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IMPACT OF IFRS ADOPTION ON FINANCIAL REPORTING PRACTICES OF LISTED LARGE CAP CONSUMER DURABLES COMPANIES

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Abstract

Purpose: *This study examines the impact of IFRS adoption on the financial reporting practices of listed large-cap consumer durables companies in India, focusing on changes in accounting practices, transition challenges, and benefits in financial transparency and comparability.*
Design/methodology/approach: *The research adopts a descriptive methodology, evaluating the financial reporting quality of selected large-cap consumer durables companies over ten years (2011-12 to 2020-21). It employs statistical tests such as mean paired t-tests and uses data management tools like Jamovi, Python, and MS Excel for analysis. The study is based on secondary data sourced from stand-alone financial statements and annual reports available on company websites.*
Findings: *IFRS adoption has improved the quality of financial reporting, particularly in relevance, faithful representation, and understandability. Companies like Asian Paints, Berger Paints, and Havells India show consistent improvement in reporting quality post-IFRS, though challenges remain in consistency/comparability, verifiability, and understandability.*
Practical Implications: *IFRS enhances transparency and comparability of financial statements, improving access to international markets and investor confidence. However, its implementation requires significant adjustments in accounting practices, training, and system upgrades.*
Originality/value: *The research highlights the positive impact of IFRS on financial reporting quality in the consumer durables sector, contributing valuable insights for stakeholders on global accounting harmonization.*

Keywords: *Corporate governance, GAAP, financial reporting, Pre-IFRS and Post-IFRS, ICAI, IASB, Ind. AS*

INTRODUCTION

The adoption of International Financial Reporting Standards (IFRS) marks a transformative milestone in the evolution of global accounting practices. This shift aims to standardize financial reporting across different jurisdictions, promoting enhanced transparency, comparability, and reliability in financial statements. The transition to IFRS carries significant implications for listed large-cap consumer durables companies, profoundly impacting their financial reporting practices and corporate governance frameworks.
Consumer durables companies, characterized by substantial market capitalization and extensive investor bases, produce goods with prolonged lifespans such as appliances, electronics, and vehicles. These companies play a pivotal role in the economy, making the accuracy and clarity of their financial reporting crucial for stakeholders, including investors, regulators, and policymakers(Kaur, 2018). Before IFRS adoption, companies in India adhered to the Generally Accepted Accounting Principles (GAAP), which varied significantly from international standards. This variability led to inconsistencies in financial reporting and challenges in comparing financial statements across borders, hindering investment decisions and overall financial transparency (Weerathunga et al., 2020).
The Companies Act of 2013, along with regulatory bodies such as the Securities and Exchange Board of India (SEBI) and the Ministry of Corporate Affairs (MCA), has been instrumental in implementing IFRS in India under

the Indian Accounting Standards (Ind AS). This regulatory framework mandates compliance for listed companies, including large-cap consumer durables firms, ensuring enhanced transparency and accountability in financial reporting (R. et al., 2023). The integration of these standards is designed to align Indian financial reporting practices with global norms, thereby facilitating better access to international capital markets and fostering investor confidence.

The transition to IFRS influences several facets of financial reporting practices. These include the recognition, measurement, presentation, and disclosure of financial information, altering how companies report their financial performance and position. Key areas impacted by IFRS adoption encompass revenue recognition, financial instruments, leases, and fair value measurements (Bansal, 2023). IFRS requires a comprehensive and consistent approach to accounting that often necessitates substantial changes in existing practices. For instance, the recognition of revenue under IFRS is more stringent, requiring companies to recognize revenue when control of goods or services is transferred to customers, as opposed to the risk-and-reward model used in previous standards.

Moreover, IFRS adoption necessitates robust internal control systems and elevates the role of auditors in ensuring compliance. Auditors must verify that financial statements accurately reflect the company's financial position and performance in accordance with IFRS guidelines. This increased scrutiny enhances the reliability of financial reports, which is crucial for maintaining investor trust and making informed investment decisions (Jehu & Ibrahim, 2018).

For large-cap consumer durables companies, IFRS adoption presents both opportunities and challenges. On the one hand, it provides a level playing field, facilitating better access to international capital markets and improving investor confidence due to enhanced comparability of financial statements (Al-ahdal et al., 2020). This is particularly beneficial for companies seeking to attract foreign investment, as standardized reporting reduces the information asymmetry between domestic and international investors. On the other hand, the complexities involved in implementing these standards require significant adjustments in accounting practices, training of personnel, and upgrading of information systems (Uzma, 2018). Companies may face challenges related to the cost and effort required to transition to the new standards, including the need for specialized training for accounting staff and the modification of existing financial systems to accommodate new reporting requirements.

