A Picture of Convergence of Accounting Standards with International Financial Reporting Standards Impact on Financial Performance & Position of TCS Company: Special Reference Period 2009 to 2020

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***Abstract* - International Financial Reporting Standards (IFRS) set common rules so that financial statements can be consistent, transparent, and comparable around the world. IFRS are issued by the International Accounting Standards Board (IASB). They specify how companies must maintain and report their accounts, defining types of transactions, and other events with financial impact. IFRS were established to create a common accounting language so that businesses and their financial statements can be consistent and reliable from company to company and country to country. The paper is based on the IFRS Convergence period started the period 1990 in India and other developing countries. In this paper I have find out it what are the basic improvement during the convergence periods of Accounting System and IFRS. We analysis it the basic impact on the performance of TCS Company financial performance. Therefore, we have divided the 12-year period into two parts (6 year before/6 year after) & we have used it T – TEST method for the finding of the improvement during 12 years. The paper is divided into the following content (1) Introduction (2) Review of Literature (3) Objectives of Research (4) Research methodology (5) An Empirical Analysis of Selected Financial Ratios of TCS Company (6) findings (7) References**

***Index Terms* - IFRS, AS, GAAP, IAS**

1.INTRODUCTION

Due to the era of globalization, IFRS has become an integral part of today's business. Every country has its own accounting standard which is followed for preparing accounting information (GAAP). Due to the economic reforms 1991 LPG policy, financial market IFRS become an important part of business world todays. Ministry of corporate affairs of India notifications in 2015 stated that Indian companies are listed in this new accounting standard language for the preparation of financial statements. IFRS are designed to bring the consistency in the different statements to help the investors and business to make the wisely financial analysis and decisions. IFRS provides general format for the financial statements rather than industry specific reporting. It is relevant and faithful representation of financial statements so that it can make differences in the decision of the company made by different users of the statements and are complete, bias from the error. IFRS is a single set of qualitative & global accounting information that require transparency and comparing information in the financial statements, and it help the people to participate the worlds in different markets that makes qualitative decision. As it is known that companies over the world have become international level during decades, when our economy has converted closed into open and when our economy is integrating with other economy while spreading business activities like foreign direct investment, foreign portfolio investment, turnkey projects, contract manufacturing, licensing, franchisee, joint venture, and merger. The main objective of IFRS is to make comparison as easy as possible internationally. as it is more dynamic platform as it is well revised accordingly, it helps to maintain the transparency in the global market. For better understanding of business consistency in accounting rules & policies there was an urgent need of global accounting language. Apply a single set of accounting language would increase the comparability of different entities that is the reason 120 countries to follow the global accounting language. IFRS require entire body of standards and interpretations approved by international accounting standard board (IASB), international accounting standards (IAS)& standard interpretation committee (SIC). In budget 2014 speech, Honorable finance minister, Arun jaitley, has welcome this concept that now companies are adopting this new accounting standards.

2.REVIEW OF LITERATURE

"Glenn A Cheney (2008), "If IFRS Offer the Answer, They Sure Raise a Lot of Questions" the finding of this research is that that For America's financial executives who have not kept up with the latest accounting news, a call this summer for comments from the US Securities & Exchange Commission (SEC) should garner your attention. The issue is a big one: Should the SEC change its rule of having foreign issuers reconcile their financial reporting to US generally accepted accounting principles (GAAP), or should you accept financial reports that comply with International Financial Reporting Standards (IFRS)? The deceptively simple question has spawned a host of related questions and scenarios".

"Lento & Ahlstrom (2009) in their study of key financial ratios of companies of Finland found that the adoption of IFRS changes the magnitude of the key accounting ratios. The study also showed that the adoption of Fair Value Accounting rules and stricter requirements on certain Accounting issues are the reasons for the changes observed in Accounting Figures and financial ratios".

"Ali & Ustundag (2009) in their paper on development process of Financial Reporting Standards around the World and its practical results in a developing country, Turkey. They observe that Turkey has encountered several complications in adoption of IFRS such as complex structure of the international standards, potential knowledge shortfalls and other difficulties in application and enforcement issues. Epstein (2009) in his article on Economic Effects of IFRS adoption emphasized on the fact that universal financial reporting standards will increase market liquidity, decrease transaction costs for investors, lower cost of capital and facilitate international capital formation and flows".

"Deville et al (2010) concluded that with adoption of IFRS by 3721 firms listed on 5 European Stock Exchanges, influence of earning on share price increased. As evident from the literature review, good number of studies carried out in different countries have highlighted the benefits of having single set of financial reporting standards across the globe. Few of the studies have also brought out the procedural aspects of implementation of IFRS. Some of the studies have given a contradictory view wherein the articles talk about the difficulties and complications faced in implementing IFRS".

