

GLOBALISATION OF ACCOUNTING STANDARDS AND COMPETITIVE POSTURE OF INDIAN COMPANIES

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Abstract

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Unification of the global financial reporting system is essential to enable comparability of financial statements at the international level in post crisis competitive environment. IFRSs are increasingly gaining acceptance as global accounting standards. With European Union adopting the IFRS in 2005, as on date over 116 countries have already either converged their accounting standards with IFRS or adopted IFRS as such and many more are in the process. Countries refusing IFRS are likely to be viewed as more risky by the international investors thereby affecting the inflow of capital to such countries. In India, the Institute of Chartered Accountants of India (ICAI) the apex body dealing with accounting standards has declared the roadmap of IFRS convergence in a phased manner from April 1, 2011. Our paper highlights the status of Indian accounting standards converging to IFRS as of now. In addition, a full fledged theoretical framework is developed showcasing, the convergence timeline, the major differences in the treatment of select items under these two alternative accounting environments, exact stage at which the Indian accounting standards are today in view of the announced convergence to IFRS and the legal and regulatory issues in converging to IFRS in India. We investigate the case of 150 odd firms and show the impact of convergence on financial ratios and the related valuation concerns. Finally, we indicate the strategic implications of IFRS adoption to Indian companies.

IFRS, Indian GAAP, convergence, fair value, regulations, AS, IAS

Recent financial crisis has altogether changed the rules of the accounting game and the concept of *fair value* is under large debate across the academicians, practitioners and economic society at large (Noyer, 2008). It is seen that developed markets particularly U. S., after the financial crisis is now realising the need for a uniform standard (Fosbre, 2009). The firm's characteristics and accounting changes are closely related (Watts and Zimmerman, 1978). The introduction of international standards can have serious economic consequences, because companies will adjust their behavior to fit the new accounting standards (Tang, 1994). Valuation of firms has gone tremendous change after the adoption of International Financial Reporting Standards (IFRS). The globalisation of accountings standards is expected to foster a more stabilized and prosperous world

economy and address the problems associates with reporting.

Indian economy being one of the fastest growing economies in the world, need huge investments to nurture its growth programmes at par with the counterparts in the developed world. Researches indicate the competitiveness of companies do depend on the firms' *financial posture* implying the availability of cheaper sources of funds. As prerequisite, foreign funds in the country, the financial statements of Indian companies need to be comparable and reliable. This accentuates the adoptions of accounting systems that harmonise the global accounting practices. Fair valuation implied by IFRS for Indian firms is essential to mobilise foreign capital and for India is to remain in the main stream of global economy coupled with growth concerns.

The international capital market has grown tremendously in the last few years and has contributed a lot of transparency in the functioning of capital market. In spite of that, cross border investment by individuals is relatively low primarily because of the suspicion or non-comparability of financial statements of companies in different geographical locations. Armstrong *et al.* (2007) believe that IFRS reporting makes it less costly for investors to compare firms across countries and capital markets. Daske and Gebhardt, (2006) show that financial reports under IFRS provide higher quality information to investors than most local reporting regimes.

Barth *et al.* (2008), Gassen & Sellhorn (2006) show that IFRS adoption improve analysts information environment by enhancing disclosure and transparency or by increasing the comparability of financial reports. In order that a financial statement become comparable, the methodology should encompass the use of similar accounting standards irrespective of the geographical locations of companies. Investors must be able to meaningfully analyze performance across time periods and among companies (Levitt, 1998). IFRS have the potential to position itself as a global financial reporting system and over 116 countries have adopted or converged to IFRS (including European Union) showing the growing popularity. Inversely, the countries that have not converged or likely to converge to IFRS in the near future may be perceived adversely by potential international investors. Contrarily, Ball (2006) argues that vis-à-vis domestic accounting standards IFRS adoption may render financial reporting less informative, thereby reducing the quality of analysts' information. In addition, earnings may become

more volatile and thus more difficult for analysts to forecast under IFRS. In this paper we examine the current status of IFRS adoption in India, convergence schedule and present a case of comparison between IFRS and Indian GAAP for 150 sample firms using financial ratios and present the strategic implications for Indian companies that could altogether change the competitive posture in a global market place.

Present status of Indian Accounting Standards Convergence

ICAI formed a task force in October 2006 to enable development of a concept paper to determine the road map for adoption or convergence with IFRS in India. The paper released in October 2007 recommended convergence to IFRS in a phased manner beginning April 1, 2011 (ICAI, 2010). The financial statements drawn as per the converged standards will remain IFRS compliant even if the converged standards reduce the number of options available under IFRS. Alternatively the converged standards may add any of the disclosure requirements in conformity with legal or regulatory requirements as per the conditions prevailing in India. The fact that the International Accounting Standard Board (IASB) accepts that adding disclosure requirement or reducing the options available will not lead to non-compliance with IFRS provides the requisite flexibility to the respective countries in adopting the same.

The Indian Accounting standards differ from various IAS/IFRS and in some case do not even have IFRS (Namjoshi, 2005). The progress seems to be late in light of the deadline provided and many legislative amendments are yet to take place (Table I).

