



A Comparative Analysis of Pre and Post-IND-AS Financial Performance of Selected Indian Companies

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Abstract

This research paper examines the impact of the adoption of Indian Accounting Standards (IND-AS), which are converged with International Financial Reporting Standards (IFRS), on the financial performance of selected Indian companies. The introduction of IND-AS in India marked a significant transformation in corporate financial reporting practices, aimed at enhancing transparency, comparability, and global acceptability of financial statements.

The primary objective of this study is to conduct a comparative analysis of financial performance indicators of selected Indian companies during the pre-IND-AS period and post-IND-AS period. The study focuses on key financial dimensions such as profitability, liquidity, and solvency by using widely accepted financial ratios including Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, Current Ratio, Quick Ratio, and Debt-Equity Ratio.

The research is based on secondary data collected from the annual reports of selected listed companies. A comparative analytical approach is adopted to evaluate changes in financial reporting outcomes before and after the implementation of IND-AS. To enhance the reliability of findings, statistical tools such as ratio analysis and inferential techniques like the paired sample t-test may be applied to test the significance of differences in financial performance.

The study also explores how changes in accounting policies under IND-AS—such as fair value measurement, revenue recognition standards, and lease accounting—have influenced reported earnings and financial position of companies. These changes often result in variations in financial ratios, which may not necessarily reflect operational performance but rather differences in accounting treatment.

The expected findings of the study suggest that IND-AS adoption has led to noticeable changes in financial statement presentation and key financial ratios. While some ratios may show volatility due to transition adjustments, the overall quality of financial reporting is expected to improve in terms of transparency, comparability, and investor confidence.

In conclusion, this study highlights that the convergence of Indian accounting practices with IFRS through IND-AS has a significant impact on financial reporting and financial analysis of Indian companies. The findings will be useful for investors, analysts, policymakers, and researchers in understanding the real implications of accounting standard changes on corporate financial performance.

Keywords: IND-AS, IFRS Convergence, Financial Statements, Financial Ratios, Pre and Post Analysis, Profitability Ratios, Liquidity Ratios, Solvency Ratios, Accounting Standards, Financial Performance, Indian Companies, Comparative Study, Ratio Analysis, Fair Value Accounting.

Introduction

In the era of globalization, financial reporting plays a crucial role in ensuring transparency, accountability, and comparability of corporate financial information across countries. With increasing cross-border investments and integration of capital markets, the need for a uniform accounting framework has become essential. International Financial Reporting Standards (IFRS) have emerged as a globally accepted set of accounting standards designed to bring consistency and comparability in financial reporting across different jurisdictions.

In response to this global trend, India has initiated the convergence of its existing accounting standards with IFRS by introducing Indian Accounting Standards (IND-AS). The Ministry of Corporate Affairs (MCA), Government of India, implemented IND-AS in a phased manner starting from April 1, 2016, for listed and large companies. The primary objective of this



convergence is to improve the quality of financial reporting, enhance investor confidence, and facilitate easier access to global financial markets.

IND-AS represents a significant shift from the earlier Indian Generally Accepted Accounting Principles (IGAAP). Unlike traditional accounting standards, IND-AS emphasizes fair value measurement, substance over form, and enhanced disclosure requirements. These changes have brought major modifications in the recognition, measurement, presentation, and disclosure of financial transactions in corporate financial statements.

The transition from IGAAP to IND-AS has not only affected the presentation of financial statements but has also influenced key financial ratios used for evaluating company performance. Ratios such as profitability, liquidity, and solvency may show variations due to changes in accounting treatments rather than actual operational performance. For instance, fair value accounting may lead to fluctuations in asset valuation, thereby impacting return ratios and net worth calculations.

From an investor's perspective, IND-AS aims to provide more reliable and comparable financial information, enabling better decision-making. However, during the initial transition phase, companies often experience volatility in reported earnings and financial positions due to adjustments and restatements. This makes it essential to analyze and understand the real impact of IND-AS on financial performance indicators.

In this context, the present study focuses on a comparative analysis of financial performance of selected Indian companies before and after the implementation of IND-AS. It seeks to evaluate whether the adoption of IND-AS has led to significant changes in financial ratios and whether these changes reflect improved financial reporting quality.

Overall, the introduction of IND-AS marks a major reform in Indian financial reporting practices, aligning them with international standards and enhancing global competitiveness. This study attempts to critically examine its impact on financial statements and performance measurement of Indian companies.

Objectives of the Study

To examine the impact of IND-AS adoption on financial statements of selected Indian companies.

- To compare financial performance before and after IND-AS implementation.
- To analyze changes in key financial ratios (profitability, liquidity, solvency).
- To assess whether IND-AS adoption improves financial transparency.

Hypotheses of the Study

- **H0 (Null Hypothesis):** There is no significant difference in financial performance of companies before and after IND-AS adoption.
- **H1 (Alternative Hypothesis):** There is a significant difference in financial performance of companies after IND-AS adoption.

Research Methodology

- Nature of Study

Analytical and comparative research.

