

# Harmonization of Accounting Practices: A Study of Selected Pharmaceutical Companies in India

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## Abstract

The study investigates whether corporate disclosure practices of Indian pharmaceuticals firms approach to harmonize with IFRS. It suggests that the firms follow material disclosures if the accounting policies are made mandatory for the companies while they show diversity if there is scope for alternative accounting treatments. Besides the empirical examination, the present study also puts forward a new methodological approach (viz., Partial Compatibility Index) in measuring the level of harmonization. The empirical results show that there is still space of diversification since the C- index figure is below its moderate figure (0.60) and the target figure (1.00) as well.

**Keywords:** IFRS, Accounting Policies, Corporate Practices

## 1. Introduction

Since the introduction of Liberalization, Privatization, and Globalization (LPG) in 1991, the researchers in the literature of accounting are finding greater interest in Indian GAAPs (set by ICAI, the Institute of Chartered Accountants of India). The proposition is whether Indian accounting practices are approaching to be harmonized with the International Financial Reporting Standards (IFRSs) or not. "Harmonization" focuses on elimination of divergence among the individual elements in the accounting standards and reduction of contradictions among themselves as well (Kleekämper et al., 2002). In essence, the endeavor of the harmonization process is either to reduce or to overcome the differences in various accounting policies to convey crystal set of uniform accounting information to provide better comparability of financial statements.

Harmonization suggests existence of differentiating rules which do not prohibit their simultaneous subsistence but allow them as alternative measure. Harmonization, in accounting, may be material or formal (Rahman et al., 1996, in Wolk et al., 2001). Material harmonization means harmonization of accounting practices followed by different economic entities in preparing the financial statements to bring consistency in their actual applications. The formal harmonization, from a broader point of view, means the theoretical resemblance and miscellany between the rules and regulations of different countries. The later concept of harmonization regards how the rules and regulations cluster around. The present case study considers the formal as well as the material aspect of harmonization and seeks to draw some inferences experienced by Indian pharmaceutical companies in converging with the IFRS.

In order to organize the rest of the paper, we review the literature on harmonization of accounting standards in Section 2, which is followed by Section 3 dealing with the data and methodology for measurement of the degree of harmonization. The results and findings on the issues of Accounting Practices are disclosed in Section 4. Finally, in Section 5, the study provides a brief conclusion.

## 2. Literature Review

On formulation of new accounting standards, the accounting body in India, ICAI always tries to follow the IFRS concerned and the prevailing departure is mostly contributed by the legal system, customs, and usages in the country (Chander, 2006; pp. 3-4), and still there is a gap on the matter of harmonization. Developed countries like Canada and China have announced their harmonization target by 2011 and 2008 respectively (ICAI, 2007) while ICAI till date has not come up with any target deadline and its status in addressing the issue of harmonization

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presently is voluntary in nature. There is a severe need for harmonization at this present era of LPG given that the number of the multinational companies is increasing in India. On disclosing internal information to the investors' communities at large, it is cost-effective for the larger firms to follow the IFRS strictly while the smaller firms require synthesizing those in a more informative way (Benzacar, 2008).

Literally, the process of harmonization in accounting practices starts from diversity amongst the policies and standards for accounting practices and the level of disagreement between those set by ICAI and IFRS on the disclosure of information. It calls for three steps, viz. mutual recognition, reconciliation, and standardization of accounting standards (Fritz, and Christina, 2003). Mutual recognition suggests for acceptance of the financial statements of a company in a particular country in other countries without making any change (Choi et al.; 2002 Kleekämpfer, 2002), and here, the firms do not need to follow the accounting principles of the respective countries. Reconciliation of accounting practices means that the foreign companies prepare their financial statements based on Accounting Standards of the home country and disclose the major divergences between the accounting practices. It requires "providing reconciliation between important accounting measures of the one country with that of the other country where the financial statements are being filed" (Choi et al., 2002). Finally, Standardization means the "process by which all participants agree to follow similar accounting practices" (Roberts et al., 1998) where the conditions for disclosure regarding a particular accounting issue are regular, homogenous, or unvarying in nature at least. It is the process of adoption of the accounting methods of one country by other countries.

Now, on measurement of the degree of harmonization, some researchers have investigated formal harmonization using different statistical methodologies (Nair and Frank, 1981; and Rahman et al., 1996). Nair and Frank (1981), and Douppnik and Taylor (1985) have used descriptive statistics and variance analysis to assess success of the standards produced by the International Accounting Standard Committee. Their methodology is not free from drawbacks (Nobes, 1987; Tay and Parker; 1990; and Van der Tas; 1992a). Van der Tas (1988) develops three indices viz. H-index (to measure harmonization within countries where there is uniform reporting), C-index (to measure

harmonization within countries where there is multiple reporting), and I-index (to measure harmonization between countries). He examines the reporting methodology of accounting practices regarding a particular transaction or event.

