INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD
ISSN(O): 2455-0620 [Impact Factor: 7.581]
Monthly, Peer-Reviewed, Refereed, Indexed Journal with IC Value : 86.87
Volume - 9, Issue - 2, February - 2023 Publication Date: 20/02/2023

DOIs:10.2015/IJIRMF/202302006 --:-- Research Paper / Article / Review

A study on status of IFRS adoption in south Asian countries with special reference to Indian context

[1]Dr.Shobha B G (Shigihalli V G) , [2]Simi Anto

[1]Associate Professor, CMR university, Bangalore, Karnataka,I ndia
[2]Research scholar, CMR university, Bangalore, Karnataka, India
Email - [1]shobha.b@cmr.edu.in, [2]simi.a@cmr.edu.in

Abstract: *Accounting is considered as the language of business and in this era of globalization, the language needs to be common for all. This gives the need for having a common set of accounting rules and regulations all around the world. In this particular context, international reporting standards become prominent. These are the common set of policies, practices, rules, regulations etc. to be followed while preparing your financial statements. Having a common set of formats for accounting, facilitates comparisons easily. Convergence or adoption of the international standards enhances the credibility of the country as the disclosure requirements as per IFRS is quite high. In this paper an attempt is made to understand the extent to which South Asian countries are in adoption or convergence of the international reporting standards. The role of regulatory bodies of each country for the same is very crucial. The local standard setting body has a huge role to play in the synchronization of accounting to the international level. An attempt is made to understand the regulatory framework which is local and international and harmonization requirement for having a common language. The data has been collected from the secondary sources. The study concludes that the overall level of adoption is different for different countries in South Asia. Afghanistan, Bangladesh, Bhutan, Maldives and Pakistan have officially decided to go for adoption whereas, India, Sri Lanka and Nepal with convergence and these nations are confronting number of issues that ought to be settled for way better merging of IFRS.*

Keywords : *IFRS adoption, South Asian countries, Convergence, Accounting quality, SEBI, Regulatory framework.*

1. INTRODUCTION :

Book keeping is considered as the dialect of trade and in this time of globalization, the dialect must be common for all. This gives the require for having a common set of bookkeeping rules and directions all around the world. In this specific setting, worldwide detailing measures gotten to be noticeable. In arrange to bring the agreement with respect to bookkeeping, the International standard setting committee has come up with a standard announcing format that's common to the whole world. In 1973, the International standard setting committee was set up for issuing common bookkeeping benchmarks for all the countries around the world. Afterward in 2001, the body was renamed to International Accounting standards Board. The benchmarks that IASB issue are known as International financial reporting standards. These are the common set of approaches, hones, rules, controls etc. to be taken after whereas planning your money related articulations. The innovation driven world is getting to be a single worldwide town, subsequently it gets to be fundamental for the whole worldwide town to have a common arrangement to be taken after in all bookkeeping viewpoints. Having a common set of designs for bookkeeping, encourages comparisons effortlessly. Meeting or selection of the universal benchmarks improves the validity of the nation as the revelation necessities as per IFRS is very tall.

2. REVIEW OF LITERATURE:

(Manawadu, 2019) et all discussed about the effect of convergence or adoption on the accounting conservatism and effect on the foreign investment in South Asian Countries. The study used Basu (1997) and ball and Sivakumar (2005) to examine the same. The method which was used for testing purpose was panel generalized method of moments–2SLS estimation for the period. It was found that there is a moderating effect between IFRS adoption and its effect on FDI in the south Asian countries.

(George, 2017) studied the impact of ifrs adoption on the accounting quality and how the change in quality result in a change of perception of various users of accounting information especially the shareholders. The researcher has studied financial statements of various firms and conducted a qualitative research in order to achieve the objectives. It was concluded that the ifrs convergence has significant efefct on the accounting quality and the perception of the shareholders are positive towards the change.

The effect of IFRS adoption in foreign institutional investment especially with reference to emerging countries is quite relevant. Camelia Iuliana Lungu et al discussed about the impact of IFRS on FDI from the perspective of emerging countries. It was observed that adoption may increase the credibility of the organisation and thereby can attract more FDI. Moreover, it was indicated that non listed companies got lesser inflow of FDI as compared to listed companies. Furthermore, they illustrated that non-European countries could attract more inflow than EU countries. (Camelia Iuliana Lungu, 2017).

