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Financial Executive's Perception About Benefits And Challenges Of International Financial Reporting Standards (Ifrs)

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ABSRACT

International Financial Reporting Standards (IFRS) is an accounting rule or procedure employed for an accountable entity and designed and delivered by International Standard Accounting Board (ISAB) to make a universal business language for all business. In order to use IFRS, all the company reports, financial statements, invoices have to experience a momentous change that will create a heavy impact among the users and investors. The government laws and IFRS laws are not similar in which they pose a challenge of variations. IFRS consolidation will also affect the tax liabilities. Even though it faces a lot of obstacles in before, after and in the current period of implementation, these will surely provide positive results for the companies. In India, many companies are providing their financial report as per US GAAP or IFRS which makes the future report tough to compare. Domestic companies are not yet fully committed to IFRS rule and regulations.

INTRODUCTION

All over the globe totally 120 nations have to go for jurisdiction permit in order to require International Financial Reporting Standards (IFRS). Moreover 90 companies are fully undergoing IFRS issued by International Standard Accounting Board (ISAB). On the time of

IFRS implementation, large companies will easily adopt to it while the domestic companies are resistant for adoption as they scare about the changes and maintenance of their invoice and financial statements. European Union was the first to attempt IFRS which conjoin accounting quickly and they started to use it from the year 2005. Followed by European Union, Russia finalised in 2012, and Japan in 2017 this spreads IFRS all over the globe. Due to IFRS adoption, investors are interested to put money in the company as their practices are uniform and crystal clear to understand. If a company choose to take up IFRS they will be available in global marketplace on the basis of global financial reporting, improve in reporting standards and decision making. This increases the growth of international business, and leads to higher capital flows in the country. Accounting professionals can get more opportunities globally. The objective of IFRS is to build global financial reporting infrastructure and common dimensions of legal presentation with respect to financial statements.

REVIEW OF LITERATURE

Marzuki and Wahab (2016) examined the impacts of IFRS with respect to Malaysia. This study investigates about the effects of diversified institutional factors such as political associations, director's influence, and family firms along with connections with richest men on basis of conservatism.

Nurunnabi (2014) demonstrated about experiences of IFRS in emerging countries. This study examines the equilibrium between accounting standards and political impacts. This study includes 43 interviews. The findings of this study are related to emerging markets and international policy makers.

Mala and Chand (2014) explored the impacts of supplementary assistance delivered by financial reporting standards internationally on accountants judgements. This leads to decision aid on basis of judgement accuracy of accountants. The research on basis of accounting judgement is also noted.

Jin et al (2016) probed the identity between profit as well as expenditure with respect to IFRS. The enhancements elevate the impacts of expenses relating to operational costs. The

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implications of this study display documented declines in US firms due to improper accounting practices.

Nnadi and Soobaroyen (2015) advocated about reporting of financial transactions using IFRS procedures. This will promote foreign direct investments due to global reporting standards. The adoption of IFRS provides compatibility as well as operating costs will be improved as a result of decreased corruption levels.

Deviarti et al. (2014) compared the knowledge management of Indonesian accountants with respect to IFRS. The main objectives achieved on basis of accounting standards are global transparency, universal practices and reliability among all countries. This would improve the international businesses.

Mantzari et al. (2017) argues that pressures are established from parent companies in order to take accounting decisions shaped by organisational interests. Haapamaki and Sihvonen (2019) reviewed regarding IFRS compliance and results show the relationship between national auditing standards along with auditing international standards. This study also identified seven divisions on the platform of financial quality, reporting standards, audit efficiency, compliance, etc.

Poudel et al. (2014) provided systematic as well as rigorous evaluation of accounting environment followed in Nepal. This study contributes towards issues which are examining association with IFRS adoption. The implications of this study explore corruption and fraudulent activities.

Cordery et al. (2018) scrutinised international standards for supporting economic growth and internationalising practices. The conflicts with respect to notions of individual nations effect transformations in global economy. The reports prepared help in establishment of international standards.

Perar and Chand (2015) discussed about the issues in adopting international financial reporting standards within small and medium enterprises. This includes development and installation of process standards. The structured modelling equation is performed to find out issues on adoption of IFRS.

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Perkins (2016) explained the security returns obtained and volume maximisations that occur as a result of adopting IFRS. The earnings announcements have to be investigated in order to find uses of IFRS adoption. The conclusion of this study is that disclosures facilitate safe trading practices.