This study aims to explore the impact of IFRS adoption on the financial reporting practices of listed large-cap consumer durables companies in India. It will examine the changes in accounting practices, the challenges faced during the transition, and the resultant benefits in terms of financial transparency and comparability. By providing insights into the real-world implications of IFRS adoption, this research seeks to contribute to the broader understanding of global accounting harmonization and its effects on the corporate sector.

In conclusion, the adoption of IFRS represents a crucial step towards enhancing the quality and consistency of financial reporting in the consumer durables industry. Understanding its impact is vital for stakeholders to navigate the complexities of this global accounting framework and harness its benefits for improved financial decision-making.

LITERATURE REVIEW

The implementation of Indian Accounting Standards (Ind AS) in India has been a significant milestone in harmonizing local accounting practices with International Financial Reporting Standards (IFRS). The transition to Ind AS aimed to enhance the comparability and transparency of financial statements, fostering greater investor confidence and integration with global markets.

The adoption of Ind AS presents several opportunities, including improved financial transparency and better alignment with global practices(Jain, 2011). However, the transition has also posed significant challenges. According to Sharma and Gupta (2020), companies faced issues such as high costs of implementation, the complexity of new standards, and the need for extensive training and changes in IT systems. These challenges have required substantial efforts from both the government and corporate sectors to ensure a smooth transition.

Several empirical studies have explored the perceptions and experiences of accounting professionals regarding the implementation of Ind AS. Sharma and Gupta (2019) conducted a study that highlighted the general acceptance of Ind AS among accounting professionals, despite acknowledging the initial implementation difficulties. This study found that most professionals believe that Ind AS will ultimately benefit Indian businesses by providing more reliable and comparable financial information.

Similarly, a study by Bansal and Garg (2021) examined the impact of Ind AS on accounting quality in India. The study concluded that the adoption of Ind AS has significantly improved the quality of financial reporting, enhancing the transparency and comparability of financial statements. However, it also pointed out that continuous efforts are needed to address the challenges related to the complexity and cost of implementation.

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Comparative analyses of accounting standards have shown that while India has made significant strides in aligning its accounting standards with IFRS, full convergence is still a work in progress (Tawiah, 2020). These analyses underscore the need for continuous adaptation and learning to fully reap the benefits of global accounting standards.

Al-Ahdal et al. (2020) emphasize that corporate governance and financial performance vary significantly between companies in Indian and foreign markets due to differences in economy, geography, and culture. These variations necessitate distinct guidelines for compliance, legal systems, and monitoring policies. In Asian countries, many businesses are family-owned with concentrated holdings, unlike in the UK and the USA, leading to the adoption of corporate governance practices recommended by developed countries. Effective and efficient corporate governance, emphasizing transparency, accountability, and managerial excellence, is crucial in developing countries to prevent fraud, attract foreign investors, and expand capital.

Developing countries, particularly in Asia, may struggle with good corporate governance due to legal loopholes, weak investor protection, economic uncertainty, and government intervention (Uzma, 2018). Research indicates that poor corporate governance results in inadequate financial performance, causing tension among stakeholders. Performance measurement systems are vital as they provide financial information through internal operations, aiding decision-making for planning, directing, and controlling. The selection of performance evaluation depends on an organization's objectives and a clear calculation method, achieved by the people involved in the organization.

OECD's corporate governance principles are crucial for fostering cooperation among member nations and advancing good corporate governance standards (Rao, Bedia, & Shrivastava, 2020). This study highlights the interdependent relationship between corporate governance procedures and financial performance in listed enterprises in India and abroad. The incorporation of OECD's guidelines into the Indian Companies Act, enhanced by SEBI, is essential for effective governance. Stock exchanges are encouraged to update agreements with listed companies to improve governance practices, and international organizations stress that corporate governance compliance is necessary for a smooth-running business sector.

The critical role of financial reporting in governing the corporate sector globally is highlighted by Kaur and Virdi (2018). In India, the Companies Act 2013, replacing the Companies Act 1956, governs businesses following IFRS convergence. Numerous rules and amendments over the past decades have enhanced corporate governance, driven by regulatory changes and international accounting standards, emphasizing transparency and accountability. SEBI and MCA regulate financial reporting practices in India, mandating compliance with the Companies Act, 2013, which prescribes the format and content of financial statements. Ind AS, converged with IFRS, improves comparability and transparency in financial reporting. Indian corporations typically prepare four primary financial statements: balance sheet, profit and loss account, cash flow statement, and statement of changes in equity, providing a comprehensive view of their financial performance and business position.