I: Status of Indian Accounting Standards converging to IFRS

S. No.	Indian Accounting Standard (AS)	International Accounting Standard (IAS)	Description	Status as on August 2010
1	AS2	IAS 2	Inventories	Exposure Draft
2	AS3 (Revised)	IAS 7	Cash Flow Statements	Exposure Draft
3	AS10 (Revised)	IAS 16	Property Plant and Equipment	Exposure Draft was open for comments till 19/04/2010
4	AS 12 (Revised)	IAS 20	Accounting for Government Grants and Disclosure of Government Assistance	Exposure Draft
5	AS 1 (Revised)	IAS 1	Presentation of Financial Statements	Exposure Draft
6	AS 32 (Revised)	IFRS 7	Financial Disclosure	Exposure Draft was open for comments till 28/06/2010
7	AS 7 (Revised)	IAS 11	Construction Cost	Exposure Draft was open for comments till 30/04/2010
8	AS 16 (Revised)	IAS 23	Borrowing Cost	Exposure Draft
9	AS 29 (Revised)	IAS 37	Provision Contingent Liability, Contingent Asset	Exposure Draft was open for comments till 25/05/2010
10	AS 33	IFRS 2	Share based Payment	Exposure Draft was open for comments till 11/06/2010

S. No.	Indian Accounting Standard (AS)	International Accounting Standard (IAS)	Description	Status as on August 2010
11	AS 25	IAS 34	Interim Financial Reporting	Pending with NACAS
12	AS 30 (Revised)	IAS 39	Financial Instrument: Recognition and Measurement	Exposure Draft was open for comments till 28/06/2010
13	AS 31(Revised)	IAS 32	Financial Instrument Presentation	Exposure Draft was open for comments till 28/06/2010
14	AS 4 (Revised)	IAS 10	Events after Balance Sheet date	Exposure Draft
15	AS 15	IAS 19	Employee benefit	Exposure Draft was open for comments till 05/06/2010
16	AS17	IFRS 8	Operating Segment	Exposure Draft was open for comments till 31/05/2010
17	AS 20 (Revised)	IAS 33	Earnings Per Share	Exposure Draft was open for comments till 25/05/2010
18	AS 21 (Revised)	IAS 27	Consolidated and Separate financial Statement	Exposure Draft was open for comments till 07/05/2010
19	AS 23(Revised)	IAS 28	Investment in Associates	Exposure Draft was open for comments till 10/05/2010
20	AS 11(Revised)	IAS 21	Effect of changes in foreign exchange rate	Exposure Draft was open for comments till 19/04/2010
21	AS 28	IAS 36	Impairment of Asset	Exposure Draft was open for comments till 18/06/2010
22	AS 35	IFRS 6	Exploration and Evaluations of Mineral Resources	Exposure Draft
23	AS 34	IAS 29	Financial Reporting in hyper inflationary economies	Exposure Draft
24	AS 26	IAS 38	Intangible Asset	Exposure Draft was open for comments till 07/06/2010
25	AS37	IAS 40	Investment Properties	Exposure Draft was open for comments till 30/04/2010
26	AS 9	IAS 18	Revenue	Exposure Draft was open for comments till 07/06/2010
27	AS 38	IAS 41	Agriculture	Exposure Draft was open for comments till 07/06/2010
28	AS 41	IFRS 1	First Time adoption of International Financial Reporting Standards	Exposure Draft was open for comments till 28/06/2010
29	AS 14(Revised)	IFRS 3	Business Combination	Exposure Draft was open for comments till 28/06/2010
30	AS 39	IFRS 4	Insurance Contracts	Exposure Draft was open for comments till 07/06/2010
31	AS 5 (Revised)	IAS 8	Accounting policies, changes in accounting estimates and errors	Exposure Draft
32	AS 22	IAS 12	Income Taxes	Exposure Draft was open for comments till 15/06/2010
33	AS 36	IAS 26	Accounting and reporting by retirement benefit Plans	Exposure Draft was open for comments till 11/06/2010
34	AS 19 (Revised)	IAS 17	Leases	Held back for revision by IASB
35	AS 24	IFRS 5	Non Current Assets held for sale and discontinued Operations	Exposure Draft was open for comments till 21/06/2010
36	AS 18 (Revised)	IAS 24	Related party disclosures	Exposure Draft was open for comments till 25/05/2010
37	AS 27	IAS 31	International Financial Reporting Standards	Exposure Draft was open for comments till 21/06/2010
38	AS 40	IFRS 9		Exposure Draft was open for comments till 28/06/2010.

II: Implementation Phases

Phases	Applicability Date	Guidelines
Phase I	April 1, 2011	In this phase, companies part of National Stock Exchange – Nifty 50, Bombay Stock Exchange - Sensex 30, having shares or other securities listed on stock exchanges outside India and finally companies (whether listed or not) having net worth in excess of Rs. 1,000 crores, are required to convert their opening balance sheets as at April 1, 2011, in accordance with the notified accounting standards which are in convergence with IFRS. All insurance companies will convert their opening balance sheet as at April 1, 2012 in compliance with the converged Indian Accounting Standards.
Phase II	April 1, 2013	The companies (whether listed or not) having net worth in excess Rs. 500 crores but upto Rs. 1,000 crores are required to convert their opening balance sheet as on April 1, 2013 in accordance with the notified accounting standards which are in convergence with IFRS. All scheduled commercial banks and urban co-operative banks (UCBs) having net worth exceeding Rs. 300 crores are required to convert their opening balance sheet as on April 1, 2013 in accordance with the converged Indian Accounting Standards. As far as the non-banking financial companies (NBFCs) are concerned, these ¹ will convert their opening balance sheet as at April 1, 2013 if the financial year commences on April 1, (or if the financial year commences on any other date, then on the date immediately following April 1, 2013) in compliance with the first set of Accounting Standards (<i>i.e.</i> , the converged Indian Accounting Standards).
Phase III	April 1, 2014	Listed companies having net worth up to Rs. 500 crores are required to convert their opening balance sheet as on April 1, 2014, in accordance with the notified accounting standards which are in convergence with IFRS. Urban co-operative banks having net worth exceeding Rs. 200 crores but up to Rs. 300 crores will convert their opening balance sheets as on April 1, 2014 in accordance with the converged Indian Accounting Standards. Implicitly urban co-operative banks having net worth up to Rs. 200 crores and Regional Rural banks (RRBs) are not required to prepare their financial statements in accordance with converged Indian accounting standards.

