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IMPACT OF CONVERGED INTERNATIONAL FINANCIAL REPORTING STANDARDS ON ELIMINATION OF RISK-SOME CONTEMPORARY ISSUES

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ABSTRACT
This paper seeks to explain whether the introduction of IFRS will eliminates the currency risk, price risk and interest risk. The primary data has been collected through the structured questionnaire from the 150 respondents. The secondary data obtained from the existing literature and review. The SPSS 16.0 version was used to interpret and analyze the data. The percentage and chi-square tests applied to derive the results. The study found that the single set of accounting standards through the IFRS eliminates currency exchange risk, interest rate risk and price risk. Hence, it is suggested that there should be a single set of accounting standards for all the countries within a globe through the IFRS to eliminate the different nature of risks.
Key Words - Currency Exchange Risk, Interest Rate Risk, Price Risk, Single Set of Accounting Standards.

INTRODUCTION

International Financial Reporting Standards (IFRS) are principles-based Standards, Interpretations and the Framework (1989) adopted by the International Accounting Standards Board (IASB).A financial statement should reflect true and fair view of the business affairs of the organization. As these statements are used by various constituents of the society / regulators, they need to reflect true view of the financial position of the organization. A financial reporting system supported by strong governance, high quality standards, and firm regulatory framework is the key to economic development. Indeed, sound financial reporting standards underline the trust that investors place in financial reporting information and thus play an important role in contributing to the economic development of a country. The Institute of Chartered Accountants of India (ICAI) as the accounting

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standards-formulating body in the country has always made efforts to formulate high quality Accounting Standards and has been successful in doing so. Indian Accounting Standards have withstood the test of time. As the world continues to globalize, discussion on convergence of national accounting standards with International Financial Reporting Standards (IFRS) has increased significant. In general terms, 'convergence' means to achieve harmony with IFRS; in precise term, convergence can be considered "to design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRS". In this context, attention is drawn to paragraph 14 of International Accounting Standard (IAS), Presentation of Financial Statements, which states that financial statements shall not be described as complying with IFRS unless they comply with all the requirements of IFRS. Thus, 'convergence with IFRSs' means adoption of IFRS. Convergence with IFRS has gained momentum in recent years all over the World. More than 110 countries including European Union, Australia, China, New Zealand, and Russia currently require or permit the use of IFRS. Apart from India, countries like Japan, Sri Lanka, Canada and Korea have also committed to adopt IFRS from 2011. United States of America has announced its intention to adopt IFRS from 2014 and it also permits foreign private filers in the U.S. Stock Exchanges to file IFRS complied Financial Statement, without requiring the presentation of reconciliation statement. In this setting of globalization, India cannot shield itself from the developments taking place worldwide. In India, so far as the ICAI is concerned, its aim has always been to comply with the IFRS to the extent possible with the objective to formulate sound financial reporting standards. The ICAI, being a member of the International Federation of Accountants (IFAC), considers the IFRS and tries to integrate them, to the extent possible, in view of the laws, customs, practices and business environment prevailing in India. The Preface to the Statements of Accounting Standards, issued by the ICAI, categorically recognizes the same. Now, as the world globalizes, it has become imperative for India also to make a formal strategy for convergence with IFRS with the objective to harmonize with globally accepted accounting standards. In order to achieve harmonization of accounting practices, convergence of national accounting standards with that International Accounting standard is essential. The Indian Accounting standards operate in convergence with the International Accounting standard so that the Indian financial reporting system is at par with the international practice. In the year 2007, ICAI developed a Concept Paper on Convergence with IFRS in India with the objective of exploring the approach and strategy for achieving convergence with IFRS. In 2008, the Government announced the policy that the Indian Accounting Standards are expected to be fully convergent with IFRS w.e.f April 1, 2011. While some countries have adopted the IFRS without modifications, others have tailored the IFRS to their country-specific conditions during the process of convergence. India decided to go in for 'convergence' rather than 'adoption'. Convergence with IFRS would allow India to consider local economic conditions and business environment while preparing converged accounting standards, thus enabling an orderly transition while safeguarding the interests of Indian

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enterprises and providing them enough time for transition. Government of India has been following a consultative approach for the purpose of achieving convergence of national accounting standards with IFRS.

