subramanyam, K.R, (2007) studied the outcomes of adopting International Accounting Standards (IAS) using the financial statements of German companies. It was recognised that the income, total assets and book value of equity were notably better on converging with International Accounting Standards than under German GAAP (HGB). Dumontier and Raffournier (1998) observed that the companies who complied with IFRS voluntarily have been highly assorted internationally, reported with more diffusive ownership and less capital intensity. The paper concluded that the factors from outside markets along with political costs played a vital role in the decision to adopt IAS.

III. OBJECTIVES OF THE STUDY

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

Hypotheses of the Study

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

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

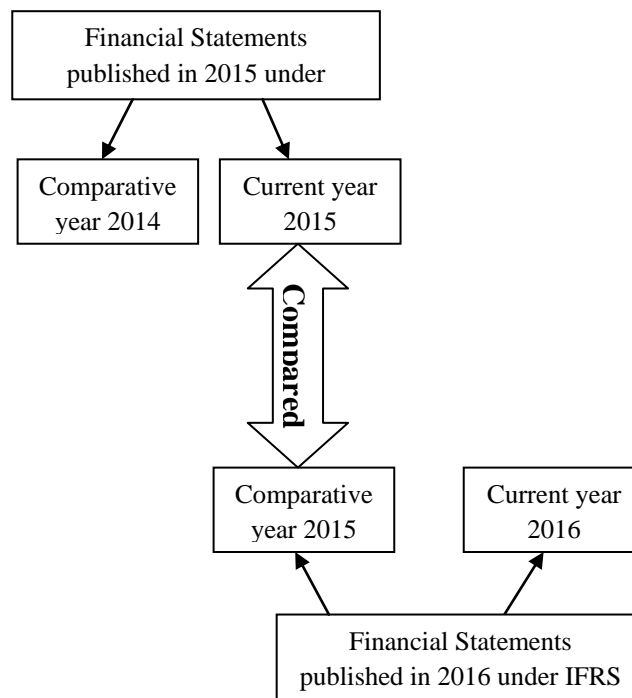
NH03: The changes in the equity value on converging to IFRS are not significant.

NH04: The changes in the equity value on converging to IFRS is not size dependant

IV. METHODOLOGY OF THE STUDY

To analyse the impact on converging with IFRS on the company reports, sample accounting ratios and the key performance indicators Revenue, Profit after Tax (PAT) and Equity were used. The financial statements and ratios calculated using IFRS were compared, with accounting ratios calculated using IGAAP. This comparison between IFRS and IGAAP was done using the original 2015 financial statements prepared under IGAAP with financial statements retrospectively adjusted to IFRS published in 2016 when the first IFRS transition occurred. Figure-1 explains comparison of financial statements prepared under IFRS and IGAAP in this study.

Figure-1: Comparability of Financial Statements prepared in IGAAP and IFRS



Source: Developed by Authors

Sample Selection

This paper analysed the impact of IFRS transition of companies listed in S&P BSE100, with a net worth of above 500 crores that have converged with IFRS on its phase 1 of transition i.e. 1st April 2016. And out of hundred firms listed in BSE100 index, only seventy nine companies which had adopted IFRS were selected and rest of twenty one were not considered for the study because they did not adopt IFRS (Fourteen were Banks and Seven were Non Banking Financial Institutions). These seventy nine sample companies were segregated into 12 sectors as shown in Table-1. The sector wise split was done by using the sector classification done by BSE. The financial data relating to all sample companies were taken from the Prowess Database, website of BSE India and respective company websites. The other relevant data for this study were collected from Journal, Newspapers, e-IFRS and other relevant Websites.

Table 1: List of Sample companies in each Sector

Sectors	No of Companies
Automobile and Ancillaries	13
Cement	5
Energy	10
Infrastructure	7
IT Consulting & software	4
Metals	6
Other Manufacturing	7
Packed Foods	3
Personal Products	7
Pharmaceuticals	11
Telecommunication	2
Others	4
Total Sample Companies	79

Source: From the website of Bombay Stock Exchange (BSE)

Tools used to test the Hypotheses:

To test the first research hypothesis the Descriptive Statistics and Shapiro-Wilk Test were used. This helped the researcher to understand the nature and normality distribution of the data (Pavithran, A; et al. 2018). Similarly Wilcoxon Signed Rank Test was applied to test the second research hypothesis to measure the statistically significant difference between the selected accounting ratios computed by using IGAAP and IFRS. The third hypothesis was tested using Paired Sample t test. And finally for the fourth hypothesis by the changes in the equity value and to find whether it was dependent on the size of the equity investment the multiple linear regression was used.

