

IMPACT OF IND AS ON ACCOUNTING NUMBERS: AN ANALYTICAL STUDY IN CONTEXT OF INDIAN COMPANIES

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Abstract *This paper tries to examine the impact of Ind AS on some accounting numbers and also to examine if there is any statistically significant difference among the prevailing opinions regarding Ind AS adoption in India. We took the top 45 companies from the Bombay Stock Exchange, according to their market capitalisation, and excluded banking, non-banking financial companies, and insurance companies due to non-availability of data, and made a questionnaire for opinion survey. We applied paired t-test on the secondary data and a chi-square test on the primary data. No statistically significant difference was found in the accounting numbers after the adoption of Ind AS. Results also revealed that there is homogeneity in the opinion of respondents with different work experiences and occupations regarding the impact of Ind AS on accounting numbers. Indian companies should provide more disclosure in their financial statements, so that the informational content of accounting numbers can be increased.*

Keywords: *IND AS, IFRS, Accounting Numbers, Profitability Ratios, Liquidity Ratios*

INTRODUCTION

In the present era of globalisation, the world has become a global village. Many countries are welcoming foreign investment, which leads to economic development. “The key to economic development is a sound financial reporting system sustained by good governance, clearly defined quality standards, and established regulatory framework” (Janani & Padmasani, 2016). In India, the Institute of Chartered Accountants of India (ICAI) is the main body that formulated the accounting standards for financial reporting of entities and updated them from time to time, according to the need. The main objective of accounting standards was to standardise the diverse accounting policies and practices, and to increase the reliability and relevancy of financial statements so investors can make more informed decisions. With India, which is a developing country, moving towards the global business village, there is a need for a reporting framework that can help our entities easily compare their financial statements with the financial statements of foreign companies. For this, the need for a uniform reporting framework was felt in India. To fulfil this need, the Indian government and other regulatory bodies decided to adopt IFRS (International Financial Reporting Standards). IFRS are principle-based accounting standards which are globally

accepted. IFRS fulfils all the requirements of the qualitative characteristics of accounting information; it includes all standards and interpretations approved by the International Accounting Standard Board, the International Accounting Standard Committee, and the Standard Interpretation Committee. In 2009, at the G20 summit, India announced that it would converge its accounting standards with IFRS. In February 2011, the first attempt was made to implement the converged IFRS, known as Ind AS; however, due to some reasons, this attempt failed. Later, in February 2015, the Ministry of Corporate Affairs issued a blueprint of adoption and implementation of Ind AS. Initially, it was voluntary adoption. However, from 1 April 2016, applicability of Ind AS was mandatory for all entities having a net worth of ₹500 crores or more, excluding banking companies, non-banking financial companies, and insurance companies. In the next phases, it became mandatory for entities having a net worth of ₹250 crores or more.

Many proponents of Ind AS argued that Ind AS will significantly improve the quality of financial statements, and simultaneously help future investors make more informed decisions. However, the opponents claimed that Ind AS will impact the accounting numbers drastically. So, it was found that there are two types of opinions prevailing regarding Ind AS. It was therefore decided by the researcher to conduct

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an opinion survey regarding the impact of Ind AS, and to check if this difference in opinion is significant. Later, the researchers extended their study by examining whether the accounting numbers of financial statements in India have any significant impact after the adoption of Ind AS.

REVIEW OF LITERATURE

Bajaj Singh and Shirur (2019) examined the awareness of adoption of IFRS in India and its learning outcome. For this examination, they interviewed 100 respondents from different management schools located in the NCR region and found a lower rate of awareness regarding the adoption of IFRS in India. They also concluded that IFRS adoption will give a new direction to accounting information.

Todorova and Sokolova (2019) examined the impact of IFRS 16 on the lessee's financial statements, financial ratios, and key performance indicators. They concluded that the complexity of the new leases standard, bringing all the leases on a balance sheet using a spreadsheet, may not be cost-efficient and can lead to errors in financial reporting.

