

A COMPARATIVE STUDY OF FIANCIAL REPORTING AS PER INDIAN GAAP WITH IND AS: WITH SPECIAL REFERENCE TO RELIANCE INDUSTRIES.

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ABSTRACT

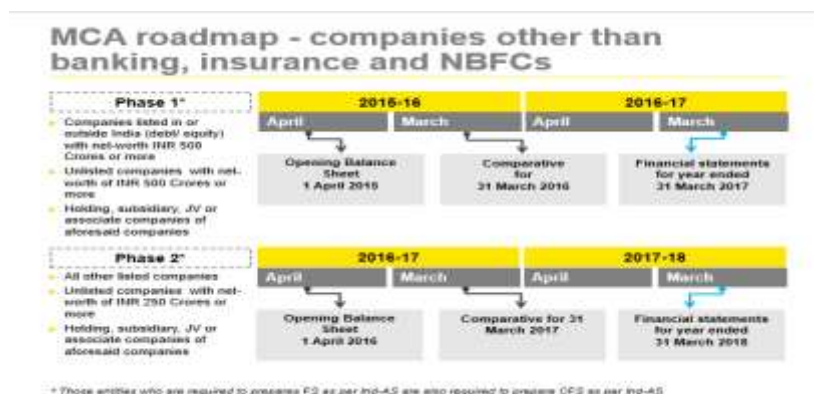
In this era of rapid business growth through connecting with international market place companies are always ready for entering in international business ventures through investing in the another country or operating in another countries by opening business units. For entering in world market companies are required to be uniform in all the aspect of financial reporting so, that they can easily understand the financials of the business organization with which they are entering in the international business. For which international accounting standards board has given one new though of uniform accounting standards in whole world by putting International Financial Reporting standards. Laws of some countries were not allowing to accept these standards directly so, they have done convergence with the IFRS. India is one of those countries which gone for convergence with IFRS and Introduced Converged Indian Accounting Standards. Here, Researcher has made attempt of identifying the key area of impact in financial reporting by comparing the Financials of Reliance Industries as per IGAAP with Ind AS.

KEY_WORDS, Ind As, Key Impact.

INTRODUCTION

International Financial Reporting Standards, Accounting standards introduced by IASB with the core objective of equalizing the financial reporting practices in terms of method and rules of measurement of financial performance and financial position of all the companies operating internationally of the all countries of the world. Many countries hof the world have adopted this new concept of IFRS in the same nature, without any kind of excuses and changes but some countries, whose laws were not permitting to accept IFRS as it was, have accepted some accounting standards from the whole set of IFRS and mixed it with some of the old Generally Accepted Accounting Principles and named the mixture of these two accounting standards as converged accounting standards. India was one of those countries which has done convergence with IFRS and Introduced Converged Indian Accounting Standards because of promise given in G20 Summit. In the year 2011 first attempt was made to introduce Ind As in India by ICAI. But due to some legal challenges it was postponed by ministry of corporate affairs.

Road map notified by ministry of corporate affairs on 18 January 2016 by press release for adopting and implementation was as under:



Source:<https://www.consultease.com/indian-asifrs-compliance/introduction-to-ind-as/#.XuDaj1UzbIU>

REVIEW OF LITERATURE

Iyer C. H. and Ravindran G. (2013) have stated in their study related to ethical aspect of accounting standards that accounting standards means tools directing or guiding for preparation of financial reports, Researchers have analyzed the principled facet of accounting standards by hypothesis for examination of need of Basis for Ethical Accounting Regulation in MSMEs. In this primary data based research, Researchers have found that adoption of FEAR will become useful in dropping unethical practices related to the accounting. (G., 2013)

Dr. Vidhi Bhargav and Ms. Divya Shikha(2013) has done a research study for analyzing the effect of IFRS on the financial statements and ratios by doing comparison of measures of financial statements as per Indian GAAP with reporting as per IFRS. Profitability and liquidity ratios were calculated and on the basis of it concluded that that liquidity of firm was well represented in IFRS statements.

Kantayya R. and Panduranga V. (2017) have conducted a research on comparing the balance sheet of Information Technology companies. Comparison was of reporting as per Indian GAAP with reporting as per IFRS. Two IT Companies of Indian were considered i.e. Wipro and Infosys. For comparison researchers have used percentage, average and gray's comparability index and testing was done by t-test. By analysis and testing Researchers have concluded that there was significant difference between reporting by two different standards of the selected companies. (Kantayya R. and Panduranga V., 2017)

Uvaoma, Ironkwe, Ordu and Promise A. (2015) have carried research on problems and forecasts of convergence with IFRS with reference to Nigeria. Researchers have spot lighted the road map of implementing the same in Nigeria. Researchers had forecasted that consequences of convergence will give higher level of comparability of financial data which will result in more transparent highly financial reporting. According to the views of researchers there will be greater challenge related to the convergence cost and fair value accounting. As per the views of researchers, there are methodological differences in reporting between IFRS and GAAP. (Uvaoma, 2017)

OBJECTIVES OF THE STUDY

1. To determine level of impact on the Total Revenue of Reliance Industries.
2. To determine level of impact on the Expenses of Reliance Industries.