As per the International Accounting Standards Board, IFRS are more suited for publicly accountable companies. On the same principles the converged accounting standards would be adopted for listed companies, banks and insurance companies in the phased manner (Table II).

Comparison of IFRS v. Indian GAAP

The Indian accounting practices differ significantly from IFRS (Baingaini and Agrawal, 2005). Most of the Indian accounting standards are rule based are less flexible compared to the global standards. The regulatory authorities do dominate the accounting rules. Conceptually, IFRS provide the scope of judgement rather than rules, which is missing in Indian GAAP. The item wise major differences are provided in Table III.

A closer look at the regulatory requirements reveals the *compliance focus* and *multiplicity of legislations* factors prevalent in Indian accounting standards. The Companies Act 1956, Income tax Act,

1965, guidelines framed by Securities and Exchange Board of India (SEBI), Insurance Regulatory and Development Authority (IRDA) and also sector specific disclosures due to ministerial requirements of centre and state governments need to be adhered to in addition to the accounting standards prescribed by ICAI. Majority differs from those required by IFRS (Table IV).

The thrust of IFRS is on the fair value treatment, which would result quite often in the unrealised gain or loss. The government is yet to come out regarding tax treatment of unrealised gain or loss since it is going to affect both the exchequer as well as the corporate sector. The imperative is therefore to amend Companies Act, 1956 and Income Tax Act, 1956 together with the SEBI framework in order to quickly achieve the status of IFRS compliant.

1 Such NBFCs are:

Companies which are part of NSE – Nifty 50.

Companies which are part of BSE – Sensex 30.

Companies, whether listed or not, which have a net worth in excess of Rs. 1,000 crores.

All listed NBFCs and those unlisted NBFCs which do not fall in the above categories and which have a net worth in excess of Rs. 500 crores will convert their opening balance sheet as at April 1, 2014 if the financial year commences on April 1, (or if the financial year commences on any other date, then on that date following April 1, 2014) in compliance with the first set of Accounting standards (*i.e.*, converged Indian Accounting Standards).

Unlisted NBFCs which have a net worth of Rs. 500 crores or less will not be required to follow the first set of accounting standards (*i.e.*, the converged Indian accounting standards), though they may voluntarily opt to do so, but need to follow only the notified Indian accounting standards which are not converged with the IFRSs.

III: Indian GAAP vs. IFRS

Head	Indian GAAPs	IFRS
Inventory	In case inventory is purchased on deferred payment, the difference between the price as per normal credit terms and that under deferred payment terms is recognized as interest expenses (it is not treated as part of cost of inventory).	No separate treatment of inventory purchased on deferred payment terms.
Inventory	Present Accounting Standard 2 excludes selling and distribution cost from cost of inventory. Such expenses are charged to profit in the period in which these are incurred.	International Accounting Standard 2 excludes only the selling cost from the value of inventory.
Income Tax	Present Accounting Standard 22 emphasizes temporary difference in accounting for the expected future tax consequences of events through income statement.	International Accounting Standard 12 emphasizes temporary difference in accounting for the expected future tax consequences of events through balance sheet liability method.
Depreciation Accounting	No periodic review under the present Accounting Standard 6. Change in depreciation method is applicable retrospectively. As a consequence, of recomputation depreciation amount is necessary leading to adjustment in the period in which the method of depreciation was changed.	Annual review of depreciation policy essential. In case of significant change in consumption of economic benefit, depreciation method should be changed to represent the revised pattern. Such change in depreciation method is taken as a change in accounting estimates and is applicable prospectively.
Accounting of Fixed Assets	Cost of replacement or inspection of fixed assets is charged to profits in the period in which such expenditure is incurred.	Replacement cost of a part of equipment, cost of major overhaul and inspection are capitalized.
Lease Accounting	In India the accounting of leases is done as per Accounting Standard 19. It stipulates that the initial expenses can either be recognized when incurred or else can be amortized over the lease period. In respect of initial cost in case of manufacturer or dealer, it can be expensed when incurred. As far as operational lease is concerned in IFRS, the initial expenses are added to the carrying value of asset and amortized over lease term on the same basis as lease income. However as per Accounting Standard 19, the initial direct cost incurred is deferred and allocated to the income over the lease term in proportion to the rent income or else recognized as expense during the period in which it is incurred.	The finance lease accounting is as per International Accounting Standard 17. For finance lease, other than manufacturer or dealer lessor, the initial direct cost are included in the measurement of the finance lease receivable leading to reductions in the amount of income recognized over the lease term. Initial costs incurred by manufacturer or dealer lessor are expensed in the period in which selling profit is recognized.
Revenue Recognition	There is no such requirement and revenue can be recognized even when there is legally enforceable agreement to sale and other condition of recognizing the revenue is met.	Revenue is recognized only when with reference to the respective stage of completion when the agreement significantly transfers the risk and reward of ownership to the buyer in addition to transfer of control.
Revenue Recognition	No adjustment of time value of money is there.	In case there is significant time lag in the realization of the cash, the discounting to the present value is required <i>i.e.</i> , time value of money is taken into account in IFRS in order to recognize revenue.
Revenue Recognition	Revenue is recognized in all transactions irrespective of guarantee/warrantee.	Revenues arising through the transactions involving extended guarantee/warranties are deferred and recognized over the period covered by guarantee.
Constructive obligation	Liabilities not recognized on constructive obligation basis under Accounting Standard 29.	International Accounting Standard 37 deals with provisions, contingent liability and contingent asset. Provisions are required to be made on constructive obligation basis. This implies that liabilities are recognized even before these are required to be legally recognized.

