

IFRS AND INDIAN GAAP: A COMPARATIVE STUDY

Surajit Das*
Tapash Ranjan Saha**

[When a new accounting standard adopted by a country for its own domestic companies for reporting their financial statement, it may have an impact on the quantitative as well as qualitative attributes of financial statements. IFRS has become a global reporting language. Therefore India is keen to adopt it and make it mandatory for its own interest. In this study, the main purpose is to make a parallel comparison between IFRS and Indian GAAP and document the basic difference between these two standards. It helps to find out the effects of IFRS adoption on the financial statements and market value, prepared by Indian Companies. To find out the statistical significance of the above stated activities, proper statistical test (Wilcoxon Signed Rank, regression, correlation) has been applied.]

Key Word: Comparison, IFRS, Indian GAAP, Wilcoxon Signed Rank, regression, correlation.]

Introduction

In the present era of globalization, distances are not important any more. As the world is now being referred to as a global village, one of the most important prerequisites for existence is to operate a business successfully and also to have a good financial reporting system. In this regard, it is essential to have universally set standards in all domains to overcome conflicts and discrepancies across different countries and have a uniform framework of policy which will be well defined and structured. In order to make company accounts comparable and understandable, International Financial Reporting Standards (IFRS) have been crafted as a common global language for business affairs around the world.

Concept of IFRS

International Financial Reporting Standards (IFRS) have been formulated as a common global platform for business affairs so that entity accounts are understandable and comparable across international boundaries.

It consists of

- International Accounting Standards (IASs) – adopted by the IASB.
- International Financial Reporting Standards (IFRSs) – developed by the IASB.
- Standing Interpretations Committee (SICs).
- Interpretations originated from the International Financial Reporting

* Research Scholar, Institute of Management Study, Kolkata, E-mail: surajitdas.d@rediffmail.com

** Director, IMS Group, Kolkata, E-mail: tapashsaha@hotmail.com

Interpretations Committee (IFRICs); and
IFRS in India

International accounting standard is not a new idea. The concept was first arose in the late 1950 when industrialized nation want to create a standard that could be used by developing countries and smaller nations. But after globalization when business world more global, large companies, global auditing firm start to realized the importance of having a single global accounting standard. In the year of 2007 International federation of accountant (IFAC) conducted a survey on one forty three (143) nations around the world on the subject of need of single accounting standard; near about 90% respondents gave positive response for the growth of their country.

In India, when the former Prime Minister Narashima Rao and his government announced the modern policy of Indian economy, that is liberalization privatizations and globalization, the importance of international accounting standard came into the picture. A survey, conducted by Ernst & Young (2009), reveals that 79% of the Indian corporate are looking forward to the IFRS convergences for its transparency, accountability and global acceptability. On the basic of this, in 2010, First time MCA officially proposed phase approach regarding IFRS adoption in India. In the first phase they have considered the conversion of opening balance sheet as at 1st April 2011 by grouping the Indian companies in to three broad heads. These are:

Group A- Companies that are part of NSE 50 (Nifty 50).

Group B- Companies that are part of BSE Sensex (BSE 30).

Group C- Companies whose shares or other securities are listed on a stock exchange outside India.

Group D- Companies, listed or not, having net worth exceeding INR1, 000 crore.

But due to some legal difficulties and some major changes in International standard, up to 2014, it was not possible to make it mandatory in India. At 16th February 2015, the Ministry of Corporate Affairs (MCA) has notified the revised guide line for implementing Ind AS which is relatively converged with IFRS for Indian companies other than Banking and Non banking finance companies and Insurance.

