

I. ABSTRACT

Effective accounting practices are essential for generating high-quality accounting information, which is crucial for making sound financial decisions efficiently. Nowadays, accounting extends beyond mere technical tasks such as recording, measuring, and interpreting data; it has evolved into a social practice that impacts individual and organizational behaviors, operations, and advancements.

The liberalization, privatization, and globalization policies in India prompted companies to prioritize global acceptance and marketability. In response to market expansion and foreign investment opportunities, companies as well as the regulatory bodies emphasised transparency and disclosures. Globally, information asymmetry impedes investment opportunities, making timeliness and transparency in financial information crucial for attracting foreign investments. Therefore, ensuring comparability of financial statements is vital as it enhances both the aspects. The conceptual framework of the International Accounting Standards Board (IASB) also emphasised on comparability and classified it as one of the qualitative characteristics of financial information. In order to mitigate the problem of comparability, the International Financial Reporting Standards (IFRS) were released. While many nations shifted from the 'rule-based' domestic frameworks to the new 'principle-based' international framework, few decided to converge with it, India being one of them.

Accounting in India can be traced back to the Vedic era. Chanakya's Arthashastra discussed the concepts of periodicity, consistency, and disclosure practices which are believed to lay the foundation of accounting practices in India. After the British conquered India, India's legal and accounting structure was created based on British rules and practices. Post-independence, the preparer of the Indian Generally Accepted Accounting Principles was the Institute of Chartered Accountants of India (ICAI). The same body was delegated with the responsibility to draft a new set of standards based on the IFRS. The ICAI brought the new Indian Accounting Standards (Ind AS). Ind AS was prepared providing various relaxations based on the economic structure of India. The policymakers ensured that economic stability was not affected due to the shift in the reporting framework and resulting changes in reported financials. Accordingly, Ind AS provided reliefs in accounting treatments of various aspects including long-term foreign currency monetary items, carrying amounts of Property, plant and equipment, investments, intangible assets, amortization of intangible assets, recognition of government grants, etc. Reliefs were provided for the first-time adoption of Ind AS to address the transitional confusion. The Central Government announced a road map for Ind AS implementation. In phase-I, companies with a Net Worth of ₹500 Crores or more were instructed to mandatorily adopt Ind AS from the Financial Year 2016-17 and restate the financial results of 2015-16.

From the existing literature in this field, it was found that the researches in India relating to Financial Reporting are quite inadequate compared to other parts of the World. On the other side, researchers around the globe could not come to any unanimous conclusion regarding the impact of IFRS on adopting domestic

companies. Further, since Ind AS was not exactly IFRS, it might not follow any particular inferences of IFRS. This research aimed to address this gap and contribute Indian empirical evidence to the global work on financial reporting frameworks. We focused on the impact of Ind AS on the financials and earnings management practices. Earnings management is the managerial practice of stabilising the reported earnings for pre-determined incentives. Thus, earnings management is a barrier to good quality accounting information. The work has used secondary cross-sectional data for analysis. Companies listed in the National Stock Exchange of India and included in the Nifty 50 and Nifty Next 50 were selected for this study. The Phase I companies were picked and after necessary rejections, a sample size of seventy-one was finalized for the research. The research used the globally accepted Gray's Comparability Index method to assess the impact of the Ind AS on Net Worth, Reported Income, and Financial Ratios. The results obtained in this method were complemented by Non-parametric hypothesis testing of the equality of means. It was found that the transition to Ind AS did impact financial reporting. Statistically significant impact was witnessed in Net Worth, Liquidity Ratio, Leverage Ratio, and Return on Equity Ratio. Apart from the last, all of them were improved post-transition. However, profitability did not witness any considerable change. It was found that there existed a significant correlation between cashflows and accruals in India. This was an early indication of the prevalence of earnings management practices. A four-metric multiple regression analysis method was used to identify the changes in the variability of net income, the changes in the variability of net income over cashflows, the correlation between the cashflows and the accruals, and the existence of small positive earnings. The tests were

performed for the financial years 2015-16, 2017-18 and 2022-23. Earnings management was slightly increased immediately after the transition. However, as the companies became more accustomed to the new framework, a stronger opposite result could be observed in 2022-23. We argue that the transitional reliefs and initial applicational difficulties might have resisted the Ind AS to control earnings management. However, over time, Ind AS seemed to achieve the expected results. Thus, the transition from domestic to international standards was apparently beneficial for India. Nevertheless, to maintain relevance and global acceptance, it is essential to consistently align Ind AS with the corresponding IFRS through regular synchronization.