Global Accounting Convergence and Adoption of IFRS by India: A Case Study

*Dr. M. Jayasree**

ABSTRACT

Accounting standards are required to harmonize the diverse accounting policies and practices to facilitate comparison of financial statements. In India, accounting standards are issued by the Institute of Chartered Accountants of India (ICAI). So far, ICAI has issued 32 accounting standards. Every country has its own accounting standards. This worked well till trade was confined to domestic country. Liberalization made economies open to globe. This created the need to have uniform accounting standards for comparison of financial statements. International Accounting Standards Committee (IASC) initially issued International Standards which worked well for twenty-seven years. IASC was replaced by International Accounting Standards Board (IASB). IASB issued International Financial Reporting Standards (IFRS) from time to time. So far, IASB issued 9 IFRS Standards. The study aims to observe the differences in the financial statements reporting under Indian Generally Accepted Accounting Principles (IGAAP) and IFRS. For the purpose of the study, Noida Toll Bridge Company Ltd., a public listed company, incorporated in India in 1996 was selected. It constructed and operates the Delhi-Noida Toll Bridge on a build, own, operate and transfer (BOOT) basis. The study makes a close observation of both Income statement and balance sheet and states the reasons for differences of financial aspects reported under both the standards.

Key words: IGAAP, IFRS, IASC, IASB, Income Statement, Balance Sheet

1. Introduction

Accounting standards are required to harmonize the diverse accounting policies and practices to facilitate comparison of financial statements. In India, accounting standards are issued by the Institute of Chartered Accountants of India (ICAI). So far, ICAI has issued 32 accounting standards. These accounting standards are mandatory. The members of the institute need to examine whether the accounting standard is complied with in the presentation of financial statements covered by their audit. Every country has its own accounting standards. This worked well when trade was confined to domestic country. Liberalization made economies open to globe. This created the need to have uniform accounting standards for comparison of financial statements.

1.1 History and Development of International Accounting Standards

The move for international accounting standards dates back to 1967 when an international study group comprising of the Institute of Chartered Accountants of England & Wales, American Institute of Certified Public Accountants Standing Interpretation Committee was also established for clarification and guidance on issues relating to accounting standards (IASC) with the objective that the standards it releases has rapid acceptance and implementation world-wide. International Accounting Standard Committee (IASC) survived for twenty-seven years and issued forty-one standards.

IASC was replaced by International Accounting Standards Board (IASB). IASB stated that they would adopt the body

* *Assistant Professor, Hyderabad Business School, Gitam University, Hyderabad*

of standards issued by IASC which would continue to be designated as International Accounting Standards (IAS). Any new standards coming forth would be published in a series called International Financial Reporting Standards (IFRS). The first IFRS was published in June 2003 which is IFRS 1, First time Adoption of IFRS.

1.2 India and IFRS

Liberalization and globalization, being the cornerstones of Indian economic policies ever since the early 1990's, created the need for effective corporate governance and accounting standards. India being a member of ISAC constituted Accounting Standards Boards (ASB) with a view to harmonize the diverse accounting policies and practices in India. So far, ASB has issued 32 accounting standards. While framing standards due consideration is given to the existing laws, customs, usage, and business environment prevailing in India. Indian companies report financial statements based on Generally Accepted Accounting Principles (IGAAP). But, ASB being a member of IASC has to integrate with IFRS to the extent possible, in light of conditions and practices prevailing in India.

1.3 Road Map for Convergence

The road map for convergence of IFRS for Indian companies as notified by the Ministry of Corporate Affairs is as follows.

- **Phase I** – The companies in this phase include companies that are part of BSE, NSE, listed outside India and companies having net-worth of more than Rs. 1000 crores (whether listed or not). These companies have to converge by 1st April, 2011.
- **Phase II** – Companies having net-worth exceeding Rs. 500 crores but not more than Rs. 1000 crores and Insurance companies should report their financial statements in IFRS from 1st April, 2013.
- **Phase III** – Listed companies not covered in the above phases have to report their financial statement in IFRS from 1st April, 2014.
- **Banking Companies** Scheduled Commercial Banks (SCB), Urban Cooperative banks (UCB) with net-worth exceeding Rs. 300 crores and Non-Banking Financial Companies (NBFC) forming part of NSE and BSE and also NBFC's with net-worth exceeding Rs. 1000 crores should report their financial statements in IFRS from 1st April, 2013. Banking companies, UCB's with net-worth exceeding Rs. 200 crores and NBFC's whether listed or not with net-worth exceeding Rs. 500 crores but not exceeding Rs. 1000 crores have to report their financial statement in IFRS from 1st April, 2014.