Literature Review

When a company adopts any new accounting standard to prepare their financial statement it may be positively or negatively impact on financial indicators. Sometimes it remains unchanged. Several researches around the globe shows that IFRS adoption changed the financial indicators like equity position, solvency position, profitability position, total assets valuation and liquidity position [(Callao. et al, 2007; Lantto & Sahlstrom, 2009; Beke, 2011; Sovbetov., 2013; Terzil et. al, 2013)]. On the other hand some research reveals that adoption of IFRS does not affect on Financial Indicators. These remain

unchanged. [(Akta, 2007; Dimitrios. et. al, 2013; Ibiameke et.al., 2014; Jindrichovska & Kubickova, 2014)]. One stream of research around the world reveal that adoption of IFRS improved the earning quality of the companies [(Jeanjea & Stoly, 2008; Houge & Ziji, 2010; Mercedes, 2014)]. Earning quality of an organization can be classified as Discretionary accrual(DA) and Non discretionary Accruals (NDA). Some research concluded that Impact of IFRS adoption on earning quality remain unchanged [(Gancharov & Zimmarman, 2007; Major, 2009; Ton, 2011)]. All the study considered post and pre adoption year of IFRS and then compare the financial figure. The Core Group of Ministry of Corporate Affairs of India (MCA) has recommended convergence to IFRS in a phased manner from April 1, 2011. But they failed to meet the target. Still it is not a mandatory criterion. One stream of study reveals some challenging as well as beneficial factors for IFRS implementation. Challenging factors like Legal system, External environment, huge transaction cost, lack of training, Amendment of existing law. [(Ball., 2005; Irvine & Lucas, 2006; Gyasi, 2009; Cohen., 2010; Rai., 2013; Yadav & Sharma, 2012; Aurva & Chauhan., 2013; Anabalgan, 2013; Dhanker et.al, 2014; Kulkarni & Hyderabad, 2014; Das, 2015)]. Beneficial factors are better access to global capital market, easier access to financial reporting, Better quality of Financial reporting, helps in decision making process, Reliability of Information. [Kavita. et al, 2010; Ikpfor & Akande, 2012; Akintola & Francies,

2012]. Gray (1980) had developed a formula $[1 - (R_{\text{New standard}} - R_{\text{Old standard}}) / R_{\text{New standard}}]$ to measure the conservativeness of information. Later, It has been used by several subsequent studies to interpret the level of information quality between two accounting standard. One line of researchers have worked on the original scaled proposed by Gray and found some changes in accounting number like equity ownership. (Istrate.,2012), profitability, liquidity [Ibiameke et.al, 2014; Punda, 2011; Lemes, 2013; Lopes & Viana, 2008]. On the other hand one stream of researcher have applied the modified scaled proposed by Gray.(1980)and found that there is no material effect on liquidity position ,solvency position Profitability position and equity position(Danifoo et.al,2012).Some researcher also applied this index to measured the nature of the organization, whether it is pessimistic, optimistic or belong in neutrality region(Patricia & Viana,2008) and found that most of the firm carried a pessimistic characteristic.

Objectives

The objectives of this study are:

1. To analyze the impact of voluntary IFRS adoption on financial indicators
2. To study the impact of voluntary IFRS adoption on market value of the companies.

Methodology

Sample Design

For attaining the different objectives based on secondary data, the researcher focused on MCA announcement regarding IFRS

convergence in India early 2010. And found that Indian technology sector leads the path of voluntary adoption of IFRS. Compare to other sectors (Infrastructure, Tele- communication, Pharmaceuticals), Indian IT Companies like Infosys, Wipro, TCS have already filed financial statement in accordance with IFRS as per the requirement of US Stock Exchange. To analyze objectives 1 & 2 researcher considered top thirty (30) Indian IT companies as per their sales volume 2014-15.

To know the impact of mandatory adoption of IFRS on the qualitative factors of financial reports, the researcher have

used Stratified random sampling method and try to obtained the expert opinion in the form of closed ended questioner(used five point likert scale), developed by literature review and expert Interview. Researcher has issued questioners to qualified working Chartered accountants and Cost accountants, Tax consultant, Company Accountant and Academician by equal distribution.