Head	Indian GAAPs	IFRS
Application of time value of money concept	No requirement of provision to be discounted to its present value under Accounting Standard 29.	In case time value of money is significant, the provision should be made on the present value of expected future expenditure to settle the obligation as per International Accounting Standard 37.
Intangible Asset	Intangible assets may have definite or indefinite life under Accounting Standard 38. Under indefinite life there is no presumption of length of useful life. As per Accounting Standard 26, the intangible assets have definite life that too is not exceeding 10 years from the date since when asset is available for use. Revaluation model is not permitted under Accounting Standard 26.	Intangible assets are recorded as per cost model or revaluation method.

IV: Differing Legal Requirements vis-à-vis IFRS

Heads	Indian Legal & Regulatory requirements	IFRS
Preference shares	Redeemable preferential share are classified as equity under Schedule VI of Companies Act, 1956.	Preference share are treated as debt.
Proposed dividend	Proposed dividend is treated as current liability or provision, under Schedule VI of Companies Act, 1956.	Proposed dividend is treated as a non-adjusting event after the reporting period and is not to be provided in the accounts of reporting period as per International Accounting Standard 10.
Depreciation	Depreciation rates for each category of assets are, as per prescribed the Companies Act, 1956 under Schedule XIV. (depreciation to be charged for a significant part of an item of an asset separately not permissible) Companies Act, 1956 prescribes methods of depreciation which are different from those under IFRS Definition of control different from IFRS	As per International Accounting Standard 16, each part, which has a cost significant in relation to total cost of the asset, shall be depreciated separately. International Accounting Standard 16 recognizes 'units of production method' also as a method of depreciation, whereas the Companies Act, 1956 does not Control definition different. Companies required presenting consolidated statements.
SEBI	Interim financial reports may be on standalone basis. Only for annual results companies have to mandatory submit consolidated financial statements in addition to stand alone financial statements As per SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines Schedule I, the accounting for options granted during the accounting period may be based on the intrinsic value of the option or, if the company so chooses, the fair value of the option.	If a company has presented its latest annual financial statements on consolidated basis, in such a case its interim financial statements should also be presented on the same consolidated basis. IFRS requires for share based payment transactions with employees and others providing similar services, the entity is required to measure the fair value of the equity instruments granted. Intrinsic value is not permitted.

IFRS v. Indian GAAPs: Comparative Financial Analysis

We have performed the financial ratio analysis of 150 companies representing 17 manufacturing and service sectors to investigate the impact of IFRS adoption and valuation. For sample selection, we use the CNX 500 Index of National Stock Exchange of India (NSE) to select the sample of 150 listed companies (see Appendix I). The sample companies represent the 12 manufacturing (56 sub sectors) and 5 services sectors. The companies selected within the sector are leading in the sector and are fair representation of "Large Capitalisation Stocks". The selected samples are capable of being analysed for the impact

of IFRS adoption with respect to major accounting issues and valuation practices.

We find that convergence to IFRS in India changes the values of major accounting ratios. The huge difference inter-alia include differing accounting practices with respect to valuation of fixed assets, depreciation methods, inventory valuation techniques and income recognition. The stress level range from 70% to 100% across asset liability items. In case of certain companies, the converged financial statements are of such an extent that pre-conversion statements appear to be *prima facie fraudulent*. This surprise is debated across all industrial sectors, though mathematically bigger firms absorb the heat of convergence to some extent. The large effects are

observable on FMCG, infrastructure, and conventional engineering and cement companies.

We present the case of Noida Toll Bridge Company Ltd. to show the impact of convergence on the financial reports for the year 2009–2010 (Table V). Significant differences in short-term solvency ratios are observable primarily attributable to stringent recognition of provisions under IFRS compared to Indian GAAPs. The long-term solvency ratios and sales based profitability ratios have similar value under both the alternative accounting environments. All profitability ratios show large differences due to divergent accounting rules followed under the two sets of accounting principles. Conversely, operating asset turnover ratio shows its value to be considerably higher in IFRS environment. Essentially, the analysis shows that no financial ratio has the same value under the two alternative accounting environments. We argue that this would *significantly affect the valuation of Indian companies in global market place*. Moreover, the domestic financing profile is expected to undergo a major change.

Strategic Implications for Indian Companies

The IFRS adoption is expected to bring improvement in comparability of financial performance information and reporting compared with global peers and industry standards. The transparency of financial reporting of firms activities benefit stakeholders in India and outside borders. It is observed that companies have started gaining in terms of better access to global capital markets and are able to reduce the cost of financing given the fact that globally competitive fund raising cost is far lower than in India, especially in the developed markets. US Securities and Exchange Commission (SEC) is now permitting foreign companies listed in the US to present financial statements in accordance with IFRS implying that such companies need not prepare separate financial statements under Generally Accepted Accounting Principles in the US (US GAAP). This would certainly benefit Indian companies listed in the US by saving in financial and compliance costs

preparing a single set of IFRS compliant financial statements. Daske *et al.* (2007) also find that serious IFRS adopters experienced significant declines in their cost of capital and substantial improvements in their market liquidity compared to label adopters.

