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# Real Implementation And Challenges Of Indian Accounting And Audit Standards

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**Abstract**

The Most Important Requirement For Running A Successful Business Is A Good Financial Reporting System. With this in mind, accounting professionals and organizations in each country have their own accounting standards. The financial statements of each country are prepared according to the accounting standards of each country. As the world becomes more global, most countries trade and do business across national borders. As a result, companies need to create different sets of accounts depending on the requirements of the country in which they do business, complicating users to understand and compare them. It requires a consistent set of accounting standards for everyone. The IASB (formerly IASC) introduced IFRS, which was first adopted in European countries before it was adopted or converged in other countries. About 150 countries, including India, have adopted International Financial Reporting Standards (IFRS). The Institute of Chartered Accountants of India (ICAI) plays an important role in the implementation of the three stages of IFRS in India. However, IFRS was not adopted without change has been renamed Ind AS to reflect the Indian environment This paper looks at the challenges that Indians face in the convergence process and the steps they've taken to overcome them.

Examine exam procedures and exam formats used in several countries, including India, the United States, and the United Kingdom, in relation to specialized courses such as CA, CPA, and ACCA developed and followed by these countries. This large number of audit obligations and regulations contribute significantly to the types of audit quality that countries improve which can increase auditor confidence among different stakeholders or completely destroy corporate audits. It leads to a corporate scandal.

**Keywords:** Accounting, Audit Standards, Real Implementation, Challenges.

## 1. Introduction

The auditor plays an important role in increasing the credibility of the budget summary reported. Quality audits support financial stability. An external or internal quality manager or audit crew conducts quality audits. This is a good review of the quality agenda (Al., 2016). It is an important element of the ISO 9001 ISO Quality Framework Standard and an important part of an organization's quality control framework. Quality audits are typically performed at set intervals to ensure that your organization has a well-defined internal framework monitoring process linked to actionable actions. This may include technical or results-based assessment principles and tools to determine if an organization adheres to a well-defined quality framework form. Audits examine objective evidence of a process, assess how efficiently the process was performed, determine if a target can be achieved, and make suggestions to reduce and eliminate problem areas. A basic management tool that you can use to do this (Antonio Marra, 2016). Quality auditing must report noncom formances and corrective actions for the benefit of the organisation, but it must also include sections on good practise. As a result, several divisions can share information and review their working practises accordingly, adding to the ongoing improvements.

International Financial Reporting Standards (IFRS) stands for International Financial Reporting Standards. The International Financial Reporting Standards (IFRS) are a fixed of principles-primarily based totally accounting requirements. From 1973 till 2000, the IASC issued Worldwide Accounting Standards (Iass). In 2001, the IASB took over from the IASC. Since then, the IASB has amended a few IASs and proposed to amend others, changed a few IASs with new International Financial Reporting Standards (Ifrss), and followed or proposed a few new Ifrss on subjects for which no preceding IAS existed (Ver. V (Apr. 2016), 2016). Both the IASC and the IASB have issued interpretations of requirements via committees. IASC`s translations are called SIC, whilst IASB's are called IFRIC. IFRS are IASB's rules, guidelines, and requirements that businesses and organizations round the arena will observe uniformly and transparently of their economic declaration education and presentation. IFRS includes:

• IFRS (International Financial Reporting Standards) Issued After 2001

• International Accounting Standards (IAS) Prior to 2001
• After 2001, the International Financial Reporting Interpretations Committee (IFRIC) developed translations.
• Before 2001, there was a Standing Interpretations Committee (SIC).
• Financial Statements Preparation And Presentation Structure 1989 (IAS 1.7, IAS 8.5 IFRS 1 Appendix A)

## 2. Review Of Literature

The effectiveness of the secondary market depends on the availability of reliable financial information about the company's performance (Virgil Nbellah Abedana & John Gayomey, 2016). The faster information is collected, processed, validated and disseminated among market traders, the better the secondary market will function. There is also a requirement for the audit to be of high quality. (2004, Francis)

As a result, The quality of the audit is defined as the possibility that the auditor will detect and correct accounting violations in the client's reporting system. Studies show that the size of a company has a significant impact on performance in terms of audit quality, which is also an important factor in gaining investor confidence (Santoso and Widyaswati, 2017).