1.4 IFRS till Date

Companies in this phase include companies that are part of BSE, NSE and those listed outside India

- IFRS 1: First-time Adoption of International Financial Reporting Standards.
- IFRS 2 : Share-based Payment
- IFRS 3: Business Combinations
- IFRS 4: Insurance Contracts
- IFRS 5: Non-current Assets held for sale and Discounted Operations
- IFRS 6: Exploration for and Evaluation of Mineral Resources
- IFRS 7: Financial Instruments: Disclosures
- IFRS 8: Operating Segments
- IFRS 9: Financial Instruments

1.5 IAS so far Adopted

The following IAS are so far adopted for IFRS

- IAS 1: Presentation of Financial Statements
- IAS 2: Inventories
- IAS 7: Statement of Cash Flows
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10: Events after the Reporting Period
- IAS 11: Construction Contracts
- IAS 12: Income Taxes
- IAS 16: Property Plant and Equipment
- IAS 17: Leases
- IAS 18: Revenue
- IAS 19: Employee Benefits
- IAS 20: Accounting for Government Grants and Disclosure of Government Assistance
- IAS 21: The Effect of Changes in Foreign Exchange Rates
- IAS 23: Borrowing Costs
- IAS 24: Related Party Disclosures
- IAS 26: Accounting and Reporting by Retirement Benefit Plans
- IAS 27: Consolidated and Separate Financial Statements
- IAS 28: Investments in Associates
- IAS 29: Financial reporting in Hyperinflationary Economies
- IAS 31: Interests in Joint Ventures
- IAS 32: Financial Instruments: Presentation
- IAS 33: Earnings per Share
- IAS 34: Interim Financial Reporting
- IAS 36: Impairment of Assets
- IAS 37: Provisions, Contingent Liabilities and Contingent Assets
- IAS 38: Intangible Assets

- IAS 39: Financial Instruments: Recognition and Measurement
- IAS 40: Investment Property
- IAS 41: Agriculture

1.6 Some Key Differences in IGAAP and IFRS

The convergence with IFRS has gained significant momentum in India. There are key differences between IGAAP and IFRS. Some of the key differences are outlined as follows:

- Cost Vs Fair Value
- Comprehensive Income Statement
- Amortization of Intangibles
- Impairment of Assets
- Timing Difference and Temporary Differences
- ESOPS
- Property Plant & Equipment
- Provisions
- Financial Assets
- Deferred Tax
- Minority Interest
- Business Combination

2. Review of Literature

Jean-Michel (2011) examined the information content of intangible assets under IFRS in comparison with local GAAP for European listed companies. In his observations the book value of intangible assets was higher under IFRS than local GAAP.

Tyrone M. Carlin (2010) made an attempt to understand the extent of compliance with the good will accounting and reporting disclosure requirements among a sample of goodwill intensive Australian firms over the first two years of IFRS Adoption.

Luzi Hail (2009) highlighted the impact of IFRS adoption on the quality and comparability of U.S regulatory and legal environment as well as the possible effects of IFRS adoption on the US economy as a whole. Pran Boolaky (2008) analyzed the level of harmonization with the IFRS by comparing the Madagadcar Accounting Plan 1987 and 2005 with the IFRS to identify any missing issues that was regarded as symptoms of disharmony. Da-Hsien Bao, (2010) studied the effect of the differences relating to reporting of inventory, property plant and equipment, intangible assets, and development costs under IFRS and USGAAP companies.

Ibarra, V., & Suez-Sales, M. (2011) made a comparison of International Financial Accounting Standards (IFRS) with Generally Accepted Accounting Principles (GAAP) for small and medium-sized entities (SMEs). It touches in part convergence by the Financial Accounting Standard board (FASB) and International Accounting Standard Board (IASB) in bringing IFRS and GAAP to become one international set of standards. Countries will adopt IFRS in response to this global convergence. Asian countries have started compliance with these standards as early as June 2003 when first time adoption was issued by London International Accounting Standards Board (IASB). The paper presents the compliance of selected Asian countries such as China, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Thailand, and Vietnam with the IFRS.