The issue of accounting quality is prominent in a global business model. Soderstrom and Sun (2007) show that a financial reporting regime is but one determinant of accounting quality and that a country's legal and political systems through enforcement of accounting standards and litigation against managers and auditors, together with the development of financial markets, concentration of firm ownership, and the tax system cannot be ignored in the equation of accounting quality determination. We argue that the change of financial reporting regime requires a drastic change in the legal, political and institutional structures.

The fundamental obstacles to harmonization also pointed by Nobes & Parker (2002) include (a) the size of the present differences between the accounting practices of different countries, (b) the lack of strong professional accountancy bodies in some countries, and (c) the differences in political and economic systems. IFRS adoption in Indian firms is also under constraint due to lack of professional in India to handle the conversions projects. This implies leveraging the knowledge and experience gained from IFRS conversion in other countries and incorporating IFRS into the curriculum for professional accounting courses.

In case of banking companies, the IFRS adoption would mean a sea change in the reporting standards and presentation styles, since the central bank of the country – Reserve Bank of India (RBI) has a well-defined set of reporting norms. It is important to mention here that RBI norms and reporting standards also played a role in lessening the impact of global financial crisis on Indian financial system. The debate is on whether the reporting quality will improve when we shift from *prescriptions* to *judgements*. However, on a summative basis, IFRS would make Indian

V: Comparison of Financial Ratios IFRS environment v/s Indian GAAP

Ratio	Indian GAAP 2009–2010	IFRS 2009–2010	Difference
Current ratio	1.35	0.99	0.36
Quick ratio	1.35	0.98	0.37
Financial Charge ratio	3.85	3.82	0.03
Debt-Equity ratio	0.54	0.59	–0.05
Long Term Fund to Asset ratio	1.025	0.99	0.035
Debt-Service Coverage ratio	1.55	1.54	0.01
Gross-Profit ratio	0.99	0.98	0.01
Operating Profit ratio	0.72	0.69	0.03
Net Profit ratio	0.38	0.29	0.09
Return on Capital Employed	8.13%	7.32%	0.81
Return on Equity	8.22%	6.75%	1.47
Operating Asset Turnover ratio	12.09%	15.12%	–3.03

banks more competitive globally and improve their financial performance.

On similar lines, the insurance industry is also expected to open wings in the global market though being perceived as *privatised domestically*. IFRS will increase transparency due to more, or better, comparable information across companies and countries (SwissRe, 2004). However there are concerns as to increase in the volatility of liabilities of insurance companies. IRDA is in the process of revising the guidelines for reporting and compliance to meet the global standards of various insurance associations. Technology companies, the biggest exporters of service products in India have already converged or near convergence since competition post crisis will not allow them to do business globally unless they adopt. We believe that IFRS adoption is directly linked to corporate governance and can play a major role particularly the corporate scam like Satyam Computers that created havoc among the regulators and the markets. In the words of Shleifer and Vishny (1997), effective corporate governance is designed in such a way that expropriation by insiders and managers is minimized. Opinions on corporate governance are mixed. Though researchers and practitioners argue that IFRS adoption leads to better information environment and forecasting capabilities (Horton and Serafeim, 2009), practitioners perceive corporate governance more of a managerial issue. However, there is growing evidence among Indian firms that IFRS would contribute to better corporate governance.

In spite of IFRS potential benefits, suspicion exists. Ashbaugh and Pincus (2001) have argued that

even if IFRS are properly implemented, the adoption effect should be small in EU countries with domestic accounting standards similar to IFRS. In a present context, European firms have raised serious concerns that IFRS has been superimposed and mandated and have started proposing local or industry-specific exceptions to IFRS, known as “carve-outs” (Satin and Lin, 2009). However, same is not the situation with Indian firms probably their perceived competitive environment is different.

CONCLUSION

The globalisation of accounting standards has certainly changed the competitive posture for Indian companies, regulators and accounting bodies. The IFRS would change the competitive environment in terms of information to stakeholders, global capital raising and corporate positioning. Indian firms are behind the schedules set for adoption due to variety of reasons including – (a) inability to conceptualise the essence of fair value implied by IFRS, (b) conventional complexity of business models and (c) lack of accounting professional to facilitate conversion. Over and above the huge modification in the regulatory norms implicit in various statutes generic or specific to companies is required. The concerns of valuations domestic and global are genuine for Indian companies since IFRS imply major departures from conventional styles. We believe that these issues are short term and in the time to come, Indian companies would certainly reap benefits of harmonisation of accounting practices.

Appendix I – List of Companies

Abrasives

Carborundum Universal Ltd.

Airconditioners

Blue Star Ltd.

Voltas Ltd.

Aluminium

Hindalco Industries Ltd.

National Aluminium Co. Ltd.

Auto Ancillaries

Amara Raja Batteries Ltd.

Amtek Auto Ltd.

Amtek India Ltd.

Asahi India Glass Ltd.

Automotive Axles Ltd.

Banco Products (India) Ltd.

Bosch Ltd.

Exide Industries Ltd.

Federal-Mogul Goetze (India) Ltd.