Audit quality is a concept that has different meanings for different people. The financial statement client reviews the audit report to ensure that the organization's financial statements are in good condition. are free of material errors and fraud. (1994, Epstein and Geiger)

Because having a high-level audit is so important, more research should be done into several regions that are In relation to the quality of the audit, for example B. Customer satisfaction, customer credibility, and examiner turnover (Sumaiya Fathima, 2016). Including corporate governance attributes in the analysis is another extension that can provide further insight into the issues of audit efforts (Aghaei, 2011).

According to one study, accountants are exposed to the laws of 1934 and 1933, so IPO audits are more likely to receive higher fees than post-IPO audits. The quality of audits is also higher in PreIPO audits (Venkataraman, Weber, Willenborg and Willenborg, 2019).

**Loyeung Et Al.,**

2016 discovered various implementation errors in their research. Due to a lack of IFRS experts, the cost of implementation has increased, as has the cost of learning and the cost of auditors.

**Marra , 2016**

Focus on Investigate the strengths and weaknesses of fair value measurement in global accounting and have a positive impact on securities traded in highly liquid markets, but negatively on illiquid and untraded assets such as goodwill. Discover how to influence. As a result of the changes, financial reports based on fair value are steadily increasing globally.

**M. Muniraju And Ganesh S.R., 2016**

The results of this study show that the adoption of IFRS is more beneficial in attracting global capital markets, and the adoption of true value accounting, leasing accounting, tax accounting rules, and economic means accounting rules is a balance sheet. Ratio (E.H., 2016). Reasons for changes in accounting and treasury ratios include acceptance of fair value accounting rules and stricter requirements for some accounting issues. The results also show that respondents are not familiar with IFRS. This is a barrier to the adoption of IFRS in India. Meetings, seminars and events need to be held to deepen understanding and promote conversion, the newspaper said.

**Maliha Baig And Shuja Ali Khan, 2016**

In their study of the impact of IFRS on revenue management in Pakistan's cement industry, they found a declining trend in revenue management.

**Virgil Nbellah Abedana & John Gayomey, 2016 Discuss In Their Study The Tax Challenges**

Faced with the implementation of IFRS / IAS Ghana addresses issues such as fair value, high cost, accountants, tax staff, and lack of awareness and expertise among certified accountants / experts.

**Ehtesham Husain Abbasi, 2015**

According to their research, some ratios have shown an increasing trend after implementing IFRS, while others have shown a reverse impact. The cost of transition and auditors has gone up. Due to fair value measurement, the treatment and sale of investments differs between IFRS and GAAP.

**Gokulnath M, 2015**

We will consider the various challenges of implementing IFRS in India, including: B. IFRS awareness, lack of expertise, fair value measurement, and existing legislation that does not support IFRS and the benefits of IFRS (Gokulnaath .M & Et Al, 2015). We conclude that the implementation of IFRS is beneficial to Indian companies and investors who are well-planned.

**Sumaiya Fathima, 2015**

Their study discusses potential challenges such as the differences between GAAP and IFRS, education and training, and regulatory considerations.

**Amit Kumar Chakrabarty, 2014**

In their research, they looked at the Ind AS conceptual framework and discovered that IFRS is required for high-quality reporting in Indian corporations, as well as Its importance in the age of liberalization and globalization.

**Vinayagamoorthy, 2014**

Consider the challenges of adopting IFRS in India. There are some differences between GAAP and IFRS. Lack of education and training, the complexity of fair value measurement, the fact that many regulatory laws invalidate other laws and IFRS does not allow this, and the requirement in IFRS for renegotiating contracts and tax treatment (Vinayagamoorthy, 2014). The paper concludes that top management, auditors/accounting professionals, and regulators can address IFRS adoption challenges and aid with efficient implementation.

**Meenu Sambaru And N. V. Kavitha, 2014**

Explore many strengths and weaknesses. There is an urgent need to address these issues and Indian business and accounting professionals need to remedy their issues readiness to use IFRS effectively in India.

**Mohamed Abulgasem Zakari , 2014**

Libya faces several challenges, according to their research, including Lack of technical skills and inadequate knowledge among Libyan experts, difficulty in developing existing accounting systems and regulatory frameworks to address economic and social development, application of international accounting standards Recent developments in accounting professionals, including, and inadequate accounting education and training.