Smith, L. M., Limaye, A., Huang, Y. W., & Okafor, C. (2011) Observed that the world is increasingly global, in business operations and in accounting and financial reporting. Corporate accountants and internal auditors need a basic understanding of where they do business. The study provided a brief overview of three countries, including background information, accounting, and capital markets, which represent three major world regions: India in southeast Asia, Singapore in the Pacific Rim, and South Africa in Africa. The study focused on Accounting, IFRS, and capital markets in India, Singapore, and South Africa.

Rudra, T., & Bhattacharjee, C. A. D. (2012) focused on the issue of earnings management being a concern for the reliability of published accounting reports. Previous studies have shown that accounting standards add value to accounting information in the developed economy, but, remained silent about its benefits in the context of emerging economies. Although, researchers earlier classified India as one of the countries with high levels of earnings management in the world, there were very few studies on earnings management in India with no inferences on influences of accounting standards on earnings management. With this background, India, being an emerging market, providing a unique opportunity to examine whether adoption of international standards, is associated with reduced earnings management. The results of the study contradicted most of the previous findings based on developed countries by indicating that firms adopting international standards such as IFRS are more likely to have smooth earnings compared to non-adopting firms. These findings could prompt the regulators to think about the effectiveness of IFRS in reducing opportunistic earnings management in an emerging economy, like India, especially, when the Indian accounting standards are undergoing substantial changes with the convergence of IFRS in a phased manner.

Nikhil Chandra Shil (2009) focused on the issues and challenges in harmonization of accounting standards through internationalization with Indian perspective. Dhar Satyajit (2009) identified that there was a great diversity in reporting of ESOP by Indian companies. The study concluded that this would change once IFRS is implemented.

Singh, S., and Nair, R. (2011) suggested a move that can help to solve corporate litigation with the tax departments and mark a step forward in India's commitment to implement International Financial Reporting Standards (IFRS) by reconciliation of Generally Accepted Accounting Principles (GAAP) and Tax Accounting Standards (TAS). TAS are separate accounting standards to be notified under Section 145 (2) of the Income Tax Act, 1969, by the Finance Ministry. The committee was asked to suggest accounting standards that need to be adopted under section 145 (2) of the Income Tax Act along with relevant modifications. It was asked to suggest amendments to the Act in view of transition to an IFRS regime. This was basically a recommendation by the Finance Ministry to resolve the problems associated with divergence of accounting standards and tax standards.

Dhar, Satyajit, and De, S. (2011) examined the impact on select financial performance indicators of Indian firms adopting employee stock option (ESO) schemes. The study attempted to enrich empirical research in the field and provides an insight into the potential contractual and valuation implication of the adoption of one of the IFRS set of standards on Indian firms and also provided contrary evidence of the role of growth characteristics in explaining the impact of expense recognition.

Bhattacharjee Sumon (2009) examined the prospects of IFRS adoption and their impact on the financial reporting environment of Bangladesh considering the underlying institutional and economic factors. Klimczak Marek Karol (2011) analyzed the effects of mandatory IFRS adoption in Poland and further examined the market reaction to new accounting standards.

The review of literature indicated the challenges and issues likely to be faced by adoption of IFRS. The present article examines the differences reported in the financial statements and states the reasons for such differences. Further, it brings out how Indian standards differ from IFRS relating to the aspects covered by the study.

3. Objectives of the Study

The objectives of the study are

- ❖ To examine the differences in the income statement reported under IGAAP and IFRS.
- ❖ To examine the differences in the Balance Sheet reported under IGAAP and IFRS

4. Methodology

For the purpose, financial statements of Noida Toll Bridge Company Ltd have been observed. The key differences in the income statement and balance sheet reported under IGAAP and IFRS have been carefully observed. The variation in the accounting standard and its effect on the difference in recognition and measurement is analyzed. The study covers three years' financial statement, that is, from 2008-09 to 2010-11.

5. About Noida Toll Bridge Company Ltd

Noida Toll Bridge Company Ltd is a company set up to construct and operate the Delhi Noida Toll Bridge on a Build, Own, Operate and Transfer (BOOT) basis. The company is a public listed company incorporated in India in 1996. Noida Toll Bridge is an eight lane bridge which measures approximately 552.5 meters in length across the Yamuna River and includes the approach roads on the South Delhi side and Noida side. The company typically generates revenues through the levy of toll charges for the use of the bridge. On an average, there are 65000 vehicles plying daily on this bridge and this is estimated to be 200504 by the end of 2021.