Dhankar, Chaklader and Gupta (2018) examined the perception of public sector banks in India regarding the implementation of IFRS. Results revealed that IFRS-based financial statements will be used for external reporting and internal decision-making process in the parent and subsidiary banking companies.

Haruna and Emmanuel (2018) examined the effect of IFRS adoption on shareholder's wealth in deposit money banks in Nigeria. For this examination, they took 15 deposit money banks listed on the Nigerian Stock Exchange for the period 2008 to 2015. A significant impact was found on shareholder's wealth in deposit money banks in Nigeria after IFRS adoption.

Paulinus, Ethelbert and Jones (2018) examined the impact of IFRS on firm profitability in Nigeria. For this examination, they considered 104 listed companies in Nigeria. They employed OLS regression model and Grey's comparability index for this examination. They found that the Return on Assets and Earning per Share were higher in NGAAP than IFRS.

Soni (2018) studied the implementation procedure of Ind AS and also examined the impact of reporting by Indian companies in the process of transformation to Ind AS. For this examination, the researcher studied HUL Godrej Consumer Products Ltd. They revealed that transformation from IGAAP to Ind AS will change the numbers of various particulars, such as sales, capital employees, operating expenses, and so on, as under Ind AS, the methods of calculating and evaluating are different.

Sardar, Shinde and Singh (2018) examined the impact of Ind AS on the financial health and performance of the listed companies in India. For this examination, they studied 56 Indian companies from 15 different sectors. Results revealed that the volatility of profitability increased due to fair value measurement, and the impact of Ind AS is more evident in the manufacturing sector compared to the service sector.

Chado (2017) examined the impact of IFRS adoption on value relevancy of accounting information. For this examination, 20 listed insurance firms from the Nigerian Stock Exchange were considered and the Ohlson model was used. They found decrement in the value relevancy of accounting information after IFRS adoption.

Gencia and Mates (2017) described how regulation differences affect financial performance and position interpretation. No conclusive results were found; it was advised to perform a statistical test to derive substantial results.

Muniraju (2016) examined the awareness of stakeholders regarding the adoption of IFRS in India and also its impact on various sectors. The author revealed that there is a need to educate stakeholders regarding IFRS through proper training programmes, and a positive impact was seen in different sectors regarding the implementation of IFRS.

Janani and Padmasani (2016) examined the impact of IFRS on key financial ratios. For this examination, ten Indian companies were considered. Positive as well as negative impact were found on key ratios.

Zehgal and Lahmar (2016) examined the impact of mandatory IFRS on accounting conservatism. For this examination, 1,216 companies from 15 European countries were observed from 2000 to 2010. A significant reduction of accounting conservatism was found.

Lourenco and Branco (2015) described the result of the effect of IFRS examined by past researches. It was concluded that IFRS positively affected information quality, capital market, and comparability of accounting information.

Surianti (2015) examined the impact of IFRS on accounting information quality. For this examination, the author considered 97 manufacturing companies listed in the Indonesia Stock Exchange. Wilcoxon Signed Rank Test, Spearman Rank Correlation Test, and Path Analysis statistical techniques were used for this examination. Results revealed that after the adoption of IFRS, significant changes were not found on the accounting information quality in Indonesia.

Shukla (2015) examined the impact of Ind AS on financial activities of Indian companies. For this examination, ten Indian listed companies were considered. No significant

changes were found in the financial activities after adoption of Ind AS.

Bhargava and Shikha (2013) examined the impact of IFRS on the financial statements of companies. For this examination, they took Wipro Ltd. as their sample. Results revealed that after the adoption of Ind AS differences occurred in the total assets and liabilities of the company.

