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Impact of Indian Accounting Standards (Ind-AS) on financial statements: an assessment

Impacto de las normas de contabilidad india (Ind-AS) en los estados financieros: una evaluación

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Abstract
This study was undertaken to assess the impact of Indian Accounting Standards (Ind-AS) on the financials of select Indian industries in comparison to what they were under the previously practiced Indian GAAP. The impact of Ind-AS on financial statements were examined by using the differential impact and dimensional impact on 38 items (variables) of balance sheet, 12 items of profit and loss account, and 12 financial ratios.It revealed that Ind-AS has a mixed impact on the financial statements of Indian companies.
key words: Dimensional impact, Differential impact, financial indicators, I-GAAP, Transition, Ind-AS

Resumen
Este estudio se realizó para evaluar el impacto de las normas de contabilidad indú (Ind-AS) en las finanzas de industrias indúseleccionadas en comparación con lo que estaban bajo los PCGA indúpracticados anteriormente. El impacto de Ind-AS en los estados financieros se examinó utilizando el impacto diferencial y el impacto dimensional en 38 ítems (variables) del balance general, 12 ítems del estado de pérdidas y ganancias y 12 ratios financieros. Reveló que Ind-AS tiene un impacto mixto en los estados financieros de las empresas indias.
Palabras clave: Impacto dimensional, impacto diferencial, indicadores financieros, I-GAAP, transición, Ind-AS

1. Introduction

A uniform accounting standard may improve the qualitative values of accounting in terms of transparency and harmonisation of financial reporting. Ministry of Corporate Affairs (MCA) of India also initiates to update the existing accounting standards and improve the financial reporting practices by converging Indian Generally Accepted Accounting Principles (Indian GAAP or I-GAAP) as Indian Accounting Standards(Ind-AS), which is at par with International Financial Reporting Standards (IFRS). In the process of convergence, certain structural changes with the format of balance sheet and profit & loss accounts in terms of addition of variable and or renamed of

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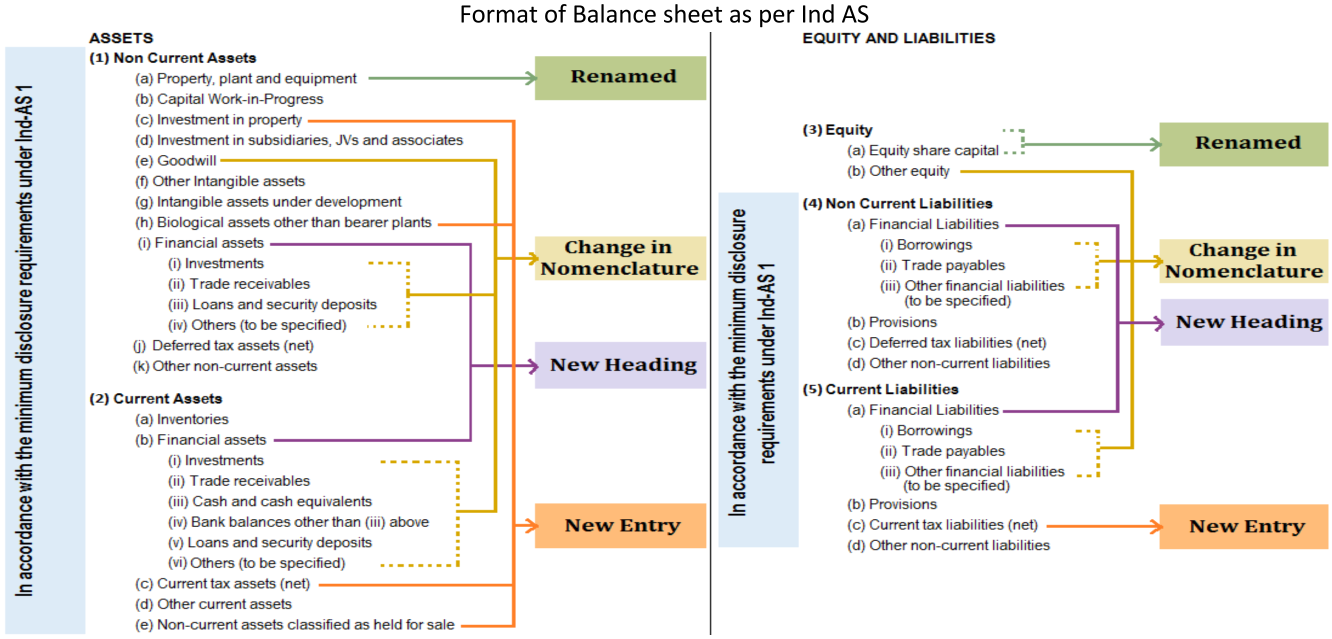
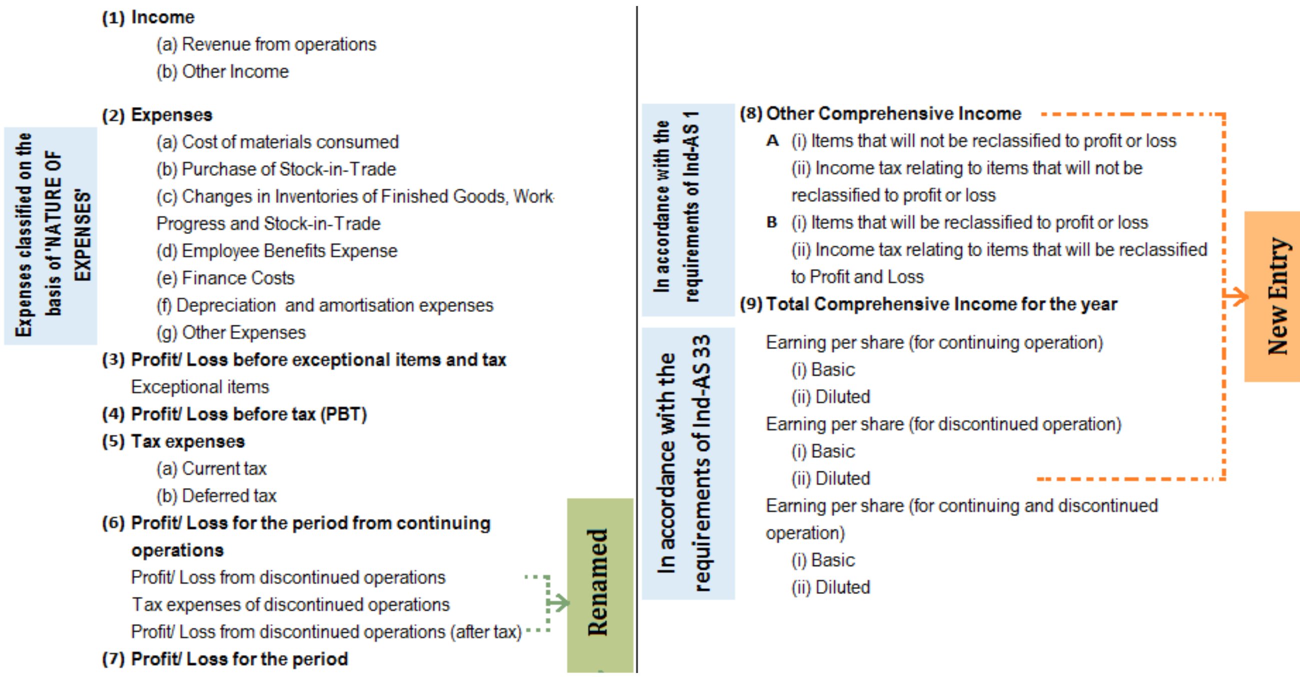
variable have been made, as stated in Figure 1 and Figure 2. The aim of the study is to assess the impact of convergence in financial statements. The study enables to answer whether the transition of accounting standards, i.e., Indian Generally Accepted Accounting Principles (I-GAAP) to Ind-AS has any significant influence on the financials of specific industry. If yes then which dimension and what extend the impact have occurred. The study considered the financials prepared by both the standards-based financial statements of the 54 Bombay Stock Exchange (BSE) listed companies for the transition period i.e. end March 2016, belongs to eight industries, namely, Fast Moving Consumers Goods (FMCG), Manufacturing, Metal, Oil & Gas, Pharmacy, Power, Information and Technology (IT) and Real estate. Each financial statements and notes to accounts have investigated thoroughly in order to the change in accounting policy for identification of key variables. The relevant information with respect to key variables in form of I-GAAP and Ind-AS have gathered in tabular format and segregated by company and industry specific. Various financial ratios such as Debt Equity Ratio, Capitalisation Ratio, Current ratio, Return on Assets (ROA), Return on Equity (ROE), Net Profit Ratio, Employee benefit to total Expenditure ratio, Fin Leverage, Net Profit Margin also measured for the significant impact analysis. The analysis of all the financial variables, i.e., balance sheet variables, profit & loss account variables and financial ratio variables have been tested through differential impact approach and dimensional approach (Sardar S. et al 2018).