6. Differences in Income Statement

The observation of the Income Statement of Noida Toll Bridge Company Ltd under both the standards identified the following differences.

1. Operating Expenses
2. Amortization
3. Finance Charges
4. Deferred Tax Charge
5. Current Tax
6. Minority Interest

- ➢ Operating Expenses – Provision for overlays was created on straight line basis while in IFRS provisions are created under IAS 37. Under straight line basis the costs/revenues are spread evenly through out the specific period without consideration to the Present obligation. For example, Provision for repairs Rs. 5,00,000 for five years will be spread evenly i.e. Rs. 1,00,000 for each year without reliable estimate of repairs for the current year and irrespective of the obligation. Where as under IAS 37. which deals with provisions, contingent liabilities and contingent assets, provision is recognized in the following conditions:
  – An entity has a present obligation as a result of a past event

– It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and

– A reliable estimate can be made of the amount of the obligation.

The amount of provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. In case of single obligation the most likely outcome may be the best estimate of the liability. Provision is an estimate if the entity considers different possible outcomes; the estimate would be based on expected value which is by weighing all possible outcomes by their associated probabilities.

Year	Indian GAAP	IFRS	Difference
2008-09	1028405	1655463	627058
2009-10	1104484	1082920	(21564)
2010-11	897653	888704	(8949)

Figures in brackets indicate lower than IGAAP.

Table 1: Showing Base Differences in Recognition of Operating Expenses using Indian GAAP and IFRS (in US$)

The estimates of provisions under IGAAP and IFRS are different; therefore a gap has been identified in accounting of operating expenses. Table 1 shows that under IFRS operating expenses were higher by $ 627058 during 2008-09 and were lower by $21564 and $ 8949 during 2009-10 & 2010-11 respectively.

- Amortization – Under IGAAP, intangibles have been amortized using the unit of usage method. IFRS requires residual values and useful life of intangibles to be reviewed at least at each annual reporting date, if the expected useful life of the asset is different from previous estimates and there is change in expected pattern of consumption of the future economic benefits embodied in the asset. The amortization method shall be changed to reflect the changed pattern. Such changes shall be accounted for as changes in accounting estimates in accordance with IAS 8. This requires reviewing the useful life and residual values which brought a difference of $ 41529, $ 43889 and $ 43225 (Refer Table 2) respectively for the years under observation. The amortization under IFRS was lower for all the three years than IGAAP. The same is depicted in the following table

Tabel 2: Showing Base differences in recognition of Amortization expenses using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	651407	609878	(41529)
2009-10	688443	644554	(43889)
2010-11	678023	634798	(43225)

- Finance Charges – interest under both the standards is calculated on accrual basis. However, under IGAAP there is no specific guidance for amortization of discount and premium. Tabel 3 shows that a difference of $1361989, $1825576 and $1198250 was observed. The financial charges are more under IFRS for all the three years. This can be observed from the following table.

Tabel 3: Showing Base differences in recognition of Finance Charges using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	3248930	4610919	1361989
2009-10	3623134	5448710	1825576
2010-11	3795366	4993616	1198250

- Deferred Tax Charge – Under IGAAP deferred tax liability is recognized on timing difference where as IFRS recognizes on temporary differences. This resulted in a difference of $700604, $1237356 and $1094475 for 2008-09, 2009-10 and 2010-11. The deferred tax charges are higher in the case of IFRS. The following table indicates the same.

Tabel 4: Showing Base differences in recognition of Deferred Tax using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	364399	1065003	700604
2009-10	1269866	2507222	1237356
2010-11	917576	2012051	1094475

The above table indicates that the difference first increases from 700604 (2008-09) to 1237356 (2009-10) and then decreases to 1094475 (2010-11)

➢ Current Tax – Under IGAAP, MAT credit has been separately presented while in IFRS, the same has been reclassified as deferred tax asset in accordance with IAS -12 income taxes.

