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Research paper

Transition of Ind AS and Its Impact on Profitability of Indian Companies

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Abstract

High-quality uniform standards are essential for competing in the global market, particularly in accounting and auditing. The Indian Accounting Standards (Ind AS) represent a significant shift for Indian companies, transitioning from the traditional Indian Generally Accepted Accounting Principles (IGAAP) to a more comprehensive framework aligned with International Financial Reporting Standards (IFRS). This important transition began in 2016, allowing Indian companies to gradually adopt these modern standards. The Ministry of Corporate Affairs (MCA) introduced a well-structured roadmap for this adoption, divided into four distinct phases based on the company's net worth. This approach ensures a smooth and strategic transition to higher accounting standards. In the first two years after adoption, listed and non-listed Indian companies are categorized, while Listed Non-Banking Financial Companies (NBFCs) and non-listed NBFCs fall under the third and fourth years of adoption. The proposed study is carried out with the help of annual reports of 13 companies to examine the impact of the implementation of Ind AS using select ratios with Gray's Comparability Index Measure and Paired sample t test. The study concluded that there are changes and an impact of implementation on profitability and liquidity on implication of Ind AS in companies, but solvency remains the same as in IGAAP.

Keywords: *Financial Reporting; Gray's comparability Index; IFRS; IGAAP; Ind AS; Ratios.*

1. Introduction

Financial reporting is the process of disclosure of financial information to the management and the public about a company's performance over a specific period of time. Accounting standards are the specific set of regulations that maintain and harmonise a company's accounts with the accounting standards of stakeholders. There is a shift towards IFRS, which are high-quality accounting standards for the transparency and comparability of firm financial accounts (Baig & Khan, 2016). Although accounting is the language of business around the world (Amogh & Marigowda, 2016), all companies are stepping forward to either adopt or converge their country's accounting system as per global standards, which is International Financial Reporting Standards (IFRS), for the uniformity, transparency, and consistency in the accounting practices (Dutta & Dutta, 2020).

To align with IFRS, the Ministry of Corporate Affairs (MCA), Govt of India issued 39 (Sharadha & Manickavasagam, 2018) new Indian Accounting Standards (Ind AS) on February 25, 2011, without specifying their applicability date (Mirza & Ankarath, 2012).

After many discussions and committees, Indian companies reported financial statements in accordance with Indian generally accepted accounting principles (IGAAP) until the financial year 2016-17, when they began to gradually adopt Ind AS convergence. In accordance with the announcement made by the MCA, the roadmap for the adoption included 4 phases (Shukla, 2015; Deloitte, 2015). 1st phase includes voluntary adoption by the listed Indian companies, whose net worth should be more than 500 crores by the year 2016. By the second phase, it is mandatory for all the listed companies whose net worth is more than 250 crores but less than 500 crores by the financial year 2016-2017. The next phase was for non-banking financial corporations (NBFCs) from 2018, whose net worth should be more than 500 crores, and the fourth phase was for unlisted NBFCs, whose net worth should be more than 250 crores but less than 500 crores (Raval, 2017; V.K., et al, 2016).

These phases are followed by all the companies till date, but to compare changes in the accounting standards the present study examine the impact of Ind AS implementation on the financial statements of select companies by comparing the financial statements of the 13 BSE listed companies in India, whose financial reports are reported in both IGAAP and Ind AS using Gray's comparability Index measure and testing the hypothesis to strengthen the objective.