Sample Size

As per the report, disclosed by “**Money control 2014-15**”, Top Thirty Indian Origin IT companies as per their sales volume and Net worth are:

Table 1: List of IT Companies

| SI No | Company Name | Net Sales (Rs Cr) | Voluntary Adopter | Net worth (Rs Cr) |
|-------|-----------------|-------------------|-------------------|-------------------|
| 1 | TCS | 85,863.85 | # | 9654.70 |
| 2 | Infosys | 53,983.00 | # | 8795.28 |
| 3 | Wipro | 41,209.80 | # | 9825.24 |
| 4 | Tech Mahindra | 19,162.70 | | 12815.8 |
| 5 | HCL Tech | 17,153.44 | | 6420.583 |
| 6 | Mindtree | 3,547.40 | # | 2163.50 |
| 7 | Oracle Fin Serv | 3,341.10 | | 3552.23 |
| 8 | Mphasis | 3,026.45 | | 5899.85 |
| 9 | Rolta India | 1,871.50 | # | 6963.01 |
| 10 | Polaris Consult | 1,678.21 | | 493.29 |
| 11 | NIIT Tech | 1,346.09 | | 642.31 |
| 12 | Cyient | 1,294.01 | | 1389.97 |

| SI No | Company Name | Net Sales (Rs Cr) | Voluntary Adopter | Net worth (Rs Cr) |
|-------|-----------------|----------------------|-------------------|----------------------|
| 13 | Persistent | 1,242.50 | | 1414.92 |
| 14 | Zensar Tech | 1,079.93 | | 1041.14 |
| 15 | Hinduja Global | 1,070.40 | | 813.30 |
| 16 | Tata Elxsi | 849.4 | | 283.35 |
| 17 | Mastek | 665.12 | | 144.26 |
| 18 | Intellect Desig | 453.1 | | 50.10 |
| 19 | Infinite Comp | 415.24 | | 285.69 |
| 20 | 3i Infotech | 400.72 | | 2262.52 |
| 21 | Geometric | 381.49 | | 227.25 |
| 22 | Sasken Comm | 346.76 | | 407.88 |
| 23 | Ramco system | 222.97 | | 179.10 |
| 24 | SQS India BFSI | 214.16 | | 68.87 |
| 25 | Financial Tech | 161.03 | | 2079.62 |
| 26 | Hinduja Venture | 110.43 | | 648.11 |
| 27 | Mindtrack | 80.17 | | 2010.80 |
| 28 | Saksoft | 46.61 | | 82.83 |
| 29 | Bodhtree Cons | 42.82 | | 26.59 |
| 30 | Ducon Infotech | 35.96 | | 29.32 |

Source: www.moneycontrol.com

The above table shows that out of this top Thirty IT Companies, Five companies voluntarily adopted IFRS and prepared their financial statement simultaneously with IGAAP. To attain the first objectives, researcher considered these five (5) company's annual report from 2010-11 to 2014-15.

Source of data

Secondary data have been collected from the company's annual report from 2010-11 to 2014-15.

Period of Study

Initially MCA announced the date of

convergence for Indian companies was 1st April 2011. For that reason, to compare IGAAP and IFRS adopted by Indian IT companies, the researcher analysed the data of Companies annual report from 2010-11 to 2014-15.

Data Analysis Technique

When financial data are collected, there are two sets of information, one for IGAAP and other for IFRS for five years (2010-11 to 2014-15) each. Due to small sample size (5 IT companies), the data set may not follow the rules of normality. For that reason, Wilcoxon Signed Rank test is being used for testing hypotheses at 5% level of significance (Punda, 2011), but before that, Gray Conservative Index method has been applied to know the conservativeness of all the financial positions. If the index value lay in between 0.95 to 1.05, means there is no significant impact of new accounting standard on financial position. To study the effect of Voluntary IFRS adoption on market value of the firm Multiple Regression Equation has been used between adopter and non adopter IT companies in India.