Chiha, Trabelsi and Hamza (2013) examined the impact of IFRS adoption on earnings quality for a sample of listed companies in the European Stock Market. For this examination, they took 113 firms listed on Euronext Paris for the period 2002 to 2010. A significant increment in earning quality was found after the adoption of IFRS for the firms listed in the European Stock Market.

Lin, Riccardi and Wang (2013) examined the changes in the comparability of financial statements after IFRS adoption in the German Market. For this examination, they took 47 pairs of German U.S. GAAP and German IFRS firms. Regression model was used for this examination. They found that the comparability of financial statements increased after IFRS adoption in the German market. They also found that convergence has a more significant incremental effect than the adoption of IFRS.

Salewski (2013) examined the impact of IFRS adoption on the degree of earnings management and the quality of disclosures. The author found an increment in earnings management through discretionary accruals. The results also revealed that the quality of disclosures was enhanced due to enhanced disclosure requirements under IFRS.

Alsaqqa (2012) examined the impact of IFRS adoption on the users of a financial report and the impact of IFRS on the profitability of firms and stock performance. A significant impact on some financial indicators was found after IFRS adoption; the author also concluded that value relevancy of financial statements increased after IFRS adoption in the Dubai financial market and the Abu Dhabi Stock Exchange.

Liu, Yao Hu and Liu (2011) examined the impact of IFRS on accounting quality in China. Results revealed a significant improvement in accounting quality. They also found that the value relevancy of accounting information increased after IFRS adoption in China.

RESEARCH GAP

“Several studies are focusing on awareness of Ind AS in India and examining perspective regarding Ind AS” (Bajaj, Singh & Shirur, 2019). So, in this study, the researcher decided to conduct an opinion survey to find the impact of Ind AS in the decision-making process of the respondents.

The researcher aimed to collect data from the various respondents and to examine whether Ind AS highly affects their decision-making process. Later, it was found that there are many studies in which researchers examined the impact of Ind AS on the quality of accounting information. However, only a few studies have been done to check the impact of Ind AS on the accounting numbers. To extend the literature of Ind AS concerning accounting numbers, the researcher also examined the impact of Ind AS on the accounting numbers. This study is significant for the companies, because the researchers have focused on accounting numbers, and these accounting numbers represent various company characteristics and play a major role in decision making.

RESEARCH METHODOLOGY

- *Research Objectives:* Based on the identified research gap, the present study has undertaken the following objectives:
 - (a) To conduct an opinion survey regarding the impact of Ind AS on accounting numbers.
 - (b) To determine the impact of Ind AS on profitability ratios.
 - (c) To assess the impact of Ind AS on liquidity ratios.
- *Research Paradigm:* This study is being conducted to examine the opinion of respondents regarding the impact of Ind AS, and to find the impact of Ind AS on the accounting numbers.
- *Research Design:* The researchers targeted the top 100 companies, based on market capitalisation, which are listed in the Bombay Stock Exchange. However, data of only 45 companies were available. Data were collected through individual websites of the companies and from the ACE Equity software. Primary data were collected through a questionnaire. The questionnaire was circulated through e-mail, and with the help of other social media platforms. Convenient sampling was used in primary data collection.
- *Sampling Method, Technique, and Size:* Sampling can be considered a data collection procedure. In this study, convenient sampling, which is a part of non-probability sampling, was used. Primary data were collected through a questionnaire. This questionnaire was circulated through e-mail, and with the help of other social media platforms. Secondary data were collected through individual websites of companies and from the ACE Equity software. The researchers targeted the top 100 companies, based on market capitalisation, which are listed in the Bombay Stock Exchange. However, data of only 45 companies were available.

