Measuring Reporting Practices After Harmonization And Conversion Of IFRS In India And Kenya Corporates

Enock M. Maina, Research Scholar, School of Management, Sir PadampatSinghania University, Udaipur, Rajasthan, India, Email: enoch_maina@yahoo.com

Vineet Chouhan¹ (PhD), Sir PadampatSinghania University, Udaipur, Rajasthan, India, Email: vineet.chouhan@spsu.ac.in

Shubham Goswami (PhD), Sir PadampatSinghania University, Udaipur, Rajasthan, India, Email: shubham.goswami@spsu.ac.in

Abstract
Accounting is the system of recording, classifying and summarizing financial information in such a way that users of the information can make economic decisions based upon it. Accounting began as a simple system of clay tokens to keep track of goods and animals, but has developed throughout history into a way of keeping track of complex transactions and other financial information. The study includes 457 total respondents that include 240 from Kenya and 217 from India. The results of multiple regression analysis revealed the Predictors including Har_conv_2, Har_conv_3, Har_conv_5, Har_conv_6 and Har_conv_14 as predicting Harmonization and conversion of accounting standards.

Keywords: IFRS, Behavioral Aspect, Accounting Practices, India, Kenya.

I-INTRODUCTION
The current study of behavioural aspect of IFRS implementation: a comparative study between India and Kenya. The Corporate Sector in India as well as Kenya has been explored which is intend to analyse the effect of adoption of IFRS in the corporate sector in India and Kenya and make a comparison between two countries out of which one has just adopted the IFRS and Kenya has a very long past history of 17 years of its adoption. It is always necessary to confine the research work to a certain area so that detailed and intensive study can be carried out. Keeping in view, the proposed study seeks to cover the accountants, auditors and managers of Indian and Kenyan companies listed in the share market of both countries. This behavioural aspect includes behavioural part related to reporting practices of national GAAP and IFRS (Callao, Jarne & Lainez 2007), with proper presentation in the form of balance sheet and income statement as financial reporting (Kvaal & Nobes, 2012). “Current Accounting and Reporting Practices fail to meet the information needs of the stakeholders in the 21st Century. One of the critical solutions of this problem is Convergence with Highly Active and Proven International Accounting standard (IAS) and International Financial Reporting Standards (IFRS). The convergence of Indian Accounting Standard (AS) is a crucial decision taken by Institute of Chartered Accountants of India (ICAI). The Indian and Kenyan Companies have to adopt IFRS and IAS mandatorily. The Convergence of Accounting policy has gained momentum in the current scenario at global level.

¹ Corresponding Author: VineetChouhan (PhD), Assistant Professor, Sir PadampatSinghania University, Udaipur, Rajasthan, India. E-Mail: vineet.chouhan@spsu.ac.in
II-REVIEWS OF LITERATURE

Kummer & Schmidt (2018) analyses Four distinct culture clusters (Anglo, Confucian, Germanic, and Latin Europe) Level of Gap in Reporting Practices before IFRS. They revealed that adoption of IFRS is associated with Higher Accounting Quality, Transparency and low cost of capital. Interest to preparers, users, and auditors of IFRS financial statements and accounting standard-setters by increasing awareness of the interaction between cultural differences and IFRS application. Caution should be exercised when attributing observable differences in accounting. Rotimi (2012) revealed that Nigeria Enhance financial reporting system in Nigerian Universities. Personnel involve in the IFRS financial instruments & Adoption of IFRS with Higher accounting Quality, Transparency and low cost of capital Institutions should be reviewed to incorporate IFRS, so that accountants and auditors will be acquainted with IFRS guidelines and standards. Simegn (2015) analyses behavioural aspects in Ethiopia based upon Benefits, challenges and critical factors affecting its adoption. Adoption of international financial reporting standards (IFRS) in listed companies leads to improve quality of financial Reporting and global comparability. Adoption of IFRS by Ethiopia would improve the quality of accounting so as to make judgmental decision among users of accounting information. Hayoun (2018) has made a re-conceptualisation of two fundamental financial accounting practices: recognition and measurement of assets. He revealed that nature of Fair Value measurement and the characterization of judgment involved in recognition. With respect to recognition, the thesis proposes to shift the locus of judgment from questions of recognition thresholds (probability and reliability) to the under-investigated issue of the asset’s separability from the firm’s general cash flow. Feldmann & Le (2017) have taken a sample of 199 public listed companies from Seven selected countries over a period of 15 years period and revealed that effect of the international financial reporting standards (IFRS) Implementation on earnings management behavior in countries with high investor protection and strong legal enforcement. Level of gap in reporting practices before IFRS High investor protection countries, earnings management in general and accrual-based earnings management (AEM) in particular are more Implemented during the IFRS application period than during the national generally accepted accounting principles (GAAP) application period. Hong, Paik & Smith (2018) conducted an analysis of behavioural aspect in U.S. listed firms who have recognized long-lived asset impairment losses during the 2004–2012 period. Differences in accounting standards influence reporting Behaviour within the U.S. institutional environment where both IFRS and U.S. GAAP are used for reporting purposes. Focus on the accounting for impairment of long-lived assets, an area where Significant differences exist between U.S. GAAP and IFRS & Level of gap in reporting practices before IFRS. The association between impairment losses and unexpectedly high and low earnings is significantly greater for U.S. GAAP firms as compared to IFRS reporting firms, implying differences in accounting standards influence firm financial reporting. Singh (2019) analyses Corporate Regulators in India have made it mandatory for Listed Entities and Other Large Entities to follow Accounting Standards. The behavioral aspect includes Current GAAP is sufficient for proper reporting. IFRS should be used by our countries in place of national GAAPs. The study would enable the policy makers to look out for the relevant grey
areas where special attention is required to make IFRS implementation a success in an emerging economy like India.

