Impact of IFRS Implementation on Financial Statement of Indian Companies

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Abstract: The Indian economy has seen a tremendous growth in the last few years. With the increasing importance of the Indian economy, there was a dire need to converge with the global accounting standards. The convergence of Indian Accounting Standards with IFRS will provide a lot of benefits to the Indian economy. It will improve the quality of disclosures, help in better understanding of the financial statements, improve comparability and understanding of the financial statements across the world, and will result in better decision making. India officially decided in 2007 to converge with IFRS but effectively it got implemented on 1st April, 2016. The purpose of this paper is to find out whether the transition in accounting world has benefitted India or not.The paper discusses the impact of transition on various items of the financial statements as well as financial ratios. The result shows that IFRS improves the quality of disclosures and enhance international comparability and understanding of accounting disclosure. This in turn will boost investment across the globe and will contribute to the Indian economy.

Keywords: Financial Statements, Convergence, India, Financial Ratios

1. INTRODUCTION

As the world comes closer in its financial and trade aspects, many countries are moving towards International Financial Reporting Standards (IFRS), which are common set of accounting rules that define how transactions should be reported and what information should be disclosed in financial statements (IASB, 2007).

IFRS helps in easy comparison of financial statements of the company. This is especially important when companies are located in different countries. This increase in comparability will help investors to have a better investment decisions by measuring organizational performance. Though, the United States has not yet adopted International Financial Reporting Standards and other countries continue to hold out as well (Ernst &Young, 2006).

The adoption of IFRS is expected to result in better quality of financial reporting due to consistent application of accounting principles and improvement in reliability of financial statements. This, in turn, will lead to increased trust and reliance placed by investors, analysts and other stakeholders in a company's financial statements and better access to and reduction in the cost of capital raised from global capital markets since IFRS are now accepted as a financial reporting framework for companies seeking to raise funds from most capital markets across the globe (Shikha,2013) (Catherine P. Bradshaw, 2012). IFRS is a principle-based standard that provides flexibility, and in some cases excessive flexibility can increase earnings management, which leads to a decrease in accounting quality or vice versa (Barth, 2008). IFRS being principle based gives companies the freedom to adapt IFRS disclosures to their particular situation, which benefits them. There is a drawback to the flexibility is that IFRS disclosure allows organizations to utilize only the methods they wish to, allowing the financial statements to show only desired results. This can lead to revenue or profit manipulation, can be used to hide financial problems in the company and can even encourage fraud. For example, changing the method of inventory valuation can bring more income into the current year's profit and loss statement, making the company appear more profitable than it really is. While IFRS requires that changes to the application of the rules must be justifiable, it is often possible for companies to "invent" reasons for making the changes. Stricter rules would ensure that all companies are valuing their statements the same way (Sireesha, 2015).

2. IFRS in INDIA

India is one of the fastest-growing global economies and has converged with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs has notified in 2011 about the adoption of IFRS but there were number of issues against the adoption. Then after number of meetings by the ASB, in 2015, the Press Information Bureau, Government of India, Ministry of Corporate Affairs (MCA) issued a note outlining the various phases in which Indian Accounting Standards would get converged with IFRS (Ind AS) was proposed and to be implemented in India, for Companies other than Banking Companies, Insurance Companies and NBFCs from 2016 onwards. Conversion is much more than a technical accounting issue. Ind AS (the converged IFRS standards) in India may significantly affect a company's day-to-day operations and may even impact the profitability of the business. This conversion brought a one-time opportunity to reassess financial reporting system of India. Therefore it was issued that the companies will need to convert their disclosures from Indian GAAP to Ind AS (IFRS) (ifrs.org).

Mandatory applicability of IFRS

Phase I

Ind AS will be mandatorily applicable to the following companies for periods beginning on or after 1 April 2016, with comparatives for the period ending 31 March 2016 or thereafter:

1. Companies whose equity and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of 500 crore INR or more.
2. Companies having net worth of 500 crore INR or more other than those covered above.
3. Holding, subsidiary, joint venture or associate companies of companies covered above.

Phase II

Ind AS will be mandatorily applicable to the following companies for periods beginning on or after 1 April 2017, with comparatives for the period ending 31 March 2017 or thereafter:

1. Companies whose equity and/or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than rupees 500 Crore.
2. Unlisted companies other than those covered in Phase I and Phase II whose net worth are more than 250 crore INR but less than 500 crore INR.
3. Holding, subsidiary, joint venture or associate companies of above companies.