Motherson Sumi Systems Ltd.

Munjal Showa Ltd.

Omax Autos Ltd.

Pricol Ltd.

Rico Auto Industries Ltd.

Shanthi Gears Ltd.

Sona Koyo Steering Systems Ltd.

Automobiles - 2 And 3 Wheelers

Bajaj Auto Ltd.

Hero Honda Motors Ltd.

TVS Motor Company Ltd.

Automobiles - 4 Wheelers

Ashok Leyland Ltd.

Eicher Motors Ltd.

Escorts Ltd.

HMT Ltd.

Mahindra & Mahindra Ltd.

Maruti Suzuki India Ltd.

Tata Motors Ltd.

Bearings

Fag Bearings India Ltd.

NRB Bearings Ltd.

SKF India Ltd.

Brew/Distilleries

Radico Khaitan Ltd

United Breweries Ltd.

United Spirits Ltd.

Cables - Telecom

Aksh Optifibre Ltd.

Castings/Forgings

Bharat Forge Ltd.

Electrosteel Castings Ltd.

Cement And Cement Products

ACC Ltd.

Ambuja Cements Ltd.

Binani Cement Ltd.

Birla Corporation Ltd.

Everest Industries Ltd.

India Cements Ltd.

KCP Ltd.

Kesoram Industries Ltd.

Madras Cements Ltd.
Prism Cement Ltd.
Ramco Industries Ltd.
Shree Cement Ltd.
Ultratech Cement Ltd.

Chemicals - Inorganic

GHCL Ltd.
Godrej Industries Ltd.
Gujarat Alkalies & Chemicals Ltd.
HSIL Ltd.

Construction

Hindustan Construction Co. Ltd.
Housing Development And Infrastructure Ltd.
IVRCL Infrastructures & Projects Ltd.
Indiabulls Real Estate Ltd.
Jaypee Infratech Ltd.
Kajaria Ceramics Ltd.
Lanco Infratech Ltd.
Mahindra Lifespace Developers Ltd.
Nagarjuna Construction Co. Ltd.
Omaxe Ltd.
Oswal Chemicals & Fertilizers Ltd.
Parsvnath Developer Ltd.
Patel Engineering Ltd.
Peninsula Land Ltd.
Phoenix Mills Ltd.
Punj Lloyd Ltd.
Puravankara Projects Ltd.
Simplex Infrastructures Ltd.
Sobha Developers Ltd.
Sunteck Realty Ltd.
Unitech Ltd.
Unity Infraprojects Ltd.

Consumer Durables

BPL Ltd.
Mirc Electronics Ltd.
Videocon Industries Ltd.

Cycles

Tube Investments Of India Ltd.

Detergents

Nirma Ltd.

Diesel Engines

Cummins India Ltd.
Greaves Cotton Ltd.
Swaraj Engines Ltd.
Andhra Sugars Ltd.

Diversified

Balmer Lawrie & Co. Ltd.
Century Textile & Industries Ltd.
DCM Shriram Consolidated Ltd.

E.I.D. Parry (India) Ltd.
Hindustan Unilever Ltd.
Jaiprakash Associates Ltd.
Orient Paper & Industries Ltd.

Dyes And Pigments

Atul Ltd.
Clariant Chemicals (India) Ltd.

Electrical Equipment

ABB Ltd.
Areva T&D India Ltd.
Bharat Heavy Electricals Ltd.
Crompton Greaves Ltd.
Havell's India Ltd.
Siemens Ltd.
Sterlite Technologies Ltd.
Suzlon Energy Ltd.
Thermax Ltd.

Electrodes

Ador Welding Ltd.
ESAB India Ltd.
Graphite India Ltd.
H.E.G. Ltd.

Electronics - Industrial

Asian Electronics Ltd.
Bharat Electronics Ltd.

Media & Entertainment

Television Eighteen India Ltd.
UTV Software Communication Ltd.
Ibn18 Broadcast Ltd.

Metals

Hindustan Zinc Ltd.
Nava Bharat Ventures Ltd.
Sterlite Industries (India) Ltd.
Tata Sponge Iron Ltd.
Tinplate Company Of India Ltd.

Mining

Gujarat Mineral Development Corporation Ltd.
Gujarat NRE Coke Ltd.
NMDC Ltd.
Sesa Goa Ltd.

Oil Exploration/Production

Aban Offshore Ltd.
Cairn India Ltd.
Great Offshore Ltd.
Hindustan Oil Exploration Co. Ltd.
Oil & Natural Gas Corporation Ltd.
Oil India Ltd.
SEAMEC Ltd.

Packaging

Cosmo Films Ltd.
Essel Propack Ltd.
Jindal Poly Films Ltd.
Max India Ltd.
UFLEX Ltd.

Paints

Akzo Nobel India Ltd.
Asian Paints Ltd.
Berger Paints India Ltd.
Kansai Nerolac Paints Ltd.

Paper And Paper Products

Ballarpur Industries Ltd.
Paper Products Ltd.
Tamil Nadu Newsprint & Papers Ltd.
West Coast Paper Mills Ltd.

Personal Care

Colgate Palmolive (India) Ltd.
Dabur India Ltd.
Gillette India Ltd.
Godrej Consumer Products Ltd.
Marico Ltd.
Procter & Gamble Hygiene & Health Care Ltd.

Pesticides And Agrochemicals

Hikal Ltd.
Monsanto India Ltd.
Rallis India Ltd.
United Phosphorus Ltd.