Riahi and Khoufi (2019) analyses the aspect in developing countries with Impact of main behavioral factors that could affect the decision of adopting IFRS in developing countries (DCs). National GAAPs are more reliable than IFRS and should, thus, continue to be used. There exists a bidirectional causal relationship between the majority of the developed behavioral variables and the decision of whether adopting or unadapting IFRS by DCs.

Erkens (2016) analyses 400 firms from 20 European countries for measuring Determinants and consequences of information disclosure and corporate risk management disclosures. Financial reporting present balance sheet items in proper format after convergence or Harmonization. Countries’ institutional settings and cultural values are predominant factors why firms disclose information on their risk management practices.

Choudhary & Ghorai (2016) analyses behavioral aspects in Indian listed companies for Impact of global convergence of accounting standards on its pattern of segment reporting they included Financial reporting in income statement is in proper format after convergence or Harmonization and Convergence or Harmonization changes accounting practices. Convergence of global accounting standards (results into IFRSs) has no such significant impact on Indian segment reporting practices particularly in the transition period.

Baig & Khan (2016) analyses Public limited companies in Pakistan Impact of introduction of International Financial Reporting Standards on earnings management. As the purpose of the reporting standards is to make the financial statements of companies more transparent and comparable, Introduction of IFRS, during the period 2001-2009, led to less earnings management.

Riahi & Khoufi (2018) analyses the Developing countries until the year 2013 with Causality links between behavioral factors and the decision to adopt IFRS. They uses as behavioral aspects the Convergence or Harmonization will make accounting and reporting more transparent and convergence or Harmonized AS provides better picture of the financials with results as existence of bidirectional causal relationship between the majority of the developed behavioral variables and the decision of adopting or not IFRS by developing countries.

Wang (2016) analyses Israeli firms to Investigate the change in dividend payouts after mandatory adoption of International Financial Reporting Standards, they also included the behavioral aspect of After convergence or Harmonization the assets and liabilities are better Presented and After convergence or Harmonization the worthwhile objectives can be fairly and gradually accomplished. Their results revealed that some Israeli firms distributed cash dividends out of unrealized earnings from financial instruments and investment properties due to the application of fair value accounting under IFRS. This discussion focuses on the theoretical development in the impact of IFRS adoption on corporate incentive for dividend pay-outs and the costs of earnings management for dividend distribution.

III-RESEARCH METHODOLOGY

The research framework selected at the preliminary level will be exploratory in nature in order to identify the behavioral aspect of IFRS implementation. The major activities include questionnaire survey through a questionnaire; and; qualitative analysis of Primary data.
A- Universe - The targeted population for study include Top managers, Financial Managers, Auditors and Finance executives of various Companies working in the selected two countries, i.e. India and Kenya who can provide their views on behavioral aspect.

B- Sampling Technique – Stratified Random Sampling is used for gathering data from respondents on behavioral aspect.

C- Tentative sample size – 457 total respondents that includes 240 from Kenya and 217 from India.

D- Data types & sources
Secondary and Primary data will be collected for fulfillment of the research objective.

E- Primary Source: Primary data will be collected directly from the targeted population through survey and extensive field work. The questionnaire will be used as a major survey instrument and responses will be collected through Google doc’s forms and hard copy questionnaire.

