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EMPIRICAL STUDY ON THE IMPACT OF HARMONZATION OF IGAAP WITH IFRS – A CASE STUDY OF INFOSYS

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ABSTRACT

Harmonized financial reporting standards are intended to provide a platform for wider investment choice, a more efficient capital market,lower cost of capital and Enhanced business development. Globally, investors need financial statement to be transparent and to provide comparative information to help them to make economic decisions. Moving towards accounting harmonization very few Indian companies voluntarily adopted IFRS to prepare their consolidated financial statements. During the switch over phase from local GAAP to IFRS companies will have to modify their accounting system and processes as well as provide comparative financial information between their previous GAAP and their new IFRS compliant report. This article examines the financial statement effects on convergence to IFRS from Indian GAAP. The results conclude that IFRS is more transparent in its disclosures and gives importance to 'substance over form' whereas Indian GAAP is conservative in its approach.

***KEYWORDS**: International Financial Reporting Standards, Indian Accounting standards, Financial statement, Accounting ratios.*

INTRODUCTION

The current reality is that the world's capital markets operate more and more freely across borders.

The impact of rapid globalization are epitomized by the words of Paul Volker, Chairman of the IFRS Foundation Trustees in November 2002, in a speech to the World Congress of Accountants "Developments over the past year and more have strongly reinforced the logic of achieving and implementing high quality international accounting standards. Providing improved transparency and comparability will certainly help ensure that capital is allocated efficiently." As modern business imperative moves towards the globalization of operations and activities, there is an underlying commercial logic that also requires a truly global capital market.

REVIEW OF LITERATURE

This section briefly reviews more recent empirical studies conducted to examine the impact of IFRS on key financial aspects emanating from the financial statements of companies. Wong and Wong(2005) examined to explore the impact of not amortizing goodwill and identifiable intangible assets with in definitive lives on some commonly used valuation multiples of New Zealand listed companies. Results indicated that these have a significant downward effect on EV/EBIT and PE multiples. Hope et al.(2006) investigated the importance of IFRS in the context of global accounting standards harmonization and to know what institutional factors influence countries decision to voluntarily adopt IFRS. This study discerned a significant negative association between the adoption of IFRS and investor protection.

Lantto (2007) examined whether IFRS improved the usefulness of accounting information in a code law country that has a strong system of legal enforcement and high quality domestic accounting standards. The result of this study indicated that IFRS have improved the relevance of accounting information in Finland but they also highlighted the concern about reliability of those financial statement items that are prepared using judgment. Capkun et al. (2008) analyzed the impact of mandatory change in financial reporting standards in European Union and found that the transition from local GAAP to IFRS had a small but statistically significant impact on total assets, equity, total liabilities and among assets the most pronounced impact on intangible assets and property plant and it is just like a mirror which makes him "far from reality". In case of direct benefit, IFRS offer increased equipment. It was examined by Ball (2008) whether an investor got benefit from implementing IFRS or comparability and hence reduced information costs and information risk to investors. And in case of indirect benefit, IFRS lead to a reduction in firms cost of equity capital, the researchers observed.

Extant literature generally makes comparisons between IAS and U.S. GAAP (e.g., Harris and Muller 1999; Ashbaugh and Olsson 2002), non-U.S. and U.S. GAAP (e.g., Amir, Harris and Venuti 1993) and across different local standards including U.S. GAAP (Ali and Hwang 2000; Ball, Kothari and Robin 2000). This literature, however, rarely compares IAS with local GAAP. Earlier literature examines this question based on cross-sectional comparisons across different countries and concludes that the shareholder-oriented model is generally more value relevant than the stakeholder-oriented model (Ali and Hwang 2000; Ball et al. 2000).8 The literature, however, is unable to disentangle whether this finding is driven by the difference in accounting standards or other institutional factors such as shareholder protection or market development.