2. Review of Literature

The adoption of International Financial Reporting Standards (IFRS) by Indian companies and banks marks a significant milestone in the country's financial reporting landscape. Although the transition to IFRS can be complex and demanding, the benefits far outweigh the challenges. With IFRS, investors can make more informed decisions and have a clearer understanding of a company's financial health. It can improve financial transparency, attract foreign investment, and strengthen the economy. The adoption of the world standardized format of financial reporting, IFRS, by the Indian corporates and banking sectors is becoming challenging and rewarding. Initially, there are theoretical aspects made by (Chakrabarty, 2014), stating that convergence will bring a single set of high-quality global reach financial reporting concerning the implementation of IND AS and International Financial Reporting. But also, it is found that there is less awareness about implementation among stakeholders and investors of some companies, which ultimately leads to barriers in the adoption and understanding of IFRS (Muniraju & S.R., 2016).In the process of adoption and convergence of IFRS, there are many beneficiaries, and the investors are a major part (V, K, et al, 2016) (Priya & Muthumeenakshi, 2023). While high-quality reports are produced during the convergence process, companies face challenges that require corresponding measures to overcome them (Sharma & Gupta, 2018). Some studies demonstrated that IFRS improved a company's activities at different financial parameters, which include financial risk, investment activities, operating activities, and debt covenants (Kamath & Desai, 2014). There are some studies that reveal and examine the impact of IFRS on banking sectors and analyze the differences in the valuation of assets and loan loss provisions, yet the Ind AS is implemented for financial sectors. (Bansal, 2011). In some studies, the Impact of IFRS on the economic activities that were observed with the positive and negative differences of financial indicators of a company found no differences in a statistical workout due to adoption (GUPTA, 2012). Some studies give the outline of the IFRS convergence and results as well. It makes it easy to compare and understand financial statements (Raval, 2017). A study in this line also confesses that the convergence of IFRS will be a money-saving for MNCs and reduce the maintenance of dual accounting by the international corporates (Athma & Rajyalaxmi, 2013). Adding to this, Basu & Mitra (2020) discussed the reason behind the convergence of IFRS rather than adoption in India and commented that India should adopt IFRS as it will become an influential economic force in the upcoming years. (Kalra & Vardia, 2016) in their study titled Impact of IFRS on the financial statements of Indian listed companies stated that new converged standards are descriptive for users of financial statements. To know the effect and implications of IFRS, Srivastava (2020) attempts to study the differences between IGAAP and IFRS and found that IFRS will reduce equity costs and fraud. Some studies revealed that the first-time adoption of IND AS in the IT companies has no significant difference in profitability due to transition (Kumar & Agarwal, 2020). On the other hand, Thomas & Mathew (2019) found in their study that there is a significant difference in debt-equity ratios on the implementation of IGAAP and IND AS in the energy sector. Parallelly, a study attempts to examine the value relevance of financial reporting on listed NSE firms using the Ohlson price model with variables like book value per share (BVPS) and Earnings per share (EPS), concluding that statistically, the mandatory convergence period shows an increase in explanatory power of the model (Gomes & Costa, 2022). Similarly, (Rao, Ibrahim, et al, 2023) carried out their study, which examines the value relevance of financial information in India before and after the adoption of Indian Accounting Standards, employing the Ohlson pricing model on the Nifty 50 index for the last 12 years, resulting in the relevance value of accounting statements being high during this period. In both cases, the variables vary, and the years taken were different. From the literature, it was found that there are studies that discuss challenges, benefits, sector-wise studies, financial activity-based studies, financial ratios, etc. There are very few studies that include comparing ratios and the Gray Comparability index Test (Tawiah & Benjamin, 2015) (Kafe & Dutta, 2018), and a significant test using the Paired sample T test. Thus, the objective of the study is to examine the effect of Ind AS implementation on the financial statements of select companies.

3. Material, Methods, and Results

In the study, secondary data extracted from the Prowess database is used for the comparison calculation, and the purposive sampling method (Kafe & Dutta, 2018) is adopted for the selection of the companies. Ultra Tech Cements, Asian Paints, Bharathi Airtel, Bajaj Auto, HCL, HUL, Infosys, L&T, Nestle India, NTPC, Reliance Industries, Tata Steel, and Titan Company are listed in the BSE 30, which falls under non-financial firms and have voluntarily adopted the standards that converged at the time of transition. Further, the companies are categorised as 'A' grade companies and presented their reconciliation statement as per both IGAAP and Ind AS for the year 2015-2016, which is a transition period. The information is based on the company's reconciliation Statement of Profit and Loss account. The study is a quantitative type of research, and it examines the impact of Ind AS application on companies' profitability in the fiscal year 2015–16. The key ratios to analyse the performance of a company are taken from (Thomas & Mathew, 2019) for the comparison analysis of IGAAP and IND AS with the help of the Grey Comparability Index (Tawiah & Benjamin, 2015) (Kafe & Dutta, 2018), and tested hypotheses with the statistical tool paired sample T test for the same.
To assess the performance of 13 companies, the financial indicators are incorporated for the comparison before and after the adoption of Ind AS