The main aim of financial reporting practices in India is to provide comprehensive accounting information, including human resources, production, marketing, board of directors, and investor-related information (Firoz & Dalal, 2023). Financial reporting practices offer extensive information through sources like annual reports, interim reports, general and special purpose reports, and abridged reports, with annual reports being the primary source of conveying financial results. The Companies Act 2013 introduced new laws and rules for disclosure requirements in Indian companies. The Financial Accounting Standards Board (FASB) aims to enhance disclosures by introducing relevant items and eliminating redundant ones.

Prior to IFRS convergence, Indian companies followed GAAP, classifying investments as long-term or current (Weerathunga et al., 2020). Long-term investments were carried at cost less provision for diminution, while current investments were at fair value or lower of cost. There was significant diversity in accounting practices among Indian organizations, causing comparability challenges. The Companies Act, 1956 prescribed the format and content of financial statements and auditing requirements, mandating disclosure of financial and non-financial information like contingent liabilities and related-party transactions in annual reports. Audits followed Standards on Auditing (SAs) issued by ICAI, governing auditors' roles and procedures. Corporate governance practices also varied, focusing on transparency, accountability, and investor protection through improved governance frameworks.

In the post-IFRS period, financial assets are measured according to IAS 39 in categories such as Loans and Receivables, Held-to-Maturity, and Available for Sale (Bansal, 2023). Ind AS provides a uniform set of accounting standards for all Indian companies, reducing the diversity of previous GAAP practices. It influences the recognition, presentation, measurement, and disclosure of items in financial statements. Ind AS includes strict revenue recognition criteria, complex rules for financial instruments, and lease accounting requirements (Singh & Rastogi, 2023). It prescribes comprehensive disclosure requirements for leases, fair value measurements, financial instruments, revenue recognition, consolidation principles, and more, aiming to provide transparent financial information. Post-GAAP convergence with IFRS, auditors now follow revised Standards on Auditing aligned with Ind AS requirements.

Auditors in the post-IFRS period ensure that financial statements comply with Ind AS, presenting a fair view of financial position and performance (Jehu & Ibrahim, 2017). This highlights the importance of corporate governance and internal control frameworks for reliable financial reporting. Companies must maintain robust systems and processes to meet these standards. Additionally, there is a growing trend towards digital reporting using Internet Financial Reporting (IFR) and XBRL, enhancing transparency, accessibility, and the ability to analyze financial data.

The use of Internet Financial Reporting (IFR) allows businesses to offer real-time disclosures by promptly posting information on their websites (Keliwon, Shukor, & Hassan, 2018). IFR also highlights a company's focus on diversity, innovation, and corporate social responsibility (Garg & Gakhar, 2010), helping investors assess performance and adjust portfolios accordingly. Many amateur investors in India rely on the accuracy of online information. While website information does not directly affect financial performance, IFR promotes transparency and reduces information asymmetry among investors. High-quality website features and interactive non-financial content enhance the perceived trustworthiness of online information, especially under uncertainty and investment risk.

Despite improvements in corporate governance compliance in Indian companies, challenges remain, including board effectiveness, related-party transactions, and enforcement (Uzma, 2018). Indian accounting professionals need to develop IFRS skills and broad knowledge, which can be achieved by leveraging international experience and incorporating IFRS into accounting education. Indian corporations must be well-prepared for IFRS adoption to avoid errors that could harm firms and erode investor trust. Ongoing efforts aim to address these challenges and further enhance corporate governance by fostering transparency and accountability in Indian businesses.

RESEARCH METHODOLOGY

3.1 Research Question:

Whether the implication of IFRS make any difference in quality of financial reporting practices of selected large cap consumable durables companies?

3.2 Research Aim

“To study the impact of IFRS adoption on financial reporting of selected large cap consumable durables companies”.

3.3 Research Objectives:

- To analyse the impact of IFRS adoption on financial reporting practices of selected large cap consumable durables companies during the study period.
- To compare the quality of financial reporting practices during the pre-IFRS and post-IFRS periods in the selected large cap consumable durables companies.

3.4 Research Hypothesis:

Null Hypothesis (H0): There is no significant difference in quality of financial reporting practices between pre -IFRS and post-IFRS period.

Alternative Hypothesis (H1): There is a significant difference in quality of financial reporting practices between pre -IFRS and post-IFRS period.