Operational Definitions

The basic motive of this research is to draw a parallel comparison between IFRS and IGAAP and try to find out significant difference between these two. Financial statement basically helps to measure a company's different parameters like profitability position, liquidity position, leverage position, assets position and cash flow position. When a company adopts new rules for preparing financial statement that can directly affect on company's financial parameters (profitability position, liquidity position, leverage position, assets position and cash flow position). On the other hand new standard indirectly affects on company's qualitative characteristics like Comparability, transparency, Accuracy and reliability and understandability and these effects may bring some benefits from investors' point of view. In this research, the researcher tries to identify the impact of IFRS on quantitative and qualitative characteristics of financial statement, prepare as per IFRS as well as IGAAP and what kind of benefits derive out of this effect.

Table 2: Quantitative Areas

| AREA | Ratio | FORMULA |
|---------------|--|--|
| Liquidity | Current Ratio (CR) Quick Ratio (QR) | Current Assets/Current Liabilities Quick Assets/Current liabilities |
| Profitability | Return on Assets (RA) Return on Equity (RE) | Net Profit/Total Assets Net Profit/Total Equity |

| AREA | Ratio | FORMULA |
|----------------------|---|---|
| | Net Profit Margin (NP) Return on Capital Employed (ROCE) EPS valuation | Net profit/Total Net sales Net profit/Capital Employed Actual Value |
| Leverage & Net worth | Proprietary Ratio (PR) Debt-Equity ratio (DE) Total Liabilities to Net Worth (TL-NW) Current Liabilities to Net Worth (CL-NW) Fixed Assets to Net Worth | Equity fund/Total assets Total Debt/Total Equity Total liabilities/Net worth Current Liabilities/Net Worth Fixed Assets/Net worth |
| Assets position | Goodwill To Assets Ratio (GAR) Degree of Depreciation & Amortization (DD&A) Valuation of Fixed Assets (VFA) | Goodwill/Total Assets Depreciation/Fixed Assets Cl.Balance of FA- Log transformation |
| Cash Flow Position | Operating cash flow ratio (OCF) Financial Policy ratio (FPR) Cash Flow Margin (CFM) | CFO/Current Liabilities CFA/Total Assets CFO/Sales |

Hypothesis

Hypotheses I

Ho: Voluntary IFRS adoption has no impact in improving the financial position in terms of indicators.

H₁: Voluntary IFRS adoption has impact

in improving the financial position in terms of indicators.

To test the hypothesis I, the researcher assumes five sub hypotheses. These are

$H_{0,1}$: Liquidity position did not changed after adoption of IFRS voluntarily

$H_{0,1}$: Profitability position did not changed after adoption of IFRS voluntarily.

$H_{0,1}$: Net worth and Leverage position did not changed after adoption of IFRS voluntarily

$H_{0,1}$: Assets valuation did not changed after adoption of IFRS voluntarily.

$H_{0,1}$: Cash flow position did not changed after adoption of IFRS voluntarily.

Hypotheses II:

H_0 : Market value of the firm will not increase after voluntary adoption of IFRS.

H_1 : Market value of the firm will increase after voluntary adoption of IFRS.

Testing of Hypotheses

Hypothesis I

Hypothesis I aim to test the effect on financial indicators after voluntary IFRS adoption by Indian companies. Financial indicators define the financial position of a company like liquidity position

profitability position, assets position, cash flow position and leverage position.

Liquidity indicates to a entity’s ability to meet its continuing obligations as they arise. Short term assets and liabilities are considered for defining this position. On the other hand Profitability position measures a company’s ability to generate earnings relative to sales, assets and equity and capital. Net worth position defines that how much an entity worth in the market and leverage position defines company’s debt and equity position. Valuation of Goodwill, Depreciation treatment on tangible assets and evaluation of the fixed assets are the major area for evaluating fixed assets position of a company. On the other hand cash flow position shows cash flow from operating activities, cash flow from financial activities and cash flow from investment activities. Treatment of Bank overdraft, Interest and Dividend are the major areas affected to cash flow position of the Indian Companies by IFRS adoption.