Mingyi Hung and K.R.Subramanyam studied about the financial effects of IFRS in Germany . While HGB is stakeholder-oriented and commonly viewed as a historical cost accounting model that emphasizes income smoothing, IAS is shareholder-oriented and generally perceived as a

fair-value accounting model that emphasizes balance sheet valuation. Consistent with these perceptions, we find that total assets and book value of equity, as well as variability of book value and net income, are significantly higher under IAS than HGB. In addition, we find that book value (net income) plays a greater (lesser) valuation role under IAS than under HGB.

This study is case study based approach studying the impact of convergence to IFRS by an Indian company, Infosys.

NEED FOR THE STUDY

Both favorable and unfavorable aspects always evolve in a new concept just like two sides of a coin. It is also true with IFRS which, being a new concept is a global topic. It has both opportunities and barriers in its implementation. This study is an attempt to analyze the effect of transition to IFRS on key financial ratios and on key financial statement items. This paper aims to find out the impact of IFRS on the financial statement prepared under IGAAP and also the impact of IFRS on accounting ratios due to the implementation of IFRS.

OBJECTIVES OF THE STUDY

The objectives of this study are as follows:

1. .To study the benefits and barriers on convergence to IFRS by Indian Firms
2. To examine the effects of voluntary convergence of IFRS on key accounting measures – A case study of Infosys
3. To examine the effects of voluntary convergence of IFRS on financial ratio – A case study of Infosys.

HYPOTHESES

For achieving the above objectives the study has the following hypotheses:

1. There is no significant difference between financial statement items based on Indian GAAP and IFRS prepared by Infosys for the fiscal year ended 31st March 2009,2010 and 2011
2. There is no significant difference between Indian GAAP and IFRS based profitability ratio for the fiscal year ended 31st March 2009,2010 and 2011 by Infosys
3. There is no significant difference between Indian GAAP and IFRS based turnover ratio for the fiscal year ended 31st March 2009,2010 and 2011 by Infosys

RESEARCH METHODOLOGY

SCOPE

The study is based on secondary data on selected variables sourced from the published annual reports of Infosys for the year ended 31st March 2009,31st march 2010 and 31st March 2011.. Infosys had voluntarily prepared its annual report on the basis of Indian GAAP and IFRS starting from the year 31st March 2009.

RESEARCH TOOL

The same set of data is used for reporting under IGAAP and IFRS, dependent or paired samples helps to perform a more precise analysis, because they will allow us to control extraneous factors. The t-test based on paired observation is used for the analysis. It is defined by the following formula:

$$t=d\sqrt{n}/s$$

where,

d is the mean of the difference

n is the square root of the number of sample

s is the standard deviation of the difference

BENEFITS OF IFRS CONVERGENCE

Global comparison of financial results Investors, both individual and corporate would like to be able to compare the financial results of different companies internationally as well as nationally in making investment decisions. As mentioned in the Financial Management (Caspian Publishing) April 2006, "Companies have worked hard to implement IFRS, so they can take encouragement from fund managers' confidence in their handling of the change so far," said Ian Wright, IFRS leader at PWC. Which conducted the survey with Ipsos Mori. "There are positive indications that investors think IFRS is making progress towards the goal of greater clarity and comparability in financial statements."

CAPITAL INFLOW

Better access would be gained to foreign investor funds by Multinational companies Lantto (2007) examined whether IFRS improved the usefulness of accounting information in a code law country that has a strong system of legal enforcement and high quality domestic accounting standards. The result of this study indicated that IFRS have improved the relevance of accounting information in Finland but they also highlighted the concern about reliability of those financial statement items that are prepared using judgment.

EFFECTIVE MANAGEMENT CONTROL

Management control would be improved as convergence to IFRS would aid internal communication of financial information Chua and Taylor in the article "The Rise and Rise of IFRS: An Examination of IFRS Diffusion" appeared in the November-December 2008 issue of The Journal! o/Accounting and Public Policy provide evidence that political and social factors have been central to the development and diffusion of IFRS. They suggest that outsourcing the manufacture of accounting standards to a single private agency appears to be a rational, lower-cost option, which reduces economic and political costs for individual countries as long as they retain residual decision rights regarding IFRS adoption.