REVIEW OF LITERATURE

Zabihollah Rezaee, L.Murphy Smith and Joseph 2. Szendi (2010) explained that the majority of respondents believe that effective convergence to a set of globally accepted accounting standards beneficial to prepares, users, auditors, analysts and standard setters[1]. Convergence in accounting standards can require extensive and possibly costly changes to the standard setting infrastructure and enforcement process in the US and other countries and will also require proper training for management, auditors and investors. **Anderson (1993)** informed the advantages of convergence to a global accounting system. **Belkaoui (1994)** found that the factors which are influenced the development of an international accounting system and the harmonization process. **Saudagaran** (2001) explains the impediments to the harmonization of accounting along with the culture and political barriers, and he also emphasized that IFRS improves the comparability of international information of accounting between the countries, flow of international investments, consolidation of divergent financial reporting more cost effective, and the obstacles are differences in accounting policies and practices of various countries, lack of vigilant effective standard setting bodies in some countries and diversity in political and economic factors in world wide. **Barth et al (2007)** observed that a sample of firms that voluntarily adapted this system projected the lower levels of earnings management and more timely loss recognition compared with firms that used the local GAAP. **Hail, Lellz and Verdi (2007)**[2] recognized that introduction of IFRS increases in market liquidity and equity valuations, and also they reported that capital market benefits were more pronounced in countries with strong implementation regimes and for firms that voluntarily switch to IFRS, but less pronounced for countries when local GAAP is near to IFRS or an IFRS convergence strategy is in place, and in industries with higher voluntary adoption votes. Besides they also emphasized that, the IFRS is expected to enhance the comparability of financial statements, strengthen the corporate transparency and increases the quality of financial reporting. **Coving, Defond and Hung (2007**) opined that convergence facilitate the cross border investment and it is useful for the integration of capital markets.**Lang, Smith Raedy and Wilson 2006 and Lellz, (2006) (KPMG, 2006, KPMG 2007, E&Y, 2007)** opined that IFRS financial report are not influenced by home-country institutions, but also retain a strong national identity.International federation of accounts (IFAC) exhibits that convergence to a single set of international accounting standards is key to economic development .**Hermann and Hauge (2006)** opined that IFRS and US GAAP increasingly influence each other and they are gradually converging. **DUC Hong Thi Phan, Burno Mascitelli and**

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Meropy Barut(2014) found that the Vietnamese accounting professionals are optimistic regarding professionals are optimistic regarding expected benefits from IFRS adaption, present the anticipated costs and challenges to start a IFRS and suggest a support for a gradual shift from Vietnamese accounting standards to IFRS, through the level of support varies amongst the three different groups of accountants.

IFRS 1: First Time Adoption of Interpretational Financial Reporting Standards :The IFRS compliant financial position says that accounting policies which are adapted must comply with all the effective IFRS, consist of all items liabilities and equity except retrospective application (prohibited) like estimate, de recognition of financial assets and financial liabilities, hedge accounting, assets held for sale and discontinued operations and non controlling interests in other terms retrospective application (optional) consists of business combinations property, plant and equipment, intangibles, fair value deemed cost share based payments, employee benefits, cumulative translation differences, compound financial statements, assets and liabilities of sub diaries, associates and joint ventures, designation of financial installments, insurance contracts, changes in existing decommissioning, restoration and similar liabilities, arrangements relevant to a lease, fair value measurement of financial assets or financial liabilities, service concession arrangements, borrowing costs and transfers of assets from customers. The above information has to present and disclosure based on the following options Comparative information of previous year a) Explanations on transition to IFRS b) Reconciliations and c)Interim financial report[3].

