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The Impact of International Financial Reporting Standards (IFRS) on Multinational Companies at Karnataka

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ABSTRACT: The adoption of IFRS has significantly impacted MNC's by promoting uniformity and transparency in financial reporting across borders. IFRS provides a common accounting language that enhances comparability and reliability of financial statements, facilitating better decision making for investors and stake holders. For MNC's this standardization reduces the complexity and cost associated with maintaining multiple accounting systems to comply with different national regulations. It also improves the efficiencies of capital markets by reducing information asymmetry and fostering investor confidence. Furthermore, the consistent applications by providing clearer financial insights. However, the transition to IFRS can be challenging and costly for MNC's. It requires substantial changes in accounting systems, processes, and employee training.

I. INTRODUCTION

Financial statements provide inputs for most business and economic decisions. However, when these statements are not transparent and reliable, it could have a huge negative impact on growth of business enterprises, and economy at large. Hence it is essential to regulate the accounting process that helps in preparing financial statements. In order to provide transparency, consistency, comparability, adequacy and reliability of financial reporting, it is essential to standardize the accounting principles and policies. Accounting standards provide a framework and standard accounting policies so that the financial statements of different enterprises become comparable. This study seeks more knowledge of accounting and how it has been applied with the standard established by ICAI. As we knew the accounting standards belongs to India will be issued by ICAI in the name of IGAAP. Now the trend has been changed due to globalization we can say that vast of changes are required in accounting as well as reporting.

Significance of the Study

1. It provides comprehensive understanding of global accounting principles.
2. It promotes Transparency and Comparability in Finance Reporting.
3. It is vital for staying competitive in today's Global Environment.

Scope of the Study

This study focuses on understanding GAAP, IAS and IFRS, How IFRS has been adopted in different stages and the phases of IFRS adopted in India. This study is limited to analyzing the problems and difficulties faced by MNC's in implementation of IFRS. The study is limited in analyzing the impact on IFRS adoption in MNC's belongs to Karnataka only.

Statement of Problem

As we know every company who having subsidiaries in other countries facing the problem of preparing financial reports. They are required to preparing financial reports under the rules and regulations of ASB in the country where they establish their subsidiary companies or if they are following IFRS, they have to convert their financial statement reports to IFRS.



'The convergence of IFRS have several benefits as we looked out there will be several problems that will be faced on the way of IFRS convergence'.

As more and more countries adopt IFRS, a greater number of difficulties has to face by the countries who having subsidiaries in other countries. Through converging IFRS the accounting principles, taxation systems, accounting treatment for different transactions will be changed, funding, staffing, and governance will be needed, and for implementing the IFRS number of regulations were required to follow, discontinuity of old accounting standard will arise, culture and structure will change in capital markets.

Objectives of the Study

1. To study on IGAAP, IAS and IFRS.
2. To examine the problems faced by MNC's in convergence to IFRS.
3. To focus on the measures taken to address the challenges.
4. To analyze the Impact of IFRS on Multinational Companies in KARNATAKA.

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Research Methodology

A combination of descriptive and analytical methods is used for the study.

Descriptive Study- It is one of the studies, that is designed to describe the distribution of one or more variables without regard to any casual or other hypothesis.

Analytical Study- It is a specific type of research that involves critical thinking skill and the evaluation of facts information relating to the research being conducted.

Source for Collection of Data

- a. Primary Data
- b. Secondary Data

Primary Data

The data has collected from the respondents through questionnaires from 40 respondents. The 40 respondents have been selected from 4 categories who are working in an organization. i.e. Accountants, Auditors, Professionals, Professors and Others.

Secondary Data

The data collected through the reference books, journals, newspapers, website, and articles.



Sampling Technique

A non-probability sampling technique is followed to select the samples from the population defined; samples were selected conveniently from the population. Due to time and cost limitations, a non-probability sampling technique is selected over the probability technique.