Figure 1
Format of Balance sheet as per Ind AS



Source: Ind AS financials of balance sheet as per the amended Schedule III

Figure 2
Format of Profit & Loss account as per Ind AS



Source: Ind AS financials of profit and loss account as per the amended Schedule III

1.1. Literature review

Daske, H. et al. (2008) have conducted a study to examine the economic consequences of mandatory implementation of the International Financial Reporting Standards (IFRS) and reporting practices around the world. The study have been analysedthe impact on the cost of capital, market liquidity, and Tobin's q in 26 countries that mandatorily adopt IFRS. From the study hey observed that, introduction IFRS will increase the market liquidity and equity valuation and caused for decrease in cost of capital, subject to the possibility that the impact occurs. Again, they found that countries having strong legal enforcement and transparent policy will gain benefits from capital market.

Durukan, B. Et al. (2012) have conducted a study to measure the effectiveness of a corporate governance system. The disciplinary Chief Excecutive Officer (CEO) turnover is more strongly associated with corporate performance as compared to voluntary CEO turnover, whereas in the IFRS sub-sample the relationship is stronger with contemporaneous performance measures in Turkey.

A study conducted by Lee Y.H. et al (2015), to examine how voluntary International Financial Reporting Standards (IFRS) adoption influences the earnings quality and the cost of debt of unlisted firms in Korea. They found from the study that firms thatadopt IFRS have a higher earnings quality and a lower cost of debt that those which do not. These findings suggest that when unlisted firms issue bonds and borrow money, IFRS adoption contributes to decreasing the cost of debt.

Terzi, et al. (2013) have conducted a study to investigate the significant effects of transition from local General accepted accounting principles (GAAP) to IFRS on 140 manufacturing companies of Turkey. They found that adoption of IFRS had a statistically significant effect on inventories, fixed assets, long-term liabilities, and shareholders' equity. They have also indicated that, impacts of IFRS are different from one another at the industry level.

A study prepared by the Institute of Chartered Account of India (ICAI, 2018) detailed analysis ofthe impact of Ind-AS. They have conceded on consolidated financial statements quantitative and qualitative impact analysis of Ind-

AS of select 170 listed companies from different industry groups. The aim of the study was on Ind-AS transition impact on key financials. They have also analysedqualitative analysis, which is a study of survey-based industry experience on implementation of Ind-AS gathered from a few industry experts. The results of the study advocate no extensive impact on key financials such as tangible assets, total assets, equity, borrowings, revenue and profit after tax at the aggregate level. However, the study reveals a diverse impact of Ind-AS on Indian industries after mandatory implementation.

Das, Surajit, and T. R. Saha. (2017) conducted a parallel comparison between IFRS and Indian GAAP and documented the basic difference between two standards. The study was based on the analysis of five voluntarily IFRS implemented Indian information and technology (IT) companies. The analysis revealed an absolute difference between I-GAAP and Ind-AS but except liquidity position no financial indicators have a statistically significant difference. On the other hand, the study found that implementation IFRS can increase the market value in terms of foreign investors, foreign acquisition etc.

Hung and Subramanyam (2007), using a sample of German companies, researched the impact of the adoption of IFRS from1998 through 2002. They concluded that the value of total assets, the value of equity and variability of net earnings are significantly higher under IFRS compared to the German Accounting Standards. However, they could not support anespective change on financial ratios, which were examined.

Jamiu.M, (2016) conducted a to Highlight the benefits, challenges andidentifying the major differences between Nigerian Generally Accepted Accounting Principles and IFRS. adoption of IFRS has led to a decrease in Return on Shareholders' Fund, return on Capital Employed, Current Ratio and Earnings Per Share which signify that the adoption of IFRS has a significant impact on four financial ratios, namely, Return On Capital Employed(ROCE), Current Ratio (CR) and Earning Per Share (EPS).