IFRS-2 Share Based Payments

The share or share options are issued by the firms to pay the employees or other parties. The share plans and share option plans are meant to an employee's remuneration not only for directors and senior executives but also for directors, of professional services. The main objective of this IFRS is to determine the financial reporting requirements which are relevant to share based payments of a firm or entity. The share based payments consists of settled through the equity, cash and with cash alternative. The measurement of share based payment transactions may be in the following forms:

a) Fair value of goods or services received, if not estimated reliably, fair value of equity instruments measures based on market price which is available in the market as on measurement date, in absence of market price, consider the any of the valuation techniques, finally the intrinsic value of such instruments used as a fair value, if it is also not possible to assess the value of share based on the valuation technique. Sometimes there may be a chance to measure the incremental fair value identifying over the revised life. The second alternative measurement of share based payment is the fair value of liability equaling to the premeasured at end of each reporting period. The alternative measurement of share based payments is choice with the counter party. Which is relevant to the

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compound financial instrument. This compound financial instruments is calculated in two ways (a) fair value of debt (b) fair value of equity instruments. Premeasured the liability to fair value, as on date of settlement, if it is settled with equity, transfer the amount of liability in equity, under the option of settled through the equity, if it is settled through the cash, the equity to remain in equity. The further measurement alternative confine to the choice with entity. The entity will settle in the form of cash, if it has present obligation, otherwise settled through the equity instruments, but as on date of settlement, the entity repurchase of equity interest if it is settled through the cash, otherwise choosing option with higher fair value by incurred an additional expenses. The firm should disclose the reasons for modifications in terms of incremental fair value and factors involved in granting the incremental value, besides that it should be disclose regarding the total amount of expenses recognized in profit or loss on account of share based transactions and carrying amount of liabilities as at the end of the reporting period[4].

IFRS-3 Business Combinations: This standard explains about the foster the relevance, reliability and comparability of the information regarding business combination and its effects based on the core principle, and an acquirer of a business identify the assets acquired and liabilities anticipated the fair values of these as on their acquisition date and furnish the information which is useful to the users, and for interested parties to analyze the fundamental nature and financial effects of the acquisition. The business combinations may be explained in two ways, if inputs and / or processes have ability to create outputs, it is considered as a business, as a combination. The combinations may be divided into

a) Combination of businesses under common country and formation of joint venture.

b) Other combinations. The other combinations applied the acquisition method (Called accounting for business combinations). The acquisition method contributes the principles, as they meet the definition as per frame work and assets, liabilities form part of business combination. The value of business combinations are measured in two ways a) fair values ascertainable readily b) fair values not ascertainable readily. If it is possible to measure the fair values ascertainable readily, the recognized assets and liabilities are measured at fair value on acquisition date, rest of these, i.e non-controlling interest ae measured at either fair value or at appropriate share of recognized net assets. If it is not possible to ascertain fair values immediately of combinations the provisional amount has been fixed at initially, afterwards, with in a period of one year, consider the required adjustments finally, finally measure the real fair value   The entity should disclose the financial effects of business combinations taken place up to the date of authorization of financial statements,. If any adjustment made in present year, of the data of the previous year, the information should be distinguished from the current year to the previous year.

IFRS-4:Insurance Contracts : This standard applicable to the financial reporting aspects of

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insurers by more emphasize on accounting policies, accounting mechanism for specified structured insurance contracts, included re-insurance contracts. The insurance contracts developed in the form of kind or cash, for example medical services. The required features of a insurance contract are the acceptance of significant insurance risk from the policy holder. The standard separates the insurance risk from the financial risk. The insurance risk is specific to a party and it is specific to a party and it is pre existing, but the financial risk is not specific to a party. It is interesting that the insurer should accept significant insurance risk from the holder which will substantially influence the holder, if the risk is materializes[5].