Plan of Analysis

Collected primary data from the respondents will be analyzed to full fill the objectives. It helps to identify the problems faced by companies in convergence of accounting standards into IFRS and can generate measures to solve the problems faced by companies in convergence and analysis focus on creating awareness about IFRS implantation.

Questionnaire

The questionnaire which I have prepared related to one of my objectives of the study, i.e. To collect the opinion of industrial experts as well as professions about convergence of IAS, GAAP with IFRS. I have been selected multiple choice questions for questionnaire to complete my small study

The information required is an opinion about conversion of IAS to IFRS and how it impact on MNC's situated in INDIA, and problems which are faced in conversion.

Target Respondents

Industrial experts, Professionals, Auditors and commerce teachers.

Methods of reaching target respondents - Questionnaire.

Content of Questions

1. Name of respondents.
2. Work.
3. Designation.
4. Are you from commerce Background?
5. Are you aware about IFRS?
6. Do you feel implementation of IFRS in MNC's is advantage?
7. Do you know the difference between IAS, GAAP and IFRS?
8. Is IFRS implemented in the company your working / Is IFRS has been included in curriculum in their studies?
9. Is it necessary to implement IFRS in companies? Do you agree?
10. Is your company subsidiaries have knowledge about IFRS?
11. Do you feel implementation of IFRS will impact on tax?
12. Do your company subsidiaries have knowledge about IFRS?
13. Do you say IFRS will help your subsidiary?
14. Are you aware about IFRS help subsidiaries situated in different location?

Methodology

- The study includes initial data collected from questionnaire.
- The study includes original data collected with different people related to the area of study.
- The study also includes data which I have collected through internet, which helped me in framing questions and it is based on reference of previous projects.

Hypothesis

H₀: Null Hypothesis - Respondents opinion about not to implementation of IFRS.

H₁: Alternative Hypothesis - Respondents opinion about implement IFRS.



Data Analysis

I have received responses from 40 respondents and data is as follows,

Table – 1 Showing the occupation of respondents.

Occupation	No of Respondents	Percentage	Mean	Standard Deviation
Auditors	20	50	2.075	1.669
Professionals	07	17.5		
Professor	05	12.5		
Accountant	06	15		
Others	02	05		
Total	40	100		

Analysis: Occupation has been seen in above table that Auditors are 50%, Professionals are 17.5%, Accountants are 15%, Professors are 12.5% and others are 5%.

Table – 2 Shows the designation of respondents.

Designation	No of persons	Percentage
Principal	01	2.5
Head of The Department	01	2.5
Professor	01	2.5
Associate professor	01	2.5
Assistant professor	03	7.5
Accountant	06	15
Professionals	07	17.5
Auditors	20	50
Total	40	100

Analysis: Designation of respondents has been seen in above table that Auditors are 50% , Professionals are 17.5%, Accountants are 15%, and rest are 17.5%.

Table – 3 Shows the stream of study by respondents.

Stream of study	No of respondents	Percentage
Commerce	37	92.5
Management	03	7.5
Total	40	100

Analysis: Stream of the study has been seen in above table that 92.50% are from Commerce and 7.50% are from management.

Table – 4 Shows respondents awareness about IFRS.

Response	No of respondents	Percentage
Yes	40	100
No	00	0
Total	40	100

Analysis: Awareness about IFRS of respondents has been seen in above table is 100% yes.



Table – 5 Shows about knowing the difference between IAS, GAAP and IFRS.

Response	No of respondents	Percentage
Yes	40	100
No	00	0
Total	40	100

Analysis: The above table shows about knowing about the difference between IAS, GAAP and IFRS is 100% yes.

Table – 6 Shows about Implementation of IFRS in company/ curriculum where the respondents work.

Response	No of respondents	Percentage
Yes	34	85
May be	02	5
No	04	10
Total	40	100

Analysis: The above table shows about Implementation of IFRS in company or Curriculum at work place is 85% yes, 10% no and 5% is May be.