Petrochemicals

Bhansali Engineering Polymers Ltd.
Castrol (India) Ltd.
Chemplast Sanmar Ltd.
DCW Ltd.
Finolex Industries Ltd.
India Glycols Ltd.
Supreme Petrochem Ltd.
Tamilnadu Petroproducts Ltd.

Pharmaceuticals

Ajanta Pharmaceuticals Ltd.
Alembic Ltd.
Astrazenca Pharma India Ltd.
Aurobindo Pharma Ltd.
Aventis Pharma Ltd.
Biocon Ltd.

Refineries

Hindustan Petroleum Corporation Ltd.
Indian Oil Corporation Ltd.
Mangalore Refinery & Petrochemicals Ltd.
Reliance Industries Ltd.

Refractories

Vesuvius India Ltd.

Shipping

ABG Shipyard Ltd.

Essar Shipping Ports & Logistics Ltd.

Great Eastern Shipping Co. Ltd.

Mercator Lines Ltd.

Shipping Corporation Of India Ltd.

Varun Shipping Co. Ltd.

Solvent Extraction

Agro Tech Foods Ltd.

K.S. Oils Ltd.

Ruchi Soya Industries Ltd.

Steel And Steel Products

Bhushan Steel Ltd.

Ispat Industries Ltd.

JSL Stainless Ltd.

JSW Steel Ltd.

Jai Corp Ltd.

Jindal Saw Ltd.

Jindal Steel & Power Ltd.

Maharashtra Seamless Ltd.

Mahindra Ugine Steel Co. Ltd.

Monnet Ispat Ltd.

PSL Ltd.

Steel Authority Of India Ltd.

Surya Roshni Ltd.

Tata Metaliks Ltd.

Tata Steel Ltd.

Usha Martin Ltd.

Uttam Galva Steels Ltd.

Welspun Corp Ltd.

Sugar

Bajaj Hindusthan Ltd.

Balrampur Chini Mills Ltd.

Bannari Amman Sugars Ltd.

Dhampur Sugar Mills Ltd.

Dwarikesh Sugar Industrial Ltd.

Sakthi Sugars Ltd.

Shree Renuka Sugars Ltd.

Triveni Engineering & Industries Ltd.

Tea And Coffee

Jay Shree Tea & Industries Ltd.

McLeod Russel India Ltd.

Tata Coffee Ltd.

Tata Global Beverages Ltd.

Telecommunication - Equipment

AGC Networks Ltd.

GTL Infrastructure Ltd.

Himachal Futuristic Communications Ltd.

Telecommunication - Services

Bharti Airtel Ltd.

GTL Ltd.

Idea Cellular Ltd.

Mahanagar Telephone Nigam Ltd.

Reliance Communications Ltd.

Tata Communications Ltd.

Tulip Telecom Ltd.

Textile Machinery

Lakshmi Machine Works Ltd.

Textile Products

Arvind Ltd.

Chemicals - Inorganic

Aarti Industries Ltd.

Chemicals - Organic

Pidilite Industries Ltd.

Chemicals - Speciality

BASF India Ltd.

Cigarettes

Godfrey Phillips India Ltd.

I T C Ltd.

VST Industries Ltd.

Compressors / Pumps

Dynamatic Technologies Ltd.

Elgi Equipments Ltd.

Ingersoll Rand (India) Ltd.

KSB Pumps Ltd.

Computers - Hardware

CMC Ltd.

HCL Infosystems Ltd.

Moser Baer India Ltd.

Tata Elxsi Ltd.

Computers - Software

3i Infotech Ltd.

Aftek Ltd.

Aptech Ltd.

Educomp Solutions Ltd.

Financial Technologies (India) Ltd.

Firstsource Solutions Ltd.

Geometric Ltd.

HCL Technologies Ltd.

Hexaware Technologies Ltd.

Info Edge (India) Ltd.

Infosys Technologies Ltd.

Infotech Enterprises Ltd.

KPIT Cummins Infosystem Ltd.

Mastek Ltd.

Mindtree Ltd.

Mphasis Ltd.

NIIT Ltd.

Oracle Financial Services Software Ltd.

PVP Ventures Ltd.

Patni Computer Systems Ltd.

Polaris Software Lab Ltd.

Ramco Systems Ltd.

Rolta India Ltd.

Sonata Software Ltd.

Tata Consultancy Services Ltd.

Tech Mahindra Ltd.

Wipro Ltd.

Zensar Technologies Ltd.

Construction

Ackruti City Ltd.

Anant Raj Industries Ltd.

Ansal Properties & Infrastructure Ltd.

B L Kashyap & Sons Ltd.

Brigade Enterprises Ltd.

Century Plyboards (India) Ltd.

D B Realty Ltd.

D.S. Kulkarni Developers Ltd.

DLF Ltd.

Era Infra Engineering Ltd.

GMR Infrastructure Ltd.

Gammon India Ltd.

Gammon Infrastructure Projects Ltd.

Electronics - Industrial

Honeywell Automation India Ltd.

NELCO Ltd.

Engineering

Alfa Laval (India) Ltd.

BEML Ltd.

Engineers India Ltd.

Larsen & Toubro Ltd.

Praj Industries Ltd.

Reliance Industrial Infrastructure Ltd.

Fasteners

Sundram Fasteners Ltd.

Fertilisers

Chambal Fertilizers & Chemicals Ltd.

Coromandel International Ltd.

Deepak Fertilisers & Petrochemicals Corp. Ltd.

Gujarat Narmada Valley Fertilisers Co. Ltd.