Table 1: Ratios

Ratios	Formula
Current ratio (Stancheva-Todorova & Velinova-Sokolova, 2019)	Current Assets / Current Liabilities
Quick ratio (Sari et al, 2022) (Kumar & Agarwal, 2020)	Current Assets – Inventories / Current Liabilities
Return on Asset ratio (Stancheva-Todorova & Velinova-Sokolova, 2019) (Sari et al, 2022)	Net Income / Total Assets
Return on Equity ratio (Stancheva-Todorova & Velinova-Sokolova, 2019) (Kumar & Agarwal, 2020)	Net Income / Shareholders' Equity
Net Profit Ratio (Purnomo, 2018)	Net Profit or loss/Net Sales×100
Financial Leverage ratio (Purnomo, 2018) (Kumar & Agarwal, 2020)	Total Assets/ Total Equity

Table 1 shows the selected ratios and their formula that is applied in the study for the analysis of comparison with two standards of 13 select companies. These ratios cumulatively indicate the Liquidity, Profitability, Solvency, and Leverage of the company.
Gray comparability formula

Index of Comparability (IC) = 1 - |Previous GAAP Numbers - IFRS Numbers| / |Previous GAAP Numbers|

Where, Previous GAAP refers to Numbers in IGAAP
IFRS Numbers refers to Numbers as per Ind AS (in study)
1 refers to Conservatism

Gray Comparability Index
This instrument is used to assess the comparability and differences in financial data, either from applying various accounting policies or through accounting harmonization. They range from Gray's Conservatism Index (GCI) (ISTRATE, 2013). The index helps compare the impact of different accounting standards on financial ratios and reporting, such as Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS).
To measure Gray's comparability index, a comparability value of 1 is used as a baseline. If the comparability value is greater than 1, it indicates that the value of Ind AS is higher than the previously used IGAAP standard, suggesting a more conservative approach or changes made after the implementation of the new Ind AS in the company's financial report. Conversely, if the comparability value is less than 1, it means that the converged Ind AS value is lower than the previously used IGAAP standards, indicating a less conservative approach or no changes following the implementation of Ind AS in the company's financial report(Pavithran & et.al, 2020).