HYPOTHESES:

H₀: There is no significant difference in All Expenses of Reliance Industries as per Indian GAAP and Ind As in the year 2015-16.

RESEARCH METHODOLOGY

This researcher paper has been carried based on secondary data. For Successfully completing this research, data has been collected from various sources like, books, periodicals, annual reports, research papers and articles as well as online available sources of data.

Here Profit & Loss Account of Reliance Industries as per Indian GAAP is compared with the restated Profit & Loss Account of the same year as per Ind As for the year 2015-16. Hypotheses for comparing P & L Account are tested by using t-test. Researcher has also stated percentage changes in different expenses.

Comparative Profit & Loss Account of the year 2015-16

Particulars	2015-16		% Change
	IGAAP	IND AS	
Total Revenue	284790	305351	7.22
Total Expenses	248811	266850	7.25
Cost of Materials Consumed	1,58,186	1,58,199	0.01
Purchase of Stock-in-Trade	28,297	28055	-0.86
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade	2571	2560	-0.43
Excise Duty and Service Tax	-	19299	New Entry
Employee Benefits Expense	7724	7407	-4.10
Finance Costs	3608	3691	2.30
Depreciation /Amortization and Depletion Expense	12916	11565	-10.46
Other Expenses	35509	36074	1.59

In the above table significant parameter of P & L Account of Reliance Industries are displayed. It shows the impact of introduction of Ind As on Financial Reporting as compare to the values of parameters as per Indian GAAP for the financial year 2015-16. Assessment of each parameter is discussed below:

As it can be seen in the last of column of the above table five items in green color are showing percentage increase due to implementation of the Ind As. Ind As has given positive impact on the figure of total revenue so, it's showing percentage increase of 7.22%. Because of Ind As implementation total expenses are also increased by 7.22%. Cost of material consumed is also showing minor increase by 0.01%. Finance cost has also been got increased by 2.30% and other expenses are also grown by 1.59% .

In the above table four items in red color are showing percentage decrease due to financial reporting as per Ind As, as compare to the financial reporting as per Indian GAAP. Purchase of stock in trade and Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in-Trade are decreased by minor percentage of 0.86% and 0.43% respectively. Employee Benefits Expense and Depreciation /Amortization and Depletion Expense are decreased by significant percentage of 4.10% and 10.46% respectively.

Excise duty and service tax is new entry in financial reporting as per converged Indian Accounting Standards which was not before reported when Indian GAAP were exist. That entry is highlighted by blue color.

HYPOTHESIS TESTING:

H₀: There is no significant difference in All Expenses of Reliance Industries as per Indian GAAP and Ind As in the year 2015-16.

t-Test: Two-Sample Assuming Equal Variances		
	IGAAP	IND AS

Mean	12946.42857	15521.57143
Variance	189075023	163870600
Observations	7	7
Pooled Variance	176472811.5	
Hypothesized Mean Difference	0	
Df	12	
t Stat	-0.362657319	
P(T<=t) one-tail	0.361583976	
t Critical one-tail	1.782287556	
P(T<=t) two-tail	0.723167952	
t Critical two-tail	2.17881283	

On the basis of hypothesis tested by t-test, it can be said that there is no significant difference in all expenses of Reliance Industries as per Indian GAAP and Ind As of the year 2015-16 because **P value < Critical Value** so, **null hypothesis is accepted**.

Findings and Suggestions:

On the basis impact assessment and hypothesis testing researcher has found out that there is a eye catching impact on revenue as well some of the expenses because of reporting done as per converged Indian Accounting standards but in the case of all expenses statistical testing by t-test says that the difference is not significant. So, it can be concluded that in the case of Reliance Industries, Moving towards Ind As from Indian GAAP has not given significant impact on revenue as well expenses but it has been noticed that there is a new entry of Excise Duty and Service Tax under the title of Total Expenses which was not before in Indian GAAP. It can be suggested by the researcher that adoption of Ind As by deep understanding is necessary because implementation without understanding may create reporting complex, New entries in the financial statement as per Ind As should also be clearly identified and included in due respect as Reliance Industries has done.

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