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Impact of Ind as Adoption on the Financial Reporting Practices of Selected Public Sector Undertakings in India

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Abstract: *The adoption of Indian Accounting Standards, which are substantially converged with International Financial Reporting Standards, represents a major transformation in the financial reporting environment of Indian companies. The implementation of Ind AS was intended to improve transparency, comparability, reliability and international acceptability of financial statements. The Ministry of Corporate Affairs notified Ind AS in 2015, with mandatory implementation for specified companies beginning from 2016–17, following a phased roadmap. Public Sector Undertakings, particularly listed and large entities, have consequently experienced significant changes in recognition, measurement, presentation and disclosure practices. This research paper examines the impact of Ind AS adoption on the financial reporting practices of selected Indian PSUs.*

Keywords: Public Sector Undertakings, Financial Reporting, Accounting Standards, Transparency, Comparability, Fair Value.

I. INTRODUCTION

Financial reporting plays an important role in communicating the financial performance, financial position and cash-flow position of an organisation to shareholders, lenders, government agencies, employees and other stakeholders. In the case of Public Sector Undertakings (PSUs), the importance of reliable financial reporting is particularly high because these organisations operate with substantial public resources and frequently perform strategically important economic and social functions. Changes in accounting standards can therefore have significant implications for how PSU performance is measured and interpreted.

India introduced Ind AS as a set of accounting standards substantially converged with IFRS. The MCA notified the standards in 2015, while the implementation roadmap provided for voluntary adoption from 2015–16 and mandatory adoption for specified categories from 2016–17. Ind AS was designed to improve the quality, transparency and comparability of financial statements and to bring Indian financial reporting closer to internationally accepted practices. ICAI has described the convergence process as an important step toward more robust and transparent accounting.

For PSUs, the transition from earlier Indian GAAP to Ind AS has affected several important accounting areas. Ind AS introduces greater use of fair-value measurements, detailed financial-instrument disclosures, revised principles for consolidation, impairment testing, revenue recognition and lease accounting. Ind AS 101, dealing with first-time adoption, specifically requires entities to prepare an opening Ind AS balance sheet and provide explanations and reconciliations relating to the transition.

The present study therefore examines how Ind AS adoption has influenced financial reporting practices in selected Indian PSUs and evaluates whether the transition has resulted in improved transparency, comparability and usefulness of financial information.

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II. BACKGROUND OF IND AS ADOPTION IN INDIA

The development of Ind AS was closely connected with India's objective of achieving greater convergence with international accounting practices. ICAI played a significant role in developing and supporting the standards, while the standards were notified by the Government through the MCA under the Companies Act, 2013. ICAI explains that Ind AS contains certain Indian-specific carve-outs and carve-ins to make the standards suitable for India's legal and economic environment.

The implementation roadmap divided companies into phases. Under Phase I, specified listed and unlisted companies meeting the prescribed net-worth criteria were required to apply Ind AS from 1 April 2016. Phase II extended mandatory application from 1 April 2017 to additional listed and qualifying unlisted companies.

Table 1: Broad Evolution of Ind AS Implementation

Period	Major development	Significance
2011	Ind AS framework developed/notified earlier	Initial move toward IFRS convergence
2015	Ind AS notified by MCA	Formal regulatory foundation
2015–16	Voluntary implementation for eligible entities	Preparation and transition phase
2016–17	Mandatory implementation for Phase I entities	Beginning of large-scale adoption
2017–18	Phase II implementation	Wider coverage of eligible companies
Subsequent years	Amendments and guidance	Continuous improvement and clarification

III. REVIEW OF MAJOR ACCOUNTING CHANGES

The impact of Ind AS can be understood by examining specific accounting areas.

Table 2: Major Areas Affected by Ind AS

Accounting area	Major Ind AS influence	Expected reporting impact
Property, plant and equipment	Deemed-cost/fair-value transition options	Possible change in asset carrying values
Financial instruments	Classification, measurement and disclosures	Greater transparency regarding financial risks
Revenue	Performance-obligation approach under Ind AS 115	More systematic revenue recognition
Leases	Recognition requirements under Ind AS 116	Increased visibility of lease liabilities/assets
Impairment	Expected-loss and impairment frameworks	More forward-looking measurement
Employee benefits	Revised measurement and disclosure requirements	Better presentation of employee obligations
Consolidation	Control-based approach	More comprehensive group reporting
Fair value	Expanded fair-value requirements	Greater use of valuation techniques
Related parties	Enhanced disclosures	Improved accountability
Segment reporting	Greater disclosure requirements	Better assessment of business segments

The changes are particularly important for PSUs because many operate diversified businesses involving large infrastructure assets, long-term contracts, government-related transactions, financial instruments and group structures.