3.1. Results

Table 2: Gray's Comparability Index

Sr. no	Company name		CR	QR	ROA	ROE	NPR	FL
		BEFORE	1.466	0.941	1.538	2.593	12.834	1.685
1	Asian paints	AFTER	1.849	1.194	1.556	2.291	12.357	1.472
		GCI	1.261	1.163	1.011	0.883	0.962	0.873
		BEFORE	1.563	1.320	1.505	1.920	16.412	1.275
2	Bajaj auto	AFTER	1.699	1.440	1.513	1.881	16.758	1.242
		GCI	1.870	1.090	1.005	0.980	1.021	0.967
		BEFORE	0.400	0.399	0.381	0.716	12.515	1.875
3	Bharati airtel	AFTER	0.410	0.409	0.326	0.541	12.902	1.656
		GCI	1.026	0.973	0.856	0.755	1.030	0.883
		BEFORE	3.800	3.772	0.541	0.669	35.238	1.236
4	HCL	AFTER	3.880	3.851	0.541	0.670	35.126	1.223
		GCI	1.021	1.020	1	1	0.996	1
		BEFORE	1.028	0.750	0.282	0.885	0.120	1.979
5	HUL	AFTER	1.435	1.055	0.293	0.726	0.124	2.216
		GCI	1.395	1.406	0.962	0.781	0.967	1.119
		BEFORE	2.966	2.966	0.7832	0.997	29.24	1.273
6	Infosys	AFTER	3.977	3.977	0.7835	0.932	23.512	1.190
		GCI	1.34	1.34	1	0.934	0.804	0.935
		BEFORE	1.055	0.965	0.461	2.380	5.349	5.155
7	L and T	AFTER	1.03	0.956	0.528	2.328	5.474	4.407
		GCI	0.984	0.990	1.143	0.978	1.023	0.854
		BEFORE	2.008	1.430	1.371	3.110	10.045	2.258
8	Nestle india	AFTER	2.401	1.714	1.413	2.932	10.568	2.074
		GCI	1.195	1.198	1.030	0.942	1.052	0.776
		BEFORE	0.893	0.678	0.334	0.807	14.527	2.417
9	NTPC	AFTER	1.522	1.492	0.337	0.788	15.201	2.356
		GCI	1.704	2.200	1.017	0.976	1.046	0.952
		BEFORE	3.259	3.209	0.303	0.369	15.22	1.216
10	Reliance industry	AFTER	3.975	3.913	0.285	0.336	15.475	1.178
		GCI	1.219	1.219	0.940	0.910	1.016	0.968
		BEFORE	0.340	0.173	0.863	-1.437	-1.244	1.644
11	Tata steel	AFTER	0.329	0.168	0.913	-0.417	-1.120	0.456
		GCI	0.969	0.971	1.057	0.290	0.900	0.277
		BEFORE	1.856	0.248	0.110	0.205	5.388	1.854
12	Titan	AFTER	1.917	0.296	0.104	0.187	6.1677	1.797
		GCI	1.032	1.192	0.940	0.680	1.446	0.969
		BEFORE	21.083	15.555	0.632	1.222	8.955	1.934
13	Ultratech	AFTER	22.265	17.077	0.7	1.313	8.733	1.876
		GCI	1.056	1.097	1.475	1.074	0.975	0.970

Source: Company Annual Report 2016.

Companies	Reasons and explanations
Asian Paints	The Current ratio, quick ratio, and Return on assets are more conservative, showing a conservative value of 1 or above, which suggests that there are changes towards Ind AS implications than IGAAP, whereas return on equity, net profit ratio, and financial leverage are less conservative. There are changes in the representation of Current Investments, which are reported at fair Value through Profit or Loss, and the change is presented in the profit and loss statement, and also these changes affect the ratios internally.
Bajaj Auto	In Bajaj Auto, Return on Equity and financial leverage are less conservative, whereas other ratios show more conservative values, which means there are changes after the implementation of Ind AS. As a Manufacturing company, this shows there is adequate liquidity flow, good performance, and maintained profitability on the application of Ind AS in the financial reporting.
Bharathi Airtel	In Bharathi Airtel only current ratio and net profit ratio reflected the changes in implementation of Ind AS i.e. more conservative as Bharthi Airtel is one of the most known telecom service providing company which shows good flow of liquidity and high rate of profitability during the particular year (2015-2016) on application of Ind AS whereas Quick Ratio, Return on Asset, Return on Equity and Financial Leverage show less conservative in implementation of Ind AS and this can be as service company, less chance of inclusion of assets activity, rapid technology changes, related equity performance and regulations which shows suitability in IGAAP.
HCL	In HCL, which belongs to a service sector company, the Net profit ratio is less conservative than all other ratios, as current ratio, quick ratio, return on asset ratio, return on equity, and financial leverage ratio show more conservative means have changes in implications of Ind AS. These changes towards Ind AS application occur because of changes in the treatment of valuation of assets, liquidity, and equity, which affect differently in the financial reports for the financial year 2015-2016.