Table 1: Industry-Wise Break-Up of Sample Companies

Sr. No.	Industry Name	No. of Companies
1.	Automobile	4
2.	Cement	2
3.	Conglomerate	5
4.	Consumer	5
5.	IT	6
6.	Laboratories	2
7.	Minerals	2
8.	Paints	3
9.	Pharmaceutical	6
10.	Steel	2
11.	Others	8
	TOTAL	45

- *Data Collection Method:* Secondary data, as well as primary data, were used in this study. Primary data were collected through questionnaires and secondary data were collected through the ACE Equity software and individual websites of companies.
- *Research Hypotheses:* To achieve the objectives, the following hypotheses were formulated:

H_{01} : There is homogeneity in the opinions of the respondents with different occupations and work experience, that Ind AS will reflect more accurate numbers.

H_{02} : There is homogeneity in the opinions of the respondents with different occupations and work experience, that Ind AS is helpful in worthy decision-making.

H_{03} : There is homogeneity in the opinions of the respondents with different occupations and work experience, that adoption of Ind AS will attract more foreign investors.

H_{04} : There is homogeneity in the opinions of the respondents with different occupations and work experience, that after the adoption of Ind AS, investors will help in more accurate decisions.

H_{05} : There is no significant impact of the adoption of Ind AS on profitability ratios.

H_{06} : There is no significant impact of the adoption of Ind AS on liquidity ratios.

DATA ANALYSIS AND INTERPRETATION

Complete analysis has been divided into two parts. In the first part of the analysis, primary data were examined through the chi-square test, and in the second part of the analysis, secondary data were examined through a paired t-test.

Part I – In this study, opinions regarding the impact of Ind AS on accounting numbers were examined. So, first, an attempt was made to find out an instrument that can fulfil this objective. The researcher decided to construct a questionnaire for this examination. The researcher prepared a questionnaire and circulated it, using several digital methods, i.e., e-mail, WhatsApp, Messenger, and so on.

For this examination, demographic variables like age, education, gender, occupation, and work experience were the independent variables, while the perceived impact of the implementation of Ind AS on the accounting numbers was the dependent variable. The researcher used the chi-square test to analyse the responses collected through the questionnaire. The results of the chi-square test are shown in Table 2.

Table 2: Results of the Chi-Square Test ($\alpha = 5\%$)

	Demographic Variables	Pearson Chi-Square	P-Value
IND AS will reflect more accurate numbers	Occupation	7.872	0.953
	Work Experience	5.845	0.924
Implementation of IND AS is helpful in worthy decision-making	Occupation	12.876	0.682
	Work Experience	18.973	0.089
IND AS will attract more foreign investors	Occupation	14.740	0.544
	Work Experience	11.394	0.496
Investors will make more accurate decisions	Occupation	13.001	0.673
	Work Experience	10.357	0.585

All the p-values are greater than their α value, which is 0.05 for all the given opinions. So, there is no reason to reject the null hypotheses; therefore, all the null hypotheses are accepted. This means that there is homogeneity in the opinion of the respondents regarding the implementation of Ind AS in India. So, it can be concluded that respondents who had different occupations, i.e., chartered accountants, accountants, research scholars, and academicians, and who had different work experiences are homogeneous in their opinions regarding the impact of Ind AS on the accounting numbers in India. Further, it can be concluded that the implementation of Ind AS in India provides valuable decision-making for stakeholders; investors make more informed decisions. Respondents with different occupations and work experiences also have similar opinions that Ind AS reflect more accurate numbers and attract more foreign investors.

Part II – In this part of the analysis, secondary data were examined through a paired T-test. In this part of the analysis, the impact of the implementation of Ind AS on

accounting numbers was examined. To check the impact on the accounting numbers, the researcher used some ratios as variables. While reviewing past literature, it was found that many studies have used ratios as variables to check the impact of Ind AS (Paulinus, Ethelbert & Jones, 2018; Janani & Padmasani, 2016).

IDENTIFICATION OF VARIABLES

Six variables related to accounting numbers were identified through a comprehensive literature review. Details of those six variables, together with the relevant source literature, are shown in Table 3.