IFRS-5: Noncurrent Asset Held for Sale and Discontinued Operations: This standard Imeant for classification of such assets as held for sale, and explains about the principles governing measurement and requirements as to disclosure, these assets should be distinguish these from other elements of financial information in the financial statements. The term non-current asset refers to the non-current assets and disposal groups. The criteria for classification of assets as a disposal group or non-current assets is approval from the top management, active initiation for sale to complete, high probability of sale, sale price, sale within one year. The value of current assets or disposal group is measured which is lower of carrying amount and FV less cost of sell. As a part of asses the value of these assets, should identify the consequential impairment loss recognized and the gain on subsequent reversal of impairment recognized not exceeding the amount of cumulative impairment loss. The change of plan assets value at lower of the carrying amount had there not been classification as held for sale and recoverable amount.

IFRS-6 :Exploration for and Evaluation of Mineral Resources : This IFRS does not apply in-terms of accounting expenditure incurred before the exploration for and evaluation of mineral resources or other expenditures incurred after the technical feasibility and commercial viability of extracting a mineral resource is found to be demonstrable. This IFRS applied for expenditure incurred for exploration and evaluation of mineral resources. The entities should adopt appropriate accounting policy, as per para 10 of IAS8, for expenditure incurred before right to explore and after the technical and commercial viability is demonstrable, can be deferred or changed to profit and loss account. The firms should follow as appropriate accounting policy, as per para 10 of IAS 8, where expenditures incurred, after obtaining right to explore till the techniques and commercial viability is demonstrable, and such expenditure is identified as either tangible or intangible assets as appropriate. These assets measured at cost initially, after wards based on cost or revaluation model and tested for impairment[6].

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IFRS-7 Financial Instruments Disclosures : This IFRS applicable to the better understanding of the significance, impact, nature and extent of risks associated with the financial instruments to the users of financial statements easier. If the disclosures value of financial instruments help, to understand the significance and its impact on performance, the balance sheet should disclose the information of categories of financial instruments, reclassification of these based on the fair value or amortized cost de recognition of securities and allowance for losses. The profit and loss account should disclose the information of net gain or losses of financial instruments due to changes in fair value, interest income expense on these instruments and impairment of losses. The disclosure of other than these two, accounting policy, hedge accounting (types, designation and nature of risks hedged) and the fair value consists of the methods, valuation techniques. Whereas if the disclosures of financial instruments helps to understand nature and extent of risks, than there is required a qualitative disclosures[7]. The qualitative disclosure relevant to the (explain about kind of exposure, how they arise, objectives, policies and processes for managing risks and methods applied to measure the risk).The operating segment is divided into two groups a) the individual operating segment b) aggregated operating segment. For these segments, projects the quantitative there should, management disclosed information, reported the additional operating. If the revenue of these three aspects is less than the 75 percent of the entity's revenue, qualifies as repo rtable segments. The quantitative disclosures relevant to the credit risk exposure analysis, liquidity risk maturity analysis and market risk sensitivity analysis. The credit risk exposure analysis consists of the financial assets impaired or past due, and collateral and other credit enhancements. The liquidity risk maturity analysis belongs to the contractual maturity of commitments liabilities. The market risk sensitivity analysis covers the interest rate risks, currency risks and other price risks.

IFRS-8 Operating Segments: This standard stipulates the whole entity's financial information to be segmented and reported on the basis of principles prescribed for identification of operating segments and to report the assessed values. Operating segment is segment or component of the organization, which incurs expense and earns revenue which is scrutinized by the CODM, and he has discrete financial information[8].

Research Problem: After verifying the existing literature there was no research confined to that is IFRS eliminates the different types of risk hence may research problem is confined to the
Is IFRS will eliminates the currency risk
Is IFRS will eliminates the price risk
Is IFRS will eliminates the interest risk
Based on the research problem the following objectives have been framed under the head of the

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objectives of the study.

OBJECTIVES OF THE STUDY

After verifying the existing literature and review the following objectives were framed.