Table – 7 Shows the necessity of implementation of IFRS in companies.

Response	No of respondents	Percentage	Mean	SD
Strongly Agree	08	20	2.05	0.547
Agree	28	70		
Neutral	01	2.5		
Disagree	02	5		
Strongly disagree	01	2.5		
Total	40	100		

Analysis: The above table shows the necessity of implementation of IFRS in companies 70% is agree, 20% is strongly agree and 5% is dis agree and neutral and strongly disagree have 2.5% each.

Table – 8 Shows Implementation of IFRS is benefited to companies or not.

Response	No of respondents	Percentage
Yes	34	85
May be	03	7.5
No	03	7.5
Total	40	100

Analysis: From the above table we can see Implementation of IFRS is weather benefited to companies or not, and 85% is yes may and no have 7.5% each.

Table – 9 Shows whether the company is global organization or not.

Response	No of respondents	Percentage
Yes	30	75
No	10	25
Total	04	100

Analysis: The above table shows weather the company is global organisation or not, 75% is Yes and 25% is No.



Table – 10 Shows company subsidiaries awareness about IFRS.

Response	No of respondents	Percentage
Yes	28	70
No	12	30
Total	40	100

Analysis: The above table shows company subsidiaries awareness about IFRS and 70% is Yes and 30% is No.

Table – 11 Shows IFRS help company subsidiaries.

Response	No of respondents	Percentage
Yes	31	77.5
May be	05	12.5
No	04	10
Total	40	100

Analysis: The above table shows that IFRS help company Subsidiaries and 77.5% is Yes, 12.5% is may be and 10% is No.

Table -12 Shows weather IFRS will impact on Tax.

Response	No of respondents	Percentage
Yes	31	77.5
May be	05	12.5
No	04	10
Total	40	100

Analysis: The above table shows that Weather IFRS will impact on Tax, 77.5% is yes, 12.5% is May be and 10% is No.

Table – 13 Shows IFRS helps subsidiary in different location.

Response	No of respondents	Percentage
Yes	34	85
May be	03	7.5
No	03	7.5
Total	40	100

Analysis: The above table shows IFRS help subsidiaries in different Locations and 85% is Yes, 7.5% is May be and 7.5% is No.

Findings

Respondents are answered questionnaire and response was below, The good Majority 50% of them are Auditors and according to respondents' data and also found their designations are maximum accountant as auditors, taking into consideration they are maximum from commerce background and respondents are aware about IFRS is 100%. Later they all also know about difference between IAS, GAAP and IFRS 100%, They agreed implementation of IFRS in companies is 70%, Majority of the respondents felt about implementation of IFRS is benefited to the company itself and maximum respondents felt companies subsidiaries are too aware about IFRS 70% and it will be helpful for the company subsidiaries 77.5% and Majority of respondents felt about IFRS will impact of Tax 77.5%. Even from the above study with the statistical result of Mean 2.05 and Standard Deviation is 0.547 the respondents are felt there is a necessity of implementation of IFRS in companies.



Hypothesis Result

It has been felt by respondents to implement IFRS in companies hence null hypothesis (H_0) is rejected and the alternative hypothesis (H_1) is accepted.

Suggestions

The study is based on only one objective of my study i.e., collecting the pinion of industrial experts, professionals about convergence of IAS, GAAP and IFRS. At the beginning application of Accounting Standard from IFRS may be difficult later the problems will become opportunity and it avoid mistakes as confusions due to continuation of applicability of IFRS. And Companies are aware about Accounting Standards within IFRS but they should find a way to implement it completely, when company wanted to operate their business globally, they must go for application of IFRS in order to maintain consistency, reliability and efficiency. And for the accounting professionals should guide them in application of IFRS. If the application of IFRS is done by accompany they can compete other companies globally. Even they should apply it voluntarily for their own growth both Internally and Externally.

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