Athma and Rajyalaxmi (2013), on their study they have done researches to study the phase-wise and sector-wise implementation of IFRS in India. The authors have elaborated that IFRS Reporting is made mandatory in three phases, i.e. (phase I- 1st April-2011), (phase II- 1st April 2013), (phase III- 1st April 2014) and segregated mandatory implementation of IFRS by Indian corporate in all phases.

Achalapathi.K.V and BhanuSireesha.P (2015), have conducted a study to empirically investigate the significant differences of financial statement as prepared with I-GAAP and IFRS procedure of 10 Indian companies that have voluntarily adopted IFRS. These researchers have concluded that IFRS adoption has led to a statistically significant increase in liquidity, profitability and valuation of ratios and optimises the ROA and ROE of Indian companies. The transition to IFRS provides an opportunity for capital maintenance and protection against risk.

Swaminathan.S, (2011) has conducted a study to analyse that the most probable reasons for difference in total assets are its fair value measurement, difference in the basis of interest capitalization, deferred tax asset recognition and difference in accounting for foreign currency forward contracts, It shows that the Indian accounting standards are conservative. Return on equity, return on asset, total asset turnover and net profit ratios are not significantly affected by converging to IFRS but the Fin leverage ratio shows significant change on converging with IFRS.

2. Methodology

The broad objective of this study is to make available empirical evidence for significant impact of Ind-AS on financial statements and financial ratios of Indian Industries.

2.1. Data Source

Financial data extracted from published audited annual report for the financial year / the transition year 2015-2016 of 8 Ind-AS comply Indian Industries, namely, FMCG, Manufacturing, Metal, Oil & Gas, Pharmaceuticals, Power, IT, Real-estate.

2.2. Method of data collection

As stated earlier, MCA (Ministry of Corporate Affairs) notifies for mandatory implementation of Ind-AS to all Indian corporate having net worth more than Rs. 250 crore (or 2.5 billion USD) by the transition year 2015-2016. Every company directed to prepare their annual report in both Previous Indian GAAP (Accounting Standard) and with Ind-AS for the financial year 2015-2016. For this, financial data were collected from the published audited annual report of 54 S&P BSE 500 listed companies for the financial year 2015-2016.

2.3. Periodicity

As regard use of statistical data for analyses, the study contains a period of one financial year, i,e,, 2015-2016 for transition impact analysis.

2.4. Determination of sample size and sampling

To analyse the transition impact analysis the sample selection have been made if the company qualify: (1) If the company comes under mandatory implementation process and having net worth more than Rs. 250 (or 2.5 billion USD) crore. (2) If the company discloses the financial statements in the annual report of the financial year 2015-2016 both previous Indian GAAP basis as well as Ind-AS basis and signify the difference.

Companies are selected on simple random basis after considering the above qualifying conditions. Finally a list of company 54 companies have been selected comprises of 8 industry listed in details in Annexure 1.

3. Results

3.1. Identifications of variables for transition impact

To analyse the transition impact the selected variables are the financials from “Balance sheet”, “Profit and Loss account” and financial ratios, namely, “Debt Equity Ratio”, “Debt Ratio”, “Equity ratio”, “Capitalisation Ratio”, “Liquidity Ratio”, “Liquidity Ratio”, “Current Ratio”, “Quick Ratio”, (Return On Asset) ROA”, “ (Return On Equity) ROE”, “Net Profit Ratio”, “Employee benefit to total expenditure”, “Fin Leverage”, “Net profit margin” The details of variables of balance sheet, Profit and Loss Account and the “financial ratios” to analyse the transition impact are displayed in Table 1, Table 2 and Table 3 respectively. Differential Impact as Percentage change over I-GAAP to Ind-AS and Dimensional Impact have been calculated for all the valuables, i.e., Assets, Equity and liabilities, profit and loss account and financial ratios inTable 4, Table 5, Table 6 and Table 7 respectively.

Table 1
List of variables taken from “Balance sheet” Items transition impact analysis

ASSETS	
Non-currentAssets	**Equities and Liabilities**
Property, Plant and Equipment	**Equities**
Capital work-in-progress	Equity share capital
Goodwill	OtherEquity

Other Intangible assets	Total equity
FinancialAssets	**FinancialLiabilities**
Investments	Borrowings
Loans	Otherfinancialliabilities
Other financial assets	Provisions
Deferred tax assets (net)	Deferredtaxliabilities (net)
Other non-current assets	Other non-currentliabilities
Total non-currentassets	Total non-currentliabilities
CurrentAssets	Short termBorrowings
Inventories	Tradepayables
Investments	Otherfinancialliabilities
Trade receivables	Othercurrentliabilities
Cash and cash equivalents	Provisions
Bank balances other than Cash and cash equivalents	CurrentTaxLiabilities (net)
Loans	**Total currentliabilities**
Other financial assets	**Total equity and liabilities**
Other current assets	**Total liabilities**
Total current assets	
Total Asset	

Source:New format of financial statement from MCA notification

Table 2
List of variables taken from “Profit and Loss” Items transition impact analysis

1. RevenuefromOperations	2. Total income	3. Total exp
4. PBT	5. PAT	6. Net profit
7. Employeebenefits expense	8. ExciseDuty	9. Financecosts
10. Depreciation and amortization expense	11. Currenttax	12. Deferredtax (net)

Source: Variables identified from review of litreature

Table 3
List of variables taken from “Financial ratios”
transition impact analysis

Sl.	Financial Ratios Variables	Sl No.	Financial Ratios Variables
	Capital Structure Ratio		***Profitability ratios***
1	Debt to Equity ratio	7	ROA
2	Debt ratio	8	ROE
3	Equity ratio	9	Net Profit ratio
4	Capitalisation Ratio	10	Employee benefit to total expenditure
	LiquidityRatio	11	Fin Leverage
5	Current Ratio	12	Net profit margin
6	Quick Ratio		

Source: Variables identified from review of litreature

3.2. Differential and dimensional Impact of Ind-AS

To examine the extent to which mandatory implementation of Ind-AS has affected the financial statements of Indian industries, two approaches, namely, differential impact (Dif impact) and dimensional impact (Dim impact) have been used.