TABLE 3: Test statistics for liquidity position

| YEAR Ratio | 2014-15 (p value one tail) | 2013-14 (p value one tail) | 2012-13 (p value one tail) | 2011-12 (p value one tail) | 2010-11 (p value one tail) |
|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Current Ratio | 0.023 | 0.040 | 0.023 | 0.023 | 0.250 |
| Quick Ratio | 0.021 | 0.042 | 0.020 | 0.023 | 0.250 |

p values for 2014-15,2013-14,2012-13 and 2011-12 of liquidity ratios lay in the

critical region and as per the proportionate principal, it proves that the

results of all the ratios are significant at 5% level of significance. So we can say that reporting of liquidity position has been changed under IFRS voluntary consideration as compared to IGAAP.

The main reason for this significant improvement in liquidity ratios may be reduced current liabilities and strengthened current asset. When Indian GAAP considers proposed dividend

before approved it by shareholders, IFRS says the approval before payment of dividend. This effect may reduce provision for liability to a considerable extent. IFRS says, lease rentals and advance as current assets where Indian GAAP considers lease rentals and advance in PPE. This reporting difference has boosted current asset in IFRS and resulted in a better liquidity position.

TABLE 4: Test statistics for profitability position

| YEAR / Ratio | 2014-15 (p value one tail) | 2013-14 (p value one tail) | 2012-13 (p value one tail) | 2011-12 (p value one tail) | 2010-11 (p value one tail) |
|--------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| ROA | 0.50 | 0.25 | 0.15 | 0.34 | 0.25 |
| ROE | 0.11 | 0.20 | 0.34 | 0.11 | 0.04 |
| NP | 0.35 | 0.34 | 0.11 | 0.50 | 0.17 |
| ROCE | 0.34 | 0.17 | 0.20 | 0.07 | 0.17 |
| EPS | 0.50 | 0.20 | 0.165 | 0.20 | 0.46 |

All the p values of profitability indicators (except 2010-11 for ROE) fall in the acceptance region and so H_0 gets accepted. Thus, there is no statistical significant at 5% level of significance, to

prove that Profitability position has been changed under IFRS compared to IGAAP. The differences can be observed in absolute terms, but there is not enough evidence to prove the same statistically.

TABLE 5: Test statistics for Net Worth & Leverage position

| YEAR / Ratio | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|--------------|-------------|---------|-------------|-------------|-------------|
| PR | 0.25 | 0.22 | 0.25 | 0.21 | 0.11 |
| DER | 0.32 | 0.31 | 0.31 | 0.30 | 0.03 |
| TL-NW | 0.25 | 0.23 | 0.25 | 0.24 | 0.02 |
| CL-NW | 0.04 | 0.062 | 0.04 | 0.04 | 0.43 |
| FA-NW | 0.34 | 0.25 | 0.25 | 0.31 | 0.02 |

All the value of leverage ratios does not lie in the critical region (except CL-NW for 2014-15, 2012-13, 2011-12, 2010-11, DER-2010-11, TL-NW-2010-11, FA-NW-2010-11), but lies in the non significant area and so H_0 gets accepted. Thus, there is no statistical prove at 5% level of significance, to prove that Reporting leverage position under IFRS

is changed as compared to IGAAP. Therefore, even though differences can be observed in absolute terms, there is not enough evidence to prove the same statistically. **Jindrichovska & kubickova (2014)** found the same things that IFRS does not significantly impact on key financial ratios of the Czech Republic Companies.

TABLE 6: Test statistics for Assets position

| YEAR Ratio | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|-----------------------------|---------|---------|-------------|-------------|---------|
| GAR | 0.34 | 0.35 | 0.07 | 0.03 | 0.14 |
| DD&A | 0.11 | 0.17 | 0.03 | 0.13 | 0.28 |
| VFA | 0.054 | 0.07 | 0.03 | 0.02 | 0.05 |

All the value of Assets valuation ratios does not lie in the critical region (except DD & A 12-13, GAR 2012-13, 2011-12, VFA 2012-13, 2011-12), but lies in the acceptance region and so H_0 gets accepted. Thus, there is no statistical

prove at 5% level of significance, to prove that Reporting Assets under IFRS is changed as compared to IGAAP. Although the differences can be seen in absolute terms, but there is not enough proof to prove the same statistically.