Change in the equity value is significant or not

A substantial variation in the value of equity was noted by considering the difference in the equity value of IGAAP and equity value of IFRS on the date of convergence to IFRS, which is 1st April 2015 with of the comparative period's reporting date which is the first IFRS compliant financial statements, prepared on 31 March 2016 (Kouki, A. 2018 and Ghosh, T. (2009).

Where by - $\Delta E_{15i} = IGAAP_{E15i} - IFRSE_{15i}$; and

$\Delta E_{16i} = IGAAP_{E16i} - IFRSE_{16i}$;

Where

ΔE_{15i} and ΔE_{16i} were differences of IGAAP and IFRS equity values on 1st April 2015 (IFRS transition date) and on 31st March 2016 (comparative period reporting date) respectively;

IGAAPE15_i and IGAAPE16_i were equity values of previous IGAAP on the date of transition and comparative period reporting date respectively; IFRSE15_i and IFRSE16_i were equity values of IFRS on transition date and comparative period reporting date respectively (Ghosh, T. (2009).

Changes in equity value are influenced by size of company

The aim is to check linear relationship which exists between the size of equity investment is in proportion with the changes recorded in the equity value of companies on converging to IFRS. It is assumed that companies with high net worth are strongly impacted when compared with lesser net worth companies. This is the reason behind the first phase of IFRS adoption comprised companies with above Rs. 500 crores net worth.

Therefore this multiple regression equation was used to test the changes in equity value depending on the size of the company

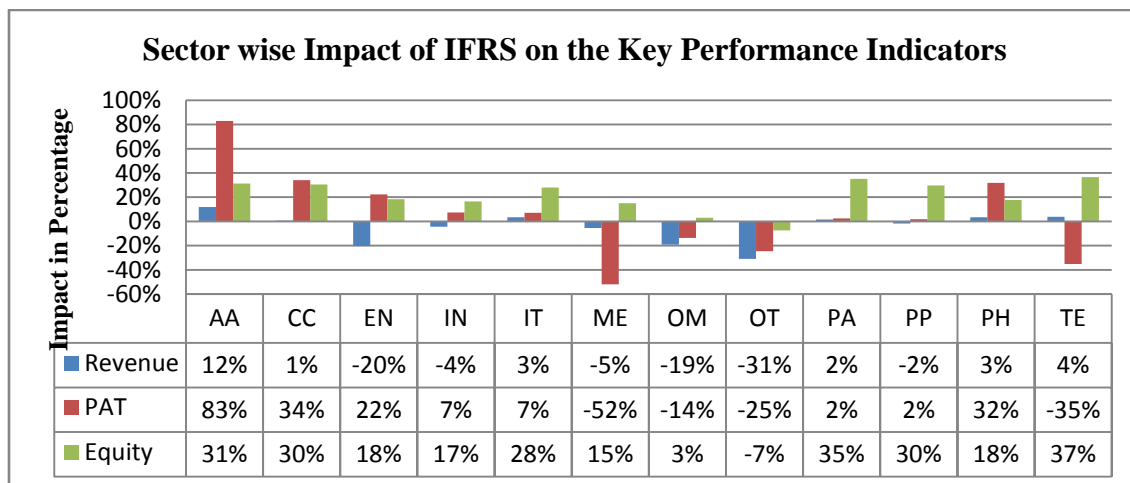
$$\Delta E16_i = \alpha_i + \beta_1_i IGAAPE15_i + \beta_2_i IGAAPE16_i + \epsilon_i$$

Independent variables IGAAPE15_i and IGAAPE16_i were considered as proxy for size of firm that could impact the changes in equity value (Ghosh, T. (2009).

Empirical Analysis

This section analyses the percentage changes in the key performance indicators (Revenue, PAT and Equity) on account of converging with IFRS by firms listed in S&PBSE100. It is understood from trend analysis that 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 (Chart-1).

Chart-1



AA- Automobile & Ancillaries, CC-Cement & Cement Products, EN- Energy, IN-Infrastructure, IT- IT Consulting and Software, ME-Metals, OM- Other Manufactures, OT-Others, PA-Packed foods, PP-Personal Products, PH- Pharmaceuticals, TE- Telecommunication.