1. To analyze the perceptions of respondents regarding IFRS, whether it is eliminates the currency risk, interest risk and price risk.
2. To offer a suitable suggestions to strengthen the IFRS.

METHODOLOGY OF THE STUDY

The secondary data obtained from the existing literature and review the primary data obtained through the structured questionnaire from the 150 respondents by applying the convenience sampling method. The SPSS 16.0 version was used to interpret the perceptions of the respondents.

TECHNIQUES OF THE STUDY

The following techniques were applied to derive the results. Percentage, chi-square etc.

Section A: Personal Background of the Respondents

Table 1:Age of the Respondents

	Frequency	Percent
< 30 YEARS	111	74.0
31-40 YEARS	39	26.0
Total	150	100.0

Table 1: This table explains about the distribution of the respondents based on their age. The majority of the respondents (74 percent) belonged to the below 30years and rest of them confined to the age group of 31-40 years.

Table 2:Gender of the Respondents

Gender	Frequency	Percent
Male	87	58.0
Female	63	42.0
Total	150	100.0

Table 2: This table described about the distribution of respondents based on their gender. The 58 percent of the respondents represented from the male respondents and rest of the percentage

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relevant to the female category. Hence, it can be concluded that majority of the respondents belong to the male category.

Table 3:Distribution of Respondents based on the Academic Qualifications

	Academic Qualifications	Frequency	Percent
Valid	Master	18	12.0
	Bachelors	113	75.3
	Others	19	12.7
	Total	150	100.0

Table 3: This table narrates the academic qualifications of the respondents. The majority of the respondents (75.3 percent) selected from the bachelor degree, 12percent of them selected from the master degree and rest of them belonged to the others.

Table 4: Distribution of Respondents based on the Professional Qualifications

	Professional Qualifications	Frequency	Percent
Valid	C.A	29	19.3
	I.C.W.A	84	56.0
	C.S	9	6.0
	NONE	28	18.7
	Total	150	100.0

Table 4: This table describes about the professional qualifications of the respondents. The majority of the respondents (56 percent) posses the qualification of ICWA, followed by the CA and CS. Hence, it can be concluded that the majority of the respondents posses the qualification of ICWAI.

Table 5:Distribution of Respondents based on Monthly Income

		Frequency	Percent
Valid	< 50000	141	94.0
	50001-100000	9	6.0

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Table 5:Distribution of Respondents based on Monthly Income

		Frequency	Percent
Valid	< 50000	141	94.0
	50001-100000	9	6.0
	Total	150	100.0

Table 5: This table distributes the respondents based on their monthly income. The majority of the respondents (94 percent) earned the below 50,000Rs. And rest of them earned the above 50,000Rs. Hence, it was evident that, the majority of the respondents belonged to the less than 50,000 income group.

Table 6: Distribution of Respondents based on Work Experience

		Frequency	Percent
Valid	< 5 Years	114	76.0
	6-10 Years	36	24.0
	Total	150	100.0

Table 6: This table distributes the respondents based on their work experience. The majority of the respondents (76 percent) gained the experience five years, and rest of them had an experience vary from the six five years, and rest of them had a experience vary from the six to ten years. Hence, it can be concluded that, the majority of the respondents had a work experience of below 5years.

Section B: Elimination of Risk through IFRS

Table 7:A single set of accounting standards * The IFRS eliminates the currency exchange risk

	The IFRS eliminates the currency exchange risk				
	strongly agree	agree	neutral	disagree	Total
strongly agree	20 (100.0)	20 (36.4)	10 (20.8)	10 (37.0)	60 (40.0)
agree	0	35	20	0	55

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	(.0)	(63.6)	(41.7)	(.0)	(36.7)
neutral	0 (.0)	0 (.0)	18 (37.5)	17 (63.0)	35 (23.3)
Total	20 (100.0)	55 (100.0)	48 (100.0)	27 (100.0)	150 (100.0)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	90.922[a]	6	.000
Likelihood Ratio	112.790	6	.000
Linear-by-Linear Association	38.751	1	.000
N of Valid Cases	150		

a. 1 cells (8.3)) have expected count less than 5. The minimum expected count is 4.67.