3.5 Sampling Design:

Descriptive research (an evaluation and analytical study of the data) has to be conducted for the project. For this purpose, three companies have been selected from the Consumable Durables industry, where data for the last ten years is available and the net worth at the end of 2015-16 was more than 500 crores.

3.6 Period of the Study:

A ten-year period, from F.Y. 2011–12 to F.Y. 2020–21, is covered by the study. To better understand the perception, five years of financial reporting data have been collected before and after the adoption of IFRS.

3.7 Sources of Data:

For the research, the sources of data are stand-alone financial statements, annual reports, and other financial and non-financial data that are available on the websites of selected companies.

3.8 Research Tools:

The following statistical tests, and data management tools will be used for the research-

- Mean, paired t sample test
- Data management software such as Jamovi and MS-Excel have been used for the data analysis.
- To make data more meaningful and understandable the collected data is tabulated.

3.9 Research Design:

The Nijmegen Centre for Economics (NiCE) created a detailed index to evaluate the quality of financial reporting based on the IASB and IFRS framework (Zakari, 2020). This index takes into account aspects such as relevance, faithful representation, understandability, comparability, and timeliness to measure the overall quality of financial reporting under the IASB and IFRS framework. NiCE's 21-item index is structured according to the IASB and IFRS framework, featuring 4 items for "relevance," 5 items for "faithful representation," 5 items for "understandability," 6 items for "comparability," and 1 item for "timeliness" (van Beest et al., n.d.). This index was utilized in the present study and adjusted to fit Indian Accounting standards as necessary. An additional variable, "verifiability," was included for this study (ICAI). Each item on the index is scored using a

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Likert scale from "0" to "2," where "0" indicates the lowest quality and "2" indicates the highest information quality.

3.10 Limitations of the Study:

- The study will be limited to only 10 years from 1-4-2011 to 31-3-2021.
- The study will be limited up to only 3 selected Companies
- The study is dependent on secondary data, and as such, it is governed by the same restrictions as are applicable to secondary data.
- There might be some restrictions on the instruments and methods of analysis; these restrictions also apply to this study.

DATA ANALYSIS AND INTERPRETATIONS

For the better understanding of data tables and charts are used. It represents the Financial Reporting Quality (FRQ) Scores over a period of ten years (2011-12 to 2020-21). The scores are broken down into six key components: Relevance(REL), Faithful Representation(FR), Consistency/Comparability(CC), Verifiability(VER), Timeliness(TIM), and Understandability(UND). Each component is scored on a different scale, and the total possible score is 50. The table also includes the mean, standard deviation (SD), and coefficient of variation (CV) for each component and the total score.

4.1 Asian Paints Limited:

Table 4.1: Financial Reporting Quality Score of Asian Paints Limited

Year	REL	FR	CC	VER	TIM	UND	Total	
Max	**14**	**8**	**10**	**4**	**4**	**10**	**50**	**%**
2011-12	4	5	2	0	3	2	16	32
2012-13	4	5	2	0	3	2	16	32
2013-14	4	5	2	1	3	2	17	34
2014-15	5	5	2	1	3	2	18	36
2015-16	6	5	3	2	3	2	21	42
2016-17	6	6	3	2	3	3	23	46
2017-18	6	6	3	2	3	4	24	48
2018-19	6	6	4	2	3	4	25	50
2019-20	6	6	4	2	3	6	27	54
2020-21	6	6	4	2	3	6	27	54
Mean	5.30	5.50	2.90	1.40	3.00	3.30	21.40	42.80
SD	0.90	0.50	0.83	0.80	0.00	1.55	4.18	8.35
CV	17%	9%	29%	57%	0%	47%	20%	20%

Interpretation:

Relevance: The relevance scores have been quite consistent over the years, ranging from 4 to 6 with an average score of 5.30. The low standard deviation of 0.90 and a coefficient of variation of 17% indicate stability in the relevance of the financial reports.

Faithful Representation: Faithful representation shows a high level of consistency with a mean score of 5.50. The standard deviation is low at 0.50, and the coefficient of variation is 9%, suggesting that the financial reports are reliably accurate over the years.

Consistency/Comparability: The scores for consistency/comparability exhibit more variability, with scores ranging from 2 to 4 and a mean score of 2.90. The standard deviation of 0.83 and a higher coefficient of variation of 29% indicate that there have been fluctuations in how comparable and consistent the financial reports have been.

Verifiability: Verifiability scores show significant variability, with scores ranging from 0 to 2 and a mean of 1.40. The high standard deviation of 0.80 and coefficient of variation of 57% suggest that the ease with which the financial reports can be verified has varied greatly over the years.