TABLE 7: Test statistics for Cash Flow position

| YEAR Ratio | 2014-15 | 2013-14 | 2012-13 | 2011-12 | 2010-11 |
|-----------------------------|---------|---------|-------------|-------------|---------|
| GAR | 0.34 | 0.35 | 0.07 | 0.03 | 0.14 |
| DD&A | 0.11 | 0.17 | 0.03 | 0.13 | 0.28 |
| VFA | 0.054 | 0.07 | 0.03 | 0.02 | 0.05 |

All the value of Cash Flow ratios does not lie in the critical region (except FPR 2010-11), but lies in the acceptance region and so H_0 gets accepted. Thus, there is no

statistical prove at 5% level of significance, to prove that Reporting cash flow under IFRS is changed as compared to IGAAP. Although the differences can

be seen in absolute terms, but there is not enough proof to prove the same statistically.

Overall interpretation as per hypothesis I

The aim of hypothesis I is to tested the impact of IFRS on the financial indicators of the Indian Companies. To prove this, the researcher formulates another five sub hypotheses as per different financial position of the Indian companies who

have adopted IFRS voluntarily. The test result reveals that:

Hypotheses I

Ho: Voluntary IFRS adoption has no impact in improving the financial position in terms of indicators.

H₁: Voluntary IFRS adoption has impact in improving the financial position in terms of indicators.

| Sub Hypothesis | Decision |
|---|----------|
| H _{0,1} : Liquidity position did not changed after adoption of IFRS voluntarily. | Rejected |
| H _{0,1} : Profitability position did not changed after adoption of IFRS voluntarily. | Accepted |
| H _{0,1} : Net worth and Leverage position did not changed after adoption of IFRS voluntarily | Accepted |
| H _{0,1} : Assets valuation did not changed after adoption of IFRS voluntarily. | Accepted |
| H _{0,1} : Cash flow position did not changed after adoption of IFRS voluntarily | Accepted |

Out of Five Sub hypotheses, one is rejected, means IFRS have significant impact on liquidity position of selected Indian Companies. In case of other four positions, although there is a difference in absolute value but these are not good enough to prove it statistically. It leads to the conclusion that Discloser of Financial position did not improve after the adoption of IFRS voluntarily by selected Indian companies.

Hypothesis II

To know the impact of voluntary IFRS adoption on firm valuation, the researcher adopted Tobin’s Q as representative of firm market value (Kim &Koo, 2013). Tobin’s Q ratio is a ratio devised by James Tobin of Yale University to estimate the firm market value; later several researchers have modified it and applied it in their research. The traditional formula to calculate Tobin Q is Total

Market value of the firm/Total assets value. Wang & Campbell (2012) applied modified formula of Tobin Q ratio. That is Total Market value of the firm/Net Worth. In this research, revised formula has been applied for calculating Tobin Q ratios. Prior research suggested that the level of disclosure of accounting information have significant effect of the firm size (Owusu-Ansah 1998; Alsaed

2005). On the other hand Profitability, ownership structure and Company's growth influence the market value of the firm (Kim &Koo, 2013). To know the impact of explanatory variables (company size, growth, profitability, ownership structure and the set of accounting standards) on the representative variables, a linear regression equation is being developed.

$$\text{Tobin's } q = \beta_A + \beta_B \Delta \text{SALES} + \beta_C \text{ROE} + \beta_D \text{USALES} + \beta_E \ln(\text{ASSET}) + \beta_F \text{DEBT} + \beta_G \text{Dummy} + \varepsilon$$