Most of the empirical studies have measured de facto harmonization at a point of time (Van der Tas, 1988, 1992; Archer et al., 1995, 1996; McLeay et al., 1999; and Pierce and Weetman, 2000). Tay and Parker (1990) distinguish between harmonization and standardization. Standardization is an analogous process to harmonization but applies to situations where regulations and practices are (or are becoming) increasingly rigid. Standardization means the imposition of a rigid and narrow set of rules, and may even apply a single standard or rule to all situations (Choi et al., 1999). Van der Tas (1992a) considers standardization as part of the harmonization process rather than a separate concept. Measurement studies mainly investigate material harmony at a point in time (Walton, 1992; and Emenyonu and Gray, 1992) or movements of harmony (Evans and Taylor, 1982; and Yang and Lee, 1994). Thus, studies on accounting harmonization are purposively selected (to a certain extent) and are at an experimental stage where methodology and analytical technique are proposed and tested on particular accounting issues and countries as well. To address this gap, the present study tries to develop a measurement for harmonization and analyze the impact of the financial reporting practices of the pharmaceutical companies in India. In the next section, we formulate the objective of the study followed by the data description and the methodology.

## 2.1 Objectives of the Study

The firms in pharmaceuticals industry produce products and equipments for providing health-care services to the group of customers. Since medical science is developing day by day with researches and developments, the firms align their assets base and investment strategy with the strategy for research and development. They would try to fabricate their own superiority in the financial statements through disclosure of accounting information. Hence, it is natural to expect that their value distribution of the assets into current and fixed assets will be different amongst them. The measures taken in valuation of fixed assets as well as the inventory, and the strategy for accounting

of research and development expenditures will also be different. Thus, the firms in the industry in India are likely in diversity on their practices of inventory valuation, depreciation on tangible fixed assets, valuation and amortization of intangible assets, treatment of research and development. As a result, the firms may cultivate diversity on their corporate practices of accounting policies disclosed in their annual reports unless there is anything mandatory for the firms. The issues may differ in the following ways.

#### 1. Corporate Practices of Inventory Valuation<sup>1</sup>

Valuation Policy Measures	Factors considered for valuation
LIFO	Stock valuation at current market price, Matching Concept, Effect of Inflationary trend removed, No Unrealized Profit.
FIFO	Objectivity in estimation, Sound principles of economics and business, Convenient, Supply Chain Mgt. Possible.
Weighted Average	Flexibility in Stock Valuation, Others relevant factors considered.
Both FIFO and WA with exceptions	A moderate approach.
Varied Valuation	Efficient stock Management.
Not disclosed	Lower Level of Confidence on stated valuation.

#### 2. Corporate Practices of Depreciation on Tangible Fixed Assets<sup>2</sup>

Valuation Policy Measures	Factors considered for valuation
WDV	Fair Charges of Depreciation and repairs, Applicable for income tax purpose, W/o of Significant amount initially.
Straight Line	Simplicity, Rationality regarding residual zero value, and fair.
Vary with assets	Efficient Asset Management
Not disclosed	Lower Level of Confidence on stated valuation.

#### 3. Corporate Practices on valuation and Amortization of Intangible Assets

1 Saxena., V. K., & Vashist, C. D. (2001). Cost Accounting – Text Book (6th ed.). New Delhi: Sultan Chand & Sons.

2 Mukherjee, A., & Hanif, M. (2002). Modern Accountancy- Vol. 1 (2<sup>nd</sup> ed.). New Delhi: Tata McGraw – Hill Publishing Company Ltd.

Valuation Policy Measures	Factors considered for valuation
Based on MGT Estimation	Life spans, Estimation of Inflows of income etc. are not certain.
Wholesome	All expenditures are regarded as revenue expenditure.
As per rules	Companies act, Income Tax Act, Patent copy right time period.
Depends on assets / Expenses	Higher investment either Capitalized or treated as expense depending on the nature of the asset.
Not disclosed (fully/partly)	Lower Level of Confidence on stated valuation.

#### 4. Corporate Practices on Treatment of Research & Development Expenditures

Valuation Policy Measures	Factors considered for valuation
Deferred	A policy regarding the R & D projects.
Wholesome	All expenditures are regarded as revenue expenditure.
Both depending on policy	Life spans, Estimation of Inflows of income etc. are not certain.
Varies based on nature of expenditure	Higher investment either Capitalized or treated as expense depending on the nature of the asset.
Not fully disclosed	Lower Level of Confidence on stated valuation.

Therefore, the study seeks to explore firms' harmonization in following the accounting policies regarding valuation of inventory, fixed assets, depreciation, and amortization, and treatments of Research and development expenditures. Apart from the above, the study also seeks to investigate firms' level of harmonization in disclosure of other accounting standards prescribed by ICAI.