F- Secondary Sources: It includes profound study of annual report of selected companies including their annual reports, extensive literature review and syndicated data from other relevant sources and published report on the behavioral issues etc.

G- Data analysis tool: used includes stepwise multiple regressions as a major tool for identification of variable influencing the impact of IFRS implementation.

IV- DATA ANALYSIS
To analyse important factors critical for business conversion for IFRS, multiple regression analysis technique is used. Present analysis used variable name ‘Har_conv_well_rep’ as dependent variable and other factors as independent variables. Harmonization and conversion of accounting standards is well reported after IFRS implementation. Following hypothesis is also formulated to test the relation. Results of analysis are presented below.

HI: All Attributes configuring Harmonization and conversion of accounting standards significantly influence IFRS implementation

The Data has been gathered in 5-point Likert Scale, where 5 represent “Strongly Agree” and 1 represent “Strongly Disagree”. Following scale items are used to measure the perception.

| Table 1: Multiple Regression analysis-Harmonization and conversion of accounting standards |
| Variable                                                                                     | SPSS code       | Mean    | Std. Deviation | N  |
| Harmonization and conversion of accounting standards is well reported after IFRS implementation | Har_conv_well_rep | 4.0788  | .75968         | 457 |
| There are different gap in reporting practices before IFRS                                  | Har_conv_1      | 2.6761  | 1.21221        | 457 |
| Current GAAP is sufficient for proper reporting                                             | Har_conv_2      | 2.6937  | 1.45481        | 457 |
| IFRS should be used by countries in place of national GAAPs                                 | Har_conv_3      | 1.8512  | .84017         | 457 |
National GAAPs are more reliable than IFRS and should, thus, continue to be used.

| Financial reporting present balance sheet items in proper format after convergence or Harmonization | Har_conv_4 | 2.9256 | 1.04448 | 457 |
| Financial reporting in income statement is in proper format after convergence or Harmonization | Har_conv_5 | 2.4551 | 1.02953 | 457 |
| Convergence or Harmonization will changes accounting practices | Har_conv_6 | 3.0219 | 1.06559 | 457 |
| Convergence or Harmonization will make accounting and reporting more transparent | Har_conv_7 | 2.1663 | .66781 | 457 |
| After convergence or Harmonization Accounting Standards provides better picture of the financials of company | Har_conv_8 | 3.4989 | 1.09650 | 457 |
| After convergence or Harmonization the assets and liabilities are better presented | Har_conv_9 | 3.5274 | 1.14699 | 457 |
| After convergence or Harmonization the worthwhile objectives can be fairly and gradually accomplished | Har_conv_10 | 2.1094 | 1.07659 | 457 |
| There are still major challenges involved in a global adoption of IFRS | Har_conv_11 | 1.6718 | .47008 | 457 |
| Harmonization is an idealistic objective that is impossible to accomplish. | Har_conv_12 | 3.4748 | .94818 | 457 |
| IFRS should be used, and then financial information should be reconciled with the national GAAPs. | Har_conv_13 | 4.3304 | .84954 | 457 |
| Har_conv_well_rep | Har_conv_14 | 1.4661 | .54957 | 457 |

**Model Summary**

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | F         | df1 | df2 | Sig.
|-------|-------|----------|-------------------|---------------------------|-------------------|----------|-----|-----|------
| 5     | .357  | .127     | .118              | .71361                    | .009              | 4.676    | 1   | 451 | .031 |

**ANOVA**

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e. Predictors: (Constant), Har_conv_2, Har_conv_6, Har_conv_5, Har_conv_14, Har_conv_3
f. Dependent Variable: Har_conv_well_rep
### Coefficients

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a. Dependent variable: Har_conv_well_rep

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### V-conclusion

As per the above result points regression results show that R²= 0.127; Adjusted R square=11 percent; Dependent Variable is Har_conv_well_rep; Predictors are Har_conv_2, Har_conv_3, Har_conv_5, Har_conv_6, Har_conv_14 with Model fit ANOVA=15.152 that is Significant (0.000). The Result revealed that the model is fit to predict future. Further it can be revealed that alternative hypothesis is accepted and only variables like Har_conv_2 (Current GAAP is sufficient for proper reporting), Har_conv_3 (IFRS should be used by countries in place of national GAAPs), Har_conv_5 (Financial reporting present balance sheet items in proper format after convergence or Harmonization), Har_conv_6 (Financial reporting in income statement is in proper format after convergence or Harmonization), and Har_conv_14 (IFRS should be used, and then financial information should be reconciled with the national GAAPs) are significant in predicting Harmonization and conversion of accounting standards.

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