Where:

ln(ASSET) : Natural log of Assets

ΔSALES: Change in sales

ROE: Return on Equity

DEBT: Debt to Equity ratio

Dummy: indicator of IFRS. Adopter=1, Non adopter=0

Table 8: Tests of Normality

| | Kolmogorov-Smirnov ^a | | | Shapiro-Wilk | | |
|--|---------------------------------|----|-------|--------------|----|------|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| roe | .088 | 71 | .200* | .935 | 71 | .120 |
| Chnginsales | .058 | 71 | .180* | .967 | 71 | .071 |
| Inassets | .122 | 71 | .140 | .922 | 71 | .070 |
| DEBT | .445 | 71 | .000 | .572 | 71 | .000 |
| tobinq | .059 | 71 | .180* | .975 | 71 | .095 |
| Dummy | .074 | 71 | .200* | .965 | 71 | .081 |
| *. This is a lower bound of the true significance. | | | | | | |
| a. Lilliefors Significance Correction | | | | | | |

Table 9: Correlations Results

| | | Roe | Chang in sales | ln assets | DEBT | Tobin q | Dummy |
|----------------|---------------------|-------|----------------|-----------|---------|---------|--------|
| Roe | Pearson Correlation | 1 | -.076 | .033 | -.106 | -.095 | -.190 |
| | Sig.(2-tailed) | | .527 | .785 | .374 | .425 | .111 |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |
| Chang in sales | Pearson Correlation | -.076 | 1 | .324** | -.352** | .655** | -.015 |
| | Sig.(2-tailed) | .527 | | .006 | .002 | .000 | .898 |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |
| ln assets | Pearson Correlation | .033 | .324** | 1 | -.119 | .136 | .044 |
| | Sig.(2-tailed) | .785 | .006 | | .319 | .253 | .716 |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |
| DEBT | Pearson Correlation | -.106 | -.352** | -.119 | 1 | -.572** | .358** |
| | Sig.(2-tailed) | .374 | .002 | .319 | | .000 | .002 |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |
| Tobin q | Pearson Correlation | -.095 | .655** | .136 | -.572** | 1 | -.025 |
| | Sig.(2-tailed) | .425 | .000 | .253 | .000 | | .834 |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |
| Dummy | Pearson Correlation | -.190 | -.015 | .044 | .358** | -.025 | 1 |
| | Sig.(2-tailed) | .111 | .898 | .716 | .002 | .834 | |
| | N | 72 | 72 | 72 | 72 | 72 | 72 |

** . Correlation is significant at the 0.01 level (2-tailed).

According to Table - 9, Two out of four independent variables are having significant correlations with the

dependent variable which is "Tobin q". The first variable, Chang in Sales are having positive correlation (0.655) with

market value of the company and significant at 5% level of significant. On the other hand Debt to Equity ratio is negatively correlated (-0.572) with the

market value of the company. But for other two variables, they does not show any significant relation which can prove statistically with Tobin q.

Table 10: Model Summary

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|--|-------------------|----------|-------------------|----------------------------|---------------|
| 1 | .776 ^a | .602 | .566 | .90755 | 1.508 |
| a. Predictors: (Constant), Dummy, ln assets, ROE, DEBT, Chang in sales | | | | | |
| b. Dependent Variable: Tobin q | | | | | |

The above table shows the regression model fit summary, the R value which is .776, signifies that 77.6% of correlation is present between the dependent and independent variables. Next, the R² value which is .602, it depicts that the linear regression explains 60.2% of the variance in the dataset when all the independent variables in the model affects the dependent variable, and the Adjusted R² value which is .566 shows

that 56.6% of variation is explained by only those independent variables that in actuality affect the dependent variable. Then, the Durbin-Watson d = 1.508, which is between the critical value of 1.5 < d < 2.5 It shows that there is no first order linear auto-correlation in the dataset. On The other hand, Durbin-Watson value of 1.508 indicates that the data has no serial correlation or autocorrelation problem.