PERCEPTION ABOUT BENEFITS AND CHALLENGES OF IFRS

Financial executives play a predominant role in an organisation and which includes dealings of income, expenses, investments and others. The prime role is preparation of financial statements as per Indian standards. Their knowledge on international standards is limited in nature. This survey aims at perception level of financial executives on IFRS. This section deals with profile of financial executives and which include gender, age category, level of education and years of experience as financial executive.

Table 1: Details of Financial Executives

Gender	***Frequency***	***%***	***Age***	***Frequency***	***%***
Male	63	53.8	<25years	11	9.4
Female	54	46.2	25 – 40 years	80	68.4
Total	*117*	*100.0*	>40 years	26	22.2
Education	***Frequency***	***%***	*Total*	*117*	*100*
UG	19	16.2	***Experience***	***Frequency***	***%***
PG	49	41.9	<1years	3	2.6
PHD	41	35.0	1-3 years	62	53.0
Others	8	6.8	>3 years	52	44.4
Total	*117*	*100.0*	*Total*	*117*	*100.0*

Sample consists of both male (53.8%) and female (46.2%). Majority of financial executive’s age ranges between 25 and 40 years, education qualification seems to be post graduation and experience level is between 1 and 3 years in the field of accountancy and finance. The financial executive’s perception towards benefits of IFRS measured with six variables of time and energy, information, effective business, FDI, audit and economic growth.

Table 2: Perception about Benefits of IFRS

S. No.	***Benefits of IFRS***	***Mean***	***Rank***
1.	IFRS limits time/efforts/money of drafting multiple	2.6	6

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	reports (Time and Energy)		
2.	It provides better information to the decision makers (Information)	3.16	5
3.	It enables Indian companies to do business effectively in foreign countries (Effective Business)	3.28	4
4.	It may increase Foreign Direct Investments (FDI)	3.47	3
5.	IFRS Financial statements are easy to audit (Audit)	3.56	2
6.	It enhances the economic growth (Economic Growth)	4.06	1

The results of mean find that variable "Economic Growth" has more mean value of 4.06 followed by audit, FDI, effective business, information and time and energy. Financial executives feel that IFRS may enhance economic growth and audits can be conducted easily. Their perception on challenges of IFRS collected with five variables of skill sets, cost, remuneration, nature and time. Mean analysis has been performed to measure the perception about challenges of IFRS.

Table 3: Perception about Challenges of IFRS

S. No.	*Challenges of IFRS*	*Mean*	*Rank*
1.	Extra skill sets are required to prepared the statements as per IFRS (Skill Sets)	2.84	5
2.	It may be costly for small business to install (Cost)	2.86	4
3.	It will incur more money for training the accounting professionals (Remuneration)	3.32	3
4.	It is more subjective in nature (Nature)	3.42	2
5.	It will take more time to adopt (Time)	4.07	1

It is clear that variable "Time" has mean value of 4.07 and which is greater when compared to all other variables followed by nature, remuneration, cost and skill sets. Financial executives presume that IFRS will take good amount of time to adopt. These perceptions of financial executives about benefits and challenges may be influenced by their profile. Analysis of Variance (ANOVA) has been applied to analyse such differences in this study.

Table 4: Profile Vs Perception about Benefits and Challenges of IFRS

S. No.	*Benefits of IFRS*	*F*	*Sig.*
1.	Age Vs Benefits of IFRS	1.021	0.450
2.	Level of Education Vs Benefits of IFRS	0.804	0.494
3.	Experience as Financial Executive Vs Benefits of IFRS	2.764	0.031

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S. No.	*Challenges of IFRS*	*F*	*Sig.*
1.	Age Vs Challenges of IFRS	1.552	0.069
2.	Level of Education Vs Challenges of IFRS	2.948	0.036
3.	Experience as Financial Executives Vs Challenges of IFRS	4.133	0.004

Table 4 shows significance value of ANOVA. It is clear that the value is greater than 0.05 for age and level of education whereas, variable “Experience” has less than 0.05. It argues that perception about benefits and challenges varies among financial executives based on their level of experience in the same field.

CONCLUSION

The main theme of IFRS is to build up prevalent rules for all companies enabling financial statements and invoices. IFRS standards will help the investors to know about opportunities and risks all around the globe. The use of single accounting will reduce the cost of capital and international reporting costs. Usage of IFRS will allow as comparing our information and accounting language globally. It is must in India to make our companies stable and strong in global capital markets. Due to the acceptance of IFRS, market value will increase globally. IFRS standards will bring clarity by intensify the international comparability and quality of financial information, which makes investors participate in economic decisions. It strengthens accountability and improves efficiency of organizations.

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