3.3. Differential impact for balance sheet variables and profit & loss account variables

The differential impact has been calculated for each variable of the balance sheet and profit & loss Account of each company individually by using the formula:

Differential Impact score = [(Value of Ind-AS - ValueIof I-GAAP) / Value of I-GAAP]×100 .... (1)

Table 4, 5 and6 have been formulated by executing the above formula. Firstly the Eqn. has been calculated to the individual company to finding out company specific differential impact score. The differential impact score of individual company put together with the concerned industries and divided by the number of individual companies come under that industry as per Annexure 1for estimating the industry specific differential impact. The Dif impact for all industries has calculated by aggregating the Dif impact of all individual companies divided by 54, i.e., (total number of sampled companies).

3.4. Differential impact for financial ratios variables

The financial ratios are calculated by using the formula as stated in Annexure 2 for each company I-GAAP and Ind-AS separately. Then from those calculated financial ratios the differential impact have been calculated as (financial ratio of Ind-AS – financial ratio of I-GAAP) for each financial ratio variables stated in Table 7. The differential impact of financial ratio variables of individual company put together with the concerned industries and divided by the number of individual companies come under that industry as per Annexure 1 for estimating the industry specific differential impact of financial ratios. The Dif impact for all industries has calculated by aggregating the Dif impact of all individual companies divided by 54, i.e., (total number of sampled companies).

3.5. Test of normality for all variables

After estimating the Dif impact of all financial variables of balance sheet, Profit & Loss account and financial ratios the normality test have been under taken through famous non-parametric normality test, i.e., Kolmogorov-Smirnov and Shapiro-Wilk. From the normality test as stated in Annexure 3.

3.6. Dimensional impact for all variables

By considering the Dif impact, number of occurrence of ‘Positive’ or ‘Negative’ impact by individual company for a variable with the concerned industry have been calculated for industry level dimensional impact. The same procedures have been applied for the variables of balance sheet, profit & loss, and financial ratios as well.

The dimension of a variable within an industry is categorised as “Positive” if the proportion of positive score at the individual company level is considerably higher within that industry and vis-a-vis for “Negative” dimension of an industry. The dimension of a variable is said to be “No impact” if the concerned companies of a industry having equal amount of “Positive” and “Negative” score for that industry. If the 50% of the companies of a concerned industries shows “No impact” then the rest 50% impact status have been taken into consideration, if the proportion of rest 50% companies shows positive dimension then it is said to be “Relatively Positive” and vis-a-vis for “Relatively Negative” dimension.

Table 4 contains the Dimensional impact and Differential impact of 8 industries and all industries together of all financial variables, namely, assets (19 variables) and of Equity and Liabilities (17 variables) which will help for the in depth-interpretation.

Table 4
Industry specific Differential and dimensional Impact of Ind-AS for Balance sheet variables

Industries Assets	FMCG	Manu-facturing	Metal	Oil& Gas	Phar-macy	Power	IT	Real Estate	AllIndustry
Property, Plant and Equ ipment	0.372	-5.750	0.868	-8.333	-0.052	-10.701	-0.818	103.80	17.621
	↓	↓	↓	↓	↑	↓	⇎	⇡	↓
Capital work-in-progress	-10.569	-3.066	1.696	-2.809	2.107	-25.819	17.794	-0.351	-4.480
	⇣	⇣	⇎	↑	⇎	⇣	⇎	⇎	↓
Goodwill	102.680	5.157	0.600	-14.355	-10.596	112.956	-35.50	12.255	19.328
	⇣	↓	⇎	⇎	⇣	⇎	↓	⇎	⇣
Other Intangible assets	21.434	-3.784	1.115	10.291	262.347	44.734	483.87	1.824	60.358
	⇎	⇣	⇣	⇎	⇣	⇎	↑	⇎	⇣
Investments	-12.873	25.706	0.258	20.854	82.507	70.204	-28.73	4.001	27.788
	⇎	⇎	⇡	⇎	↑	↑	⇣	⇎	↑
Loans	-8.437	-13.775	0.754	117.91	-18.181	-25.168	-1.005	-8.169	4.026
	↓	⇣	⇡	↓	↓	↓	⇣	⇣	↓
Other financial assets	-1.570	8.759	-0.660	-16.667	32.678	142.577	-35.88	67.068	44.483
	⇎	↓	⇡	⇎	↓	↑	↓	⇡	⇣
Deferred tax assets (net)	77.766	-0.825	0.554	-1.325	56.267	-13.094	-8.056	265.44 8	60.424
	↑	⇎	⇎	⇎	⇡	⇡	↓	⇡	↑
Total non-currentassets	1.049	0.999	0.886	-2.997	4.516	-25.506	-15.80	22.322	-0.227
	↑		↑	↓	↑	↑	↑	↑	↑
Inventories	-0.107	2.273	1.165	-1.681	-0.788	-24.006	0.000	-0.602	-2.801
	⇣	⇡	⇣	↓	⇣	↓	⇎	⇣	↓
Investments	2.299	9.673	0.575	0.476	48.614	-29.426	51.528	3.377	8.054
	⇡		⇡	⇎	↑	⇎	⇎	↓	⇡
Trade receivables	-2.924	-3.263	1.196	-4.440	-2.435	-17.903	-9.304	-0.040	-4.434
	↓	↓	↓	⇣	⇣	⇎	↓	⇣	↓
Cash and cash equivale nts	-4.250	-1.174	1.158	-12.401	-10.570	-24.357	20.879	-1.237	-6.924
	⇣	⇎	⇣	⇎	⇣	↓	⇎	↓	↓
Bank balances other than Cash and cash equivalents	0.268	-4.061	0.827	-16.548	-0.427	-19.185	0.155	0.193	-5.036
	⇡	⇎	⇎	⇎	⇡	⇎	⇎	⇡	⇡
Loans	-2.434	-10.275	0.999	-1.242	1.195	-43.333	87.394	-3.728	-5.683
	⇎	⇣	⇎	⇣	⇎	⇣	⇎	⇣	⇣
Other financial assets	-2.236	-6.199	-2.792	-0.385	-18.669	-9.427	-17.12	0.071	34.349
	⇣	↓		⇣	↓	↑	↓	⇣	⇣
Other current assets	20.005	37.181	1.157	-1.582	18.400	203.127	-4.191	0.820	31.738
	↓	⇣	↓	↓	⇎	↑	↓	↓	⇣

Industries / Assets	FMCG	Manu-facturing	Metal	Oil& Gas	Phar-macy	Power	IT	Real Estate	AllIndustry
Total current assets	0.239	-2.435	1.785	-2.955	-0.943	-16.995	1.018	-0.761	-2.820
	⇎	⇎	↑	⇣	↓	↓	↑	↓	⇣
Total Asset	0.702	-2.564	0.949	-2.272	2.660	-21.099	-6.671	4.911	-1.486
	⇎	↓	↓	⇎	↑	↑	↓	↑	↑
	↑	Positive		↓	Negative		⇎	MixedImpact	
	⇡	Relatively positive		⇣	RelativelyNegative				

Note: (1) Under each variables, first row represents the 'Differential Impact' (Dif impact) level impact and second row implies 'Dimensional Impact' (Dim impact) of Ind-AS.