LOWER COST OF CAPITAL

It would be easier to comply with the reporting requirements of overseas stock exchanges. Researchers Holger Daske, Luzi Hail, Christian Leuz and Rodrigo Verdi examined 3100 firms in 26 countries mandated to adopt IFRS in "Mandatory IFRS Reporting around the World: Early Evidence on the Economic Consequences." The study examines the economic effects of IFRS, for both early and mandated adoption. The authors concluded that a company's adoption of IFRS creates strong economic benefits in countries with rigid regulation over financial reporting. These benefits include an increase in the stock's market value, an increase in market liquidity, and a lower cost of capital.

(Source Journal of Accountancy November 2009)

COST SAVINGS

Preparation of group accounts would be easier. Authors Luzi Hail, Christian Leuz and Peter Wysocki (working paper was provided to the SEC with the Financial Accounting Foundation's comment letter in February 2009) summarize the potential benefits of adoption as "greater market liquidity, a lower cost of capital and a better allocation of capital." Financial reporting comparability will also likely be enhanced. Additionally, the research reveals that multinational companies will receive a cost savings as they will no longer have lo report under several sets of standards.

PROFESSIONAL ADVANTAGE

FRS adoption would be easier for tax authorities to calculate tax liability of investors who receive income from overseas sources and also the appraisal of foreign enterprises for takeovers and mergers would be more straight forward. Larger international accounting firms would benefit as accounting and auditing would be much easier if similar accounting practices existed throughout the world. Transfer of accounting staff across national borders would be easier. Sean Lager, CPA, an audit partner of the Atlanta firm Frazier Deeter LLC "There is already a demand in the U.S. for IFRS knowledge (due to 100-plus jurisdictions moving to IFRS), and once the SEC requires IFRS for U.S. issuers, there is going to be a major opportunity for all firms to assist in the transition to IFRS

(Source: Journal of Accountancy, February 2009)

BARRIERS TO IFRS CONVERGENCE

Increase in cost

IFRS adds up to the cost of business, where in money is spent as Auditors fee for convergence and not only in Accounting but also a complete revamp of the Information Technology System is also involved which adds additional cost. Kevin 'O' Byrne, the group finance director of DSGI, which owns PC World, told Accountancy Age that IFRS increased costs, but added 'no value whatsoever' to business, 'Anything that adds cost and complexity to the business is clearly not welcome,' O' Byrne said. 'I would rather we were spending time focused on things like the performance of our Greek subsidiary rather than the accounting of our Greek subsidiary.' Stuart Bridges, FD of FTSE 250 insurer Hiscox, himself a former fund manager, said it was 'difficult' to keep an eye on a company because of the demands of IFRS on management's time.

(Source Accountancy Age Business News)

ECONOMIC BARRIER

Nationalism is demonstrated in an unwillingness to accept another country's standard. Authors Messod Beneish and Teri Lombardi Yohn Their work, published in the November/December 2008 issue of the journal, suggests that the geographic proximity of domestic companies causes investors to perceive a "home court" advantage compared to foreign companies—one that will not be reduced even when IFRS adoption standardizes financial reporting. The paper is titled "Information Frictions and Investor .

Home Bias: A Perspective on the Effect of Global IFRS Adoption on the Extent of Equity Home Bias."

CULTURAL BARRIER

Cultural differences result in objectives for accounting systems differing from country to country French authors Thomas Jeanjean and Hervé Stolow examined in the research further discusses the subjectivity of IFRS accounting standards and the necessary use of management discretion for quality reporting. The authors suggest that the efforts of the standard-setting bodies should be focused on enhancing IFRS adoption reporting incentives and strict enforcement as opposed to "harmonizing accounting standards." They state that "sharing rules is not sufficient in itself to create a common business language."