Chart-1 clearly depicts the impact of converging with IFRS using the three key performance indicators namely Revenue, Profit after Tax and the Equity on individual sectors of companies listed in S&PBSE100 firms. It is understood from the results that the quantum and nature of the impact varied on the basis of sector it belonged to

and on the choices made by the companies while converging with IFRS. Considering the impact on Revenue from the Chart-1, there was a positive change in the revenue noted with AA (12%),CC (1%), IT(3%), PA (2%), PH (3%) and TE (4%) indicating an improvement in their revenue on these sectors on convergence with IFRS. The main reasons noticed for improvement in the revenue was due to the choices of retarding the previous policies of accumulating foreign exchange differences with company reserves and subsequent adjustments on its profits and losses. There was a considerable decrease in the revenue on converging with IFRS on sectors like EN (-20%), IN (-4%), ME (-5%), OM (-19%), OT (-31%), PP (-2%). Majority of difference was recorded due to the adjustments made in revenue recognition policies and on account of taxes. There was positive impact on the reported profits after tax with AA(83%), CC(34%), IT(3%), PA (2%), PH (3%) and TE(4%) on converging with IFRS. There was negative impact of ME (-52%), OM (-25%),OT (-25%) and TE (-35%). This rise and fall in the profits were due to the excise duty gross up adjustments on the reported revenue and deferred tax adjustments on the unrealised profits. All sectors except OT (-7%) had improved AA (31%), CC (30%), EN (18%), IN (17%) IT (28%), ME (15%), OM (3%), PA (35%), PP (30%), PH (18%) and TE (37%) on converging with IFRS. The main reasons for changes in equity was due to the adjustments made in the new re-measurement of de-commissioning liability, valuation of financial assets and derivatives at fair valuation, recording borrowing and investments of the company at amortised cost, impairment loss from the financial assets etc. The other studies of Ernst and Young (2016) and KPMG (2017) also reported a similar trend and findings.

a. Results of Descriptive Statistics of Financial Ratios

Table-2: Results of Descriptive Statistics of the Financial Variables of Sample Firms								
Financial Ratios	IGAAP				IFRS			
	Mean	Std. Deviation	Min	Max	Mean	Std. Deviation	Min	Max
Liquidity Ratios								
Current Ratio	2.190	1.296	0.443	4.571	1.861	1.161	1.081	4.721
Quick ratio	1.801	1.241	0.432	4.567	1.465	1.112	0.840	4.705
Leverage Ratios								
Debt Ratio	2.396	1.649	0.305	5.843	2.418	1.548	0.335	6.063
Debt to Worth	0.922	0.585	0.227	1.559	0.795	0.401	0.248	2.285
Equity Ratio	0.523	0.106	0.389	0.803	0.558	0.134	0.369	0.701
Profitability Ratios								
ROA	0.098	0.068	-0.015	0.212	0.089	0.069	0.047	0.227
ROE	0.185	0.122	-0.037	0.387	0.149	0.106	0.085	0.495
Gross Profit Ratio	0.137	0.093	-0.061	0.504	0.180	0.137	0.053	0.389
Asset Turnover Ratio	1.711	0.971	0.639	5.829	2.040	1.472	0.575	4.087
Source: Compiled from Prowess Database and computed using SPSS								

The result of Descriptive Statistics, exhibits the characteristics of sample ratios prepared by using IGAAP and IFRS are presented in Table-2. Financial ratios were categorised into Liquidity, Profitability and Leverage Ratios for easy understanding of the nature and purpose of the ratios employed in this paper. The liquidity ratio helps to understand the ability to cover financial commitments of a company. The Current ratio ranged from 1.081 to 4.721 under IFRS (mean of 1.861 and Std Deviation of 1.161), and from 0.443 to 4.571 in IGAAP (mean of 2.190 and a Std Deviation of 1.296). Similarly, the quick ratio ranged from 0.840 to 4.705 under IFRS (mean value of