Timeliness: Timeliness scores are uniformly high and consistent, with a mean score of 3.00 and no variation (SD and CV are both 0%). This indicates that the financial reports have consistently been timely.

Understandability: The understandability of the financial reports has varied, with scores ranging from 2 to 6 and a mean of 3.30. The standard deviation of 1.55 and coefficient of variation of 47% indicate that the ease with which the reports can be understood has fluctuated.

Total Score: The total financial reporting quality scores range from 16 to 27, with a mean of 21.40. The standard deviation is 4.18, and the coefficient of variation is 20%, indicating some variability in the overall quality of financial reporting.

Chart 4.1 Financial Reporting Quality Score of Asian Paints Limited

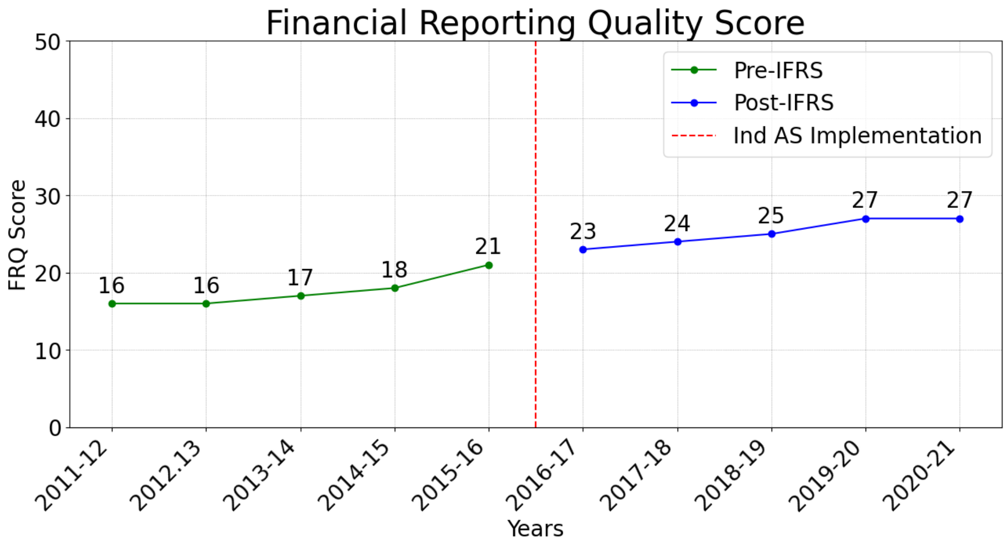

Chart 4.1 illustrates the Financial Reporting Quality Score over a period from 2011-12 to 2020-21. There is a noticeable increase in the Financial Reporting Quality Score over the entire period. In Pre-IFRS Period (2011-12 to 2015-16), the scores start at 16 in 2011-12 and show a gradual increase, reaching a score of 21 by 2015-16. In Post-IFRS Period (2016-17 to 2020-21), following the implementation of IFRS, there is an initial improvement with the score increasing to 23 in 2016-17. However, the scores continue to imcrease afterward, reaching 27 in 2020-21. The introduction of IFRS appears to have had a positive impact initially, and the overall increase trend continues even post-IFRS implementation. This trend suggests that while the adoption of IFRS might have initially helped improve financial reporting quality, other factors may have contributed to the subsequent increase in scores.

Result:

The financial reporting quality of Asian Paints Limited has shown consistent performance in relevance, faithful representation, and timeliness over the ten-year period. However, there is notable variability in consistency/comparability, verifiability, and understandability, suggesting areas for improvement. The overall financial reporting quality scores highlight that while the company maintains a solid foundation, enhancing the verifiability and understandability of the reports could improve the overall quality further.

4.2 Berger Paints India Limited:

Table 4.2: Financial Reporting Quality Score of Berger Paints India Limited

Year	**REL**	**FR**	**CC**	**VER**	**TIM**	**UND**	**Total**	
Max	**14**	**8**	**10**	**4**	**4**	**10**	**50**	**%**
2011-12	3	5	1	0	3	2	14	28
2012-13	3	5	1	1	3	2	15	30
2013-14	4	5	1	1	3	2	16	32
2014-15	4	5	1	2	3	2	17	34
2015-16	4	5	1	2	3	2	17	34
2016-17	5	5	1	2	3	2	18	36
2017-18	6	5	1	2	3	3	20	40
2018-19	6	6	2	3	3	3	23	46
2019-20	6	6	2	3	3	3	23	46
2020-21	6	6	2	3	3	3	23	46
Mean	4.70	5.30	1.30	1.90	3.00	2.40	18.60	37.20
SD	1.19	0.46	0.46	0.94	0.00	0.49	3.26	6.52
CV	25%	9%	35%	50%	0%	20%	18%	18%

Interpretation

Relevance: The relevance scores have varied between 3 to 6 over the years, with a mean score of 4.70. The standard deviation of 1.19 and a coefficient of variation of 25% indicate moderate variability in the relevance of the financial reports.