Francesco Bova; et al has discussed about the IFRS convergence or adoption consequences on the different aspects of the countries accounting standards. It was stressed upon that IFRS adoption significantly increase the quality of accounting standards and therefore credibility increases and reduces the cost of capital. The empirical study was conducted in different private and public firms in Kenya. It was observed that public companies did more compliance to IFRS than private companies.

(Bova & Pereira, 2012). Cascino et al studied about the comparability of accounting reports after the compliance of mandatory IFRS adoption. It was found that the countries that had gone for compulsory adoption has seen considerable change in the comparability of their accounting standards. First hand data collected from German and Italian firms were used to study the compatibility of accounting standards of such countries. Study conducted to review the effects of mandatory adoption in firms of European union (Cascino, 2015).

Hyun A. Hong et al discussed that IFRS adoption has significantly increased the credibility of information and statements in the international markets. Increased credibility shall definitely increase the value of share and hence the problem of undervaluing the IPO can be avoided. It is applicable for both domestic and global IPOs. (HA Hong, 2014) Ioannis Tsalavoutas attempted to study the relevance of quality assurance of accounting information after the mandatory adoption of IFRS in light of different 153 Greek companies in 2005. It was empirical that mandatory disclosure requirements had a positive impact on accounting information quality compliance. The study also offers to conduct a methodological contribution towards the compliance of disclosure requirements (IoannisTsalavoutas, 2011)
From the literature survey a research gap of SEBI’s role in IFRS adoption was revealed.

2. OBJECTIVES

- To know the benefits of the adoption or convergence on the accounting quality and transparency.
- To understand the extent of IFRS adoption or convergence in the south Asian countries.
- To study about the regulatory bodies for each country that helps in standard formulation
- To examine the role of SEBI in implementing Ind AS

3. RESEARCH METHODOLOGY :

The research method followed is descriptive in nature. The study is totally relied upon secondary data from different journals, research papers and published reports from the official website of SEBI, IFRS, RBI and ICAI. The conclusions were drawn from the available information through secondary data and review of existing literature.

4. DISCUSSION:

IFRS worldwide

The IFRS Foundation has created and published profiles on the utilization of IFRS Standards in distinct jurisdictions in order to evaluate progress toward the objective of a single set of global accounting standards. These are based on data from a variety of different sources. The responses that standard-setting and other relevant bodies gave to a survey that the IFRS Foundation conducted served as the foundation. Currently 167 jurisdictions are following IFRS either converged with its local GAAP or adopted as it is.

Analysis of the IFRS Accounting jurisdiction profiles

The IFRS Foundation develops and maintains profiles that set out the application of IFRS Accounting Standards in individual jurisdictions (jurisdiction profiles).

Profiles have been completed for 167 jurisdictions, including all of the G20 jurisdictions.

Fig 1: The 167 jurisdictions represent all parts of the globe, as follows:

	Number of jurisdictions	*Per cent of total*
Europe	*44*	*26%*
Africa	*38*	*23%*
Middle East	*13*	*8%*
Asia and Oceania	*35*	*21%*
Americas	*37*	*22%*
Totals	*167*	*100%*

Source:https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis-of-the-167-profiles

Fig 2: IFRS adoption stratus in South Asian countries

Name of country	*Extent of IFRS application*	*Year of Adoption*
Sri Lanka	*Sri Lanka is required to use Sri Lanka Financial Reporting Standards, which are IFRS Standards with some modifications.*	*2012*
Pakistan	*Pakistan has adopted IFRS Standards*	*2018*
Nepal	*Nepal had converged with IFRS standards*	*2008*
Maldives	*Maldives has adopted IFRS Standards*	*2010*
Bhutan	*Bhutan has adopted IFRS Standards in a phased manner.*	*2012*
India	*India had converged with IFRS standards.*	*2016*
Bangladesh	*Bangladesh has adopted IFRS Standards.*	*2005*
Afghanistan	*Afghanistan has adopted IFRS Standards for all companies other than micro sized companies and for all banks*	*2019*

Afghanistan

The Central Bank of Afghanistan, Da Afghanistan Bank, also acts as a regulator for Afghan banks and financial institutions. The banking law is carried out by the bank, and all banks' financial reports must adhere to IFRS standards. The nation has publicly pledged to adhere to a single set of global accounting standards. The Banking Law and the Corporations and Limited Liability Companies Law both recognize the IFRS standards.