The above applicability of IFRS is not applicable to the companies whose securities are listed or in the process of listing on SME Exchanges or the companies like insurance company, banking and non banking companies (ifrs.wikipedia).

3 BENEFITS OF CONVERFENCE

3.1 For investors

- IFRS provides more accurate, timely and comprehensive financial statement information that is more understandable for investors and makes them more informed.
- It also helps new or small investors by making the reporting standards simpler and better quality as it puts small and new investors in the same position with other professional investors as it was impossible under the previous reporting standards.
- Due to harmonization the investors do not need to pay for processing and adjusting the financial statements, therefore it reduces the cost for investors.
- Reducing international differences as it removes a cross border takeovers and acquisitions by investors.

3.2 Loss recognition timeliness

- The increased transparency and loss recognition of IFRS, increases the efficiency of contracting between companies and their management which enhances the corporate governance.
- With increased transparency, the lenders also benefit from IFRS as it makes it compulsory for the companies to recognize the loss immediately.
- This timelier loss recognition of IFRS, triggers the issues as when the companies face economic losses, it enables the company to review its book values of assets and liabilities, earnings and equity.

3.3 Comparability

- As all companies, preparing their consolidated financial statements, have been reporting under one reporting standard which have improved the comparability not only for investors, but also all stakeholders who use the financial statements.

3.4 Better access to foreign capital markets and investments

- IFRS adoption also improves the companies to access to financial markets by having the financial statements prepared under one reporting standards as IFRS helps to improve comparability in international financial markets.

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3.5 Relevance

And the relevance of the IFRS can be mentioned as a substantial advantage due to the following reasons:

- The new IFRS reflects on economic substance more than legal form. This helps the companies and other stakeholders to have true and fair view of the companies' transactions.
- The way IFRS reflects to gains and losses in a timely manner puts IFRS in a more reliable and credible position than the GAAP in terms of reporting standards
- The balance sheets prepared under IFRS tends to be more useful due to its layout and the consistency, and the level of complexity compared to GAAP that tended to be more detailed

4. DRAWBACKS OF CONVERGENCE

4.1 It would increase the cost of implementation for small businesses. Large businesses would absorb the cost of adopting the International Financial Reporting Standards whereas small businesses which provide local goods and services would receive the brunt of this expense since they'd be forced to change as well. Since there are fewer resources available for SMEs, it would take them more time and effort to train their staff in this method. This means that small businesses would bear the brunt of this accounting change.

4.2 IFRS may lead to concerns related to standard-manipulation. Organizations can choose to use only the methods that they wish to incorporate in their reporting, allowing their financial statements to show the results they desire. Due to this structure, for companies it's easier to incorporate profit or revenue manipulation and hiding financial problems that might exist. Hence IFRS can lead to fraudulent activities.

4.3 It would increase the amount of work on accountants. The implementation of a new system of global accounting standards would require a complete revision of the domestic accounting processes and strategies.

4.4 It would require changes at the educational level as well. Countries must adjust the curriculum offered at as IFRS would require a shift in the educational perspective in accounting to achieve its benefits (Bhatia, 2014).

5. ACCOUNTING QUALITY

The most important key to economic development is a sound financial reporting system which is clearly defined as quality standards with regulatory framework. In India, the Institute of Chartered Accountants of India (ICAI) has formulated accounting standards that have withstood with time. As world globalise, the relevance of convergence with International Financial Reporting Standards (IFRS) has increased. These new set of accounting standards are more principles based as compared to the earlier standards. In

India, the accounting standards board set up an IFRS task force with the objective to explore: 1) The approach for achieving convergence with IFRS. 2) Laying down a road map for achieving convergence with IFRS with a view to make India IFRS complaint (Sireesha, 2015).

Lueg (2014) studied the impact on the financial metrics in the United States, where the sample size was 101 listed FTSE companies. The study found that the operating profit margin, equity revenues, returns on investor had important fall in price to income ratio, were significantly increased.

Hung and Subramanyam (2007), studied the impact of IFRS in German companies. They found that the value of total assets, value of equity and variability of net earnings are significantly higher under IFRS compared to the German Accounting Standards. However, they could not support a respective change on financial ratios, which were examined.

Arouri (2010) found out that ROE, net income and gross ratio(GR) are increased by decrease in equity value due to concept of fair valuation in France. He tested the IFRS impacts over forty French listed firms in fiscal year 2004 through utilizing longitudinal analysis.