1.465 and a Std Deviation of 1.112), and from 0.432 to 4.567 in IGAAP (mean of 1.801 and a Std Deviation of 1.241). On comparing mean values of liquidity ratios under IFRS and IGAAP, considerable decline was identified on the liquidity ratios after converging with IFRS. Secondly the leverage ratios are meant to evaluate the level of risk taken by a company. This ratio provides clear picture of how assets of a company and its business activities are funded. The debt ratio under IFRS ranged from 0.335 to 6.063 (mean of 2.418 and a Std Deviation of 1.548) while debt ratio under IGAAP ranged from 0.305 to 5.843 (mean of 2.396 and a Std Deviation of 5.843). The debt to worth ratio under IFRS ranged from 0.335 to 6.063 (mean of 2.418 and a Std Deviation of 1.548) while Debt Ratio in IGAAP ranged from 0.305 to 5.843 (with a mean of 2.396 and a Std Deviation of 5.843). Equity ratio under IFRS ranged from 0.369 to 0.701 (mean of 0.558 and a Std Deviation of 0.134) while equity ratio under IGAAP ranged from 0.389 to 0.803 (mean of 0.523 and a Std Deviation of 0.106). The debt to worth ratio under IFRS ranged from 0.248 to 2.285 (mean of 0.795 and a Std Deviation of 0.401) while equity ratio under IGAAP ranged from 0.227 to 1.559 (mean of 0.922 and a Std Deviation of 0.585). The results of leverage ratios indicated an improvement in debt and equity ratios but the debt to worth ratio suffered decline on converging with IFRS. Finally, profitability ratios help to measure the efficiency of a company that turns business activity into profits. The return on assets ratio ranged from 0.047 to 0.227 under IFRS with mean of 0.089 and Standard deviation of 0.069; was compared with a range of negative -0.015 to positive 0.212 under IGAAP, with mean of 0.098 and a standard deviation of 0.068. The return on equity ratio ranged from 0.085 to 0.495 under IFRS with mean of 0.149 and standard deviation of 0.106 and this was compared to a range of negative -0.037 to positive 0.387 in IGAAP, with a mean of 0.185 and a standard deviation of 0.122. The GPR ratio ranged from 0.053 to 0.389 under IFRS with a mean of 0.180 and Std. deviation of 0.137; this is compared to a range of negative 0.061 to positive 0.504 in IGAAP, with a mean of 0.137 and a standard deviation of 0.093. The ATR ratio ranged from 0.575 to 4.087 under IFRS with a mean of 2.040 and std deviation of 1.472; this was compared to a range of 0.639 to 5.829 in IGAAP, with mean value 1.711 and a std deviation of 0.971. 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 and by providing opportunities to invest because of a positive picture.

b. Results of Normality Analysis

The normality analysis of the financial variables used in this study was done by using Shapiro-Wilk Test and presented in Table-3. Majority of financial variables selected in this study were based upon the variables used in the previous studies like (Lantto & Sahlstorm

2009 and Callao et al 2007) which identified the influence of IFRS adoption in European Countries. From the results of normality analysis displayed in Table-3, the significance values of the sample ratios computed under IGAAP were 0.105 (CR), 0.205 (QR), 0.366 (DR), 0.143 (DTW), 0.615 (ER), 0.102 (ROA), 0.008 (ROE), 0.126 (GPR) and 0.124 (ATR), in respect of the sample firms. Hence, it is evident from the significance values for liquidity ratios, leverage ratios and profitability ratios, prepared under IGAAP, that these values were greater than the probability value 0.05. The significance values of IFRS financial ratios for all the three liquidity ratios, leverage ratios, and profitability ratios were CR (0.153), QR (0.102), DR (0.159), DTW (0.951), ER (0.425), ROA (0.102), ROE (0.504), GPR (0.214) and ATR (0.120) during the study period. These values were found to be greater than the

probability value 0.05. In other words, 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. Therefore, it is inferred that sample variables were not normally distributed. Since the results of sample ratios were not normally distributed, a nonparametric test, namely, Wilcoxon Signed-Rank Test was used to evaluate the selected financial variables, under the impact of convergence with IFRS.

Financial Ratios	Shapiro-Wilk			
	IGAAP		IFRS	
	Statistic	Sig.	Statistic	Sig.
Liquidity Ratios				
Current Ratio	0.774	0.105	0.863	0.153
Quick ratio	0.776	0.205	0.739	0.102
Leverage Ratios				
Debt Ratio	0.929	0.366	0.900	0.159
Debt to Worth	0.897	0.143	0.974	0.951
Equity Ratio	0.948	0.615	0.934	0.425
Profitability Ratios				
ROA	0.738	0.102	0.885	0.102
ROE	0.771	0.008	0.940	0.504
Gross Profit Ratio	0.837	0.126	0.910	0.214
Asset Turnover Ratio	0.892	0.124	0.828	0.120

