Chapter 3

IFRS in India in the context of developing the profession

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Introduction

This chapter reviews the literature on accounting developments in India from independence in 1947, focusing on socio-economic and political influences on the process of accounting change. In particular, we focus on the key elements of the accounting system that was implemented post-independence and the process leading towards the adoption of IFRSs from 2006. We start with a brief overview of the socio-economic and political context of India, followed by an outline of legal and professional accounting regulation in India post-independence. We then review the IFRS adoption process within India and conclude with potential avenues for future research.

Socio-economic and political context of India

India, at independence from the British in 1947, inherited an economy which was very underdeveloped with low per capita income, poor economic growth, many living under the poverty line and little industrialisation. What little Indian industry there was, produced low technology, low productivity, low wages and labour intensive goods, and was concentrated in only a few selected areas such as textiles. There was little

production of capital goods, a lack of infrastructure industries and a lack of modern banking and insurance (Spear, 1978; Kumar, 1982; Rothermund, 1993; Tomlinson, 1993).

Thus, a priority for the Indian Government at independence was economic development. Led by Prime Minister Nehru, the Government of India (GOI), dominated by the Indian National Congress (also called the Congress Party), introduced a mixed economy system, in which there was a role for both private and public enterprise and in which socialist ideals were operated within a secular democracy.

The key elements of this economic system included central planning of the economy, setting up a large public sector, a nationalised banking system and control and licensing of private enterprise. State control of foreign investment was seen as important to prevent foreign capital and interests from dominating the interests of India. Protection of indigenous industry through the use of import substituting policies, import restrictions, high tariffs and production for the domestic market rather than for exports was also seen as important. These were implemented, by and large, through the use of statutory legislation and by setting up Government bodies and agencies to oversee policy initiatives. However, these policies did not lead to economic success, but instead to low economic and industrial growth, economic inefficiency, lack of modernisation in the corporate sector and lack of private and foreign investment (Kumar, 1982; Rothermund, 1993; Tomlinson, 1993; Joshi and Little, 1994, 1996).

Despite some attempts at liberalising the economy in the 1980s, India reached a position of economic crisis in the early 1990s. India faced persistent and growing fiscal deficits which

were financed by public borrowing and borrowing from the Reserve Bank of India. This led to high debt and high inflation in the economy. India also showed a large deficit on its current account and its balance of payments, very low foreign exchange reserves and high foreign debt. There were problems in the public sector with poor management, overmanning and lack of new technology (Rothermund, 1993; Joshi and Little, 1994, 1996; Kulke and Rothermund, 1990; Wolpert, 1997).

In response to this crisis, the Finance Minister, Dr Man Mohan Singh, in 1991 initiated major changes to stabilise the economy and start a long term program of liberalisation and deregulation of the economy, moving away from control to competition. Tight fiscal control to reduce fiscal deficits was introduced and the rupee was devalued by 19%, supported by standby credit from the International Monetary Fund (IMF). Import controls were reduced on raw materials and components and exporters were allowed to maintain foreign currency accounts for the first time. Industrial licensing was reformed, restrictions on large companies to expand capacity were reduced and areas reserved for the public sector were decreased. In addition, controls over foreign trade were reduced, tariffs and subsidies were reduced, foreign direct investment was encouraged and the tax system reformed (Rothermund, 1993; Joshi and Little, 1994, 1996; Kulke and Rothermund, 1990; Wolpert, 1997). Later reforms continued the liberalisation of the Indian economy and contributed to India becoming the second fastest growing economy in 2017 (WEF, 2017). It is within this socio-economic context that accounting in India developed post-independence.

Accounting in India post-independence

There were two main planks to accounting regulation post-independence in India, legal regulation of accounting and regulation by the accounting profession. In terms of legal regulation, accounting regulations were incorporated within the Indian Companies Act and to date this remains a key form of accounting regulation. In addition, an indigenous accounting profession was instituted in 1949 with the establishment of the Institute of Chartered Accountants of India (ICAI) and the ICAI became increasingly involved in accounting regulation over time.