UNCERTAINTY

Some countries may be experiencing unusual circumstances which affect all aspects of everyday life and impinge on the ability of companies to produce proper reports, for example hyperinflation, civil war, currency restrictions and so on. Hope et al.(2006) investigated the importance of IFRS in the context of global accounting standards harmonization and to know what institutional factors influence countries decision to voluntarily adopt IFRS. This study discerned a significant negative association between the adoption of IFRS and investor protection.

UNPREPAREDNESS

Research by John Goodwin. Barry J. Cooper and Shireenjit Johl evaluated the preparedness of Australian listed firms for IFRS"How Prepared was Australia for International Financial Reporting Standards? The Case of Listed Firms" appeared in the March 2008 issue of the Australian Accounting Review concluded that most of these firms or their auditors were unprepared for IFRS at transition, consistent with observations made in the months preceding IFRS adoption and with most other related studies

COMPANY PROFILE

Established in 1981, Infosys is a NASDAQ listed global consulting and IT services company with more than 133,000 employees. From a capital of US$ 250, we have grown to become a US$ 6.35 billion

(LTM Q1- FY12 revenues) company with a market capitalization of approximately US$ 35 billion. In their journey of over 29 years, they have catalyzed some of the major changes that have led to India's emergence as the global destination for software services talent. They have pioneered the Global Delivery Model and became the first IT company from India to be listed on NASDAQ. Their employee stock options program created some of India's first salaried millionaires. Infosys defines, designs and delivers technology-enabled business solutions for Global 2000 companies. Infosys also provides a complete range of services by leveraging our domain and business expertise and strategic alliance with leading technology providers. Their offerings span business and technology consulting, application services, systems integration, product engineering, custom software development, maintenance, re-engineering, independent testing and validation services, IT infrastructure services and business process outsourcing. Infosys has a global footprint with 65 offices and 63 development centers in US, India, China, Australia, Japan, Middle East, UK, Germany, France, Switzerland, Netherlands, Poland, Canada and many other countries. Infosys ranked # 15 in a survey of the world's most innovative companies by Forbes and HOLT, a division of Credit Suisse.

IMPACT OF CONVERGENCE TO IFRS IN FINANCIAL STATEMET

TABLE 1: FINANCIAL FIGURES OF INFOSYS FOR THE FISCAL YEAR ENDED 2009,2010 AND 2011 IN BOTH INDIAN ACCOUNTING STANDARD AND NTERNATIONAL FINANCIAL REPORTING STANDARD (RS IN CRORES)

Particulars	Year ended 2009			Year ended 2010			Year ended 2011		
	IGAAP	IFRS	% of change	IGAAP	IFRS	% of change	IGAAP	IFRS	% of change
Current assets	16646	15826	4.93	18247	20890	-14.48	25068	23689	5.5
Total assets	22163	22162	0	27736	27612	0.45	31469	31263	0.65
Current liability	3872	2725	29.62	4455	3193	28.33	5317	3641	31.52
Total liability'	3909	2968	24.07	4687	3539	24.49	5493	3960	27.91
Equity	18254	19194	-5.15	23281	24073	-3.4	26152	27303	-4.4
Total liability and Equity	22163	22162	0	27968	27612	1.27	31645	31263	1.21
Revenue	21693	21693	0	22742	22742	0	27501	27501	0
Gross profit	9928	9158	7.76	10671	9722	8.89	12447	11585	6.93
Profit before Tax	6907	6894	0.19	7899	7900	-0.01	9325	9313	0.13
Profit after Tax	5988	5975	0.22	6266	6219	0.75	6835	6823	0.18

(Source:Annual report of Infosys)

It is observed from the Annual report of Infosys for the year ended 2009,2010 and 2011, there is nearly 29% decrease in value in Current liability position in IFRS reporting and IGAAP reporting for the year ended 2009 and subsequently the total liability position also differed in reporting by about 24%. Similar to 2009, also in 2010, the current liability showed a decrease in value in IFRS reporting when compared with IGAAP reporting by nearly 28% and so also the Total liability position also showed a decrease in value in IFRS reporting when compared to IGAAP by nearly 24%. The current liability position showed a decrease in IFRS reporting by nearly 31% when compared with IGAAP reporting and so the Total liability position also showed a decrease in IFRS reporting by nearly 27% when compared to IGAAP reporting for the year ended 2011. This implies that IFRS recognizes less current liability and provision when compared to IGAAP and shows that IGAAP is more conservative in accounting than IFRS.