Faithful Representation: Faithful representation scores are relatively consistent, with a mean of 5.30 and a low standard deviation of 0.46. The coefficient of variation is 9%, suggesting that the financial reports have been reliably accurate over the years.

Consistency/Comparability: The consistency/comparability scores have been low, ranging from 1 to 2, with a mean of 1.30. The standard deviation is 0.46, and the coefficient of variation is 35%, indicating considerable variability in how comparable and consistent the financial reports are.

Verifiability: Verifiability scores show significant variability, with scores ranging from 0 to 3 and a mean of 1.90. The high standard deviation of 0.94 and coefficient of variation of 50% suggest that the ease with which the financial reports can be verified has varied greatly over the years.

Timeliness: Timeliness scores are uniformly high and consistent, with a mean score of 3.00 and no variation (SD and CV are both 0%). This indicates that the financial reports have consistently been timely.

Understandability: The understandability of the financial reports has shown some variation, with scores ranging from 2 to 3 and a mean of 2.40. The standard deviation of 0.49 and coefficient of variation of 20% indicate moderate variability in how easily the reports can be understood.

Total Score: The total financial reporting quality scores range from 14 to 23, with a mean of 18.60. The standard deviation is 3.26, and the coefficient of variation is 18%, indicating some variability in the overall quality of financial reporting.

Chart 4.2 Financial Reporting Quality Score of Berger Paints India Limited

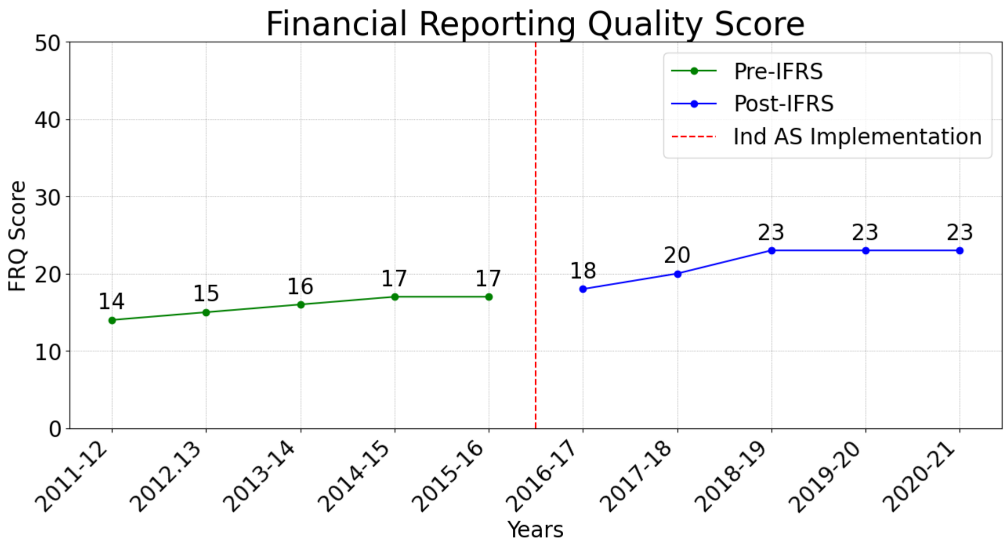

Chart 4.2 shows the Financial Reporting Quality Score from 2011-12 to 2020-21, divided into pre-IFRS and post-IFRS periods. The Financial Reporting Quality Score shows a increasing trend over the entire period. In Pre-IFRS Period (2011-12 to 2015-16), scores start at 14 in 2011-12 and gradually increase to 17 by 2015-16. There is a slight improvement in quality leading up to the implementation of IFRS. In Post-IFRS Period (2016-17 to 2020-21), The scores show an initial increase to 18 in 2016-17 and then stabilize around 23 until 2020-21. The introduction of IFRS appears to have a positive impact initially, with the quality scores improving and stabilizing. The adoption of IFRS in 2016-17 correlates with an improvement in financial reporting quality. The score stabilizes at a higher level post-IFRS, suggesting a beneficial impact on financial reporting quality. This indicates that IFRS implementation may have contributed to enhancing the quality of financial reporting, maintaining a more consistent and higher quality in the subsequent years.