Legal regulation

During the colonial period, the British introduced Indian Companies Acts to regulate the corporate sector within India. These were mainly based on British Companies Acts, but did contain some provisions which related to the Indian context.¹

At independence in 1947, the Government of India (GOI) chose to retain the use of a Companies Act to regulate joint stock companies and this has remained an important means of legal regulation in India to date. The Companies Act 1956² was the first major companies act to be promulgated post-independence and incorporated key accounting regulations for joint stock companies.

Some of the provisions were in line with British law but some were specific to the Indian context and were drafted in line with the socio-economic context of India and India's social and economic objectives. For example, the accounting provisions included a requirement

for books of accounts to be kept, specifying the books of account needed and a requirement for accounts to show a true and fair view. The formats for the balance sheet were specified, extending previous requirements and a detailed list of items to be disclosed in the profit and loss account was given. Provisions relating to the appointment, independence, powers, duties and qualifications of auditors, extending previous requirements and powers for central government to direct special audits for example for fraud and the rights of auditors in special audits were also included. A requirement for a cost audit for companies in specified industries was added in 1965 (Companies Act 1956³).

Overviews of the provisions of the Companies Act 1956 and its development have been provided, as part of wider studies, in books by Das Gupta (1977) and Chakravorty (1994). A more in depth study of the promulgation of the Companies Act 1956 has been undertaken by Verma and Gray (2009). They study the promulgation of the Companies Act 1956 and explore interactions between key stakeholders in relation to the accounting regulations incorporated into the Act. The impact of imperialism in a post imperial context is indicated with choices made by the GOI to use the Companies Acts as one of the means to regulate the corporate sector being very much in line with the British model which they had inherited at independence continuing post-independence.

Responding to calls for more research on the role of the State within accounting (Wilmott et al., 1986; Chua and Poullaos, 1993), Verma and Gray (2009) show the importance of the State in accounting regulation within India with the GOI choosing to incorporate key accounting regulations into the Companies Act, very much in line with the socio-political

context of Indian in which strong State involvement was seen in all areas of social and economic life post-independence. Key reasons for incorporating accounting regulations within the Companies Act included a perceived need to improve information available to shareholders so that they could become more involved in running their companies as well as giving information to other users such as the Government to monitor the running of companies. In addition, the government wanted to ensure fairness in the rewards earned by labour, capital and management in companies and considered that this might be made more transparent with better accounting provisions. Finally, the Government needed information for economic planning purposes and it was felt that company reports may be able to provide such information and might also encourage companies to contribute more fully to national economic aims. Thus, the importance of the socio-economic political context and the role of the Government are highlighted within the study.

Major changes to accounting regulation within the Companies Act took place in 1974 and 1988. For example, the Companies Act 1974 introduced provisions requiring the disclosure of higher paid employees and whether they were relatives of the directors of the company.⁴ The Companies Act 1988 introduced regulations relating to depreciation and requirements for the disclosure of energy, technology absorption, research and development and foreign exchange earnings and outgoings⁵ Following a major revision in 2013, previous legislation was replaced by the Companies Act 2013 and introduced many new provisions for example requiring the presentation of consolidated financial statements by any company with a subsidiary or a joint venture. The interaction between the Companies Act 2013 and IFRSs is discussed later in the chapter. In addition to legal regulation, professionalisation of

accounting and professional regulation of accounting also developed post-independence and this is discussed in the next section.

Accounting professionalisation in India post-independence

Professionalisation of accounting within the period of Empire and in post-colonial states has been an important strand of research within the field of accounting history, exploring professionalisation in both settler and non-settler states.

Common themes of studies in settler colonies such as the USA, Australia and South Africa include tracing the impact of British accountants emigrating to these colonies, the establishment of local professional accounting institutes and the interactions between these and the professional institutes in the United Kingdom, closure activities of professional accounting bodies and the interactions of the state and the profession (Johnson and Caygill, 1971; Johnson, 1973; Parker, 1989; Carnegie and Parker, 1999; Carnegie and Edwards, 2001; Chua and Poullaos, 2002; Poullaos, 2010, 2016; Richardson, 2010).