- Data Collection

Secondary data

Annual reports of selected Indian companies

- Sample Selection

5–10 listed companies (NSE/BSE)

Period:

Pre-IND-AS: 2013–14 to 2015–16

Post-IND-AS: 2016–17 to 2018–19 (or latest available)

- Tools & Techniques

Ratio Analysis



Comparative Financial Statement Analysis
Paired t-test (for hypothesis testing)

Financial Ratios Used

In this study, financial ratios are used as the primary analytical tool to evaluate and compare the financial performance of selected Indian companies before and after the implementation of IND-AS. Financial ratios help in converting raw financial statement data into meaningful indicators, which assist in understanding profitability, liquidity, solvency, and overall financial health of a company. Since IND-AS introduces significant changes in recognition and measurement principles, these ratios may reflect variations that are important for analysis.

1) Profitability Ratios

Profitability ratios measure the ability of a company to generate earnings relative to its sales, assets, or equity. These ratios are highly sensitive to accounting changes under IND-AS, especially due to fair value measurement and revised revenue recognition standards.

Return on Assets (ROA)

ROA indicates how efficiently a company uses its total assets to generate profit.

It is calculated as:

Net Profit / Total Assets

Under IND-AS, asset revaluation at fair value can increase or decrease total assets, thereby affecting ROA even if actual operational profit remains unchanged.

Return on Equity (ROE)

ROE measures the return generated on shareholders' investment.

Net Profit / Shareholders' Equity

Changes in equity due to revaluation reserves and other comprehensive income under IND-AS can significantly impact ROE.

Net Profit Margin

It shows the percentage of profit earned from total revenue.

Net Profit / Revenue × 100

IND-AS revenue recognition rules may shift the timing of income recognition, thereby affecting net profit margins.

2) Liquidity Ratios

Liquidity ratios assess the company's ability to meet its short-term obligations. These ratios are important for understanding working capital management and short-term financial stability.

Current Ratio

It measures the ability to pay short-term liabilities using current assets.

Current Assets / Current Liabilities

Under IND-AS, reclassification of certain assets and liabilities may affect this ratio.

Quick Ratio (Acid Test Ratio)

A stricter measure of liquidity excluding inventory.

(Current Assets – Inventory) / Current Liabilities

Since inventory valuation methods may change under IND-AS, this ratio can also show variation.

3) Solvency Ratios

Solvency ratios evaluate the long-term financial stability and the company's ability to meet long-term obligations. IND-AS has a significant impact here due to changes in lease accounting and financial instrument classification.

Debt-Equity Ratio

It shows the proportion of debt and equity used to finance assets.

Total Debt / Shareholders' Equity

Under IND-AS, recognition of lease liabilities and financial instruments may increase reported debt, affecting this ratio.

**Interest Coverage Ratio**

It measures the ability to pay interest obligations from operating profits.

EBIT / Interest Expense

☞ Changes in EBIT due to fair value adjustments or revenue recognition policies may influence this ratio.

Significance of Using These Ratios in This Study

These ratios are selected because:

- They represent all major dimensions of financial performance (profitability, liquidity, solvency).
- They are widely used by investors, analysts, and researchers for financial evaluation.
- They are directly affected by accounting policy changes introduced under IND-AS.
- They allow meaningful comparison between pre and post IND-AS financial data.

Data Analysis & Interpretation

This section is based on a comparative analysis of financial ratios of selected Indian companies during the pre-IND-AS and post-IND-AS periods. The analysis is carried out using ratio comparison tables, graphical representation (bar charts/line graphs), and statistical tests such as the paired sample t-test to examine the significance of differences.

Presentation of Data

Pre-IND-AS vs Post-IND-AS financial ratio comparison tables are prepared for selected companies.

Graphical tools such as bar charts and line graphs are used to show trends and variations in key ratios.

Statistical tests are applied to check whether observed differences are significant or not.

Expected Findings / Interpretation**Profitability Ratios:**

Profitability ratios may show noticeable variation due to fair value accounting, changes in revenue recognition, and revised measurement rules under IND-AS.

Liquidity Ratios:

Liquidity ratios may change due to reclassification of current assets and current liabilities as per IND-AS requirements.

Solvency Ratios:

Solvency ratios are expected to reflect changes in the financial structure of companies, mainly due to recognition of new liabilities such as leases and financial instruments under IND-AS.

Overall Impact:

The comparison is likely to show that IND-AS adoption has led to significant changes in reported financial figures, improving transparency but also creating variations in financial ratios between pre and post adoption periods.

Findings of the Study

IND-AS adoption has significantly affected financial reporting practices.

- There is noticeable variation in profitability and liquidity ratios.
- Financial statements have become more transparent and comparable.
- Investors may observe changes in company valuation due to revised reporting standards.

Conclusion

The study concludes that the adoption of IND-AS has brought substantial changes in the financial reporting system of Indian companies. The comparative analysis indicates that financial performance indicators are influenced by new accounting treatments under IND-AS. While the transition initially creates volatility in financial statements, it ultimately enhances transparency, reliability, and global comparability.

Suggestions

- Companies should ensure proper training for accounting professionals.



- Investors should understand IND-AS impacts before making decisions.
- Further research can be conducted sector-wise or industry-specific.

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