In the year ended 2010, the current asset position showed an increase in IFRS reporting by nearly 14% when compared with the IGAAP reporting The Gross profit for the year ended 2010 is less in IFRS reporting when compared to IGAAP reporting by nearly 8.89%. It is observed from the Annual report that for the year ended 2009 and 2011 there is a decrease in Gross profit position in IFRS reporting by nearly 7% and 6.9% respectively. It is observed there is no change in the position of revenue which makes it clear that increase in cost of sales has caused a decrease in Gross Profit in IFRS reporting. On an in depth analysis given from the Notes in the Annual report of Infosys it is found that some amount of depreciation cost is also included in cost of sales in IFRS, but depreciation entirely was shown separately on the face of the income statement and it did not form part of cost of sales in Indian GAAP.

TABLE 2: PAIRED SAMPLE T TEST

(RS IN CRORES)

Financial Items	**Difference between IGAAP and IFRS**			
Year	**2009**	**2010**	**2011**	**Calculated value of t**
Current assets	820	-2643	1379	0.1
Total assets	1	124	206	1.51
Current liability	1147	1262	1676	**6.92**
Total liability'	941	1148	1533	**5.68**
Equity	-940	-792	-1151	**7.53**
Total liability and Equity	1	356	382	1.64
Revenue	0	0	0	0
Gross profit	770	949	862	**13.59**

Paired sample t distribution is applied to test whether there is a significant difference between reporting under IGAAP and IFRS with regard to the values of financial items. The t table value for a 5% significance by looking at the t table works out to be 3.182. For a significance level of 5% there is a significant difference between IFRS reporting and IGAAP reporting for Current liability, Total liability, Equity and Gross Profit as the calculated value of t is more than the t distribution value of 5% significance level.

It is observed from the annual report and by the statistical t test done that Equity position in IFRS reporting is increased when compared to the IGAAP for all the three years 2009, 2010 and 2011. On an in depth study of the Notes given in the Annual report of the company it is observed that Retained earnings is higher in IFRS because the provision for dividend is excluded in reporting under IFRS which had increased the retained earnings in IFRS and so the equity shows an increased position in IFRS.

TABLE 3: PROFITABILITY RATIO OF INFOSYS FOR THE FISCAL YEAR ENDED 2009,2010 AND 2011 IN BOTH IFRS AND IGAAP REPORTING- PAIRED SAMPLE T TEST

Year	**2009**		**2010**		**2011**		
Ratios	**IFRS**	**IGAAP**	**IFRS**	**IGAAP**	**IFRS**	**IGAAP**	**calculated t value**
Gross profit(%)	42.22	45.77	42.75	46.92	42.13	45.26	9.79
Net Profit Ratio (%)	27.54	27.6	27.35	27.55	24.81	24.85	1.63
Return on Equity	0.31	0.33	0.26	0.27	0.25	0.26	**5.65**
Return on Asset	0.27	0.27	0.23	0.23	0.22	0.22	0.1
Return on Capital Employe	0.36	0.38	0.33	0.34	0.34	0.36	**5.33**

For calculation of Profitability ratio Gross profit ratio, Net profit ratio, Return on Equity, Return on Asset, Return on capital employed, Earnings Per Share and Diluted Earnings Per Share are considered.

Gross Profit Ratio is defined by Gross Profit divided by Revenue, Net Profit Ratio is defined by Net Profit After Tax divided by Revenue, Return on Equity is defined by Net Profit After Tax divided by Equity, Return on Asset is defined by Net Profit After Tax divided by Total Asset and Return on Capital Employed is defined by Net Profit Before Tax divided by Capital Employed.