'Positive' ↑ signifies the majority of companies' Ind-AS impact within the industry group is positive

'Negative' ↓ signifies the majority of companies' Ind-AS impact within the industry group is negative.

' Mixed Impact' ⇎ signifies if the companies' Ind-AS impact within the industry group is equal number of positive and negative.

'Relatively positive' ⇡ signifies If the 50% of the companies of a concerned industries shows "No impact" then the rest 50% impact status have been taken into consideration, if the proportion of rest 50% companies shows positive dimension then it is said to be "Relatively Positive". And for "Relatively Negative" ⇣ notations may be treated in same concept. 'No impact' means when there is 0 impact as per the formula: [(Value of Ind-AS – Value of I-GAAP) / Value of I-GAAP]×100

Source: Estimated Differential and dimensional Impact of Ind-AS for balance sheet

3.7. Assets

For all the industries, the impact of Ind-AS on total assets shows a positivedimensional impact (Dim impact) of -1.486 differential impacts (Dif impact). Industries such as Manufacturing (-2.564%), Metal (0.949), IT (-6.671%) shows a negative Dim impact and Dif impact as mentioned for a total asset. The part of atangible assets, i.e., property plant and equipment (PPE) gives a clear indication of negative Dim impact by majority of companiesacross all industries except pharmaceuticals and realestate industry. However, IT industry has no Dim impact for PPE. The Dif impact of PPE for Real Estate industries is 103.804%, because of an individual company named Omax, which PPE has increased, by 482% in comparison from I-GAAP to Ind-AS. Reason behind this is the fair valuation of land as per Ind-AS 101. The intangible assets such as goodwill (19.328%) and other intangible assets (60.358%) shows a negative Dim impact across all industries but have a significant positive Dif impact that's because 7 companies from IT and power industries shows a high Dif impact and all rest 47 companies shows negative Dim impact. The variables net differed tax asset and net differed tax liabilities shows relatively positive dimension across all industries, which witnessed the difference between book profit and tax profit; were always unequal after Ind-AS implementation. The total current liabilities, across all industries, show a negative Dim impact with -2.820% Dif impact. Whereas, other current assets shows relatively negative impact for 31.738% as Dif impact because of Real Estate and power industry. The current asset item such as trade receivables, cash and cash equivalents, short term loans and financial assets show a relatively negative Dim impact ranges from -6.924% to -4.434% as Dif impact but bank balance consistently shows no Dim impact across all companies.

The following are some of the observations found as key drivers for significant impact of Ind-AS on financial variables of assets:.

Property, Plant and Equipment (PPE)

- Major inspections, Capitalisation of spare parts & overhaul costs were charged off to Profit or Loss under AS.
- Capitalising the decommissioning liabilities.

– Fair Value of asset and liability as deemed cost.

– Reversal of foreign exchange gains and losses of long term foreign currency monetary items which were capitalised under Indian I- GAAP.

Intangible assets

Changes of intangible assets importantly change in accounting policy for Subsidiaries, Investment policy in JVs, Arrangements and retrospective application of Acquisition Method of accounting for certain Business Combinations.

3.8. Equity and Liabilities

Table 5
Industry specific Differential and dimensional Impact
of Ind-AS for Balance sheet variables

Industries	FMCG	Manu-facturing	Metal	Oil& Gas	Pharmacy	Power	IT	Real Estate	AllIndustry
Equity and Liabilities									
Equity share capital	0.000	0.000	1.175	-1.555	-5.442	-28.769	-16.706	-5.775	-5.972
	⇎	⇎	⇎	⇎	⇎	⇎	⇎	↡	⇎
OtherEquity	6.930	-3.828	0.756	5.657	4.655	2.227	-2.047	-0.905	3.899
	↑	⇎	↑	↑	↑	↑	↓	⇎	↑
Total equity	6.773	-1.936	0.777	5.355	2.983	0.416	-3.074	-0.340	3.623
	↑	⇎	↑	↑	↓	↑	↓	↑	↑
Borrowings	-6.983	-0.130	0.824	-19.48	0.269	1.938	9.259	7.202	-1.134
	↓	↡	↓	↓	↡	↡	↓	↓	↓
Otherfinancialliabilities	-31.677	0.000	1.193	835.80	659.389	-37.669	-35.56	76.53	186.499
	↓	⇎	⇎	⇎	↟	↓	↓	⇎	↡
Provisions	-0.967	-0.564	1.966	-13.121	3.137	-16.769	54.695	51.877	9.379
	⇎	↡	⇎	↓	↡	↡	↑	↡	↡
Deferredtaxliabilities (net)	0.000	468.146	0.127	12.284	-5.701	-30.342	0.000	40.00	97.263
	↑	↓	↑	↑	⇎	↡	⇎	↑	↟
Total non-currentliabilities	7.780	1.782	0.935	-10.33	7.832	-11.597	50.588	13.42	6.013
	↓	↓	⇎	↓	↑	⇎	↑	↑	↟
Short termBorrowings	6.732	1.119	0.612	-5.469	-0.228	-16.667	-33.33	1.713	-3.066
	⇎	⇎	⇎	⇎	⇎	⇎	↡	↟	⇎
Tradepayables	-1.078	-0.674	1.993	-5.512	-0.719	-17.056	-8.144	0.614	-3.253
	↓	↡	↓	↡	↡	↡	↓	↟	↡
Otherfinancialliabilities	0.479	0.041	0.834	-7.505	14.422	1.949	-13.12	9.229	1.644
	↓	↓	⇎	↑	↟	↟	↓	↑	↓
Othercurrentliabilities	2.717	-8.193	1.368	-13.24	-12.254	-26.504	-14.85	17.56	-7.951
	↡	↓	↓	↡	↡	↓	↓	↑	↓
Provisions	-49.844	-28.021	0.956	-70.83	-19.738	-33.301	-33.21	-29.97	-33.621