Table 11: ANOVA

| Model | Sum of Squares | df | Mean Square | f | Sig. |
|--|----------------|----|-------------|--------|-------------------|
| 1 Regression | 67.657 | 5 | 13.531 | 19.246 | .000 ^b |
| a. Dependent Variable: Tobin q | | | | | |
| b. Predictors: (Constant), Dummy, ln assets, ROE, DEBT, Chang in sales | | | | | |

According to Table -11, the F-test value is 19.246 with degree of freedom (df) 71 and the p value is less than 0.05 (0.00).In regression equation, F-test has always a null assumption that there is

no linear equation between the variables (in other term, R²=0).Above F value and p value indicates that, F-test is significant and there is a linear relationship between the variables in the model.

Table 12: Multiple regression analysis results (multi-co linearity check)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Co linearity Statistics | | |
|-------|-----------------------------|------------|---------------------------|-------|--------|-------------------------|------|-------|
| | B | Std. Error | Beta | | | Tolerance | VIF | |
| 1 | (Constant) | .355 | 1.185 | | .299 | .766 | | |
| | ROE | -.016 | .014 | -.101 | -1.147 | .256 | .951 | 1.051 |
| | Chang in sales | .072 | .014 | .500 | 5.060 | .000 | .755 | 1.325 |
| | ln Assets | .096 | .085 | .103 | 1.136 | .261 | .898 | 1.113 |
| | DEBT | -.330 | .284 | -.459 | -4.677 | .000 | .764 | 1.309 |
| | Dummy | .108 | .105 | .093 | 1.029 | .308 | .906 | 1.104 |

a. Dependent Variable: Tobin q

The above model indicates that the average variable inflation factor (VIF) is 1.15. Therefore; it can be considered that there is no multi-co linearity problem for this model. As per **Neter et al. (1989)**, if the value is excess of 10, it is an indication of multi-co linearity and the regression coefficients are poorly estimated.

According to Table - 12, the 1st independent variable "ROE" is having a beta value of -0.016. It implies that 1 unit increase in the X (ROE) will decrease 0.016 units in the Y (Tobin q). Which is very negligible and not statistically significant (0.766) at 5% level of significance. **Mensah(2013)** have got the same result when he conducted a study in Ghana.

2nd independent variable "Change in sales" is having a beta value of 0.072. It implies that 1 unit increase in the X (Chnginsales) will increase 0.072 units in the Y (Tobin q). Which is statistically significant (0.00) at 5% level of significance.

3rd independent variable "assets" is having a beta value of 0.096. It implies that 1 unit increase in the X (Assets) will

increase 0.096 units in the Y (Tobin q). Which is very negligible and not statistically significant (0.261) at 5% level of significance.

4th independent variable "DEBT" is having a beta value of -0.330. It implies that 1 unit increase in the X (DEBT) will decrease 0.330 units in the Y (Tobin q). Which is statistically significant (0.00) at 5% level of significance. It indicates that increasing long term debt by a company will negatively impact on shareholder perception.

5rd independent variable "Dummy" is having a beta value of 0.108. It implies that 1 unit increase in the X (Dummy) will increase 0.108 units in the Y (Tobin q). But this result is not statistically significant (0.308) at 5% level of significance. May be the reasons are small number of adopter; simultaneous present of IGAAP based and IFRS based statement, lack of awareness. But the indicator shows a positive sign towards IFRS adoption.

Conclusion

The present research contributes to the literature by investigating the basic

differences between IFRS and Indian GAAP. Then it further analyzes the impact of these differences on Indian Companies who have adopted it by analyzing annual reports of the Indian IT companies. The above analysis shows that, although there is absolute difference in the quantitative indicators, calculated as per financial statement which is prepared as per IFRS and IGAAP rules simultaneously, there is no statistical evidence (except liquidity position) to prove this difference. On the other hand the regression analysis shows some indicative result that adoption IFRs can increase market value by way of foreign investors, foreign acquisition etc. This research would help the policy makers in formulating more appropriate rules and regulations towards IFRS harmonization in India.

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