Table 5: Showing Base differences in recognition of Current Tax using Indian GAAP and IFRS (In US $)

In India companies prepare income statement as per provisions of Companies Act. But tax is payable on income computed as per the provisions of Income Tax Act. There are large number of companies which had profits as per profit and loss account but were not paying tax as profits computed under income tax act are nil or negative. These companies were also paying dividends to shareholders. In order to bring such companies under tax bracket, section 115JA dealing with minimum alternate tax was introduced from 1997-98. The difference of tax paid under 115JA and other provisions of the act is treated as MAT credit. IGAAP does not recognize this as deferred tax asset and hence shown under loans and advances. This MAT credit can be set off against regular tax payable for subsequent five assessment years. In the year of set-off MAT credit (to the extent set-off) is credited to P&L A/c and the same is deducted from loans & advances. During 2010-11 the company claimed MAT credit; therefore a difference in current tax was noticed. (Refer Table 5) For other years the current tax was same under both the standards.

Year	IGAAP	IFRS	Difference
2008-09	987575	987575	-
2009-10	1450819	1450819	-
2010-11	217717	2038013	1820296

Minority Interest – Under IGAAP, losses attributable to non-controlling interest are adjusted against majority interest, while in IFRS such losses are attributed to non-controlling interest. Majority interest is shown in consolidated financial statement as per IAS 27.

Tabel 6: Showing Base differences in recognition of Minority Interest using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	5722	5722	-
2009-10	-	-	-
2010-11	-	(3952)	(3952)

Minority interest is non-controlling ownership of less than one half of the voting rights or no control over the composition of its board or other equivalent governing body. Under IGAAP the losses of minority interest are adjusted against majority interest (Controlling Interest), whereas under IFRS majority interest is shown in consolidated statement and non-controlling interest is shown separately in balance sheet (Refer Table 6).

➢ **Difference in Profit –** The following table indicates the difference of profits noted under both the standards.

Year	IGAAP	IFRS	Difference
2008-09	7297522	4649400	(2648122)
2009-10	5789049	2791570	(2997497)
2010-11	8217713	4156866	(4056895)

Tabel 7: Showing Base differences in Profits using Indian GAAP and IFRS (In US $)

The analysis of the Table 7 shows that the profit for all the three years was less under IFRS. The reason for difference is recognition of the transactions under the standards.

7. Differences in Balance Sheet

The observation of the balance sheet of Noida Toll Bridge Company Ltd under both the standards identified the following differences in recognition and measurement.

1. Intangible Assets
2. Available for Sale financial assets
3. Interest Bearing Loans
4. Provisions
5. Deferred Tax Liability
6. Provisions under Current liabilities
7. General Reserve

Intangible Assets – Intangible Assets with only finite lifetime are only amortized under IFRS. Intangible assets with infinite life are not to be amortized. However, such intangibles are reviewed at least annually for impairment. Revaluations of other intangibles are done rarely. In case of IGAAP intangible once recognized is amortized. Revaluations are not permitted. The value of intangibles is less in the case of IFRS. The difference is $ 7268163, $ 8157581 and $ 8202979 for all the three years (Refer Table 8).

Tabel 8: Showing Base differences in recognition and measurement of Intangible Assets under Indian GAAP and IFRS (In US $)

Year	Indian GAAP	IFRS	Difference
2008-09	114007709	106739516	(7268163)
2009-10	127958502	119800921	(8157581)
2010-11	128670605	120467626	(8202979)

Available for Sale Financial Assets – Available for Sale Financial Assets are measured at cost Under IGAAP. IFRS requires such assets to be valued at fair value under IAS 39. Any gains or losses on subsequent measurement at fair value are recognized directly in equity. Fair value has been defined as the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value would be viewed as exit price and not entry price. Since the fair value is not constant the value will be different from the cost price and hence there is a difference of asset value under the standards. The value of these assets is more in the case of IFRS. The IFRS value is higher by $ 776, $1131 and $ 8579 respectively for the years under observation (Refer Table 9).

Table 9: Showing Base differences in Available for Sale financial assets using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	3739149	3739925	776
2009-10	4965712	4966843	1131
2010-11	5321700	5330279	8579

Interest Bearing Loans – These are restated at amortized cost using the effective rate of interest method under IAS 39. Amortized cost = Amount at initial recognition – Principal repayments +/- Cumulative amortization Cumulative amortization is the difference of initial amount and maturity amount over the period using effective interest rate. Effective rate is the rate that exactly discounts estimated future cash payments through expected life. Under IGAAP there is no specific guidance for amortization of discount and premium, therefore there will be variation in the value of interest bearing loans. The interest bearing loans are less under IFRS when compared to IGAAP by $3120607, $1052399 and $5144695 respectively for the years of observation (Refer Table 10).