Blanchette, Racicot and Girard (2011) examined the impact of the adoption of IFRS on liquidity, leverage and profitability in Canada. Survey results showed differences in means, medians and volatility in most financial ratios of companies, but these differences were not statistically significant in most of the cases as companies adopted IFRS on different dates.

DeFond (2019) analyzed the impact of IFRS in China. The impact of the implementation of IFRS on the performance evaluation of an organization by means of a collection of chosen financial proportions is positive in China. He used one-sample Mann-Whitney U Test and Kolmogorov-Smirnov Test.

Ibiamke NA, (2014) stated that implementation of IFRS had a negative impact on Nigerian listed companies with respect to financial ratio. They analyzed the impact on three classes of performance accounting measures: earnings smoothing, aggressiveness recording, and earnings control in order to meet or exceed a goal, on the compulsory implementation of IFRS. The researchers also recommended that financial statement users should be mindful on the new features when they take economic decisions during the transition period of IFRS in the country.

Pawan Jain (2011) examined the problems faced by stakeholders, regulators, accountants and firms at the time of implementation of IFRS and suggested ways through which these problems can be addressed properly.

Mohammed and Kim Soon (2012) focused on the listed companies through Altman's financial distress model clubbed with current ratio to assess the current financial situation and also predict the financial failure of the firm.

Yhlas Sovbetov (2013) studied the impact of adoption of IFRS in UK using profitability, capital structure, efficiency and liquidity ratios considering pre and post IFRS. The results showed that there is an increase in return on assets and profit margin ratios.

Dimitrios (2013) observed the probability of quantitative differentiations in financial ratios due to transition from Greek accounting standards to IFRS. The study considered two samples, newly listed and already existing companies listed on Athens Exchange. The results of the research showed that both samples of companies do not have significant differences in their behavior after the implementation of IFRS.

6. IFRS IMPACT ON FINANCIAL STATEMENTS IN RELIANCE INDUSTRIES LIMITED AND TATA CONSULTANCY SERVICES

There are number of research studies related to the impact of IFRS on countries where it was found that there is a positive impact of IFRS. This paper tends to discuss the impact of IFRS on financial statements and some significant ratios with the help of a case study on Reliance Industries Limited and Tata Consultancy Services together as they are the top listed NBFC of India.

Reliance Industries Limited is an Indian multinational conglomerate company, whose headquarter is in Mumbai. It has diverse businesses including energy, petrochemicals, natural gas, retail, telecommunications, mass media, and textiles. Reliance is one of the most profitable companies in India, the largest publicly traded company in India by market capitalisation, and the largest company in India as measured by revenue. It is also the one of the top largest employer in India with 10,00,000. The company is ranked 104th on the Fortune Global 500 list of the world's biggest corporations as of 2022. Reliance continues to be India's largest exporter, accounting for 10% of India's total merchandise exports and access to markets in over 100 countries. Reliance is responsible for almost 10% of the government of India's total revenues from customs and excise duty. Reliance Industries became the first Indian company to cross 100 billion dollars in revenues (wikipedia.Reliance Industries).

Tata Consultancy Services (TCS) is an Indian multinational information technology (IT) services and consulting company with its headquarters in Mumbai. It is a part of the Tata Group and operates in 150 locations across 46 countries. In July 2022, it was reported that TCS had over 600,000 employees worldwide. TCS is the second largest Indian company by market capitalisation and is among the most valuable IT service brands worldwide. In 2015, TCS was ranked 64th overall in the Forbes "World's Most Innovative Companies" ranking, making it one of the highest-ranked IT services companies and a top Indian company. As of 2018, it is ranked eleventh on the Fortune India 500 list. In April 2018, TCS became the first Indian IT company to reach $100 billion in market capitalization (wikipedia.TCS).

The consolidated financial statements as per GAAP are compared with the consolidated financial statements under IFRS. Some selected ratios which have been analysed to indicate the differences between two sets of statements are liquidity ratios and profitability ratios. The figures in the Balance Sheet and the Profit and Loss statements have been completely drawn from the annual report of the company. All figures are related to the period ending 31st March 2015 and 31st March 2017. Accounting period from 1st April 2014 to 31st March 2015 is analysed for period pre IFRS adoption and period from 1st April 2016 to 31st March 2017 is analysed for post IFRS adoption period. We have not taken the data for 2015-16 as it was a transition period where IFRS was implemented in India.