Industries	FMCG	Manu-facturing	Metal	Oil& Gas	Pharmacy	Power	IT	Real Estate	AllIndustry
	↓	↓	⇣	↓	↓	↓	↓	⇣	↓
CurrentTaxLiabilities (net)	0.000	0.000	0.400	-2.504	8.037	-30.630	-10.31	8.607	-1.768
	⇎	⇎	⇎	⇎	⇎	⇎	↓	⇣	↓
Total currentliabilities	-5.473	-3.378	1.316	-24.50	-1.422	-18.652	-17.83	8.345	-5.963
	↓	↓	↓	↓	↓	↓	↓	⇎	↓
Total equity and liabilities	0.725	-1.866	0.940	-4.515	2.460	-10.024	-6.750	4.867	-0.395
	⇎	↓	↓	↓	↑	↑	↓	↑	↑
Total liabilities	-6.230	-3.225	1.496	-20.00	-0.636	-16.676	-6.624	8.405	-4.283
	↓	↓	↓	↓	↓	↓	↓	↑	↓
	↑	Positive		↓	Negative		⇎	MixedImpact	
	⇡	Relatively positive		⇣	RelativelyNegative				

Note: (1) Under each variables, first row represents the 'Differential Impact' (Dif impact) level impact and second row implies 'Dimensional Impact' (Dim impact) of Ind-AS.

'Positive' ↑ signifies the majority of companies' Ind-AS impact within the industry group is positive

'Negative' ↓ signifies the majority of companies' Ind-AS impact within the industry group is negative.

' Mixed Impact' ⇎ signifies if the companies' Ind-AS impact within the industry group is equal number of positive and negative.

'Relatively positive' ⇡ signifies If the 50% of the companies of a concerned industries shows "No impact" then the rest 50% impact status have been taken into consideration, if the proportion of rest 50% companies shows positive dimension then it is said to be "Relatively Positive". And for "Relatively Negative" ⇣ notations may be treated in same concept. 'No impact' means when there is 0 impact as per the formula: [(Value of Ind-AS – Value of I-GAAP) / Value of I-GAAP]×100

Source: Estimated Differential and dimensional Impact of Ind-AS for Profit & Loss Account

Total equity is the net worth of the company which also represents the financial soundness of a company. Table 5 shows a positive indication of 3.632% as Dif impact ofthe transition from I-GAAP to Ind-AS. The equity share capital for all industries has no Dim impact but for Real Estate industry it shows a relatively negative Dim impact of -5.972 asDif impact. Other equity shows a positive Dim impact with 3.899 as Dif impact. Borrowings, other financial liabilities, provisions all are shows as either no or negative Dim impact by major companies. A remarkable observation for other financial liabilities the Dif impact is 186.499 which caused by 5 companies having the highest Dif impact of Oil & Gas industries (835.80%), Pharmaceuticals (659.389%). As per Ind-AS provisions long-term purpose have been changed in terms of reorganisation, measurement and disclosure practices. So the Dif impact 10.032 witnessesthe changes with the relatively negative Dim impact. On the Liabilities side, the overall impact of Ind-AS is adverse in nature largely supported by Oil & Gas, Power, FMCG, Manufacturing and IT industries. Considering the variable total liabilities shows all industries negative Dim with -5.436 as Dif impact which contributed by Oil & Gas, Power, FMCG, Manufacturing and IT industries with -20.00%, -16.676%, -6.230%, -3.225%, -6.624% Dif impact respectably. However, Real Estate industries show noteworthy positive Dim Impact with 8.405 Dif impact. Trade payables and provisions for the short-term purpose have exhibited substantial negative for both Dim and Dif impact but short-term borrowing shows the No Dim impact on the liability side. Total current liabilities have significant negative impact for both Dim and Dif impact.

With the above analysis, some key observations resulting for positive impacts in equity are

1. Fair valuation of investments have a significant positive impact to retained earnings Wen Qu, (2012)
2. Fair valuation of PPE Ball, (2006)
3. Reorganisation of Reversal of proposed dividend as per I-GAAP. Sardar(S. et al., 2017)

Some key observations resulting for negative impacts in equity are:

1. Reclassification policy for financial instruments are
   a. Equity classified instruments to 'debt classified' under Ind-AS
   b. Recognition of impairment loss on financial assets
2. Fair valuation of PPE, which also had a negative impact on the net worth of a few companies.

Again, from the review of the annual report it was found the potential reasons for the decrease in revenue are
1. Revenue recognition at fair value isadjusted for discounts, rebates, incentives. Change in accounting methodology from proportionate consolidation method to equity method for investments in joint ventures
2. Deferral of revenue for sale of goods its reassessment and revenue recognition, change in accounting practice for customer loyalty programmes and due to segregation of financing components from gross sale price are the most prominent reason for deferral of revenue.

3.9. Profit and loss account

Again the financial variables of profit & loss account depicts the differential impact and dimensional impact is show in the Table 6.

Table 6
Industry specific Differential and dimensional
Impact of Ind-AS for P & L Account variables