### 3. Data for the Study

The study uses published annual reports covering the financial years from 2004-05 to 2008-09. Out of a primary data set of fifty Indian companies, all listed in the Bombay Stock Exchange, thirty companies in the pharmaceutical industry have been selected purposefully on the basis of data availability in the companies' websites and consistency in their reporting practices. Simple percentage method is used to preview the data. Now, in

the following paragraph the methodology applied in the paper is discussed briefly.

## Methodology

The process of harmonization begins with diversity (in accounting practices), which reduces over the periods. In the stage of 'diversity', firms within the industry are examined and compared by distinguishing the issues related to conformity and diversion. This stage pursues towards 'harmonization' and construction of index and application of the same for a few accounting standards. Throughout this process, the degree of 'comparability' measure is achieved. The ending is 'standardized situation', where homogeneity and uniformity exist. In a stipulation of uniformity, there would be similar accounting principles and practices. In the following, we construct the index and measure the level of harmonization.

## Level of Harmonization

The level or degree of harmonization of financial statements of different companies in the same industry can be compared by using any of the following methods. However, the empirical results of the study are derived using the last method.

- (i) **Comparability Index (I index):** This method is used to compare the results of accounting data / figures under the local GAAP and the foreign GAAP. Here,  $I\text{-Index} = 1 - [(RA - RD) / RA]$ . Where, RA = Adjusted figure under the foreign GAAP, RD = Disclosed figure under local GAAP. Here, if  $I\text{-Index} > 1$ , Local GAAP is said to be less conservative than the foreign GAAP; if  $I\text{-Index} = 1$ , Local GAAP and foreign GAAP give the same result, i.e., no difference; and, if  $I\text{-Index} < 1$ : Local GAAP is more conservative than the foreign GAAP.
- (ii) **Herfindhal Index (H- Index):** The method is used to compare the number of accounting policies that may be disclosed under the local GAAP.  $H\text{-Index} = \sum_{i=1}^n (P_i)^2$ , Where ' $P_i$ ' is the proportion of accounting disclosures under the local GAAP. That is,  $P_i = \frac{n_i}{N}$  where ' $N$ ' is the total number of accounting policies available for disclosure, ' $n_i$ ' is the total number of accounting policies disclosed by a particular firm. Thus, H-Index if equals to zero represents

the state is full diversification, if equals to unity full harmonization, and if less than unity low level of harmonization.

- (iii) **Compatible Index (C – Index):** By calculating the ratio between the number of issues disclosed and the number of issues available for disclosure we can compute the comparability index C. Here C index =  $\frac{n_i(n_i - 1)}{N(N - 1)}$ , where ' $n_i$ ' is the number of firms that disclose a particular policy regarding a particular accounting standard, and ' $N$ ' is the total number of accounting issues considered multiplied by the number of firms used in the study. Thus, at times of full harmonization by all of the sample firms the C index value becomes unity (i.e.  $C = 1$ ) while in other cases, C index lies within between zero and unity. The value is zero at times of least harmonization, and less than unity for partial harmonization.

However, the comparison of the accounting standards disclosed in the financial statements can also be provided by modifying the methodology of the C index and thereby, transforming it into Partial Comparability Index ( $\hat{C}$ ). Here, the ( $\hat{C}$ ) Index is  $\frac{n_i(n_i - 1)}{\hat{N}(\hat{N} - 1)}$ , where ' $n_i$ ' is the number of firms disclosed a particular accounting standard, and ' $\hat{N}$ ' is the number of firms which disclose the concerned standard (i.e.,  $n_i$ ) multiplied by total number of accounting standards considered (i.e.,  $N_0$ ) in the study. Thus, with full harmonization the ( $\hat{C}$ ) index becomes  $\frac{1}{N_0}$ , and for full diversification the ( $\hat{C}$ ) index is zero, and finally at partial harmonization ( $\hat{C}$ ) index lie within between zero and  $\frac{1}{N_0}$ . However, in the next section the study presents the results and findings.

## 4. Results and Findings

In Table: 1, findings regarding the firms' disclosure of accounting polices show that the firms tend to follow more accounting standards over the five year study periods. The majority of the sample companies finally disclose fifteen to twenty five accounting standards in 2008-09 where as they were below fifteen in 2006-07. In 2008-09, the number of firms which disclose less than fifteen accounting standards is about 23.33 % while the same for more than 25 is about 16.67 %.