Null Hypothesis (Ho): A single set of accounting through the IFRS does not eliminates the currency risk.

Alternative Hypothesis (Ha): A single set of accounting through IFRS will eliminates the currency risk.

Analysis: The calculated person chi-square value was 90.922, where df=6, p=0.000, Hence, it can concluded that the proposed null hypothesis was rejected, and inferred that a single set of accounting through IFRS eliminates the currency risk.

Table 8:A single set of accounting standards * The IFRS eliminates the interest rate risk

	The IFRS eliminates the interest rate risk				
	Strongly Agree	Agree	Neutral	Disagree	Total
Strongly Agree	0 (.0)	40 (52.6)	10 (21.3)	10 (52.6)	60 (40.0)
Agree	0	27	28	0	55

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		(.0)	(35.5)	(59.6)	(.0)	(36.7)
	Neutral	8 (100.0)	9 (11.8)	9 (19.1)	9 (47.4)	35 (23.3)
Total		8 (100.0)	76 (100.0)	47 (100.0)	19 (100.0)	150 (100.0)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	57.272[a]	6	.000
Likelihood Ratio	60.557	6	.000
Linear-by-Linear Association	.060	1	.806
N of Valid Cases	150		

a. 4 cells (33.3)) have expected count less than 5. The minimum expected count is 1.87.

Table 8:
Null Hypothesis (Ho): A single set of accounting through IFRS does not eliminates the interest risk
Alternative Hypothesis (Ha): A signal set of accounting through IFRS eliminates the interest risk.
Analysis: The value of person chi-square was 57.272, df=6, P=0.000, Hence, it can be concluded that the proposed null hypothesis was not accepted and came to the conclusion that a signal set of accounting through IFRS eliminates the interest risk.

Table 9:A single set of accounting standards * The IFRS eliminates the price risk because changes in market conditions

		The IFRS eliminates the price risk because of changes in market conditions			
		Strongly Agree	Agree	Neutral	Total
A single set of accounting standards would enable	Strongly Agree	20 (55.6)	0 (.0)	40 (58.0)	60 (40.0)
	Agree	8	27	20	55

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international auditing firms to standardize training and assure better quality of their work on a global scale.		(22.2)	(60.0)	(29.0)	(36.7)
	Neutral	8 (22.2)	18 (40.0)	9 (13.0)	35 (23.3)
Total		36 (100.0)	45 (100.0)	69 (100.0)	150 (100.0)

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.097[a]	4	.000
Likelihood Ratio	60.158	4	.000
Linear-by-Linear Association	3.059	1	.080
N of Valid Cases	150		

a. 0 cells (.0)) have expected count less than 5. The minimum expected count is 8.40.

Table 9:

Null Hypothesis (Ho): A signal set of accounting standards through IFRS does not eliminates the price risk.

Alternative Hypothesis (Ha): A signal set of accounting standards through IFRS eliminates the price risk.

Analysis: The value of person chi-square was 44.097, df=4, P=0.000, Hence it can be concluded that the proposed null hypothesis was rejected and alternative hypothesis was accepted and concluded that a signal set of accounting standards through IFRS eliminates the price risk.

FINDINGS OF THE STUDY

After verifying and analysis the given data, through SPSS the following findings were observed. The study found that a single set of accounting through IFRS eliminates the currency risk, interest rate risk and the price risk.

CONCLUSION AND SUGGESTIONS

Finally it can be concluded that introduction of international financial reporting system will help us to mitigate the risk. The study certainly came out with through the IFRS, it is possible to eliminate

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currency risk, interest rate risk and the price risk. Hence, it is suggested that, the all the countries within a globe, should adopt the international financial reporting standards to have a future benefits.

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