Srivastava Anubha (2019) he concluded that after convergence of IFRS it would bring the reduction of cost of equity and it will prevent the frauds, it will further reduce the risk of secondary market and it increases the transparency and bring better rules & regulation of business ethics and corporate governance.

Adhana (2020) in his article he studied that worldwide position of IFRS, discuss the various types of opportunities and importance of IFRS in India. He also studied the problems faced by the stakeholders while adopting IRFS in India. Then he concludes that the investor having reason to rejoice as new standards arises to compare it will bring more knowledge and confidence level in the organization.

3.OBJECTIVES OF THE PAPER

- "To examine the effects of convergence of accounting standards with international financial reporting standards on financial performances and position of TCS."
- "To find out the situation of the TCS company financial performance of the selected ratios before (2009-2015), after 2015-2020."
- In this article the studies are based on t test paired two sample and through the check of the null and alternate hypothesis."

4. RESEARCH METHODOLOGY

This study has been conducted by incorporating the provisions of IFRS to be adopted by the TCS Company business in India on the basic of financial performance ratios (before 2009 to 2015 & 2016 to 2020 after) during the year 2009 to 20. (Note: This Company is registered company of BSE/ SENSEX and therefore we have taken it in our study)

A. Tools for Data Analysis

T-test is a statistical test which is used to compare the mean of two groups of samples. Therefore, it is evaluated whether the means of the two sets of data are statistically significantly different from each other.
The paired t test used to compare the means between two related groups of samples the aim of this paper is to describe the different t test formula and it is a parametric test as the formula depends on the mean and the standard deviation of the data being compared.

B. Null Hypothesis
H0= “there is no significant difference on financial performance and position of the company after being convergence of Accounting Standard into IFRS” since 2011.
H1=“there is significant difference on financial performance and position of the company after being convergence of Accounting Standard into IFRS” since 2011.

5.A STRUCTURE OF THE DEFINITION OF ALL RATIOS FORMULAS, DEFINITIONS, HYPOTHESIS FRAME & CALCULATED T TEST VALUE

Table: 1

S. No.	Ratios	Definitions	Formulas	Hypothesis	T-test (value)	Result (tabular value:1.796)
1	Debt-Equity Ratio	The debt-to-equity ratio calculates the weight of total debt and financial liabilities against shareholders' equity:	Debt to equity ratio = Total liabilities / Shareholder's equity	H0 (There is no significant difference)	0.245	Rejected
2	Current Ratio	The current ratio measures a company's ability to pay off short-term liabilities with current assets	Current ratio = Current assets / Current liabilities		2.857	Accepted
3	Asset Turnover Ratio	The asset turnover ratio measures a company's ability to generate sales from assets	Asset turnover ratio = Net sales / Average total assets		-1.8	Rejected
4	Inventory Turnover Ratio	The inventory turnover ratio measures how many times a company's inventory is sold and replaced over a given period.	Inventory turnover ratio = Cost of goods sold / Average inventory		179.103	Accepted
5	Debtors Turnover Ratio	The debt service coverage ratio reveals how easily a company can pay its debt obligations	Debt service coverage ratio = Operating income / Total debt service		-2.88	Rejected
6	Interest Coverage Ratio	interest coverage ratio shows how easily a company can pay its interest expenses	Interest coverage ratio = Operating income / Interest expenses		57.936	Accepted
7	Operating Margin (%)	The operating margin ratio compares the operating income of a company to its net sales to determine operating efficiency:	Operating margin ratio = Operating income / Net sales		5.241	Accepted
8	Net Profit Margin (%)	Net profit is calculated by deducting all company expenses from its total revenue	Net Profit margin = Net Profit ⁄ Total revenue x 100	H1 (There is significant difference)	-1.218	Rejected
9	Return on Capital Employed (%)	Calculated by dividing net operating profit or earnings before interest and taxes (EBIT), by employed capital.	ROCE=Capital Employe dEBIT where: EBIT=Earnings before interest and tax Capital Employed=Total assets – Current liabilities		-5.483	Rejected
10	Return on Net Worth (%)	Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders.	Return on Equity=Average Shareholders' Equity Net Income		-7.842	Rejected