Industries	FMCG	Manu-facturing	Metal	Oil& Gas	Pharmacy	Power	IT	Real Estate	AllIndustry
Revenue from Operations	1.872	4.303	0.920	-12.619	-19.86	-11.58	4.17	3.62	-2.080
	↑	↓	↑	↓	↓	↓	⇎	↑	↑
Total income	2.682	-5.264	0.888	154.41	0.713	-7.507	-0.49	5.49	17.987
	↑	↓	↑	↑	↓	↓	↓	↑	↑
Total exp	2.847	5.018	0.946	4.055	2.071	-6.445	4.94	6.03	3.685
	↑	⇎	↑	↓	↓	↓	↑	↑	↑
PBT	0.764	-12.1	0.896	1.034	-13.61	-7.867	-0.01	-48.0	-12.170
	⇎	↓	↓	↑	↓	↑	↓	↓	↓
PAT	-6.905	-5.897	0.846	2.040	-211.3	-3.488	295	26.9	-2.359
	↓	↓	↓	↑	↓	↑	↓	↓	↓
Net profit	-0.034	2.571	0.956	-0.256	-15.43	1.242	0.52	-7.30	-1.946
	↓	↓	↓	⇎	↓	↑	↑	↓	↓
Employee benefits expense	-7.373	-14.03	0.995	-0.194	0.016	-15.29	-21.0	46.8	2.443
	↓	↓	↓	↓	↓	↓	⇎	↑	↓
ExciseDuty	0.000	-0.234		0.000	0.000	0.000	0.00	-9.8	-3.717
	⇎	↑	⇎	⇎	↑	↑	⇎	↑	↑
Depreciation and amortization expense	-3.526	-0.835	1.698	608.43	7.540	-4.923	6.45	-20.4	63.159
	↓	↓	↓	↓	↓	↓	↑	↓	↓
Currenttax	-16.500	-2.245	0.597	-20.836	-26.04	1.934	2.07	-27.1	-12.116

Industries	FMCG	Manu-facturing	Metal	Oil& Gas	Pharmacy	Power	IT	Real Estate	AllIndustry
	↓	↓	↓	↓	↓	↓	↑	↓	↓
Deferredtax (net)	-24.493	32.02	1.742	-27.186	-46.05	14.639	131.	-195.	-40.508
	↓	↓	↓	↑	↓	↓	↓	↓	↓
	↑	Positive		↓	Negative	⇎		MixedImpact	
	↑	Relatively positive		↓	RelativelyNegative				

Note: (1) Under each variables, first row represents the 'Differential Impact' (Dif impact) level impact and second row implies 'Dimensional Impact' (Dim impact) of Ind-AS.

'Positive' ↑ signifies the majority of companies' Ind-AS impact within the industry group is positive

'Negative' ↓ signifies the majority of companies' Ind-AS impact within the industry group is negative.

' Mixed Impact' ⇎ signifies if the companies' Ind-AS impact within the industry group is equal number of positive and negative.

'Relatively positive' ↑ signifies If the 50% of the companies of a concerned industries shows "No impact" then the rest 50% impact status have been taken into consideration, if the proportion of rest 50% companies shows positive dimension then it is said to be "Relatively Positive". And for "Relatively Negative" ↓ notations may be treated in same concept. 'No impact' means when there is 0 impact as per the formula: [(Value of Ind-AS – Valueof I-GAAP) / Value of I-GAAP]×100

Source: Estimated Differential and dimensional Impact of Ind-AS for P & L Account variables

The new financials introduced in Ind-AS, i.e., revenue from operations shows a positive Dim impact with - 3.646 as Dif impact. Total income is also shows substantial favourable outcome for all industries on introduction of Ind-AS. It shows positive Dim impact with 17.987% Dif impact for all companies on average whereas the Oil & Gas contribute the highest positive Dim impact with 154.41% Dif impact. Profit Before Tax (PBT) and Profit After Tax (PAT) exhibits a significant negative Dim impact for all industries more specifically for the companies of Real Estate industry and IT industry. Impact for net profits for almost 85% of companies were witnessed a negative Dim impact with a range of -21.00% to 46.80% of Dif impact. In few companies the impact of Ind-AS on profit reveal a significant higher like manufacturing industry in comparison to other industry. considering all industry the Dim impact is negative Dim impact with -2.217 Dif impact.

The primary reason for decrees in profit is by offsetting the profit partially in some case. The other reasons are:

1. Expected credit loss (ECL) model used for Recognition of impairment loss on financial assets.
2. Borrowing cost amortized through effective interest rate (EIR) for financial liabilities classification as amortized cost
3. Company's share in Ind-AS adjustments of the Associates and Joint Ventures.
4. Recognition and measurement of Employee Stock Option Plan (ESOP) at fair value.
5. Foreigncurrencytranslationadjustments
6. Incometaxadjustment.
7. Derivatives measured at fair value and the differences recognised and transfer to profit and loss account Ind-AS whereas as per I-GAAP premium and discount on forward contract were amortised over contract period. And for other type of derivatives contracts only unrealised losses were recognised in profit and loss which resulted for negative Dim impact for profit level.

Few companies from power and IT industry shows a positive Dim impact with low significant Dif impact of 1.242 and 0.52 respectably. So the key reasons for increase in profits are

1. Fair valuation of investments like mutual funds, government securities, etc. through profit and loss
2. Major repairs, Capitalization of spare parts, & overhaul as PPE

3. Earlier as per I-GAAP the government grants to profit and loss were taken to capital reserve that need for Reclassification as per Ind-AS
4. Reversal of excess provision due to change in estimates of decommissioning liability
5. Actuarial gains/losses through other comprehensive income need for Re-measurement.
6. Incometaxadjustment.

3.10. Financial Ratios

Further Table 7 depicts the differential and dimensional impact of financial ratios by industry specific and for all industries.

Table 7
Industry specific Differential and dimensional
Impact of Ind-AS for financial ratios variables

Industries	**FMCG**	**Manufacturing**	**Metal**	**Oil& Gas**	**Pharmacy**	**Power**	**IT**	**Real Estate**	**All industries**
Debt Equity Ratio	-0.108	0.020	-0.317	-0.255	0.002	-0.236	-0.012	0.142	-0.095
	↓	↓	↓	↓	↑	↓	↑	↑	↓
Debt Ratio	-0.030	0.004	-0.037	-0.067	-0.004	0.015	-0.009	0.017	-0.014
	↓	↓	↓	↓	↓	⇎	↑	↑	↓
Equity ratio	0.030	0.004	0.038	0.0427	0.002	0.102	0.0333	0.01766	0.029
	↑	↑	↑	↑	↓	↑	↑	⇎	↑
Capitalisation Ratio	-0.007	0.006	-0.003	-0.019	0.001	-0.010	-0.002	0.011	-0.003
	↓	⇎	↑	↓	↑	↓	↑	↑	↑
Current Ratio	0.114	0.065	0.052	0.719	-0.005	-0.001	0.764	-0.09	0.202
	⇎	↑	↑	↑	↑	⇎	↑	⇎	↑
Quick Ratio	0.083	0.027	0.046	0.6678	-0.010	0.005	0.764	-0.067	0.189
	⇎	⇎	↑	↑	↑	↑	↑	⇎	⇎
ROA	0.023	-0.012	0.047	0.489	-0.042	0.282	0.3190	0.0005	0.138
	⇎	↑	↑	⇎	↓	↑	↑	↑	↑
ROE	-0.202	-0.130	-0.278	1.937	0.016	-0.008	0.4378	0.044	0.227
	⇎	↑	↑	↓	↓	⇎	↑	↑	↑
Net Profit Ratio	-0.006	-0.003	0.001	0.208	0.036	-0.003	0.0482	0.046	0.041
	↓	↓	↑	↑	↓	↑	↓	↑	↓
Employee benefit to total expenditure	-0.007	-0.020	-0.005	-0.022	-0.006	-0.003	-0.027	0.034333	-0.004
	⇎	↓	↓	↑	↓	↓	↓	↑	↓
LEAVERAGE	-0.108	0.011	-0.319	-0.183	0.004	-0.347	-0.0461	0.143	-0.105
	↓	↓	↓	↓	↑	↓	↓	↑	↓
Net profit margin	0.052	0.361	2.431	0.217	-1.637	1.874	-0.398	-0.666	0.279
	⇎	↓	↑	⇎	↓	↑	↑		↓