This directly contrasts with the trajectory for accounting in non-settler colonies of the British Empire. Professionalisation of accounting was usually seen after independence in the latter half of the 20th century, very much supported by the newly formed State with accounting professionalisation linked to wider social, economic and political agendas and the continuing influence of British accounting bodies and qualifications (Annisette, 2000; Sian, 2006, 2011; Uche, 2002; Bakre, 2010; Susela, 2010; Yapa, 2010).

Accounting professionalisation in India has taken a trajectory that falls in-between that seen in settler states and that of non-settler states. Professionalisation in India commenced pre-independence but it was not until post-independence that an indigenous accounting institute, the ICAI was established.

One major study on the professionalisation of accounting in India, undertaken by Kapadia (1972), covers a range of accounting developments from ancient times to 1972. This also includes a review of the establishment of the Indian Accounting Board pre independence, the establishment of the ICAI under statute in 1949 and interactions between the ICAI and a rival accounting body, the Institute of Cost and Works Accountants (ICWAI) which was established under statute in 1959.

Extending this work, Verma and Gray (2006) and Verma (2010), using the concepts of closure and profession-state relations (Chua and Poullaos, 1993, 1998) together with the role of imperialism have explored the establishment of the ICAI under statute in 1949. The studies note that the ideal of an autonomous and independent accounting profession had been inherited from the colonial period and the groundwork for an independent profession, based on the UK model, had been put in place with the creation of the Indian Accountancy Board in 1932. This Board had been set up to advise the British Government in India on issues relating to accounting and auditing, including the registration of Indian auditors and continued in existence until 1949.

The intention of the Indian members of the IAB was to develop an indigenous accounting profession headed by an independent institute but such a profession had not emerged at independence. At independence, the Indian members of the IAB wished to establish an accounting profession based on the UK model. However, in discussions with the GOI, a very different model emerged – one in which the ICAI was established under statutory charter with State representation on the Council of the ICAI. This was more in line with the socio-economic context of India at this time with strong GOI involvement seen in all areas of social and economic development.

Once again some of the main reasons that persuaded the GOI to support the development of an accounting profession was the perception held by the GOI that accounting was an important tool to help them achieve their socio-economic goals.⁶ In particular, among the key aims of the government at independence were rapid economic growth together with social development leading to a fairer distribution of wealth amongst the population. The perception held at this time was that accounting could help facilitate these aims by allowing for the provision of comparable information across the corporate sector which would facilitate decision making. It was also thought that the provision of information within the accounting system might help encourage the private sector to act in ways congruent to the Government's aims, rather than just for private gain, and that a stronger audit framework would help to monitor the actions of directors and perhaps curb abuses within the corporate sector.⁷

The direct involvement of the State was important in the establishment of the ICAI which was established under statute in direct contrast to the more private sector approach of the development of British accounting institutes and accounting institutes in settler states. In common with research on the Companies Act 1956, the continuing influence of the British model within accounting developments in India is indicated post-independence. The ICAI was, as far as was possible, modelled on its British chartered counterpart despite the statutory basis for the Institute and strong State involvement within the ICAI. The studies of Verma and Gray (2006) and Verma (2010) also explore interactions between the ICAI and the Institute of Chartered Accountants of England and Wales (ICAEW) with the ICAEW objecting, albeit unsuccessfully, to the adoption of the chartered designation by the Indian institute.

Once established in 1949, the ICAI put in place its organisational structure and dealt with issues such as examinations, disciplinary procedures and reciprocity. Part of their role included issuing recommendations and guidelines on accounting and auditing practices and these recommendations and guidelines were issued until 1977, when the ICAI set up a system to promulgate accounting standards. This was a key development in the history of the ICAI and is discussed next.