## 3. Problems In Industries As Implementation Process In India

Ifrs adoption/conversion will gain the industries in a lot of ways, but the transition system could be difficult, making implementation difficult (Meenu Sambaru & N. V. Kavitha, 2014). The Following are a number of the demanding situations that Indian agencies might also additionally face:

### 3.1. Awareness Of International Financial Reporting Standards:

To overcome the number of differences between the Gaap and Ind As, Overall accounting practices must undergo fundamental changes after the adoption of IFRS. It will be difficult to raise awareness of Ifrs and its impact on users of financial statements.

### 3.2. Lack Of Trained Manpower:

The lack of training facilities and academic courses on IFRS in India is the biggest obstacle for professionals to adopt IFRS. Ifrs has been around since 2011, but there are reports of a shortage of trained Ifrs staff. Ifrs Training Programmers was founded by the Indian Association of Certified Accountants (Icai) for its members and other stakeholders (Mohamed Abulgasem Zakari, 2014). There is a big discrepancy between the number of trained professionals required and the number of trained professionals available.

### 3.3. Requirement Of Amendments To The Existing Laws:

Taxation, sebi regulation, banking and regulation, insurance law and regulation have all been observed with many inconsistencies that hinder a smooth implementation process. Currently, various Indian regulatory bodies regulate reporting requirements, which will replace other laws. Such Overriding Laws are not permitted by Ifrs.

### 3.4. Fair Value Measurement:

Most items in the financial statements are measured according to IFRS using fair value as the basis for valuation. Can make financial reporting much more volatile and subjective It also necessitates a great deal of knowledge and expertise to arrive at a fair price. Furthermore, Fair value adjustments result in profits or losses that are reflected in the income statement.

### 3.5. Complexity In Adoption:

With the introduction of concepts such as present value and fair value measurement, the complete transition to IFRS becomes more complex. Expenses such as handling of leases, handling of contract accounting entries, insurance premiums paid for redemption of corporate bonds, discounts granted for issuing corporate bonds, and underwriting fees paid for issuing corporate bonds. are all treated differently in the Ifrs Framework. It makes the income statement more difficult to comprehend.

### 3.6. Time Consuming Process:

About 90% of European Union and Australian companies took more than a year to complete the IFRS transition, and about 40% took more than two years. The Government of India is delaying the acquisition of IFRS. Icai is critical of the harmonization and implementation of the proposed plans, but few companies are preparing their finances accordingly (Aabida Akhter, 2013). The government later announced a new phased implementation plan. As a result, we are late. Implementing IFRS is a time-consuming process for first-time adopters, as two financial statements are created.

### 3.7. High Conversion Cost:

The Ifrs Transition Is Expensive Because There Is A Shortage of Expert Staff, and For First-Overlapping sets of time users and financial reports are a mandatory requirement and require additional personnel. If the organization does not have such skilled staff, they will be forced to hire Experts At Expensive Rates. Audit fees, system change fees, and other costs are very high.

### 3.8. Complexity In Reporting Systems:

Disclosure and reporting requirements under IFRS are not the same as GAAP reporting requirements. Organizations need to ensure that their financial statements are prepared in accordance with IFRS reporting requirements (Rakesh H M, 2013). Fixed assets, segment information, transactions of related parties, and other requirements should be reflected in the information system. Appropriate Internal Control Can Aid In Reducing The Risk Of Business Disruption As Information Systems Change.

Because of the technical complexity and management time required for implementation, the risk of financial reporting has increased (Shibu Das, 2013). If accountants fail to recognize the adjustments required by court orders, All these items are recognized in the income statement.

## 4. Research Methodology

Tool: Statistical Tests through SPSS

Sample Size: 500

Tests: Chi-Square, Regression

## 5. Data Analysis

Initially we fix the survey data in a table to apply the required test and rate the values as per the performance

| AUDIT | ACCOUNT | GENERAL RATING |
|---|---|---|
| 219 | 323 | 7 |
| 245 | 212 | 3 |
| 234 | 231 | 5 |
| 232 | 434 | 2 |
| 376 | 354 | 4 |
| 259 | 565 | 1 |
| 343 | 676 | 6 |
| 354 | 656 | 3 |
| 355 | 545 | 7 |
| 323 | 434 | 2 |
| 354 | 323 | 8 |