6.1 Comparative Consolidated Balance Sheet of Reliance industries and TCS under GAAP and IFRS
Table 1

(Rs in crores)

	RELIANCE INDUSTRIES			TATA CONSULANCY SERVICES		
	Mar 17 (IFRS)	Mar 15 (GAAP)	% CHANGE	Mar 17 (IFRS)	Mar 15 (GAAP)	%CHANGE
EQUITIES AND LIABILITIES						
SHAREHOLDER'S FUNDS						
Equity Share Capital	2,959.00	2,943.00	0.5436629	197.00	195.87	0.5769133
Total Share Capital	2,959.00	2,943.00	0.5436629	197.00	195.87	0.5769133
Revaluation Reserves	870.00	827.00	5.1995163	0.00	0.00	0.00
Reserves and Surplus	2,59,876.00	2,14,712.00	21.034688	86,017.00	50,438.89	70.53706
Total Reserves and Surplus	2,60,746.00	2,15,539.00	20.97393	86,017.00	50,438.89	70.53706
Total Shareholders Funds	2,63,705.00	2,18,482.00	20.69873	86,214.00	50,634.76	70.266434
Equity Share Application Money	4.00	17.00	-76.470588	0.00	0.00	
Minority Interest	2,917.00	3,038.00	-3.9828835	366.00	1,127.76	-67.546286
NON-CURRENT LIABILITIES						
Long Term Borrowings	1,52,148.00	1,20,777.00	25.974316	71.00	114.27	-37.866457
Deferred Tax Liabilities [Net]	26,735.00	12,974.00	106.06598	919.00	342.96	167.96128
Other Long Term Liabilities	29,162.00	9,091.00	220.77879	1,131.00	825.02	37.087586
Long Term Provisions	2,353.00	1,554.00	51.415701	39.00	297.87	-86.90704
Total Non-Current Liabilities	2,10,398.00	1,44,396.00	45.709022	2,160.00	1,580.12	36.698479
CURRENT LIABILITIES						
Short Term Borrowings	31,528.00	27,965.00	12.740926	200.00	185.56	7.7818495
Trade Payables	76,595.00	59,407.00	28.932617	4,905.00	8,830.93	-44.456586
Other Current Liabilities	1,25,423.00	45,789.00	173.91513	9,341.00	3,646.59	156.15712
Short Term Provisions	1,769.00	5,392.00	-67.192136	66.00	7,655.16	-99.137836
Total Current Liabilities	2,35,315.00	1,38,553.00	69.837535	14,512.00	20,318.24	-28.576491
Total Capital And Liabilities	7,12,339.00	5,04,486.00	41.200945	1,03,252.00	73,660.88	40.172097
ASSETS						
NON-CURRENT ASSETS						
Tangible Assets	1,70,483.00	99,198.00	71.861328	10,057.00	9,376.12	7.2618525
Intangible Assets	23,151.00	52,863.00	-56.205664	47.00	168.83	-72.161346
Capital Work-In-Progress	2,50,377.00	1,06,256.00	135.63563	1,541.00	2,766.37	-44.295232
Intangible Assets Under Development	74,460.00	60,206.00	23.675381			
Fixed Assets	5,18,471.00	3,18,523.00	62.773489	11,645.00	12,311.32	-5.4122547
Non-Current Investments	25,639.00	25,437.00	0.7941188	344.00	169.18	103.33373
Deferred Tax Assets [Net]	5,537.00	0.00	100	2,828.00	593.94	376.14237
Long Term Loans And Advances	2,708.00	19,538.00	-86.13983	9.00	9,154.92	-99.901692
Other Non-Current Assets	8,279.00	14.00	59035.714	6,513.00	525.30	1139.8629
Total Non-Current Assets	5,65,526.00	3,67,909.00	53.713554	22,936.00	24,847.88	-7.6943385
CURRENT ASSETS						
Current Investments	57,260.00	51,014.00	12.243698	41,636.00	1,492.60	2689.4948
Inventories	48,951.00	53,248.00	-8.0697867	21.00	16.07	30.678283