HUL	In Hindustan Unilever Limited, the Current Ratio, Quick Ratio, and Financial Leverage ratio show more conservative, whereas Return on Asset, Return on Equity, and Net Profit Ratio show less conservative, which means there is no change in the implementation of Ind AS. Current ratio, Quick and Financial ratio show good asset stability, flow of liquidity, and stable profit on application of Ind AS and nature of the business (manufacturing), and treatment of valuation in the new converged standards can be a reason.
Infosys	Current Ratio, Quick Ratio, and Return on Asset ratio are more conservative, whereas Return on Equity, Net Profit Ratio, and Financial Leverage ratio are less conservative on the post-Ind AS. As a service providing company, there may be ups and downs in handling and treatment of components under Ind AS, which affect the financial report.
L&T	The Return on Assets and Net Profit Ratio are more conservative, which means the company shows changes in implication of Ind AS, whereas Current Ratio, Quick Ratio, Return on Equity, and Financial Leverage ratio show less conservative results, which means there are no changes in the implication of Ind AS. This is a manufacturing company, and based on the company's nature, there can be changes in the treatment and valuation of the components placed in the financial report on Ind AS implications.
Nestle India	Except for Return on Equity and Financial Leverage, other ratios show more conservative results and have changes after implication of Ind AS. Nestle India is a manufacturing-based company, and equity and financial stability are interconnected to each other, which deviates when it is analyzed under Ind AS. Liquidity, performance, and profitability are changed when the company reports are prepared under Ind AS, and these changes can be in the valuation of assets, treatment of component liabilities, and profit.
NTPC	Return on Equity and Financial Leverage show less conservative, and Current Ratio, Quick Ratio, Return on Asset, and Net Profit Ratio show more conservative, and have changes in the implication of Ind AS during the transition period. As above, NTPC is also categorised as a manufacturing-based company, and assets and inventory are the major components that the company works with. Evaluation methods and asset handling techniques can be a reason for the changes in the implementation of Ind AS.
Reliance Industry	Current Ratio, Quick Ratio, and Net Profit Ratio show there are changes after implication of Ind AS, and Return on Asset, Return on Equity, and Financial Leverage show less conservative means no changes. By nature, Reliance Industry is a service offering company, and the results show changes in assets, liabilities, and net profit. Treatment and valuation of Equity for the company may not affect the company's financial report under Ind AS. This results in less conservatism.
Tata Steel	The Return on Assets shows more conservative results, whereas all other ratios show less conservative results after implication of Ind AS. During the particular year of transition (2015-2016), Tata Steel shows fewer changes in liquidity-based activity, inventories, equity, and profit when results are under Ind AS. These can be any internal losses incurred that affect the valuation method and treatment of the components in the financial report.
Titan	Current Ratio, Quick Ratio, and Net Profit Ratio show more conservative implications of Ind AS, whereas Return on Assets, Return on Equity, and Financial Leverage show less conservative implications in the same. Titan is a manufacturing-based company that mainly focuses on the assets and inventories. The liquidity and profitability show changes positively during the transition period, as these components also support the treatment and valuation methods under Ind AS. Solvency and leverage show relatively fewer changes under Ind AS.
Ultratech Cement	Current Ratio, Quick Ratio, Return on Asset, and Return on Equity show more conservative means have changes in implications of Ind AS, and Net Profit Ratio and Financial Leverage show less conservative. Ultratech Cement is a manufacturing-based company, and liquidity, profitability, and solvency are also supported by the measurement and fair valuation of the implications of Ind AS. Whereas, net profit and financial leverage valuation treatment may differ from IGAAP, which is unsupported under Ind AS, and are less conservative.

3.2. Paired sample T-test

To strengthen the objective, the researcher performed a paired sample T-test to compare the two accounting standards after the Gray Comparability Index for the 13 companies on the ratios categories as follows:
Hypothesis
$H1_0$- There is no significant difference between IGAAP and Ind AS in the Current Ratio
$H2_0$-There is no significant difference between IGAAP and Ind AS in Quick Ratio
$H3_0$-There is no significant difference between IGAAP and Ind AS in Return on Asset Ratio
$H4_0$-There is no significant difference between IGAAP and Ind AS in the Return on Equity Ratio
$H5_0$ -There is no significant difference between IGAAP and Ind AS in Net Profit Ratio
$H6_0$ -There is no significant difference between IGAAP and Ind AS in the Financial Leverage Ratio

Table 3: Paired Sample T-test for the Gray Comparability Index.