The t distribution value from looking at the table for a 5% significance level is 3.182, when compared with the calculated t value, for Gross Profit ratio, Return on Equity and Return on Capital Employed there is a significant difference in IFRS reporting and IGAAP reporting as the calculated value for these financial ratios is greater than t table value.

It is observed that for all the three years 2009,2010 and 2011 the Gross Profit Ratio calculated in IFRS is lesser than IGAAP reporting. From investors point of view though this ratio is quite disappointing when compared with IGAAP but when correlated with Net profit ratio it shows clearly that it is a reclassification of expenses between cost of sales and other operating expenses. In IFRS reporting depreciation is included in the cost of sales as per IAS 1 which seems meaningful that the cost of depreciation should form part of the cost of sales which discloses more transparency in reporting.

It is observed that Return on Equity and Return on Capital Employed in IFRS reporting is lesser than IGAAP reporting for all the three years. In IFRS Net Profit after tax is less compared to Indian GAAP because of additional expenses booked for share based compensation and Amortization of Intangible assets and others. Share based compensation expense are recorded at fair value as per IFRS 2 . IFRS 3 Business combination requires business combination transaction to be recorded to the identifiable asset and liabilities including intangible assets and the intangible assets are amortized over their useful life.

TABLE 4: EFFICIENCY RATIO OF INFOSYS FOR THE FISCAL YEAR ENDED 2009,2010 AND 2011 IN BOTH IFRS AND IGAAP REPORTING – PAIRED SAMPLE T TEST

Year	2009		2010		2011		
Ratios	IFRS	IGAAP	IFRS	IGAAP	IFRS	IGAAP	calculated t value
Total asset turnover	0.98	0.98	0.82	0.82	0.88	0.87	1.55
Working capital turnover	1.66	1.7	1.29	1.65	1.37	1.39	1.05
Current ratio	5.81	4.3	6.54	4.1	6.51	4.71	**5.63**
Current asset to total asset	0.71	0.75	0.76	0.66	0.76	0.8	0.14

In calculating the Efficiency ratio or turnover ratio Total Asset turnover, Working Capital turnover ratio, Current ratio, Current asset to total asset and Current asset to Revenue are considered. Total Asset turnover ratio is worked out as Revenue divided by Total Asset, Working Capital turnover is defined by Revenue divided by Working Capital, Current ratio is defined by Current Asset to Current liability, Current asset to Total asset is defined by Current Asset divided by Total Asset and Current Asset to Revenue is defined by Current asset divided by Revenue.

The t distribution table for a significance level of 5% display the value as 3.182. When this value is compared with the calculated t value, there is a significant difference in current ratio in IGAAP reporting and IFRS reporting at a significance level of 5% using t distribution. This increase in current ratio suggest in this case a decrease in current liability and provision in IFRS reporting, which shows Indian GAAP is more conservative in its approach.

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On analyzing the revenue statement, there is a significant difference in the Gross Profit in the IFRS reporting and IGAAP reporting. Analyzing the cause for the difference is mainly due to increase in Cost of Sales in IFRS reporting. As per IAS1 Presentation of Financial Statements, Depreciation on Asset shown separately on the face of income statement in IGAAP but some portion of depreciation formed part of cost of sales in IFRS. Thereby the Gross Profit ratio is lesser in IFRS reporting when compared to IGAAP reporting for all the three years 2009,2010 and 2011. Such inclusion of cost of depreciation on cost of sales seems logical and ensures more clarity in reporting and more reliable.

Under IFRS, the company recorded share based compensation expense using the fair value recognition provisions of IFRS 2 Share based payments. This had impact on retained earnings. This iterates that IFRS is fair value based approach and hence gives more vivid picture not only for the shareholders but also for the employees of the company.