Trade Receivables	8,177.00	5,315.00	53.847601	22,617.00	20,437.94	10.661838
Cash And Cash Equivalents	3,023.00	12,545.00	-75.90275	4,149.00	18,556.04	-77.640704
Short Term Loans And Advances	996.00	11,171.00	-91.084057	2,909.00	4,146.45	-29.843601
OtherCurrentAssets	28,406.00	3,284.00	764.98173	8,984.00	4,163.90	115.75926
Total Current Assets	1,46,813.00	1,36,577.00	7.4946733	80,316.00	48,813.00	64.538135
Total Assets	7,12,339.00	5,04,486.00	41.200945	1,03,252.00	73,660.88	40.172097

6.2 Comparative Consolidated Profit and Loss statement of Reliance industries and TCS under GAAP and IFRS

	RELIANCE INDUSTRIES			**TATA CONSULTANCY SERVICES**		
	Mar 17	**Mar 15**	**% CHANGE**	**Mar 17**	**Mar 15**	**%CHANGE**
INCOME						
Revenue From Operations [Gross]	3,30,180.00	3,88,494.00	-15.01027	1,17,966.00	94,652.50	24.630623
Less: Excise/Sevice Tax/Other Levies	24,798.00	13,059.00	89.892028	0.00	4.09	-100
Revenue From Operations [Net]	3,05,382.00	3,75,435.00	-18.659155	1,17,966.00	94,648.41	24.636008
Total Operating Revenues	3,05,382.00	3,75,435.00	-18.659155	1,17,966.00	94,648.41	24.636008
Other Income	9,443.00	8,613.00	9.6365958	4,221.00	3,229.91	30.684756
Total Revenue	3,14,825.00	3,84,048.00	-18.02457	1,22,187.00	97,878.32	24.835612
EXPENSES						
Cost Of Materials Consumed	1,75,087.00	2,66,862.00	-34.390434	94.00	0.00	94
Purchase Of Stock-In Trade	42,431.00	25,701.00	65.094743	0.00	0.00	
Operating And Direct Expenses	0.00	21,619.00	-100	2,714.00	23,419.99	-88.411609
Changes In Inventories Of FG,WIP And Stock-In Trade	-5,218.00	1,483.00	-451.85435	0.00	0.00	
Employee Benefit Expenses	8,388.00	6,262.00	33.950814	61,621.00	38,701.15	59.222659
Finance Costs	3,849.00	3,316.00	16.073583	32.00	104.19	-69.28688
Depreciation And Amortisation Expenses	11,646.00	11,547.00	0.8573655	1,987.00	1,798.69	10.469286
Other Expenses	38,500.00	17,717.00	117.30541	21,226.00	8,045.56	163.82253
Less: Inter Unit / Segment / Division Transfer	0.00	1,573.00	-100	0.00	0.00	
Total Expenses	2,74,683.00	3,52,934.00	-2.171567	87,674.00	72,069.58	21.651881
Profit/Loss Before Exceptional, ExtraOrdinary Items And Tax	40,142.00	31,114.00	29.015877	34,513.00	25,808.74	33.726017
Exceptional Items	0.00	0.00		0.00	489.75	-100
Profit/Loss Before Tax	40,142.00	31,114.00	29.015877	34,513.00	26,298.49	31.235672

Tax Expenses-Continued Operations						
Current Tax	8,880.00	6,296.00	41.041931	8,235.00	6,275.65	31.221467
Less: MAT Credit Entitlement	0.00	0.00		0.00	9.05	-100
Deferred Tax	1,321.00	1,178.00	12.139219	-79.00	-28.18	180.34067
Other Direct Taxes	0.00	0.00		0.00	0.37	-100
Total Tax Expenses	10,201.00	7,474.00	36.486486	8,156.00	6,238.79	30.730478
EAT	29,941.00	23,640.00	26.653976	26,357.00	20,059.70	31.392793

Table 2

6.3 Analysis Of Financial Statements

Financial statement analysis evaluates a company's performance or value through a company's balance sheet, income statement, or statement of cash flows. By using a number of techniques, such as horizontal, vertical, or ratio analysis, investors may develop a more nuanced picture of a company's financial profile.

Through the tables above, we can conclude that after the IFRS adoption in Reliance Industries there is an increase in taxes, liabilities and assets whereas there is decrease in total revenue and total expenses. Moreover in Tata Consultancy Services there is an increase in revenue, expenses, taxes, long term liabilities and current assets whereas there is a fall in current liabilities and noncurrent assets.