Source: Compiled from Prowess Database and computed using SPSS

Financial Ratios	IFRS Mean Values	GAAP Mean Values	Z Statistics	Sig Value
Liquidity Ratios				
Current Ratio	2.149	2.662	-1.920	0.065
Quick ratio	1.661	2.101	-1.517	0.129
Leverage Ratios				
Debt Ratio	0.369	0.371	2.217	0.028
Debt to Worth	0.795	0.848	1.173	0.041
Equity Ratio	0.586	0.541	2.578	0.010
Profitability Ratios				
ROA	0.114	0.107	0.645	0.019
ROE	0.190	0.201	-0.416	0.677
Gross Profit Ratio	1.175	0.131	4.201	0.001
Asset Turnover Ratio	0.922	1.049	-3.399	0.501

Source: Compiled from Prowess Database and computed using SPSS

c. Result of Wilcoxon Signed Rank Test

The nonparametric Wilcoxon Signed Rank Test was used to measure the statistically significant difference of the accounting ratios for the firms presented using IGAAP and IFRS. This tool evaluated the significant difference in various accounting ratios (Liquidity, Leverage and Profitability) by comparing the means of ratios prepared under IGAAP and IFRS and the results are given in Table-4. A statistically significant positive difference was identified in profitability and leverage ratios on converging with IFRS. There was no significant impact, seen with the liquidity

ratios of the sample firms as both current ratio (0.065) and quick ratios (0.129) had their significance values more than the p value of 0.050 along with a negative Z Statistics of -1.920 for CR and -1.517 for LR. It is understood that convergence with IFRS did not affect the liquidity ratios of the sample firms positively. From the results of Table 4, the statistically significant differences in leverage ratios were well indicated from their sig values for DR (0.028), DW (0.041) and ER (0.010) which were less than the P value of 0.050 during the study period. With a positive Z statistic of DR (2.217), DW (1.173) and ER (2.578), it is clear that the significant difference indicated positive impact on its ratios. The reasons for this positive impact were due to re classification of financial assets at fair value done under IFRS, measurement of derivatives done at fair value, borrowings considered at amortised cost at their effective rate of interest etc. Finally according to the profitability ratios, the significant values of ROA (0.019) and GPR (0.001) were less than the p value of 0.050 and Z statistics was positive with ROA (0.645) and GPR (4.201). It is understood from the results that ROA and GPR had their profitability ratios statistically significant at 5%; whereas the other profitability ratios like ROE (0.677) and ATR (0.501) were not statistically significant at 5% as their sig values were greater than p value of 0.05 and reporting negative Z statistics (-0.416) for ROE and (-3.399) for ATR. The main reasons for the impact on the profitability ratios were mainly due to foreign currency fluctuations, restatement of past business combinations, plant property and equipment being revaluated under fair value etc. The Wilcoxon Signed Rank Test results demonstrated that transition to IFRS exercised significant effects on Indian accounting results. Hence, the H_0 - There is no statistically significant difference between the selected sample financial ratios computed using IGAAP and IFRS was rejected. The results of Table-4 clearly indicates that there were statistically significant differences among the accounting ratios prepared under IFRS and IGAAP by the sample firms during its first time convergence with IFRS. These differences are witnessed mainly due to the fair valuation treatment followed in IFRS and exchange rate fluctuation. The findings of this research paper clearly confirmed with the findings of previous studies (Schipper, K. 2005 and Weetman, P., et al 1998).

d. Result of Paired Sample t-Test

Table- 5a presents the results of paired sample correlation and it showed the bivariate Pearson correlation coefficient results for each pair of variables. It is clear that with the coefficient values of 0.984 for pair 1 (IGAAP15-INDASE15) and 0.989 for pair 2 (IGAAP16-INDASE16), there was strong and positive correlation. Table-5b exhibits a

significant difference in equity value of IGAAP and IFRS on the day of convergence with IFRS was determined between IGAAP15 and IFRSE15 ($t_{4,433}$, probability value ≤ 0.05) and IGAAP16 and IFRSE16 ($t_{4,325}$, $p \leq 0.05$) and thereby IGAAP value of equity was found lesser than IFRS value of equity. Therefore, the H_0 - The changes in the equity value on converging to IFRS are not significant was rejected as the significance values were greater than 0.05 in both the pair 1 (IGAAP15-INDASE15) and pair 2 (IGAAP16-INDASE16). It is understood that the changes found in the values of equity after converging with IFRS were highly significant. From the IFRS and IGAAP way of accounting a significant and positive equity difference was noted. It is identified that equity was positively impacted and these impacts were because of accounting policies of net profit computation and presenting long term interest bearing liabilities which are due for settlement etc. The earlier research work, of (Ghosh T.P. 2017) concluded that no significant difference was noted in the ratios of OCI and net revenue which signified that the other

comprehensive income computed on converging to IFRS did vary. (Callao, S., Jarne, J.I. and Láinez, J.A. 2007) identified that book to market ratio did not differ significantly as equity to market capitalization of IGAAP and IFRS also didn't show any difference.

