

ASSESSING THE IMPACT OF IFRS ADOPTION ON KEY ACCOUNTING RATIOS: A COMPARATIVE ANALYSIS OF INDIAN COMPANIES

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ABSTRACT

This study examines the effects of adopting International Financial Reporting Standards (IFRS) on crucial accounting ratios and the financial performance of companies in India that transitioned to IFRS in 2017. Utilizing reconciliation statements between IFRS and the former Indian GAAP (IGAAP) for the 2016 financial year, this study creates a comprehensive database of financial ratios under both accounting regimes. The objective is to identify any significant differences in crucial accounting ratios calculated under IFRS compared to IGAAP, and to analyze how these differences affect overall financial performance and company rankings. Data were collected from a sample of 149 top-capitalized companies listed on the Bombay Stock Exchange in India. To assess whether significant differences exist between accounting ratios under the two regimes, the Wilcoxon Signed-Rank Test and the Sign Test were applied. The findings reveal that several ratios, such as Return on Assets (ROA), Return on Equity (ROE), and Inventory Turnover, differ significantly between IFRS and IGAAP, indicating that IFRS adoption can affect these metrics. In contrast, other ratios, such as the Current Ratio (CR) and Equity Ratio (DER), show no significant changes, suggesting that IFRS adoption does not uniformly affect all financial metrics. Overall, the results indicate that IFRS adoption does not significantly alter financial performance as reflected by the accounting ratios and does not lead to substantial changes in company rankings. This study adds to the literature by providing empirical evidence on the effects of IFRS adoption in an emerging market context, highlighting the importance of understanding these impacts for accurate financial analysis and decision-making.

Key Words: Emerging markets, IFRS adoption, indian GAAP, ratio analysis