Standard setting in India

The ICAI promulgated recommendations and guidelines in relation to accounting which were not mandatory under the auspices of its Research Committee, which was established in 1952 but it was not until 1977 that the ICAI promulgated Indian accounting standards. The

promulgation of Indian accounting standards was, at least in part, a response to international developments and joining the International Accounting Standards Committee (IASC) by the ICAI as an associate member in 1974. This placed some obligation on the ICAI to ensure that published financial statements complied with international accounting standards. The ICAI chose to incorporate international accounting provisions into national standards if deemed appropriate, rather than fully adopting international accounting standards. The Council of the ICAI constituted an Accounting Standards Board ('ASB (Ind)') to promulgate Indian accounting standards in April 1977 following a due process system similar to that used by the accounting profession in the UK and the IASC (Chander, 1992; Chakravorty, 1994).

Currently, Indian accounting standards are prepared under the supervision of the ASB (Ind). The standards are then recommended to the National Advisory Committee on Accounting Standards (NACAS) which reviews the standards and recommends accounting standards to the Ministry of Corporate Affairs (MCA) who notify the adoption of the standards by the corporate sector. The process towards international accounting standard (IAS) and international financial reporting standard (IFRS) convergence was initiated in 2006 and this is discussed next.

Move towards IFRS convergence in India

The decision-making process for IAS/IFRS convergence marked a key milestone in the development of the accounting profession in India. Convergence with international accounting standards is an important policy decision made by any nation state. Extant

literature on convergence clearly indicates the importance of studying the relevant economic, legal and political context of the country within which convergence decision-making processes are embedded and within which the convergence process is actually enacted (Mir and Rahman, 2005; Tyrrall et al., 2007; Cieslewicz, 2014; Krishnan, 2016; Krishnan et al., 2017). Various legal, economic and conceptual factors have influenced the convergence decision-making process within India and have led the GOI and the ICAI to favour convergence *vis-à-vis* full adoption despite the IASB recommending full adoption of IAS/IFRSs in India, in-line with its agenda of global accounting harmonisation.

Deliberations on convergence with IAS/IFRSs in India commenced partly due to increased levels of foreign direct investments after the opening up of the economy in 1991 as well as due to a rise in the number of domestic companies who were either buying foreign companies or entering into joint ventures with foreign companies. The commencement of the IFRS-US GAAP convergence project in 2002 and the SEC's proposal in the US to permit the filing of IFRS compliant financial statements without reconciliation statements between US GAAP and IFRS in 2007 also contributed to the decision for convergence with IFRS within India (ICAI, 2007). India's participation and membership of several global forums such as the United Nations Conference on Trade and Development (UNCTAD), Organisation for Economic Co-operation and Development (OECD), International Organisation of Securities Commissions (IOSCO) and G-20 conferences too provided further impetus to the decision-making process (Krishnan, 2016). Another key event that was influential was the mandatory adoption of IFRS by the European Union in 2005.

In 2006, the ASB (Ind) prepared a concept paper to facilitate discussion of the matter of formal IAS/IFRS convergence with various stakeholders including the GOI, NACAS, and regulatory authorities. Accordingly, in October 2006, the ASB (Ind) formed a task force convened by its chairman which included representatives from the ICAI, representatives from industry (e.g., the Federation of Indian Chamber of Commerce and Industry (FICCI) and Confederation of Indian Industry (CII)), representatives from the financial system, including a representative of the Reserve Bank of India (RBI), and representatives of the International Accounting Standards Committee Foundation (IASCF) and the IASB (ICAI, 2007).

The concept paper was published by the ICAI in October 2007. In this paper, the ICAI provided the following definition of convergence:

‘To design and maintain national accounting standards in a way that financial statements prepared in accordance with national accounting standards draw unreserved statement of compliance with IFRSs’ (ICAI, 2007: 12).