Note: (1) Under each ratios, first row represents the 'Dimensional impact' (Dim impact) and second row represent actual change in ratios, i.e., (Ind-AS Ratio – I-GAAP Ratio).

(2) 'Positive' (↑) indicates that said ratio has positive Dim impact for most of the companies; 'Negative' (↓) signifies the negative Dim impact; Mixed impact' (⇎)indicates that he ratio has equal number of positive and negative impact for the companies within the industry group.

Source: Estimated Differential and dimensional Impact of Ind-AS for financial ratios variables

Table 8
Key reasons that impacted the financial statement

Positive impact	Negative impact
• Gain on fair valuation of investment classified as FVTPL • Capitalisation of all spare parts, major repairs, & renovation for PPE • Reversal of depreciation resulting to De-capitalisation of foreign exchange gains and losses for PPE • Actuarial Gains/Losses recognised in OCI for Employees Benefits. • Reversal of excess provision due to change in estimates of decommissioning liability. • Incometaxadjustments	• Effective Interest Method applicable for transaction cost such as discounting of bonds/debentures redemption, borrowing cost and premium payable. • Due to derivatives • Due to HedgeAccounting • ExpectedCreditLossmethod: • Forimpairmentlossrecognition • Measurement of trade receivables and other financial assets. • Revenue Recognition for Construction Contracts (Ind-AS 11)- change in method of accounting for project costs. • Share of Profits in Associates and Joint Ventures (Ind-AS 28) • Provisions : • Unwinding of discounts based on Present Value of long term provision. • As per Ind-AS 16 Derecognition of certain costs for capitalisation under Property, Plant and Equipment-. • ForeignCurrencyTranslationAdjustments. • Share Based Payments: Measurement based on Fair Value. • IncomeTaxAdjustments.

Source: Identified key reasons that impacted the financial statement fromanalysis

4. Conclusions

This study ravels a number of insights that how the transition of the new accounting standards, i.e., Ind-AS impacted the financials of Indian companies which may affect in terms of financial position and performance positively/negatively to the Indian industries. This study is very much useful for all the stakeholders who use the financial statement aday-to-day basis and interested to know about the immediate impact of Ind-AS on transition. It can help withinter-temporal choice of comparison for their financial health. Major heads of financial statements such as assets, share capital, liabilities, PBT, PAT, profit reported a negative percentage of Dif impact and negative Dim impact as well. However, most of the company for some major financial variables such as total income, total expenses and total equity shows a positive % of Dif impact positive Dim impact. Pharmaceuticals, Real Estate and metal industries reported an increase in asset by substandard amount while manufacturing, Oil & Gas and power industries observed a remarkable negative percentage of differential impact. However, FMCG has the mixed impact by most of the companies. On liability side overall impact of Ind-AS is adverse in nature largely supported by Oil & Gas, power, manufacturing and IT industries. Total liability across all industries also shows a negative Dim impact and Dif impact. But the liability position of the Real Estate industry indicates positive impact. The impact of Ind-AS on total equity is positive for majority of companies across all industries whereas the impact is mostly favourable for FMCG, metal, Oil & Gas, power industries and depict an adverse impact by pharmaceutical industries.

Surprisingly, the variable revenue from expectations reported a negative impact for companies of oil& gas, pharmaceuticals and IT industries but the total income reported a high amount of positive impact for the oil & gas industry. It indicates that oil & gas industry is mostly advantageous in long run in terms of total income and profit in comparison to all industries. The findings similar to the study conducted by (Haller et al., 2009; Tsalavoutas et al., 2010; Mirandlopez., et al.,2019) with different country prospective as well. A small Dif negative impact have been observed for the net profit for FMCG, pharmaceuticals whereas other industries such as manufacturing, metal, oil & gas, power, IT and Real Estate industries reported small but positive Dif impact. But most of the companies have negative Dim impact. It indicated from the Dif impact and Dim impact of net profit that the difference from I-GAAP to Ind-AS is at par or a small either negative or positive impact on net profit with specific to industries after implementation of Ind-AS. Similar result ravelled by (Tsalavoutas et al., 2010; Swaminathanetal., 2011) with greek and Indian context respectively.

The ratio analysis of the study indicates a less significant impact on equity and debt structure of companies on the transition to Ind-AS. The current ratio reported positive Dim impact across all companies it means the liquidity position will increase after the convergence. The findings similar to (Jamiu 2016) with Nigerian context.

The transition from I-GAAP to Ind-AS has overcome certain loopholes of old accounting standards in terms of more disclosing practice, fair valuation of assets and liabilities and for harmonisation of accounting language. We believe that immediate escalation or contractions by the change of accounting standards are unlikely to have a material impact on Indian companies' business fundamentals. Therefore, the underlying economic risk of Indian companies will remain unaffected by introduction of the accounting standard.

4.1. Limitations and future scope of the study

Limited sample size has been taken into consideration for the study. We consider only financial items from the balance sheet, profit & loss account and some major financial ratios in our study whereas other accounts such as notes to accounts and other parts of financial statement asides are left out. The impact of individual carve-out and carve-inn in financial statement can also be studied.

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