Table 3: Variables and their Sources

Sr. No.	Variable Name	Source and Relevant Literature
1.	Return on Equity (ROE)	Todorova & Sokolova, 2019; Haruna & Emmanuel, 2018; Sardar, Shinde & Singh, 2018; Janani & Padmasani, 2016; Shukla, 2015
2.	Return on Capital Employed (ROCE)	Todorova & Sokolova, 2019; Janani & Padmasani, 2016; Bhargava & Shikha, 2013
3.	BOOK NAV SHARE	Chado, 2017; Bhargava & Shikha, 2013
4.	Assets Turnover Ratio	Todorova & Sokolova, 2019; Soni, 2018; Gencia & Mates, 2017
5.	Current Ratio	Todorova & Sokolova, 2019; Soni, 2018; Gencia & Mates, 2017; Janani & Padmasani, 2016
6.	EPS	(Todorova & Sokolova, 2019), (Paulinus, Ethelbert & Jones, 2018) & (Bhargava & Shikha, 2013)

Further, these ratios were classified into two sub-sections – profitability ratio and liquidity ratio. While reviewing past literature, it was found that many researchers sub-classified these variables to make the study more convenient.

Table 4: Sub-classification of Variables

Ratio Name	Variables	Source and Relevant Literature
Profitability Ratio	EPS	Todorova & Sokolova, 2019; Paulinus, Ethelbert & Jones, 2018; Bhargava & Shikha, 2013
	ROE	Todorova & Sokolova, 2019; Sardar, Shinde & Singh, 2018; Janani & Padmasani, 2016; Shukla, 2015
	ROCE	Todorova & Sokolova, 2019; Janani & Padmasani, 2016; Bhargava & Shikha, 2013
	BOOK NAV SHARE	Bhargava & Shikha, 2013

Ratio Name	Variables	Source and Relevant Literature
	Assets Turn-over Ratio	Todorova & Sokolova, 2019
Liquidity Ratio	Current Ratio	Todorova & Sokolova, 2019; Janani & Padmasani, 2016

After sub-classification of variables, the researchers applied paired t-test on these ratios. The decision rule is to reject the null hypothesis if the calculated (t) value falls outside the critical value at 95% level of significance (Paulinus, Ethelbert & Jones, 2018, p. 6).

Table 5: Value of Paired T-Test for Each Ratio

Sr. No.	Ratios	Value of Two-Tail T-Test ($\alpha = 5\%$)
1.	EPS	0.841
2.	ROE	0.150
3.	ROCE	0.268
4.	BOOK NAV SHARE	0.869
5.	Asset Turnover Ratio	0.406
6.	Current Ratio	0.694

From H_{05} to H_{06} , the impact of Ind AS was examined on the accounting numbers. For this examination, two ratios were taken, i.e., profitability ratio and liquidity ratio. For profitability ratio, Earning per Share, BOOK NAV SHARE, Return on Equity, Return on Capital Employed, and Assets Turnover Ratio were considered. For liquidity ratio, Current Ratio was taken. For analysis, pre-period data or data before the implementation of Ind AS were taken from the financial year 31 March 2014 to 31 March 2016, and post-period data or data after implementation of Ind AS were taken from the financial year 31 March 2017 to 31 March 2019. All pre-period data were collected according to the Indian GAAP, and all post-period data were calculated according to Ind AS. Calculated t-value for each ratio is given in Table 5. All the calculated values through paired t-test are greater than the α value which is 0.05; this means there is no reason to reject the null hypotheses examining the impact of Ind AS on the accounting numbers considering some ratios.

The calculated value of EPS is 0.841, which is greater than the α value of 0.05; this means no significant impact was found on EPS after the adoption of Ind AS. These results are consistent with the results of Haruna and Emmanuel (2018); Paulinus, Ethelbert and Jones (2018). The calculated value of ROE is 0.150, which is greater than the α value of 0.05; this means no significant impact was found on ROE after the adoption of Ind AS. These results are consistent with the results of Haruna and Emmanuel (2018). The calculated value of ROCE is 0.268, which is greater than the α value of

0.05; this means no significant impact was found on ROCE after the adoption of Ind AS. The calculated value of BOOK NAV SHARE is 0.869, the Assets Turnover Ratio is 0.406, and the Current Ratio is 0.694. All these values are greater than their α value, which shows that there is no significant impact of Ind AS on these ratios.