Figure1

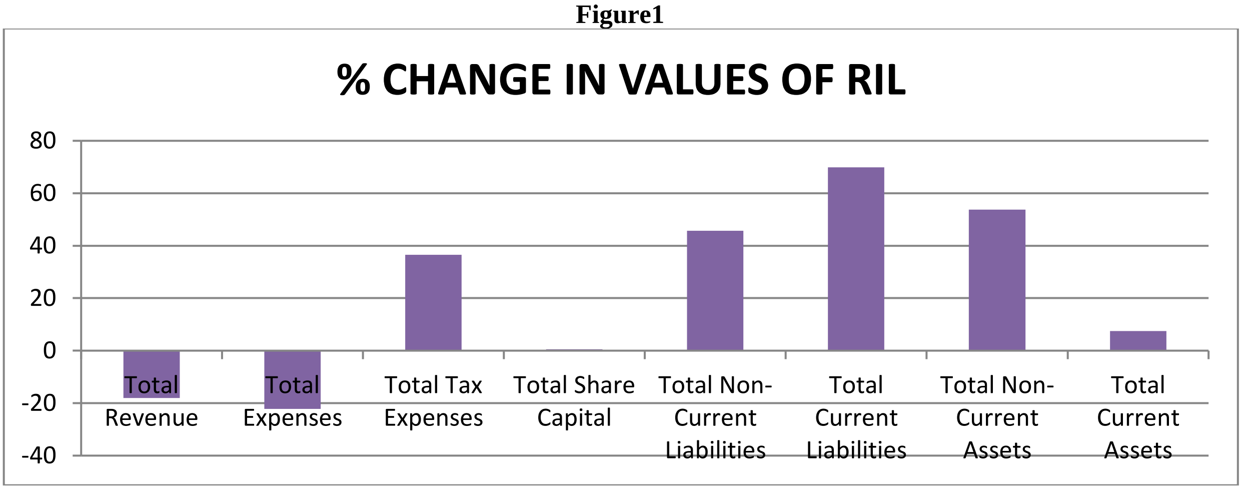
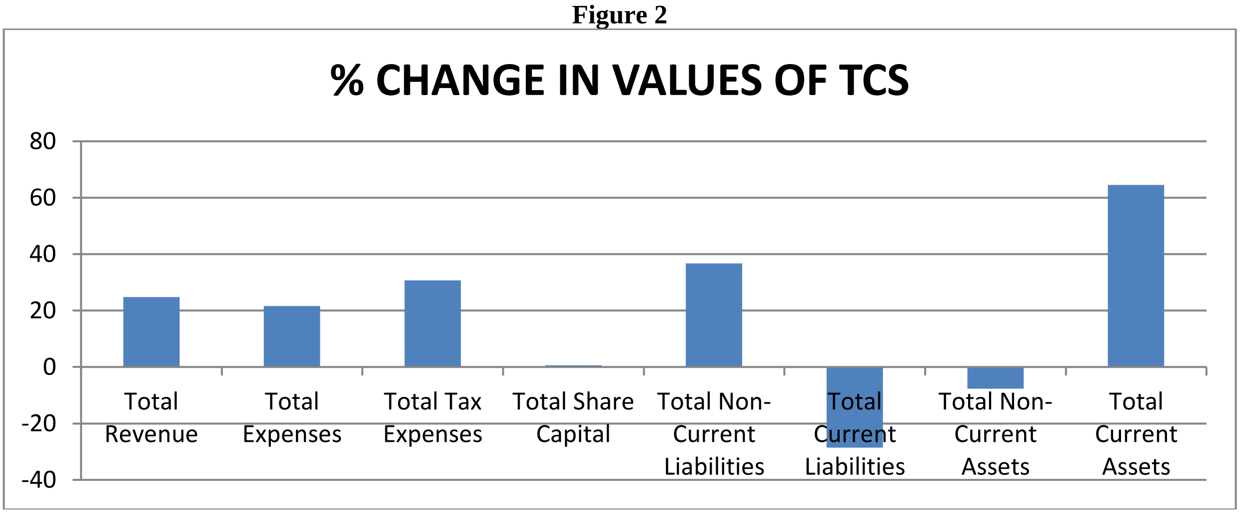


Figure 2



6.4 Financial Ratios

Financial ratios are created with the use of numerical values taken from financial statements to gain meaningful information about a company. The main purpose of every company is to make profit. The profitability analysis is to understand the current operating performance and efficiency of the commercial company. It should be appropriately pointed out that the net income figure alone is not very helpful in determining the efficiency and performance of the enterprise unless it is related to other figures, such as sales, cost of goods sold, operating expenses, investment capital, etc. Therefore, calculating the profitability ratios and liquidity ratios helps in the comparison of the company(Rashid, 2021). Hence, in this paper we have calculated liquidity and profitability ratios to find out the effectiveness of companies' performance after IFRS adoption in India.

