IMPLICATIONS OF IFRS ON FII INVESTMENTS IN INDIA: A STUDY ON SELECT FEW COMPANIES.

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ABSTRACT

International Financial Reporting Standards are a set of high quality, understandable, enforceable and globally accepted financial reporting standards. IFRSs apply to all general purpose financial statements and are directed towards the common information needs of a wide range of users like shareholders, employees, creditors and the public at large. India opened its doors for foreign investments after liberalisation and the inflows and outflows of FIIs impacts the stock market to a very great extent. One of the factors influencing the FIIs investment in India is the Government policies and the transparency in accounting practices. This paper made an attempt to study the implications of IFRS on the flow of FIIs investment in India and found that the shareholdings of FIIs have increased after they converged with IFRS in seven out of nine companies taken for analysis It was also found that the coefficient of variation was more in four companies after convergence.

Key words: IFRS, FIIs, shareholding pattern.

Introduction.

The International Accounting Standards Board (IASB) framed International Financial Reporting Standards (IFRS) for creating uniformity in Accounting all over the world which would make the world a global market. International Financial Reporting Standards (IFRS) adopted by International Accounting Standards Board (IASB) is a standardized format of financial reporting that is gaining momentum worldwide. To fulfil the gap between accounting standards among the countries, in 1973 the International Accounting. Standard Committee (IASC) was formulated by a group of international accounting professionals from different countries with an aim to formulate uniform global accounting standards for the purpose of reducing the discrepancies in international accounting principles and reporting methods.

International Financial Reporting Standards (IFRS) is a new accounting language for business affairs and a set of globally accepted accounting standards to help the companies to communicate financial information and to help stakeholders to understand and compare corporate financial information across boundaries. The standards are issued by International Accounting Standards Board (IASB), an independent accounting standard setting body of the IFRS. Liberalisation, privatisation and globalisation have become the norm for many emerging economies and Indian economy has also flourished by following LPG. In this scenario, adopting IFRS would not only make Indian companies at par with other global companies, but it shall also increase India's marketability globally in terms of foreign investments. The international transactions like Cross boarder Capital Investment, Mergers and Acquisitions, Franchising and Business Outsourcing etc., needs a common set of accounting standards. Since accounting is the language of a business, adopting a common set of global accounting standards will make sure of relevance, completeness, reliability, verifiability, consistency, comparability, and transparency of financial statements. This will help to strengthen the confidence and trust of foreign institutional investors and other users of accounting information around the world.

Institute of Chartered Accountants of India is actively promoting the IASB's pronouncements in the country with a view to facilitating global harmonization of Accounting Standards and ICAI has pronounced that Indian GAAP will converge