Gujarat State Fertilizers & Chemicals Ltd.

Nagarjuna Fertilizers & Chemicals Ltd.

National Fertilizers Ltd.

Rashtriya Chemicals & Fertilizers Ltd.

Zuari Industries Ltd.

Food And Food Processing

Advanta India Ltd.
 Britannia Industries Ltd.
 Carol Info Services Ltd.
 Glaxosmithkline Consumer Healthcare Ltd.
 Heritage Foods (India) Ltd.
 Jubilant Foodworks Ltd.
 Kohinoor Foods Ltd.
 Lakshmi Energy & Foods Ltd.
 Rei Agro Ltd.
 Venky's (India) Ltd.

Gas

BOC India Ltd.
 Everest Kanto Cylinder Ltd.
 GAIL (India) Ltd.
 Gujarat Fluorochemicals Ltd.
 Gujarat Gas Co. Ltd.
 Gujarat State Petronet Ltd.
 Indraprastha Gas Ltd.
 Petronet LNG Ltd.

Gems Jewellery And Watches

Gitanjali Gems Ltd.
 Rajesh Exports Ltd.
 Shrenuj & Co. Ltd.
 Titan Industries Ltd.

Hotels

EIH Ltd.
 Hotel Leelaventure Ltd.
 Indian Hotels Co. Ltd.
 Oriental Hotels Ltd.
 Taj GVK Hotels & Resorts Ltd.

Leather And Leather Products

Bata India Ltd.
 Mirza International Ltd.

Media & Entertainment

Balaji Telefilms Ltd.
 Entertainment Network India Ltd.
 Hathway Cable & Datacom Ltd.
 Inox Leisure Ltd.
 NDTV Ltd.
 Saregama India Ltd
 Shree Ashtavinayak Cine Vision Ltd.
 Sun TV Network Ltd.
 TV Today Network Ltd.

Pharmaceuticals

Cadila Healthcare Ltd.
 Cipla Ltd.
 Dishman Pharmaceuticals & Chemicals Ltd.

Divi's Laboratories Ltd.
 Dr. Reddy's Laboratories Ltd.
 Elder Pharmaceuticals Ltd.
 FDC Ltd.
 Fresenius Kabi Oncology Ltd.
 Glaxosmithkline Pharmaceuticals Ltd.
 Glenmark Pharmaceuticals Ltd.
 Ind-Swift Laboratories Ltd.
 Ipca Laboratories Ltd.
 J.B. Chemicals & Pharmaceuticals Ltd.
 Lupin Ltd.
 Merck Ltd.
 Orchid Chemicals & Pharmaceuticals Ltd.
 Panacea Biotech Ltd.
 Pfizer Ltd.
 Piramal Healthcare Ltd.
 Ranbaxy Laboratories Ltd.
 Shasun Chemicals & Drugs Ltd.
 Sterling Biotech Ltd
 Strides Arcolab Ltd.
 Sun Pharmaceutical Industries Ltd.
 Torrent Pharmaceuticals Ltd.
 Unichem Laboratories Ltd.
 Wockhardt Ltd.
 Wyeth Ltd.

Plastic And Plastic Products

Jain Irrigation Systems Ltd.
 Nilkamal Ltd.
 Sintex Industries Ltd.
 Supreme Industries Ltd.
 V.I.P. Industries Ltd.

Power

Adani Power Ltd.
 Alstom Projects India Ltd.
 CESC Ltd.
 GVK Power & Infrastructures Ltd.
 Gujarat Industries Power Co. Ltd.
 JSW Energy Ltd.
 Jaiprakash Power Ventures Ltd.
 NHPC Ltd.
 NTPC Ltd.
 Neyveli Lignite Corporation Ltd.
 PTC India Ltd.
 Power Grid Corporation Of India Ltd.
 Reliance Infrastructure Ltd.
 Reliance Power Ltd.
 Tata Power Co. Ltd.
 Torrent Power Ltd.

Printing And Publishing

Deccan Chronicle Holdings Ltd.
 HT Media Ltd.
 Jagran Prakashan Ltd.
 Navneet Publications (India) Ltd.

Refineries

Bharat Petroleum Corporation Ltd.
 Chennai Petroleum Corporation Ltd.
 Essar Oil Ltd.

Textile Products

Bombay Rayon Fashions Ltd.
 Gokaldas Exports Ltd.
 Himatsingka Seide Ltd.
 House Of Pearl Fashions Ltd.
 Koutons Retail India Ltd.
 Provogue (India) Ltd.
 Raymond Ltd.
 S. Kumars Nationwide Ltd.
 Zodiac Clothing Co. Ltd.

Textiles - Cotton

Abhishek Industries Ltd
 Vardhman Textiles Ltd.

Textiles - Synthetic

Aditya Birla Nuvo Ltd.
 Alok Industries Ltd.
 Bombay Dyeing & Manufacturing Co. Ltd.
 Century Enka Ltd.
 Garden Silk Mills Ltd.
 Grasim Industries Ltd.
 Indo Rama Synthetics Ltd.
 SRF Ltd.

Trading

3M India Ltd.
 Adani Enterprises Ltd.
 Gujarat Ambuja Exports Ltd.
 Redington (India) Ltd.
 State Trading Corporation Of India Ltd.

Transmission Towers

Jyoti Structures Ltd.
 Kalpataru Power Transmission Ltd.
 Kec International Ltd.

Tyres

Apollo Tyres Ltd.
 MRF Ltd.

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