So, it can be concluded that there is no significant impact of Ind AS on profitability ratio and liquidity ratio; it can also be said that there is no significant impact of Ind AS on the accounting numbers, after its implementation in India.

CONCLUSIONS

In this paper, the impact of the implementation of Ind AS on accounting numbers was examined. For this examination, primary data, as well as secondary data, were used. To collect primary data, an opinion survey was conducted regarding the impact of Ind AS. To collect secondary data, the Ace Equity software was used, along with the individual websites of each company. Primary data were analysed through the chi-square test, and it was checked whether the respondents possess the same opinions or different opinions regarding the impact of Ind AS, and if they possess different opinions, then was the difference significant or not. Later, the impact of Ind AS on accounting numbers was examined through paired t-test, considering some ratios (EPS, ROE, ROCE, BOOK NAV SHARE, Assets Turnover Ratio, and Current Ratio).

Results revealed that there is homogeneity in the opinion of respondents with different work experience and occupation regarding the impact of Ind AS on accounting numbers. Results also revealed that there is no significant impact of Ind AS on accounting numbers after the adoption of Ind AS. The value for EPS from the paired t-test was 0.841 (greater than α value), value of ROE was 0.150 (greater than α value), ROCE was 0.268 (greater than α value), BOOK NAV SHARE was 0.869 (greater than α value), Assets Turnover Ratio was 0.406 (greater than α value), and value of Current Ratio was 0.694 (greater than α value). These values conclude that there was no significant impact on the accounting numbers after the adoption of Ind AS. This study supports the result of the study conducted by Shukla (2015) and Paulinus et al. (2018).

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ANNEXURE 1: NAME OF SAMPLE COMPANIES

Sector	Companies
Automobile	<ul style="list-style-type: none"> ● Hero Motor Corp. ● Maruti Suzuki ● Mahindra & Mahindra ● Tata Motors
Cement	<ul style="list-style-type: none"> ● Shree Cement ● Ultra Tech Cement
Conglomerate	<ul style="list-style-type: none"> ● Reliance Ltd. ● United Breweries Ltd. ● Piramal Enterprises ● Grasim Industries ● ITC
Consumer	<ul style="list-style-type: none"> ● Marico ● HUL ● Godrej Consumer Product Ltd. ● Dabur ● Britannia Industries Ltd.
IT	<ul style="list-style-type: none"> ● HCL Technologies ● INFOSYS ● Tech Mahindra ● TCS ● WIPRO ● OFSS

Sector	Companies
Laboratories	<ul style="list-style-type: none"> ● Divis Laboratories ● Dr. Reddy's Laboratories
Minerals	<ul style="list-style-type: none"> ● Vedanta Ltd. ● NMDC
Paints	<ul style="list-style-type: none"> ● Asian Paints ● Berger Paints ● Kansan Nerolac Paints
Pharmaceutical	<ul style="list-style-type: none"> ● Aurobindo Pharma ● Cipla Ltd. ● Sun Pharmaceutical Ltd. ● Torrent Pharmaceutical Ltd. ● Biocon Ltd. ● Lupin Ltd.
Steel	<ul style="list-style-type: none"> ● JSW Steel Ltd. ● Tata Steel Ltd.
Others	<ul style="list-style-type: none"> ● Zee Entertainment Ltd. ● Titan Company ● Motherson Sumi Ltd. ● Larsen & Turbo Ltd. ● Havells India Ltd. ● Hindalco Industries Ltd. ● Bharti Airtel ● Bharti Infratel