The ICAI recognised the need for variation between Ind AS and IFRSs. There were several reasons that contributed to the ICAI decision to not fully adopt IASs/IFRSs and these were discussed in the 2007 concept paper. The ICAI highlighted the importance of maintaining consistency with legal and regulatory requirements within Ind ASs. Ind AS 21 Consolidated Financial Statements, Ind AS 25 Interim Financial Reporting and Ind AS 31 Financial Instruments are a few examples of domestic accounting standards framed to suit the legal

position in the India, rather than following IASs/IFRSs. For example, under Ind AS 21, 'control' was defined according to criteria listed in the Companies Act 1956 which was different from the definition provided under IAS 27 Consolidated and Separate Financial Statements. Ind AS 25 and Ind AS 31 were also identified as having similar differences to corresponding IASs due to legal requirements in India.

The influence of markets, in particular the use of the fair value approach in IFRS, was also raised as problematic for convergence. According to the concept paper, markets in India were not sufficiently developed to determine reliable fair values of various assets and liabilities (ICAI, 2007). This point has been validated by a member of the industry:

'There is a dire need for developing professional elite services such as valuation. There should be valuation standards in India without which there will be no uniformity in the reports presented and fair value system will be a failure' (Krishnan, 2016: 172).

Discussions in the concept paper and information collected from interviews with members of industry by the author seem to indicate that both the ICAI and Indian industry held the opinion that Indian markets were not equipped to adopt the fair value system successfully (Krishnan, 2016).

The level of preparedness was also raised as being problematic. The ICAI in its concept paper identified and discussed difficulties that industry might encounter if IAS/IFRSs were to

be fully adopted without any amendments or modifications. For example, Ind AS 15 *Employee Benefits*, took into account the Indian context in relation to employee benefits. Ind AS 15 allowed the deferment of expenditure upon termination of services in response to structural changes within Indian industry rather than following IAS 19 which did not allow this treatment. This would have been problematic for Indian companies.

Finally, conceptual differences were raised as being potentially problematic for convergence. Ind AS 29 and IAS 37 on *Constructive Obligations* were cited as an example of this. IAS 37 mandates the creation of a provision on the basis of a constructive obligation that would require the provision to be recognised at an early stage. Restructuring of an enterprise is cited as an example wherein a liability cannot crystallise in its early stages due to which an early recognition of provision would be inappropriate. Conceptual differences discussed in the concept paper seem to suggest that ICAI had differences in opinion with the IASB on the timing of recognising the provision as well as the judgement of related determining factors. These differences seem to arise as a result of choice rather than the influence of compelling legal and economic factors (Krishnan, 2016).

Following the concept paper, the ICAI in 2007 announced its decision to converge Ind ASs with IFRSs. This decision was followed by an official notification from the MCA in 2008, declaring the intention to achieve convergence by 2011 (Krishnan et al., 2017).

The ICAI proposed the promulgation of Ind AS which would be based on IAS/IFRSs but would reflect the socio-economic context of India. These standards, it was argued, would be accepted as being compliant with IFRSs, because although IAS 1 stipulated compliance with

all the requirements of IFRSs, the IASB had accepted in its 2006 *Statement of Best Practice: Working Relationships between the IASB and other Accounting Standards-Setters* that adding disclosure requirements or removing optional treatments would not of itself create noncompliance with IFRSs. (ICAI 2007: part 2, para 1.12).

This confirmed that the exclusion of optional treatments or addition of disclosure requirements to suit the local context did not imply non-compliance with IASs /IFRSs. This explanation provided by the ICAI implied that the ICAI saw the newly developed Ind AS being globally recognised as IFRS compliant, despite some differences between the Ind ASs and IASs /IFRSs. This was, however, not necessarily accepted by all. For example, some arguments were presented that, due to the differences between Ind ASs and IASs /IFRSs, financial statements prepared according to Ind ASs would be unlikely to be acknowledged as IFRS-compliant by the global investor community (Krishnan, 2016).