The Central Bank of Afghanistan ought to use IFRS in accordance with Articles 28 and 101 of the Central Bank Law. The country of Afghanistan has accepted IFRS for all businesses, with the exception of micro enterprises. The Central Bank's IFRS accounting standards must be followed by all Afghan banks.

Bangladesh

In Bangladesh, the national supreme body for the development of accounting standards is the Institute of Chartered Institute of Bangladesh (ICAB). Acceptance and enhancement of accounting standards are ICAB's functions. The Institute of Cost and Management Accountants of Bangladesh (ICMAB) and ICAB oversee the accounting profession today. ICAB has carried out the IFRS convergence process, and the necessary standards have been updated to improve the comparability and reliability of financial data. Because insurance companies, NBFIs, and banks have made some changes, their statements of compliance are different from those of other businesses.

Bhutan

The Companies Act simply specifies that listed companies should prepare financial statements using GAAP, without identifying which GAAP. Those that choose IFRS Standards as their GAAP normally use IFRS Standards as issued by the IASB Board, i.e standards and amendments are adopted/endorsed as and when issued by the Board. The professional organization and standard-setting body in Bhutan is the Accounting and Auditing Standards Board (AASBB). Bhutan's accounting standards are established by the board using IFRS. The nation has made a public pledge to adhere to a single set of high-quality global accounting standards and IFRS. On February 16, 2012, the Finance Minister of Bhutan made the decision to accept IFRS. However, the nation has not yet accepted IFRS; however, in April 2012, the nation began accepting IFRS in three stages in order to fully adopt IFRS by 2021.

Maldives

In the Maldives, the growth and regulation of the capital market as well as the pension sector are the responsibility of the Capital Market Development Authority (CMDA). Additionally, the nation has made a public commitment to a single set of global accounting standards. Companies incorporated in the Maldives pursuant to the

Companies Act No. IFRS ought to be mandatory for the preparation and presentation of statutory financial statements. In addition, the Banking Act No.24 of 2010 required all banks and other financial institutions to adhere to IFRS. Under the Business Profit Tax Act No. 1, the IFRS, IFRS for Small and Medium-Sized Enterprises, and Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards have been accepted by the Maldives Inland Revenue Authority (MIRA).5 of 2011.

Nepal

The Accounting Standards Board (ASB), which was established in Nepal in 2003, is in charge of developing Nepal's accounting standards. Nepal's board is an independent statutory body that develops and issues accounting standards for IFRS-based financial statement preparation. The Nepal government has given the ASB an additional responsibility to develop public sector accounting standards based on the International Public Sector Accounting Standards (IPSASs). The Companies Act of 2006 specifies the fundamental requirements for financial reporting by Nepali businesses. The Act requires that financial statements be prepared in accordance with ASB's accounting and auditing standards. A member of the Institute of Chartered Accountants of Nepal should also conduct the audit of all businesses.

Pakistan

The Institute of Chartered Accountants of Pakistan is accountable for setting accounting and auditing standards in Pakistan. Except IFRS 1 (First time adoption of IFRS) majority of the IFRS standards have been accepted by Pakistan. The country has not accepted the practice that was followed by other countries. IFRS require to listed domestic companies as accepted in Pakistan. The SECP issued legal notification on 15th November 2015 accepting the framework of financial accounting reporting for Pakistani companies. Financial institutions, public utilities, large businesses, and domestic securities traders are all required to adhere to Pakistani-adopted IFRS Standards. For businesses claiming to be in compliance with Pakistan's IFRS Standards, some crucial standards have not been adopted. Pakistan has adopted all effective IFRS Standards, except for IFRS 1 and IFRS 14.

Sri Lanka

All domestic listed companies, financial institutions, and some others are required to use Sri Lanka Financial Reporting Standards, which are IFRS Standards with some modifications. In Sri Lanka, the regulatory body is the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). The Sri Lanka Accounting and Auditing Standards Act No. 1 grants it sole authority to establish accounting standards.15 of 1995.Since January 1, 2012, the nation has accepted IFRS for all businesses and SMEs. Sri Lanka accepts the Sri Lanka Financial Reporting Standards (SLFRS), which have been modified to be comparable to IFRS. These SLFRS, which require comparative information, must be used by all listed domestic businesses.