**Table 1: Audit and Account Rating**

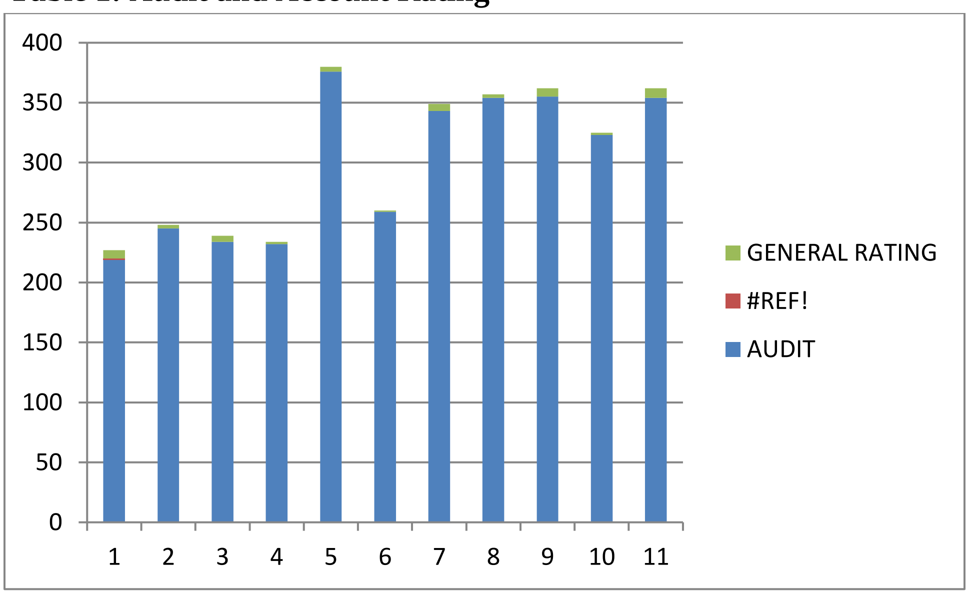


**Figure 1: Graph Representation of Audit Reports**

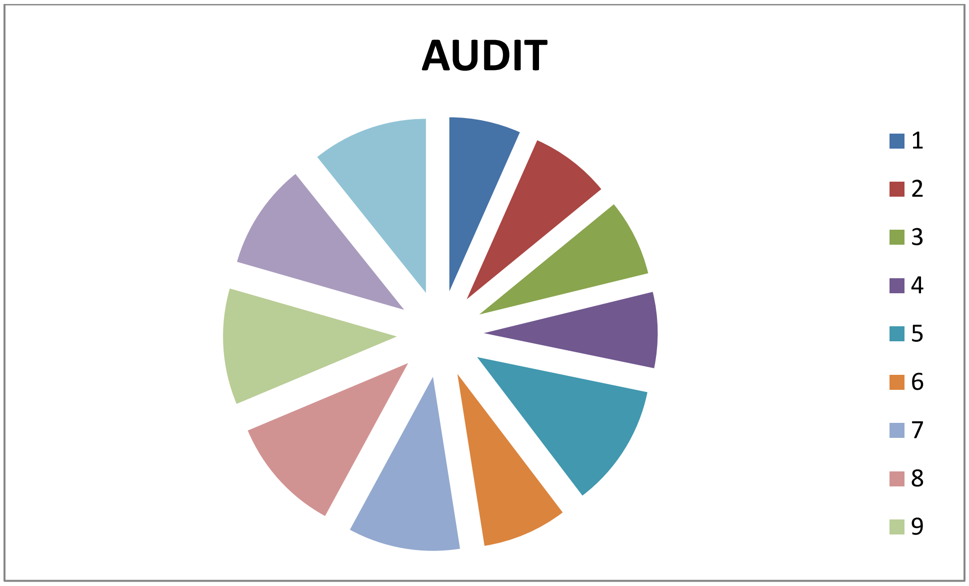


**Figure 2: Audit Pie Chart**

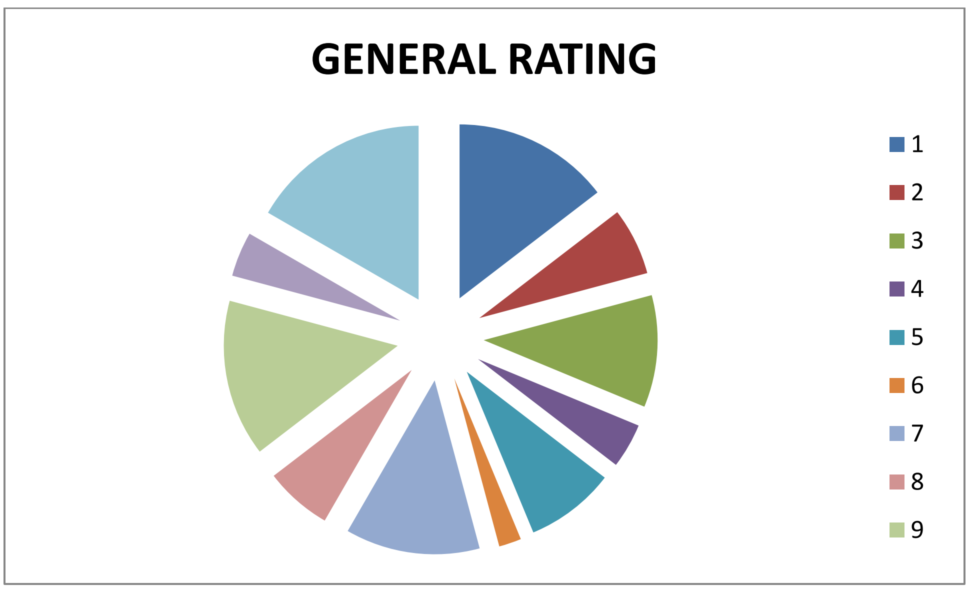


**Figure 3 : Reference High Growth in General Rating**

## 6. Discussion

The main purpose of this paper is to compare and contrast the test quality and test format practices used by examiners in India, the United States and the United Kingdom. It should be noted that each of the three countries has its own board of directors, which establishes laws and other rules as a separate governing body for audit quality methods.

INDIA: The Central Government established the (QRB) or Quality Review Board of Directors under Article 28 of the 1949 Chartered Accountants Act after the law was amended in 2006. Since its inception, the Board has been constantly striving to improve the quality of auditing companies by focusing on analytics (Accountants, 2019). The Quality Review Board investigates all aspects, including top registrants and other civilians. interest organizations completed audits using risk-based methods. QRB certifies that all people involved in analyzing the exercises have no conflicts of interest, and that the information obtained is kept private. They supervise the auditing company to ensure the integrity of the quality of service, provided that the main conclusions of the auditing quality audit are aggregated and provide the auditing company with substantive support for renewal. We publish regular reports every year to help you. Identifying the root cause The website of the Quality Review Committee publishes published reports. The Quality Review Board has established a strong system of self-assessment of legal assurance services provided by accounting firms based on global best practices.

Participating in KINGDOM: For Quality of Audit is the International Auditing and Assurance Standards Board (IAASB). This agenda also emphasizes the importance of relationships with the right stakeholders and some good factors (Aghaei, 2011). In the case of the International Auditing and Assurance Standards Council, the term "audit quality" is difficult to define because it encompasses a number of critical fundamentals that help to create an environment that makes quality audits more likely.