	POST ADOPTION	PRE ADOPTION		POST ADOPTION	PRE ADOPTION	
	RIL	**RIL**	**% CHANGE**	**TCS**	**TCS**	**% CHANGE**
LIQUIDITY RATIO						
Current Ratio	0.9564703	0.98573831	-2.97	5.534454	2.402423	130.3697
Acid Test Ratio	0.7058444	0.601423282	17.36	5.533007	2.401632	130.3853
Profitability Ratios						
Return on Capital Employed	0.07608213	0.075964726	0.154545	0.388562	0.491057	-20.8724
Return on Shareholders Equity	11.3539751	10.82011333	4.933976	30.5716	39.61646	-22.8311
Earning Per Share Basic	101	101	0	133	123	8.130081

Table 3

Figure 3: Financial Ratios of Reliance Industries Limited

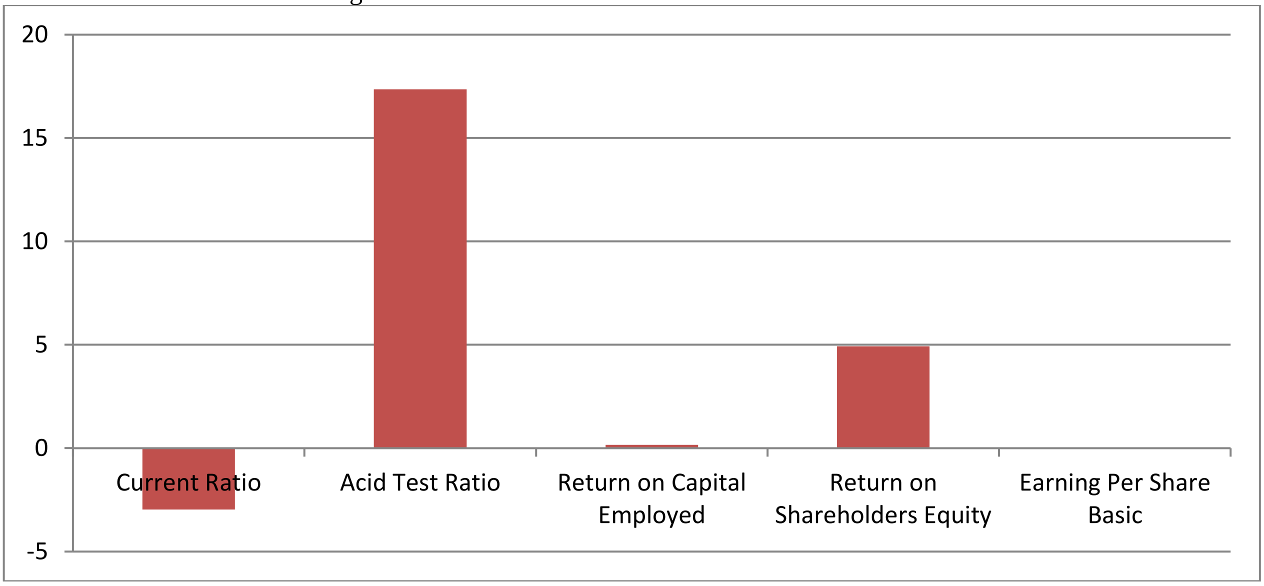
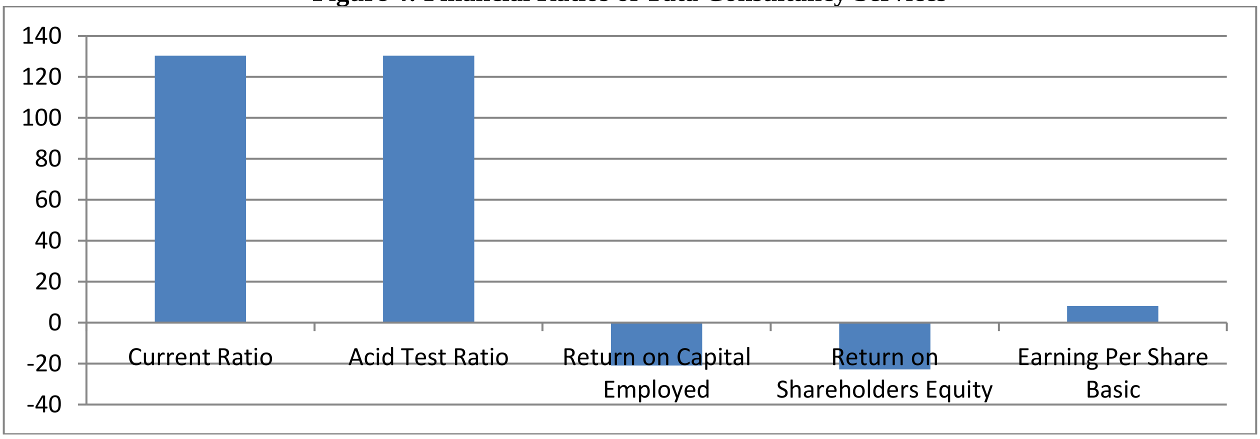