Result

The financial reporting quality of Berger Paints India Limited shows consistent performance in faithful representation and timeliness over the ten-year period. However, there is notable variability in relevance, consistency/comparability, verifiability, and understandability, suggesting areas for improvement. The overall financial reporting quality scores highlight that while the company maintains a solid foundation in faithful representation and timeliness, enhancing the relevance, comparability, verifiability, and understandability of the reports could improve the overall quality further.

4.3 Havells India Limited

Table 4.3: Financial Reporting Quality Score of Havells India Limited

Year	REL	FR	CC	VER	TIM	UND	Total	
Max	14	8	10	4	4	10	50	%

2011-12	2	5	1	1	3	5	17	34.00
2012-13	2	5	1	1	3	5	17	34.00
2013-14	4	5	1	1	3	5	19	38.00
2014-15	6	5	2	1	3	5	22	44.00
2015-16	6	5	2	2	3	6	24	48.00
2016-17	6	5	3	2	3	6	25	50.00
2017-18	6	6	3	2	3	6	26	52.00
2018-19	7	6	4	2	3	6	28	56.00
2019-20	7	6	4	2	3	6	28	56.00
2020-21	7	6	4	2	3	6	28	56.00
Mean	5.30	5.40	2.50	1.60	3.00	5.60	23.40	46.80
SD	1.85	0.49	1.20	0.49	0.00	0.49	4.20	8.40
CV	35%	9%	48%	31%	0%	9%	18%	18%

Interpretation

Relevance: The relevance scores have varied between 2 to 7 over the years, with a mean score of 5.30. The standard deviation of 1.85 and a coefficient of variation of 35% indicate significant variability in the relevance of the financial reports.

Faithful Representation: Faithful representation scores are relatively consistent, with a mean of 5.40 and a low standard deviation of 0.49. The coefficient of variation is 9%, suggesting that the financial reports have been reliably accurate over the years.

Consistency/Comparability: The consistency/comparability scores have shown considerable variability, ranging from 1 to 4, with a mean score of 2.50. The standard deviation is 1.20, and the coefficient of variation is 48%, indicating notable fluctuations in how comparable and consistent the financial reports are.

Verifiability: Verifiability scores range from 1 to 2, with a mean of 1.60. The standard deviation is 0.49, and the coefficient of variation is 31%, suggesting some variability in how easily the financial reports can be verified over the years.

Timeliness: Timeliness scores are uniformly high and consistent, with a mean score of 3.00 and no variation (SD and CV are both 0%). This indicates that the financial reports have consistently been timely.

Understandability: The understandability of the financial reports is consistently high, with scores ranging from 5 to 6 and a mean of 5.60. The standard deviation of 0.49 and coefficient of variation of 9% indicate low variability, showing that the reports are generally easy to understand.

Total Score: The total financial reporting quality scores range from 17 to 28, with a mean of 23.40. The standard deviation is 4.20, and the coefficient of variation is 18%, indicating some variability in the overall quality of financial reporting.