e. Result of Multiple Regression Analysis

Table 6(a) and 6(b) give the result of multiple regression analysis and it is understood that 62% of equity difference explained the size of the company. With F value (2,76)=61.946, $p < 0$, $R^2 = 0.620$, it is clear both the variables showed significant forecast of equity

differences. Therefore it is concluded size of equity on the year of convergence with comparative reporting

Table 5(a) - Results of Paired Sample Correlations							
air	Variables		Correlation		Significance value		
	IGAAP E15-INDASE15		0.984		0.000		
	IGAAP E16-INDASE16		0.989		0.000		
Table 5(b) - Results of Paired Sample t-test							
air	Variable	Mean	Std Dev	Std Error	t	Sig value	
	IGAAP E15-INDASE15	6.041	1.211	13626.5	4.433	-	0.000
	IGAAP E16-INDASE16	4.781	0.163	11056.3	4.325	-	0.000

Source: Compiled from Prowess Database and computed using SPSS

year were important factors to decide on changes in equity on the first phase of implementation of IFRS. Therefore, the H_0 - The changes in the equity value on converging to IFRS is not size dependant was rejected. However this should be substantiated by impact of Phase II smaller sized companies IFRS convergence too.

Table 6 (a) Results of Multiple Regression of Analysis						
Model	R Value	R ²	Adjusted R ²	Std. Error of the Estimate		
1	0.787	0.620	0.610	61386.184		
Table 6 (b) Regression Results of ANOVA Values						
Model	Sum of Squares	Mean Square	F-Value	Sig Value		
Regression	4.669	2.334	61.946	0.000		
Residual	2.864	3.768				
Total	7.532					
Table 6 (c) Regression Results of Coefficient Values						
	Unstandardized Coefficients	Standardized Coefficients				
	Beta	Std Error	Beta	t-value	Sig. value	
Constant	2110.025	8164.822		0.258	0.797	
16 IGAAP E16	-0.223	0.097	-0.847	-2.291	0.025	
15 IGAAP E15	0.491	0.113	1.602	4.332	0.000	

Dependent Variable: $\Delta E16$
Predictors: (Constant), IGAAP E16, IGAAP E15
Source: Compiled from Prowess Database and computed using SPSS

V. CONCLUSION, LIMITATIONS & SCOPE FOR FURTHER RESEARCH

This paper focused on impact of IFRS adoption in India using key accounting ratios of companies listed in S&P BSE100 on its first time convergence with IFRS. The trend analysis on the key performance indicators and results of Wilcoxon Signed Rank Test showed considerable changes in the profitability. Leverage ratios were found with a notable difference in the revenue, equity and profits of the firms. The results from paired sample t test and multiple regression analysis helped to identify the changes in the equity value on converging with IFRS which were significant and the size of the equity influenced the equity of the company on converging with IFRS. The transition from IGAAP to IFRS introduced modifications in the accounting figures of comparable business transactions; this influenced the financial statements of the entities reported under different accounting standards contributed different financial outcome. The fundamental changes of reporting and shift from to fair value measurement impacted industrial sector as a whole. The other studies came out with similar findings (Gray, S.J. 1980; Hellman, N. 1993; Jermakowicz, E.K. 2004; Lantto, A.M. and Sahlström, P. 2009).

The limitation of this study was that it was confined to only S&P BSE 100 index as they comprised of high performing companies. Among these 100 companies, the banks and financial institutions were not considered in the sample as they were not included in the phase I of convergence process carried out by the Ministry of Corporate Affairs (MCA). This study concentrated on the impact companies which underwent mandatory adoption of IFRS was still in progress. The phase III comprises of IFRS adoption by banks and financial institutions and insurance companies that are planned by 2020. This paper explained the impact of convergence with IFRS by Indian firms using a set of key financial ratios. The study helps policymakers to benefit on taking decisions on adoption/convergence to IFRS over the existing GAAP considering different dimension of assessment of IFRS impact. There is scope for future research through an extended study over other industries and jurisdictions, financial reporting standards excluding IFRS as the efficiencies of reporting under IFRS is highly valued in current scenario.

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