Figure 4: Financial Ratios of Tata Consultancy Services



Liquidity Ratios:

Liquidity is the ability to convert assets into cash quickly and cheaply. Liquidity ratios are most useful when they are used in comparative form. The amount of current assets and current liabilities in the above two sets is quite different in both the companies. In Reliance Industries Limited the current ratio and quick asset ratio through GAAP (pre-adoption) was 0.98 and 0.601 whereas through IFRS (post-adoption) was 0.956 and 0.705 respectively. The percentage change in the current ratio has decreased by 2.97% and quick asset ratio has increased by 17.37% after the adoption of IFRS. This is probably due to the variations in recognition of certain items of other current liabilities and inventories. Under IFRS, the increase in current liabilities is more than the increase in current assets. This shows that AS are more conservative. The reason probably is, under IFRS the fair value measurement difference in recognition of certain current assets like deferred contract costs, balance with excise and customs and non convertible debentures that are not included in current assets in AS. The reason being that cost of leases and interest expenses are treated on fair values in IFRS (IFRS3) which is not the case in AS. The inclusions of items along with their values are treated differently under IFRS.

In Tata Consultancy Services there is increase in liquidity ratios where current asset and quick asset ratio as per GAAP (pre-adoption) is 2.402 and 2.401 and as per IFRS (post-adoption) is 5.534 and 5.33 respectively. This shows there is a tremendous change (increase) of approximately 130% in both the ratios after adoption. A higher liquidity ratio shows a company is more liquid and has better coverage of outstanding debts. So the liquidity of the firm is well depicted in IFRS statements.

Profitability Ratios:

Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, or shareholders' equity over time, using data from a specific point in times. In profitability ratios, I have calculated the Return on Capital Employed, Return on Shareholders Fund and Earning per Share ratio as they are good indicators of profitability. Higher these ratios the better it is. In the company Reliance Industries Ltd there is increase on return on capital employed and return on shareholders upto 0.155% and 4.93% whereas there is no change in Earning per share of the company.The return on capital employed and return on share holders fund depends upon share capital and profits. The share capital under IFRS is higher because shares issued to controlled trust do not form a part of share capital in AS which is not the case in IFRS. Again as regards Employee Stock Options (ESOPs) outstanding and hedging reserves are a part of share holder funds in AS but not under IFRS (IAS19, IAS39, IAS 32).

In Tata Consultancy there is a decrease in the change of return on capital employed and return on shareholders funds by 20.8 % and 22.8% respectively whereas there is an increase in earning per share by 8.13%. Since higher ratio are more favorable, but these ratios provide much more information when compared to results of similar companies, the company's own historical performance, or the industry average. Hence profitability ratios are favourable in both the organizations.

7. CONCLUSION

This paper examines the impact of IFRS on financial statements with the help relevance, reliability and quality of corporate reporting of companies making dual reporting in India. The study examines the effects of IFRS adoption on the financial ratios in Indian companies namely Reliance Industries Limited and Tata Consultancy Services. To analyze the samples, liquidity and profitability ratios were used. The variation in total assets and liabilities is because of the reclassification among equity and liability and also because of the difference in the concept of revenue recognition. The valuation and depreciation of property plant and equipment and inventory is also a big cause of difference. All the above observations emphasize the fact that IFRS is a fair value principles based accounting which improves the quality of disclosures and enhance international comparability and understanding of financial statements. This in turn will boost investment and ensures better performance for Indian organizations.

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