Table 10: Showing Base differences in Interest Bearing Loans using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	38882287	35761680	(3120607)
2009-10	37438489	36386090	(1052399)
2010-11	31055569	25910874	(5144695)

Provisions – Provisions for overlays are created under straight basis which are spread evenly as per IGAAP. Under IFRS provisions are created under IAS 37. The amount of provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure is the amount required to settle the present obligation at the end of the reporting period.

Table 11: Showing Base differences in Provisions using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	1641956	1670033	28077
2009-10	2121380	2130416	9036
2010-11	104230	104230	-

The observation of the above table shows that the provision is higher under IFRS by $ 28077 and $ 9036 for 2008-09 & 2009-10. During the year 2010-11 no difference was observed (Refer Table 11).

Deferred Tax Liability – Deferred Tax Liability under IGAAP is recognized on timing difference. A change which is permanent only is recognized. However, under IFRS deferred tax is recognized on temporary basis.

Tabel 12: Showing Base differences in Deferred Tax Liability using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	328352	959653	631301
2009-10	1704621	37177031	2012410
2010-11	2660016	5811782	3151766

Deferred tax liabilities are the amount of income taxes payable in future periods in respect of taxable temporary differences. Temporary differences are differences between the carrying amount of an asset in the statement of financial position and its tax base. The analysis of the table indicates that deferred tax is higher under IFRS by $ 631301, $ 2012410 and $ 3151766 respectively (Refer Table 12).

Provisions under Current Liabilities – Provisions under Current liabilities included certain adjustments made under amalgamation scheme allowed under IGAAP but these are not in conformity with IFRS. The company created provision for prepayment of debts as per the scheme of amalgamation with DND Flyway Ltd. The values are low by $580115, $ 654782 and $ 766198 under IFRS for the years under observation (Refer Table 13).

Tabel 13: Showing Base differences in Provisions (Current) using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	1201797	621682	(580115)
2009-10	1275469	620687	(654782)
2010-11	3845017	3078819	(766198)

General Reserve: Under IFRS stock options lapsed are transferred to general reserve. Under IGAAP options lapsed are accounted by making a reversal of compensation accounting. Therefore a balance of $9871, $11142 and $11264 as general reserve was noticed under IFRS for years under observation (Refer Table 14).

Table 14: Showing Base differences in General Reserve using Indian GAAP and IFRS (In US $)

Year	IGAAP	IFRS	Difference
2008-09	-	9871	9871
2009-10	-	11142	11142
2010-11	-	11264	11264

8. Conclusion

The study observed that there were differences in Income Statement and Balance Sheet reported under IGAAP and IFRS of Noida Toll Bridge Company Ltd. The differences in Income statement were noticed in respect of Operating Expenses, Amortization, Finance Charges, Deferred Tax Charge, Current Tax, & Minority Interest. For operating expenses, the IFRS figures were higher for 2008-09 and lower for 2009-10 & 2010-11 when compared to IGAAP. The amortization losses reported under IFRS were lower than IGAAP for all the years of comparison. The finance charges are higher under IFRS for all the years of study. The deferred tax charges are also higher under IFRS for all the years of observation. The current tax is the same under both the standards for 2008-09 & 2009-10 and the year 2010-11 observed a difference which is higher than the IGAAP. The minority interest was same under both the standards for the years 2008-09 & 2009-10. In the year 2010-11 the minority interest under IFRS was lower. The difference in the standard also reflected on the profits reported. The profits under IFRS were lower than IGAAP for all the years of study.

The observation of the balance sheet revealed differences in respect of Intangible Assets, Available for Sale financial assets, Interest Bearing Loans, Provisions, Deferred Tax Liability, Provisions under Current liabilities, and General Reserve. The intangible assets were lower under IFRS for all the years of study. Available for Sale financial assets value were higher under IFRS for all the years of observation. Interest Bearing Loans were lower under IFRS for all the three years. The provisions and deferred tax liability were both higher under IFRS for all the years of study. Provisions under current liabilities are lower under IFRS when compared to IGAAP. Finally, general reserve was higher under IFRS for all the years of study.

The differences in accounting policies bring about a difference in the financial standards. These differences contribute to changes in reporting system of financial statements. The study identified such changes in financial statements reported under both the standards and change in profitability and financial position resulting from change to IFRS.

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