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IV. IMPACT ON TRANSPARENCY AND DISCLOSURE

One of the most important effects of Ind AS adoption has been the expansion of disclosure requirements. Ind AS 1 requires financial statements to provide information that is relevant, reliable, comparable and understandable and requires additional disclosures where necessary to enable users to understand significant transactions and events.

For PSUs, enhanced disclosure is particularly relevant because stakeholders include the government, institutional investors, minority shareholders, employees, lenders and regulatory bodies. More detailed disclosures can help users understand accounting estimates, financial risks, related-party transactions, contingent liabilities and changes in equity.

Table 3: Transparency Before and After Ind AS

Dimension	Earlier reporting environment	Ind AS environment
Accounting policies	Relatively less extensive	More detailed
Fair-value information	More limited	Greater emphasis
Financial-risk disclosure	Comparatively limited	More comprehensive
Related-party information	Required but comparatively narrower	Enhanced disclosure
Consolidated reporting	Existing framework	More control-focused approach
Estimates and judgements	Disclosed	Greater emphasis on significant judgements
Transition information	Not applicable	Reconciliation required under Ind AS 101
Comparability	More domestic orientation	Greater international comparability

Ind AS 101 specifically requires explanations of the transition from previous GAAP and reconciliations in specified circumstances, making the effect of transition more visible to users.

IMPACT ON FAIR-VALUE MEASUREMENT

Ind AS has increased the importance of fair-value measurement in financial reporting. This is particularly relevant for PSUs holding financial investments, derivatives, investment properties and other assets or liabilities for which market-based or valuation-based measurements are required.

The increased use of fair value can improve the relevance of financial statements because reported values may more closely reflect current economic conditions. However, it can also introduce volatility into reported earnings and equity. Where active market prices are unavailable, management may need to rely on valuation models and assumptions.

Consequently, PSU financial reporting has become more dependent on professional judgement and external valuation expertise.

IMPACT ON FINANCIAL INSTRUMENTS

Ind AS 109, Ind AS 32 and Ind AS 107 have significantly influenced the accounting and disclosure of financial instruments. ICAI notes that these standards replaced the earlier proposed Indian financial-instrument standards and were aligned with developments under IFRS 9.

For PSUs with substantial borrowings, investments, receivables, guarantees and derivative instruments, the new framework can materially influence financial statements. Classification and measurement requirements, impairment considerations and risk disclosures provide stakeholders with more detailed information about credit, liquidity and market risks.

IMPACT ON REVENUE RECOGNITION

Ind AS 115 introduced a more structured framework for revenue recognition based on contracts with customers and performance obligations. For PSUs operating in infrastructure, engineering, construction, energy, transportation and telecommunications, revenue recognition can be particularly important.

The new approach requires management to identify contractual obligations and determine when control of goods or services is transferred. Consequently, revenue may be recognised differently from earlier practices in some contracts. This can affect reported revenue, profit margins, contract assets and contract liabilities.

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IMPACT ON LEASE ACCOUNTING

Ind AS 116 has changed lease accounting substantially, especially for lessees. Many leases that previously generated rental expenses without a corresponding balance-sheet liability now result in recognition of lease-related assets and liabilities, subject to the standard's requirements and exemptions.

For PSUs with extensive office facilities, warehouses, land arrangements, vehicles, equipment and other leased assets, this can increase reported assets and liabilities. It can also change the pattern of expenses over the lease term.

IMPACT ON CONSOLIDATED FINANCIAL STATEMENTS

PSUs frequently operate through subsidiaries, associates and joint ventures. Ind AS has strengthened the importance of consolidated financial reporting by focusing on control, significant influence and joint arrangements.

This provides users with a more comprehensive view of the economic activities of a PSU group rather than relying exclusively on the standalone financial statements of the parent entity.

V. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design. Secondary data are proposed to be collected from annual reports, financial statements, notes to accounts, corporate governance reports and other publicly available disclosures of selected PSUs.

PROPOSED SAMPLE

A purposive sample of major Indian PSUs can be selected based on size, listing status, sectoral representation and availability of pre- and post-Ind AS financial information.