In 2009, the Government established a core group to engage with key stakeholders in relation to the convergence process for Ind AS. The group was led by the Secretary of the MCA at the time. Two sub-groups were formed to support the core group. The first sub-group was led by the chairman of NACAS. This sub-group was formed of members of professional accounting bodies such as the ICAI, professional auditing firms such as Deloitte, and GOI representatives from various state regulatory authorities. This sub-group identified issues on regulatory and legislative amendments that would be required to achieve IFRS convergence (Krishnan, 2016).

The second sub-group focused on industry and was led by the Director of Infosys, one of the largest multinational companies (MNCs) in India. This subgroup included representatives of

Chief Financial Officers (CFOs) of major MNCs and representatives of industrial associations such as FICCI and CII. This subgroup dealt with concerns of industry regarding convergence as well as the level of preparedness of industry (Krishnan, 2016).

However, despite these steps, India was not able to meet its 2011 deadline for IFRS convergence. The factors identified by the ICAI in its concept paper did indeed lead to delays in the convergence of Ind AS with IAS/IFRSs (*The Economic Times*, 2011). Furthermore, in December 2010, FICCI formally requested the MCA to postpone the planned implementation of IFRS in April 2011 (MCA, 2011).

FICCI argued that a delay was needed for several reasons. One reason related to unworkable deadlines. They argued that business entities needed more time to get accustomed to the new standards and regulations. Another issue related to ambiguity. FICCI argued there was a lack of clarity in relation to the preparation of financial statements. For example, they argued that it was not clear whether financial statements were expected to be prepared according to IFRS or Schedule VI of the Companies Act 1956. If a dual set of financial statements was needed, this would increase costs to business. In addition, proposed changes to the Companies Act 1956 were also being discussed, for example with the Companies Bill 2011 and the Draft Code Bill 2011 and FICCI argued that until these had been fully debated and the outcome of the amendments determined, it would not be possible to prepare clear and unambiguous implementation plans for convergence. The process of ongoing revisions to IFRS, for example in relation to financial instruments, investments, loans, accounting for income taxes and revenue recognition, were further cited as reasons to support FICCI's request for a delay in the convergence timetable (*The Economic Times*, 2011).

FICCI also raised the issue of tax as another reason for calling for a delay to the convergence process. In India, tax accounting standards had been promulgated at this time and these were independent of Indian GAAP and the extant Ind ASs. FICCI highlighted that this whole issue needed to be reviewed before convergence could be progressed.

Such delays in the convergence process when explored through theoretical and conceptual perspectives of transnational communication and power relations revealed issues such as disagreements on timing and terms of convergence arising due to differences in the priorities of actors involved in the process. For example, the idea of transnational communication helps analyse interactions between global and local actors involved in the decision-making process (Djelic and Sahlin-Andersson, 2006; Samsonova, 2009; Krishnan 2016). The concept of resource dependencies between decision-makers (Casciaro and Piskorski, 2005; Djelic and Quack, 2010) enables further analysis of such negotiations through the lens of power imbalance between actors (Krishnan, 2018; Mir and Rahman, 2005). Power dynamics between decision-makers have been explored by analysing the institutional agendas of actors representing different institutional fields including India (Phillips et al., 2000; Krishnan, 2018).

In February 2011, despite the outstanding taxation issues, the MCA officially published 35 Ind AS which they stated were converged, and which the IASB agreed were substantially converged, with IAS/IFRS (MCA, 2011, ICAI, 2018). However, the deadline of preparing financial statements according to these Ind AS by April 2011 was not met due to pending taxation and legislative issues raised by industry and in 2011 the MCA made an announcement that a new deadline of April 2013 was set for IFRS convergence (ICAI, 2012).

This, too, was delayed. In June 2014, the Union Minister for Finance at the time, proposed mandatory implementation of Ind AS in the period 2016-2021. The MCA then published a new roadmap for convergence in February 2015 in which most companies were required to adopt Ind AS by 2017-2018 and specialist companies for example those in banking and insurance were given until 2020-2021 to adopt Ind AS⁸ (Krishnan, 2016).