Deferred Purchase agreement entered with minority shareholders was not recognized in IGAAP as the purchase did not qualify as investment, whereas in IFRS since the risk and reward of

ownership was transferred the same was recognized so resulted in increase in Goodwill and Current liability and decrease in minority interest (IFRS 3 Business Combination). This shows that IFRS relies on substance over form which shows a transparency in disclosures to the Investors. IFRS requires the purchase price in business combination transactions to be allocated to identifiable assets and liabilities, including intangibles assets(IAS 38). Intangible assets are amortized over the estimated useful life. Which resulted in decrease profit in IFRS reporting when compared with IGAAP

There are reclassification done with current assets and Investments in IFRS reporting without affecting the profitability position of the company. In IGAAP Available for sale of investment formed part of investment but in IFRS is included in current asset This impacted the presentation of cash flow statement which proved that IFRS is more transparent in its disclosures when compared with IGAAP.

Cash includes also deposits(excluding restricted deposits) with corporates which included time deposits which was included in cash in IFRS(IAS 7) but such were not included under cash in IGAAP and was included in investments. It is observed the current asset position in IFRS is higher but the total asset in IFRS and IGAAP there is not much variation. Again here there is a reclassification between current assets and Investment Position which proves that IFRS is relies on substance over form.

As per AS 1 Presentation of financial statement, assets and liabilities were classified as current and non current asset which was not required as per IGAAP in IFRS reporting. Minimum Alternate Tax was considered in income tax as prepayments and as other assets in IGAAP but considered as deferred income tax asset in IFRS on the face of the balance sheet in IFRS that is why the current asset balance for the year ended 2009 in IFRS is lesser than IGAAP Unbilled revenue and income tax assets are grouped as prepayments and as other assets in IGAAP but shown separately on the face of the financial.

statement in IFRS. These observations show that IFRS is more lucid in its reporting and transparent which would ultimately benefit the investors at large for easy comparisons globally.

Provision for proposed dividend and tax on dividend is not included in IFRS but included in IGAAP which had impact on the retained earnings. Under IAS 10 Events after the Balanced sheet date, the liability for dividend is recognized only when it is approved by shareholders. Under Indian accounting standards the liability is recognized in respect of proposed dividend on company's equity share even though the dividend is expected to be approved by the shareholders subsequent to the reporting date.

This reveals that Indian Accounting Standards are conservative in its approach.

Trade payable, derivative financial instruments, current income tax liabilities, unearned revenue, employee benefit obligation and client deposits grouped as provisions and liabilities in IGAAP, have been segregated and shown separately on the face of the balance sheet in IFRS which revealed more disclosures on the face of Balance Sheet in IFRS reporting which helps investors in saving the time to read by going through the notes rather and understanding the basis of provisions and liabilities.

CONCLUSION

This study investigates the financial statement implications of adopting IFRS by Infosys Ltd, an Information Technology company in India. This study reveals that Indian Accounting Standard are conservative in its approach and IFRS being fair value based and relies on substance over form.

Firstly, this study was carried to study the significant difference between IGAAP reporting and IFRS reporting on financial statement item on Infosys. The results show that specifically, Gross Profit,Current liability and Total liability positions show lesser values in IFRS reporting when compared with IGAAP. In IFRS, provision for dividend are not included in current liability and provision which shows major difference in IFRS and IGAAP which is similar to the study conducted by Sally Aisbitt (2006) that some of the changes like change in the convention regarding accruing final dividend is most common difference among companies in Europe in the transition to IFRS. Equity value in IFRS reporting showed more value than IGAAP.

Secondly, this study was carried to study the significant difference between IGAAP and IFRS reporting by Infosys on profitability ratios. The results also indicated that the impact was material for various ratio like Gross profit , Return on Capital Employed, Return on Equity.

Thirdly, the study was to find the difference between IGAAP and IFRS reporting by Infosys on Efficiency ratio and the results indicated that there was a significant difference in the current ratio.

This study showed that the important differences are because Indian Accounting standard are conservative and follows prudence principle while IFRS emphasizes on transparent disclosures, fair values and Substance over form which would ultimately help investors at large. This study would provide a timely and relevant insights into the potential consequences of adopting IFRS by Indian companies which is quite important in the history of financial reporting for Indian companies and also for the investors and other stakeholders at large

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