TABLE: 2 Financial Performance of TCS Company during the Years 2009 to 2020

Years												
RATIOS	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Debt-Equity Ratio	0.03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Current Ratio	2.47	2.63	2.58	2.80	2.60	2.54	2.59	2.11	1.74	1.56	1.63	1.91
Asset Turnover Ratio	5.18	5.85	5.04	5.24	5.47	5.77	6.31	5.88	5.72	5.37	4.99	5.90
Inventory Turnover Ratio	17507.47	7038.29	4232.87	6179.53	8047.24	7037.99	8675.53	9241.79	8013.56	4819.04	1942.25	1312.60
Debtors Turnover Ratio	4.98	5.74	5.49	5.20	4.76	4.67	5.04	4.77	5.48	7.19	6.52	5.99
Interest Coverage Ratio	57.52	240.44	1065.37	1880.13	2257.85	309.53	1006.74	513.84	816.02	435.80	668.75	691.82
Operating Margin (%)	34.60	34.58	34.52	34.15	35.88	35.37	38.11	34.15	36.93	31.62	29.72	24.84
Net Profit Margin (%)	25.33	24.41	25.93	25.52	26.87	26.17	28.57	26.40	28.80	25.86	24.38	20.96
Return on Capital Employed(%)	53.51	52.14	41.19	41.71	52.25	53.73	60.13	53.73	59.29	49.86	44.55	42.00
Return on Net Worth (%)	43.73	38.91	32.92	33.21	41.81	43.05	48.22	44.63	49.53	43.83	39.50	38.67
NOTE:- SOURCE : TCS FINANICAL REPORT(2010-20)												

Table: 3 A Picture of Analysis the Calculated T-test (H0/H1) during the Years 2009 to 2020 (Before / After)

RATIOS	Total (6Years during 2016-2020) After (IFRS Convergence)	Mean Value (After (IFRS Convergence)	Total (6Years during 2009-2015) Before (IFRS Convergence)	Mean Value (Before (IFRS Convergence)	Difference	Standard Deviation	S. E	T-TEST	Table – Value(11 df)
Debt-Equity Ratio	0.03	0.005	0	0	0.005	0.0707	0.0204	0.245	1.796
Current Ratio	15.62	2.6	11.54	1.9	0.680	0.8246	0.2380	2.857	1.796
Asset Turnover Ratio	32.55	5.43	34.17	5.7	-0.270	0.5196	0.15	-1.800	1.796
Inventory Turnover Ratio	50043.39	8340.6	34004.7	5667.5	2673.103	51.7	14.924	179.103	1.796
Debtors Turnover Ratio	30.84	5.14	34.99	5.8	-0.692	0.8318	0.2401	-2.880	1.796
Interest Coverage Ratio	5810.84	968.5	4132.97	688.8	279.645	16.72	4.8267	57.936	1.796
Operating Margin (%)	209.1	34.85	195.37	32.6	2.288	1.5126	0.4366	5.241	1.796
Net Profit Margin (%)	154.23	25.705	154.97	25.8	-0.123	0.3507	0.1012	-1.218	1.796
Return on Capital Employed (%)	294.53	49.09	309.56	51.6	-2.505	1.5827	0.4568	-5.483	1.796
Return on Net Worth (%)	233.63	38.9	264.38	44.1	-5.125	2.2638	0.6532	-7.842	1.796
95% CONFIDENCE LEVEL AND 5 % LEVEL OF SIGNIFANCE									

6.FINDINGS

- In this paper I have find out what is real picture of after convergence Accounting Standard & IFRS period some improvements listed out in the performance of TCS Company.
- Under this paper examine both objectives (A) the effects of convergence of accounting standards

with international financial reporting standards on financial performances and position of TCS." (b) "To find out the situation of the TCS company financial performance of the selected ratios before (2009-2015), after 2015-2020." Thereafter under the condition find out the findings below mentioned.

- Firstly, we structure it framework of paper in this Table; 1 Present it A Structure of the Definition of All Ratios Formulas, Definitions, Hypothesis frame & Calculated T test Value.
- Secondly, we have framing according to the structure financial performance ratios of TCS Company under depict it the table: 2 during the Years 2009 to 2020.
- Thirdly I have found it the according to calculation of T test framing under Table: 3 A picture of Analysis the Calculated T-test (H0/H1) during the years 2009 to 2015 (Before) and 2016 to 2020 (After).
- Fourthly we have divided the 12 years in the two phases 6 years before and 6 years during the convergence of IFRS system.
- I observed it by the analysis the situation of TCS Company before and after years condition improvements like some Financial Indicators for example Current Ratio, Inventory Ratios, Interest Coverage Ratio, Operating Margin. I have found it some ratios the H0 is rejected and H1 hypothesis accepted and there is significant difference seen on financial performance and position of the company after being convergence of Accounting Standard into IFRS" since 2009.
- I have found it result some improvement by using the by T-test sample at tabular value t - 1.796 and 95 confidence level with 5 % level of significance.
- Therefore, find it these selected ratios after convergence period there are not significant difference change find out it in TCS company for example Debt-Equity Ratio, Asset Turnover Ratio, Debtors Turnover Ratio, Net Profit Margin (%), Return on Capital Employed (%), Return on Net Worth (%).
- In this paper I have taken 10 ratios and find out it only 4 ratios improvement and rest of 6 ratios are not improved it in TCS Company during the years 2009 to 2020.
- Lastly, we seen 40 percent improvement in TCS Company and rest 60 percent there is no significant difference.
- Finally conclude it the decision there is no better improvement in TCS Company after convergence Accounting Standard and IFRS.

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