A total of 39 Ind AS had been issued as of November 2018 by the MCA. This was followed by actual implementation of the Ind ASs by those Indian companies required to do so, within the time frame outlined above (ICAI, 2018). In practice, the IASB has now agreed that Ind ASs are substantially converged with IASs /IFRSs (ICAI, 2018).

Interactions between the ICAI and the IASB

As well as working towards convergence with IASs /IFRSs, the ICAI also played a significant role in influencing IASs /IFRSs through ongoing negotiations with the IASB in relation to specific standards. For example, the valuation of agricultural assets under IAS 41 was considered to be unsuitable to the Indian context and was considered one of the hurdles to convergence in India (Krishnan et al., 2017).

The ICAI, along with other professional accounting bodies representing different nation states holding the same view on valuation of agricultural assets, discussed the issue at meetings conducted by the Asian-Oceanian Standard Setters Group (AOSSG). The decision to form a working group specifically to address issues in IAS 41 was made by the AOSSG at its third meeting in Tokyo in 2010. China, Hong Kong, India, Indonesia, Korea and Malaysia were

members of this working group which was led by India and Malaysia⁹ (AOSSG, 2011; Krishnan et al., 2017).

In 2011, the working group further discussed the issues surrounding IAS 41 and submitted a proposal to the IASB requesting amendments in IAS 41. This proposal was accepted by the IASB in June 2013. In June 2014, the IASB issued proposed amendments to IAS 41. These have been applicable since January 2016. The corresponding Ind AS 41 has only minor variations from IAS 41 such as the use of terminology (Krishnan, 2016; Krishnan et al., 2017). Thus India and other countries have been able to successfully influence IASs /IFRSs where these were considered to be problematic. We see here the interaction and influence of the ICAI on the IASB.

Future directions

As discussed in this chapter, there has been some research on accounting developments within India post-independence covering the promulgation of accounting regulations within the Companies Act 1956, professionalisation of accounting within India and the process towards adoption of international accounting standards/ international financial reporting standards within India. However there remains huge scope for further accounting research on India which still remains relatively under-researched.

Building on existing research, further research using a political economy approach and exploring the socio-economic and political context of India on accounting including the role

of the State would be of particular interest. This includes tracing accounting developments both pre-independence and post-independence.

In the pre-independence period more detailed studies of professionalisation within India in an imperial context including exploration of links between accounting professions within different jurisdictions within the British Empire would help us further understand professionalisation during this period. Some research on India in the pre-independence period has been started, for example Sian and Verma (2017) but more research within this time period is warranted. Particular issues of interest include the role of the British Government in accounting development in this period, the role and interactions of British professional accounting bodies in relation to Indian professionalisation, both chartered bodies and others and the development of professional associations of Indian accountants. Research into not only the British Empire but also research in different imperial contexts would be of value as these have received much less attention. .

Research on legal accounting developments post-independence within India, for example, the accounting changes within the Companies Act 1956 in 1974 and 1988 and the promulgation of the Companies Act 2013, would be interesting in relation to India due to the importance of such regulation in the country. Research encompassing both the changes to the Companies Act and its enforcement would be of particular interest to highlight the role of the State and the socio-economic and political context on accounting and actual practices that are adopted.

More recent episodes in the professionalisation of accounting too would be a fruitful areas of research. Topics of particular interest would be the linkages between the Indian accounting Institutes, the ICAI and the ICWAI, and professional accounting institutes in other countries, as recently interactions between professional accounting bodies of different countries have been developing and increasing in importance.

The interactions between the ICAI and ICWAI and how these affect the accounting landscape is another area of interest as these interactions have been important in shaping accounting in India. In addition, the impact of changes in economic direction on accounting post 1991 is a topic that would be of interest. Topics such as the entry of global, international accounting firms and the impact of these on the existing accounting firms in India are areas that have not been explored in any depth.

