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Adoption of International Financial Reporting Standards (IFRS) in Accounting Curriculum in India - An Empirical Study

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Abstract

The Institute of Chartered Accountants of India (ICAI) has announced its decision to adopt IFRS in India with effect from 1 April, 2011. The standards will have a significant impact on capital markets but students and investors know remarkably little about these standards. Many European countries shifted to IFRS as early as 2005. They are ahead of India in including IFRS in the curriculum for students. An understanding of Indian Generally Accepted Accounting Principles (GAAP) and IFRS standards is an urgent need for today's students. Therefore, by investigating the perception of IFRS among Indian management students, this study aims to assess the level of planning for adopting the standards and also assist management schools and universities with decisions regarding adopting IFRS in Indian Accounting curriculum. According to the empirical results of the study, the adoption of IFRS mainly depends on the need and interest among students to understand the subject. If students are knowledgeable about the positive impact of the course, they are more likely to take these courses when management colleges or universities offer them. Further, successful integration to the course also depends upon efficient training of instructors, use of appropriate pedagogy and availability of relevant reading materials.

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1. Introduction

IFRS is a single set of international accounting standards to assist companies to communicate, and stakeholders to compare corporate financial information across the globe. The standards are issued by International Accounting Standards Board (IASB). The goal is to make international comparisons as easy as possible. More than 140 countries have currently decided to adopt or already adopted the use of IFRS for financial reporting. For example, all European companies listed on European capital markets have been making use of IFRS for financial reporting since January 2005.

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Canada and Japan have adopted IFRS in 2011. Knowledge of IFRS is mandatory for Indian companies, who are involved in the financial or operational aspects of affiliates, subsidiaries, or investments in companies that currently employ IFRS.

In line with the global trend, the Institute of Chartered Accountants of India (ICAI) has proposed a plan for convergence with International Financial Reporting Standards (IFRS) for certain defined entities (listed entities, banks and insurance entities and certain other large-sized entities) with effect from accounting periods commencing on or after 1 April 2011. Statutory bodies/universities in India, who combine IFRS successfully into the course curriculum, will help students acquire significant competitive advantages in the career market. In India, courses in accounting and commerce are offered in management schools and universities where foundation, undergraduate, post-graduate and doctoral degree courses are taught. The two main professional bodies– Institute of Chartered Accountants of India (ICAI) and The Institute of Company Secretaries of India (ICSI), play a prominent role in incorporating international standards into accounting education.

At present a Certificate Course on International Financial Reporting Standards is provided by ICAI. While the initial training for IFRS may come from regulators and international accounting firms, management schools and universities will eventually need to address these international standards. As future accounting professionals, management students must be aware of IFRS. Knowledge of IFRS will make them understand better the information presented in financial statements of companies. It will also make them aware of expected changes in financial accounting and the reporting rules of the new standards, and understand the implications of such changes for business entities and users of financial statements.

Indian accounting statutory bodies/universities need to plan how to integrate IFRS into the accounting courses. Education will be critical to convergence. Further when incorporating IFRS into their curricula, the academicians will have to choose appropriate pedagogy to help inclusion of IFRS. The primary objective of this study is to examine perceptions among management school students about the knowledge of IFRS, their interest in the course and preferred pedagogy. By conducting this study authors try to determine the level of preparation for the standards. This research will assist management schools and universities with decisions regarding adoption of IFRS and designing a course for integrating IFRS to Indian Accounting curriculum.

2. Literature Review

Some countries such as Australia, South Africa, and the EU (European Union) were mandated to use the IFRS for traded companies in their capital markets after 2005. South Korea has adopted IFRS beginning in 2011. The United States also has a timeline for adoption of the IFRS for companies trading in the U.S. Adoption of IFRS will have a large impact on colleges and universities. Although this is a very significant step forward, the education associations in some countries and professors of accounting are not yet fully prepared to integrate IFRS into their curricula.

According to Kim Nilson, (2008), IFRS integration will have an impact on the future of accounting information. Preparations have begun to incorporate IFRS and IAS (International Accounting Standards) into accounting curricula, but several problems need to be addressed. Research shows that in Ukraine, for example, first problem is the lack of appropriate course materials and the second is out-of-date textbooks that need to be updated for adoption of IFRS. However, when we look at the U.S academic community most of the accounting and auditing students and professors as well as practitioners like auditors, accountants, CPAs, and financial analysts appears ready for convergence to IFRS. The proper way for transition all U.S. companies to IFRS

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