India- IFRS Status

India has decided to converge with IFRS standards by making amendments required according to the Indian scenario which can help accelerate the economic development. For companies, other than insurance companies, banking companies, and non-banking finance companies the mandatory adoption of Ind AS is as follows:

Fig3: Phase wise adoption of Ind AS in India

	Phase 1	*Phase 2*
*Mandatory Adoption**	*FY 2016-17*	*FY 2017-18*
For Listed Companies	*All companies listed or in the process of being listed with net worth >= INR 500 crore (US$ 72 million approx.)*	*All companies listed or in the process of being listed not covered in Phase I*
For Unlisted Companies	*All companies with net worth >= INR 500 crore (US$ 72 million approx.)*	*Companies having a net worth >= INR 250 crore (US$ 36 million approx.)*
For Group Companies	*Applicable to holding, subsidiaries, joint ventures, or associates of companies covered in (a) and (b) above*	
*Source is IFRS.Org		

Fig4: Phase wise adoption for NBFCs in India

	Phase 3	*Phase 4*
*Mandatory Adoption**	*FY 2018-19*	*FY 2019-20*
For Listed Companies	*All companies listed or in the process of being listed with net worth >= INR 500 crore (US$ 72 million approx.)*	*All companies listed or in the process of being listed not covered in Phase 2*
For Unlisted Companies	*All companies with net worth >= INR 500 crore (US$ 72 million approx.)*	*Companies having a net worth >= INR 250 crore (US$ 36 million approx.)*
For Group Companies	*Applicable to holding, subsidiaries, joint ventures, or associates of companies covered in (a) and (b) above*	
*Source is IFRS.Org		

Regulatory Bodies/ Jurisdictional Authority

Jurisdictional authorities are independent governmental bodies established in order to set standards to be followed in financial reporting, or operations and then to enforce those standards. In order to adopt or converge to international standards issued by IASB, the role of the regulatory authority of each country is prominent. IFRS organization finds the role of jurisdictional authority in this regard very critical. The role of such bodies includes doing basic research on the standards issued by considering the countries scenario, studying about the issued and proposed standards. Instructing various sub agencies about the road map of instruction etc.

Fig4: Relevant jurisdiction for South Asian Countries

Country	Relevant Jurisdictional Authority–Organization
Afghanistan	Da Afghanistan Bank (the Central Bank of Afghanistan)
Bangladesh	Financial Reporting Council (FRC), Bangladesh
Bhutan	Accounting and Auditing Standards Board of Bhutan (AASBB).
Maldives	Capital Market Development Authority (CMDA)
Nepal	Accounting Standards Board, Nepal (ASB)
Pakistan	The Institute of Chartered Accountants of Pakistan (ICAP). Securities and Exchange Commission of Pakistan (SECP). The State Bank of Pakistan (SBP).
Sri Lanka	The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)
India	The Institute of Chartered Accountants of India (ICAI).

5. BENEFITS OF IFRS FOR SOUTH ASIAN COUNTRIES

Financial data of comparable quality, transparency, and credibility are produced by IFRS. International organizations can benefit from this because it enables investors, creditors, financial analysts, and other users of financial statements to thoroughly evaluate their investment's performance International financial reporting standards are globally accepted reporting standards for ensuring quality of accounting information and ensuring the transparency and comparability of accounting information. (Robert K. Larson, 2004) IFRS can either be adopted as it is or it can be converged with local GAAP of the country. (Hail, Leuz, & Wysocki, 2010

Several studies have generally identified the following advantages:

i) When financial statements are prepared in accordance with comparable standards, transparency is enhanced and comparisons between businesses are more accurate.

ii) The information gap that exists between capital providers and those to whom they have given their money is narrowed by IFRS standards, which makes accountability stronger.
iii) It increases adaptability. This set of standards will aim to arrive at a reasonable valuation with a variety of methods for completing tasks by employing a philosophy founded on principles rather than rules. As a result, financial statements that are simpler to understand and more useful will be produced as a result of businesses being able to adapt IFRS to their particular circumstances.
iv) If the industry can convince foreign investors that its financial statements adhere to internationally recognized accounting standards, it will be able to raise capital from foreign markets at a lower cost.
v) By assisting investors worldwide in identifying opportunities and risks, IFRS Standards improve capital allocation and contribute to economic efficiency. The cost of capital and the cost of international reporting are both reduced for businesses when they use a single, dependable accounting language.