The development of Indian accounting standards and the progress of the adoption of IFRSs within India, particularly in relation to the involvement of the State and other key actors within the socio-economic context, is worthy of further research. A key aspect is exploring the role of the State *vis-à-vis* the socio-political and economic context in the country to gain an understanding of the decision-making process that precedes the actual implementation of IFRS. Particularly, the impact of decision-making processes for convergence and the impact of such processes on the success or failure of IFRS implementation would enhance our understanding of the IFRS convergence movement spearheaded by the IASB and its role

in achieving global accounting harmonisation. This includes consideration of how the ICAI and other professional accounting bodies may influence the processes and decisions of the IASB of the ICAI. In these areas, qualitative methodologies would be particularly helpful in explicating the influence of the State and socio-economic factors in relation to the issues identified above.

Extant literature on convergence with international accounting standards can be broadly classified into four categories: drivers of convergence with international accounting standards (Briston 1978; Abdelsalam and Weetman, 2003), benefits and disadvantage of convergence with international accounting standards (Biddle and Saudararan, 1991; Peng and Bewley, 2010), compliance with international accounting standards (Weetman et al., 1998; Tsalavoutas, 2011) and convergence as a decision making process (Mir and Rahman, 2005). Some research on the last of these has been undertaken in relation to India (Krishnan, 2018) but the other strands of research have not been undertaken in relation to India. Several reports on the potential effects of IFRS adoption of financial statements in India have been published by Big 4 audit firms. However, academic research on this and other issues surrounding IFRS convergence in India is limited (Krishnan, 2016).

The development of Indian capital markets in terms of being equipped to adopt the fair value system has been raised in relation to India and would also be an interesting area of research. Capital markets have a long history within India. The Bombay Stock Exchange (now known as the BSE) can trace its roots back to the 1875 and the setting up of the Native Share and Stock Brokers Association. The Bombay Stock Exchange was the first stock

exchange to be granted permanent recognition post-independence under the Securities Contract Regulation 1956 and is the major regional stock exchange in India. As such, it has influenced other regional stock exchanges within India (Machiraju, 1995). In addition to regional stock exchange, a national stock exchange was established in 1992, gaining formal recognition as a stock exchange by the regulator, the Securities and exchange Board of India, in 1993. The National Stock Exchange (NSE) offers trading facilities nationally and since 2015, has increased co-operation with the London Stock Exchange (NSE, 2018).

In addition to the stock changes, there has been a significant inflow of Foreign Direct Investments (FDI) into India in response to the opening up of Indian markets after 1991. Foreign Direct Investment in India averaged 1328.99 USD Million from 1995 until 2018.¹⁰

Family businesses too are important in India. The majority of private sector entities in India are family run businesses that account for a market capitalisation of US\$ 839 billion (Credit Suisse, 2018). A few of the major family run businesses in India are the Tata Group, Birla Group, Reliance Industries, Dabur, Bajaj, Jindal and Hindalco. However, these businesses are stated to have independent CEOs who run day-to-day operations and large executive councils at group level to provide strategic direction (Inamdar, 2013; Krishnan, 2016). The impact of the capital markets and business structures and the interactions between these and accounting developments and standards within India, especially in a changing economic context are topics that would enhance our understanding of the linkages between these

areas and accounting. We would suggest that quantitative studies as well as qualitative studies would be important in adding to our understanding of accounting in India for example in the area of capital markets, corporate structure and convergence.

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² Companies Act 1956, Government of India.

³ Companies Act 1956 as amended in 1965, Government of India.

⁴ Companies Act, 1974, Government of India.

⁵ Companies Act, 1988, Government of India.

⁶ Report of the Company Law Committee, 1952.

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⁸ All domestic companies whose securities trade in a public market other than the SME Exchange are required to use Ind AS.

⁹ At meetings conducted by National Standard Setters in 2010, professional accounting bodies of other countries such as Brazil, Taiwan, Canada, France, Sudan and South Africa also extended their support to drafting a proposal requesting the IASB to review IAS 41.

¹⁰ <https://tradingeconomics.com/india/foreign-direct-investment> (accessed 25 Jan 2019).