Ratios	Pair	Mean	T	Sig (p-value	Significant?	Interpretation
CR	IGAAP-Ind AS	-.38000	-3.453	.005	Yes	Significant decrease under Ind AS
QR	IGAAP-Ind AS	-.39538	-2.983	.011	Yes	Significant decrease under Ind AS
ROA	IGAAP-Ind AS	-.01450	-1.502	.159	No	Not significant
ROE	IGAAP-Ind AS	-.005462	-.061	.952	No	Not significant
NPR	IGAAP-Ind AS	.255923	.549	.593	No	Not significant
FL	IGAAP-Ind AS	.203462	1.987	.070	No	Not significant

Source: SPSS.

Table 3 presents the results, which depict whether the implementation of Ind AS brought changes to the financial statements of 13 companies, as analysed through six profitability ratios using the statistical tool paired sample T test. This analysis is performed with the before and after implementation of Ind AS obtained from the financial statements of select 13 companies during the transition period of 2015-2016. The profitability ratios based on both IGAAP and Ind AS are analysed to test the hypothesis. The table shows the significance and result of the hypothesis as follows
Interpretations:

- CR and QR: The negative mean differences with p-values < 0.05 indicate that current and quick ratios are significantly lower under Ind AS than under IGAAP. This suggests that Ind AS might present a more conservative liquidity position. The higher current ratio in the company represents higher liquidity and makes the company safe from bankruptcy.
- ROA, ROE, NPR: The p-values > 0.05 suggest no statistically significant difference in profitability ratios between IGAAP and Ind AS, despite changes in mean value.
- FL: With a p-value of 0.070, financial leverage under Ind AS is not significantly different at the 0.05 level, but the result is close to significance, suggesting a potential area for further investigation. The Financial Leverage Ratio evaluates a company's dependence on debt to finance its assets, helping to assess financial risk. Higher leverage indicates increased debt, which can amplify both returns and risks.

There are possible reasons like the Discounting effect on Non-current Financial Assets & Liabilities has been considered after the introduction of Ind AS, The Return on Asset Ratio, Return on Equity Ratio, and Net Profit Ratio resulted below the significance T value of 1.96, so there is rejection of the null hypothesis.
Adding to the Gray Comparability Index analysis, which compares the two different accounting standards, illustrates that there are changes in some ratios in a particular company, and some ratios show no changes in the implementation of Ind AS. Statistically, using a paired sample T, it is proven that there is no significant difference in IGAAP and Ind AS impacting the Current ratio, Quick ratio, and Financial leverage ratio in the financial statements of the sample companies.