6. FINDINGS:

Through this study it was found that the overall level of adoption is different for different countries in South Asia. Afghanistan, Bangladesh, Bhutan, Maldives and Pakistan have officially decided to go for adoption whereas, India, Sri Lanka and Nepal with convergence and these nations are confronting number of issues that ought to be settled for way better merging of IFRS.

7. CONCLUSION :

There is a remarkable impact on the accounting quality of the nations which has adopted IFRS. Several studies have proved that the adoption or convergence bring in uniformity worldwide. The study can be concluded by saying that the comparability and credibility has predominantly increased in the South Asian countries and this was achieved with the help of the regulatory bodies of each country by collaborating with other legislative bodies. In India, along with ICAI other regulatory bodies like SEBI has played a key role in the process of implementation of Ind AS, which is the converged standards. The study also has revealed that each country undergoes varied problems like lack of knowledge of newly implemented standards, discrepancies due to changes in local and international GAAP but still Jurisdictional Authorities are taking care to resolve the and go for adoption because of its economic benefits that the country can get or organization can get.

REFERENCES :

1. Bova, F., & Pereira, R. (2012). Highlights of IFRS research. Journal of International Accounting Research , 11(1), 83–111. doi:doi.org/10.2308/jiar-10211
2. Camelia Iuliana Lungu, C. C. (2017). The Impact of IFRS Adoption on Foreign Direct Investments: Insights for Emerging Countries. Accounting in Europe , 14 (3), 331-357. doi:https://doi.org/10.1080/17449480.2017.1374546
3. Cascino, S. G. (2015). What drives the comparability effect of mandatory IFRS adoption?. Review of Accounting Studies, 20, 242–282 . doi:doi.org/10.1007/s11142-014-9296-5
4. George, V. J. (2017). A study on financial reporting performance measures and stakeholders perception during transition to IFRS. Goa University, Department of Management Studies. https://shodhganga.inflibnet.ac.in/handle/10603/273054. Retrieved from http://hdl.handle.net/10603/273054
5. HA Hong, M. H. (2014). The impact of mandatory IFRS adoption on IPOs in global capital markets. The Accounting Review, 89(4). doi:doi.org/10.2308/accr-50720
6. Hail, L., Leuz, C., & Wysocki, P. (2010). Global Accounting Convergence and the Potential Adoption of IFRS by the U.S. (Part II): Political Factors and Future Scenarios for U.S. Accounting Standards . Accounting Horizons , 24(4), 567–588. doi:https://doi.org/10.2308/acch.2010.24.4.567
7. IoannisTsalavoutas. (2011). Transition to IFRS and compliance with mandatory disclosure requirements: What is the signal? Advances in Accounting, 27(2), 390-405. doi:doi.org/10.1016/j.adiac.2011.08.006
8. Manawadu, A. A. (2019). Moderating effect of IFRS adoption on FDI and conditional accounting conservatism in South Asia. Journal of Accounting in Emerging Economies. doi https://doi.org/10.1108/JAEE-03-2017-0035
9. M Aksu, H. E. (2016). The impact of IFRS adoption and corporate governance principles on transparency and disclosure: the case of Borsa Istanbul. Emerging Markets Finance and Trade. doi:doi.org/10.1080/1540496X.2014.998570
10. Robert K. Larson, D. L. (2004). Convergence with IFRS in an expanding Europe: progress and obstacles identified by large accounting firms' survey,. journal of International Accounting, Auditing and Taxation, 13(2), 89-119. doi:doi.org/10.1016/j.intaccaudtax.2004.09.002.

11. https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis-of-the-167-profiles
12. https://www.ifrs.org/use-around-the-world/use-of-ifrs-standards-by-jurisdiction/#analysis
13. https://www.sebi.gov.in/sebi_data/attachdocs/1459418165606.pdf\

Authors biography :

1. Dr. Shobha B. G currently working as Associate Professor in the School of Economics and Commerce, CMR university, Bangalore.
She holds Ph.D. in Commerce, M. Com (Accounting), M.Phil. (Finance), PGDBA and K-Set qualified (Commerce). Her research area are accounting,finance and banking.

2. Mrs. Simi Anto, working as Assistant Professor in the School of Economics and Commerce, CMR university, Bangalore and pursuing Ph.D from CMR University. Her Academic background consists of M. Com (finance and taxation from Calicut University. She has completed B. Ed in commerce from Kurukshetra university and Cleared SET also.