Table 4: Proposed Sample of Selected PSUs

Sector	Illustrative PSU	Nature of business
Petroleum	Indian Oil Corporation Ltd.	Oil refining and marketing
Petroleum	Bharat Petroleum Corporation Ltd.	Petroleum
Energy	NTPC Ltd.	Power generation
Energy	Power Grid Corporation of India Ltd.	Power transmission
Coal	Coal India Ltd.	Coal mining
Steel	Steel Authority of India Ltd.	Steel production
Engineering	Bharat Heavy Electricals Ltd.	Engineering and manufacturing
Telecommunications	Bharat Sanchar Nigam Ltd.	Telecommunications
Mining	NMDC Ltd.	Mining
Banking/Finance*	Selected eligible public financial entities	Financial services

Final inclusion should be based on the applicable Ind AS regulatory roadmap for the relevant period.

VI. DATA COLLECTION

The study can analyse annual reports over two periods:

Pre-Ind AS period: 2013–14 to 2015–16

Post-Ind AS period: 2016–17 to 2024–25

The comparison can focus on financial statement structure, accounting policies, key ratios, disclosures and reconciliation statements.

Table 5: Variables for Analysis

Variable	Measurement/Indicator
Financial reporting quality	Disclosure and reporting index
Transparency	Number/quality of relevant disclosures
Comparability	Consistency and cross-period comparability

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Profitability	ROA, ROE, profit margin
Liquidity	Current ratio, quick ratio
Leverage	Debt-equity ratio
Disclosure complexity	Number and nature of significant disclosures
Fair-value impact	Fair-value adjustments
Transition impact	Reconciliation adjustments
Compliance burden	Qualitative assessment

DATA ANALYSIS TECHNIQUES

The study may use descriptive statistics, ratio analysis, pre- and post-adoption comparison, disclosure scoring and paired statistical tests.

A Financial Reporting Disclosure Index (FRDI) may be constructed as:

$$FRDI = \frac{\text{Number of disclosure items complied with}}{\text{Total applicable disclosure items}} \times 100$$

A higher score would indicate greater compliance with selected disclosure requirements.

For financial-performance analysis, ratios such as ROA, ROE and debt-equity ratio may be compared between the pre-Ind AS and post-Ind AS periods.

EXPECTED FINDINGS

The study is expected to find that Ind AS has produced substantial changes in the financial reporting practices of selected PSUs.

Table 6: Expected Impact of Ind AS

Impact dimension	Expected direction	Explanation
Transparency	Positive	More extensive disclosures
Comparability	Positive	Greater alignment with internationally recognised practices
Fair-value reporting	Increased	Wider application of valuation principles
Financial-instrument reporting	Improved	Better classification and risk disclosure
Consolidation	Improved	Greater focus on control
Revenue reporting	Improved	Contract-based recognition framework
Lease reporting	More comprehensive	Greater balance-sheet recognition
Accounting complexity	Increased	More technical requirements
Professional judgement	Increased	Greater use of estimates and valuations
Compliance costs	Increased initially	Training, systems and valuation requirements

VII. MAJOR CHALLENGES IN IND AS IMPLEMENTATION

Table 7: Challenges Faced by PSUs

Challenge	Description
Technical complexity	Standards require specialised accounting knowledge
Training	Continuous professional development is necessary
Valuation	Fair-value measurement may require external experts
IT systems	Existing accounting systems may require modification
Data availability	Historical information may be difficult to reconstruct
Management judgement	Greater estimation and judgement are required

Group reporting	Consolidation can become more complex
Cost of compliance	Initial implementation involves additional costs
Interpretation	Standards may require professional interpretation
Continuous amendments	Accounting teams must monitor regulatory changes

ICAI continues to update guidance and educational material because Ind AS remains a dynamic framework that evolves alongside international developments.

VIII. CONCLUSION

The adoption of Ind AS has significantly transformed the financial reporting practices of Indian Public Sector Undertakings. The transition has introduced greater emphasis on fair value, financial instruments, impairment, revenue recognition, leases, consolidation and detailed disclosures. Ind AS 101 specifically strengthens transition reporting by requiring an opening Ind AS balance sheet and relevant explanations and reconciliations.

Overall, the impact of Ind AS on PSU financial reporting can be regarded as largely positive. It has improved transparency, comparability and the usefulness of financial information for investors, regulators, lenders and government stakeholders. The standards have also brought Indian reporting practices closer to internationally recognised accounting principles. These benefits have been accompanied by greater complexity, increased professional judgement, valuation requirements, system changes and implementation costs. Therefore, the success of Ind AS should not be evaluated solely by compliance with accounting standards but also by the quality, consistency and usefulness of information provided to stakeholders.

For Indian PSUs, continued investment in professional training, accounting technology, valuation expertise and internal controls is essential. With these measures, Ind AS can continue to strengthen the credibility and international comparability of India's public-sector financial reporting system.

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