Chart 4.3 Financial Reporting Quality Score of Havells India Limited

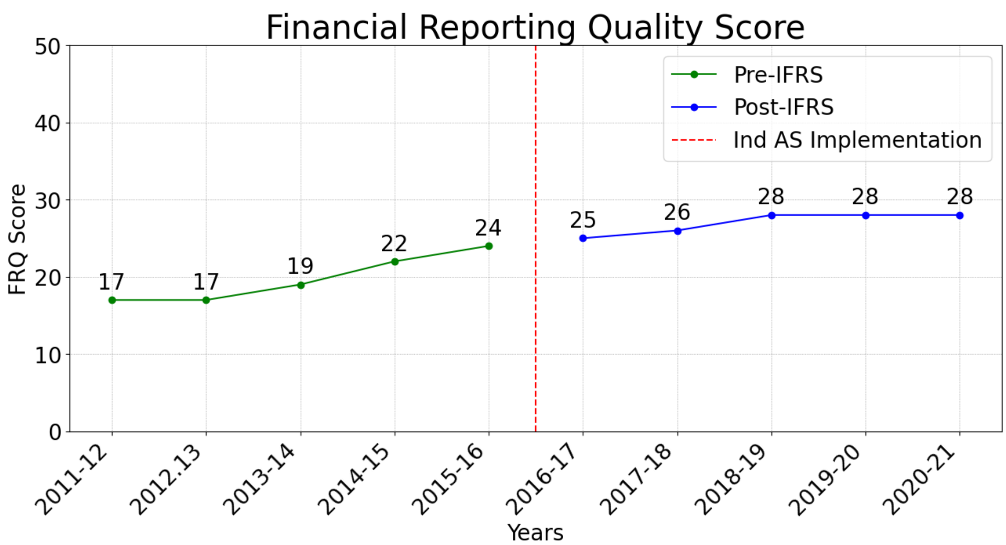

Chart 4.3 displays the Financial Reporting Quality Score from 2011-12 to 2020-21, segmented into pre-IFRS and post-IFRS periods. There is a general increase in the Financial Reporting Quality Score over the entire period. In the Pre-IFRS Period (2011-12 to 2015-16), The scores start at 17 in 2011-12 and increase to 24 by 2015-16. The score has risen over these years, indicating an increment in financial reporting quality during this period. In Post-IFRS Period (2016-17 to 2020-21), Scores start at 25 in 2016-17, peaking at 28 from 2018-19

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onwards. The implementation of IFRS appears to have had a positive impact, with scores improving and then stabilizing at a higher level. The introduction of IFRS correlates with an improvement in financial reporting quality scores. The scores remain stable and higher in the post-IFRS period compared to the pre-IFRS period. This suggests that the adoption of IFRS has positively influenced the quality of financial reporting, resulting in higher and more consistent quality scores in the subsequent years.

Result

The financial reporting quality of Havells India Limited shows consistent performance in faithful representation, timeliness, and understandability over the ten years. However, there is significant variability in relevance, consistency/comparability, and verifiability, suggesting areas for improvement. The overall financial reporting quality scores highlight that while the company maintains a solid foundation in faithful representation, timeliness, and understandability, enhancing the relevance, comparability, and verifiability of the reports could improve the overall quality further.

Hypothesis Testing

Table 4.4 Paired Samples T-Test

			statistic	**df**	**p**
Asian Pre	Asian Post	Student's t	-14.9	4	0.001
Berger Pre	Berger Post	Student's t	-10.98	4	0.001
Hevells Pre	Hevells Post	Student's t	-7.43	4	0.002

The financial reporting quality scores of all selected companies of pre and post-IFRS, have been used to analyse the impact of Ind AS implementation on financial reporting quality. All pairs have p-values less than the significance level of 0.05. Thus, the null hypothesis is rejected. When the pre-IFRS and post-IFRS data for all companies were analysed, a difference was found in the mean scores. This difference is found to be statistically significant based on the paired sample t-test, indicating that the companies are concentrating on carrying out their financial reporting duties in a more efficient, effective, and transparent manner after Ind AS implementation. For Asian Paints, the t-test result shows a t-statistic of -14.9 with a p-value of 0.001. For Berger Paints, the t-statistic is -10.98 with a p-value of 0.001. For Havells India Limited, the t-statistic is -7.43 with a p-value of 0.002. These results confirm that the differences in financial reporting quality scores before and after the intervention are statistically significant for all companies analysed.

CONCLUSION

The adoption of IFRS represents a crucial step towards enhancing the quality and consistency of financial reporting in the consumer durables industry. The study concludes that the implementation of IFRS has had a positive impact on the financial reporting practices of large-cap consumer durables companies in India. The quality of financial reporting, measured through various metrics such as relevance, faithful representation, and understandability, has generally improved post-IFRS adoption. The consistent improvement in financial reporting quality scores for companies like Asian Paints Limited, Berger Paints India Limited, and Havells India Limited indicates better adherence to global standards. IFRS adoption has significantly improved the transparency and comparability of financial statements. This has facilitated better decision-making for investors by reducing information asymmetry and enhancing the reliability of financial data. Despite the benefits, companies faced several challenges during the transition to IFRS. These included high implementation costs, the complexity of new standards, and the need for extensive training and system upgrades. However, the long-term benefits in terms of improved financial reporting quality and better access to international capital markets outweigh these initial hurdles. The study observed an initial positive impact on financial reporting quality immediately following IFRS adoption. This improvement was sustained over the years, indicating a successful integration of IFRS into the financial reporting frameworks of the companies studied. Hypothesis testing using paired sample t-tests confirmed that the differences in financial reporting quality scores before and after IFRS adoption were statistically significant for all the companies analyzed. This underscores the substantial impact of IFRS on improving financial reporting practices.

In conclusion, the adoption of IFRS has been instrumental in aligning Indian financial reporting practices with global standards, thereby enhancing the overall quality and reliability of financial information in the consumer durables sector. Stakeholders, including investors, regulators, and policymakers, can benefit from the increased transparency and comparability resulting from this global accounting harmonization.

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