4. Conclusion

Financial statement reveals the working of the company for the entire year. Ind AS is a converged accounting standard, made mandatory from 2016 onwards, to be followed by all listed companies, and till now, it has been followed. The present research paper analyses the impact of the introduction of Indian Accounting Standards on select companies. The sample was collected from the top 30 BSE-listed companies in 2022. The financial companies and banks were excluded from the sample as only non-financial companies started the implication of Ind AS, and till now, banks and other financial institutions have not started to implement Ind AS, which will take time (Rawat, 2023). Technically, as per Gray's Comparability Index on comparing the two standards for the year 2015-2016 (which is transition year) for 13 companies, it is observed that most of the companies have changes in Current ratio, Quick ratio and Return on Asset ratio show more conservative in the financial statement after introducing and application of Indian Accounting Standards (Ind AS) which means, the liquidity and profitability of the company have changes at higher level, that indicates good for the firm on applying Indian Accounting standards (Ind AS). These changes in 13 companies benefited the liquidity (Bhargava & Shikha, 2013) and profitability. Along with this, the statistical analysis using A paired samples t-test was conducted to evaluate the impact of transitioning from IGAAP to Ind AS on key financial ratios. The results revealed statistically significant decreases in both the Current Ratio (CR) and Quick Ratio (QR) under Ind AS, with p-values of 0.005 and 0.011, respectively. This suggests that Ind AS presents a more conservative view of liquidity compared to IGAAP. Conversely, there were no significant differences observed in profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Ratio (NPR), indicating a relatively neutral impact of the accounting transition on profitability metrics. Financial Leverage (FL) showed a marginal increase under Ind AS, approaching significance ($p = 0.070$), which may warrant further investigation. Overall, the adoption of Ind AS appears to significantly influence liquidity measures while leaving profitability largely unaffected.
Return on equity, Net profit ratio, and Financial leverage ratio (Bhargava & Shikha, 2013) are less conservative (no changes) in terms of Gray's comparability Index, but if significant financial leverage resulted in acceptance that there are changes after implementation of Ind AS. These ratios express the solvency and financial stability of the company, signifying no changes after implication of Ind AS in the statement. Those components that fall on the ratios from the statement remain the same. The reason can be the changes in the treatment and valuation methods under Ind AS, and the results are the same as when computed under IGAAP.
Added the changes in CR, QR, and ROA are the effects of the introduction of Ind AS 115 (Revenue from Contracts with Customers) and Ind AS 16 (PPE), which are reasons for the changes in sales, assets, and inventory. As per GAAP, the definition of Revenue is not much broader than many receipts were not known to the standard. According to GAAP (Generally Accepted Accounting Principles), the definition of Revenue is less comprehensive, as various receipts were not counted under the Revenue heading. Ind AS 115 revealed the revenue recognition, which guides the companies to record revenue only if the conditions are satisfied, unlike IGAAP. By this, the standard revenue set out a reliable value as a result, and there is a change in the ratio.
There may be many differences in the results, and the primary difference may be due to the revaluation provision and fair value measurement followed in Ind AS. The provision is to evaluate the PPE frequently (annually). As the values of assets increase, the asset component in the ratio increases, and the resultant ratio decreases.
The implementation of Share-Based Payments, as outlined in Ind AS (Ministry of Corporate Affairs, 2020), has significantly altered the landscape of equity and debt values in financial statements. These modifications can produce substantial prospective effects; for example, changes in the depreciation method can be designed to ensure that net profit remains unaffected. This strategic approach underscores the importance of adapting to new accounting standards while safeguarding financial performance. (Ministry of Corporate Affairs, 2020).
The internal differences in components arise from the diverse methods of treatment and valuation under each accounting standard in Ind AS. However, these challenges can be effectively addressed through consistent practice and full implementation in the coming years, as the convergence within the Indian corporate sector is still in its initial stages. Once this implementation is fully realized, stakeholders, including auditors, corporations, investors, and the government, will experience significant benefits, leading to enhanced transparency and trust in financial reporting.
The implementation of Ind AS can assist smaller firms in streamlining their financial reporting processes, resulting in reduced costs and improved efficiency. Having transparent and comparable financial reports can enhance investor confidence, which may lead to increased investment and growth opportunities. By adopting Ind AS, smaller firms can gain a competitive advantage in their industry, as their financial statements will be more comparable to those of larger companies. To achieve compliance with Ind AS, it is essential to provide training and awareness programs for employees, management, and stakeholders about the requirements and implications of Ind AS. A principle-based approach should be adopted, emphasizing the underlying principles of Ind AS rather than merely following the rules.
Additionally, seeking professional guidance is crucial. Consulting with experts, including accountants, auditors, and consultants, can help ensure adherence to Ind AS. It is also important to periodically update and amend Ind AS to align with international standards and address emerging issues.
The study is limited to the 13 non-financial companies, which were selected from the top 30, and financial companies were excluded according to the transition phases. As till now, banking and financial companies have not been adopted and will take at least two years to come into action for the sector (Rawat, 2023). Further study can be extended to the financial companies and to the other sectors of the industry.

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