## 7. Conclusion

According to the article, the authors investigated Exam procedures and formats used in various countries such as India, the United States, and the United Kingdom in connection with specialized courses such as CA, CPA, and ACCA were developed and followed in these countries. All audits are the responsibility of every company in the world. The three professions in the three major countries selected have their own audit rules and regulations, which contribute significantly to the type of audit quality used in these three countries. The quality of this audit leads to various corporate scandals that increase investor confidence and belief or endanger auditor audits. This subject is explained by the author based on two main purposes. The first purpose is to compare and analyze the practice of exam quality and exam formats used by examiners in India, the United States, and the United Kingdom. The secondary purpose is to provide the recommendations needed to improve the quality of inspections and inspection procedures in the Indian situation.

The transition from Indian GAAP to Ind AS was difficult, but it ultimately benefited all users. Financial statements prepared under IFRS improve comprehension, consistency, comparability and reduce duplication of financial statements for companies with offices in other countries. For proper implementation, the account format, accounting policies, and disclosure requirements will need to be completely changed. IFRS is a principle-based approach rather than a rules-based approach, so all parties will consider its effectiveness. involved in financial reporting must share responsibility for international harmonisation and convergence. For the smooth operation of the convergence process, all accounting professionals must learn IFRS. Because of the required changes in accounting practises, many companies' top management views IFRS as a finance priority. In any case, The impact of IFRS on an entity is truly beyond the boundaries of the department. The transition to fair value accounting is difficult for the Indian corporate community, which prepares financial statements on a historical cost basis. To harmonise and conform to international standards, continuous research is required.

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