**Table 1: Accounting Policies Disclosed in Annual Reports (n=30) (%)**

Range of Policies	2004-05		2005-06		2006-07		2007-08		2008-09	
	Total	%	Total	%	Total	%	Total	%	Total	%
Less than 15	19	63.33	13	43.33	10	33.33	9	30	7	23.33
15 – 25	11	36.66	16	53.33	19	63.33	18	60	18	60
More than 25			1	3.33	3	10	3	10	5	16.67
Total	30		30		30		30		30	100

Results in Table: 2 report the findings on firms' disclosure of policy adopted in valuation of inventory. It shows that the most of the companies have adopted the 'lower of cost or net realizable value' and weighted average methods for the inventory valuation. Here, it is notable to mention that the sample firms have followed the same method, but approached differently. The table depicts that, in 2008-09 accounting year, 10% firms have not disclosed the method they used for inventory valuation while 30% have followed valuation method other than LIFO, FIFO, WA, (FIFO&WA).

Besides the above, the observations in Table: 3 reveal our findings on firms' disclosure on the methods used

for computation of depreciation. Nearly 36.67 % firms in 2004-05 have used WDV method while only 20% of the sample firms have used the same method in 2008-09. It shows that firms tend to shift from WDV method to SL method more robustly. However, in 2008-09, the majority of the sample companies (70%) have followed the SL method whereas only 20% companies have used WDV method and the remaining 10% have followed ad-hoc methods based on the use of assets.

However, firms' disclosures of policy adopted for amortization of intangible assets, in Table: 4, depict that amongst the sample firms there is a prompt shift of the method from policy of "based on MGT Estimation" to the

**Table 2: Corporate Practices of Inventory Valuation (n = 30) (%)**

Method	2004-05		2005-06		2006-07		2007-08		2008-09	
	Total	%	Total	%	Total	%	Total	%	Total	%
LIFO	2	6.67	1	3.33	1	3.33	0	0	0	0
FIFO	4	13.33	5	16.67	7	23.33	8	26.67	8	26.67
Weighted Average (WA)	9	30	10	33.33	7	23.33	8	26.67	7	23.33
Both FIFO and WA with exceptions (FIFO&WA)	6	20	5	16.67	5	16.67	4	13.33	3	10
Varied Valuation	5	16.67	5	16.67	6	20	7	23.33	9	30
Not disclosed	4	13.33	4	13.33	4	13.33	3	10	3	10
Total	30	100	30	100	30	100	30	100	30	100

**Table 3: Corporate Practices of Depreciation on Tangible Fixed Assets (n=30) (%)**

Method	2004-05		2005-06		2006-07		2007-08		2008-09	
	Total	%	Total	%	Total	%	Total	%	Total	%
WDV	11	36.67	8	26.67	8	26.67	7	23.33	6	20
Straight Line (SL)	15	50	17	56.67	19	63.33	21	70	21	70
Vary with assets	4	13.33	5	16.67	3	10	2	6.67	3	10
Not disclosed	0	0	0	0	0	0	0	0	0	0
Total	30	100	30	100	30	100	30	100	30	100

policy of “dependence of asset class or expense amounts”. In 2008-09, about 40 % of the sample firms have disclosed their amortization of intangibles are computed whether following the nature of expenses or the volume of the expenditure. Here, only 23.33 % firms report “based on managements’ best and reasonable estimation”. However, 16.67 % has found not to disclose any policy against amortization of intangible assets.

In Table: 5, the study shows finding on the disclosure of corporate practices on treatment of research & development expenditure. Our results suggest that none of the sample firms has deferred the expenditure on research and development fully during 2006-07 to 2008-09 while only 6.67 % firms have written off the same during 2003-04 and 13.33% during 2004-05. Furthermore, the table illustrates that the number of firms, which follow ‘wholesome’ policy regarding the said treatment, reduces gradually. These findings confirm that firms tend to follow both ‘deferred’ and ‘wholesome’ method over the periods. The results also show that about one sixth of the sample firms follow accounting practices which vary on the nature of expenditure. Finally, the table shows that the number of firms, which do not fully disclose the policy on treatment of R&D expenditures, reduces from 46.67% during 2004-05 to 30% during 2008-09.

However, Table: 6 shows a conclusive picture on the level of harmonization of firms’ accounting policies for the above five accounting treatments reported in Table: 1, 2, 3, 4, and 5. These results forward that on the matter of AS1, firms tend to be less harmonized. This indicates that firms follow diversified thoughts regarding how many accounting policies to be disclosed. Again, regarding AS2 (valuation of inventory) firms show a slower speed of harmonization and lies between 0.171 and 0.209. On the other hand, the compatibility index against the issue of depreciation of tangible fixed assets lies between 0.381 and 0.524. This confirms a trend of harmonization. More surprisingly, the findings (on the level of harmonization on valuation and amortization of intangible assets) show that firms trend to be diversified and lag far behind from harmonization. In such case, the index figure lies within between 0.335 and 0.273. Finally, on the treatment of R&D expenditures the table shows that the sample firms approach towards harmonization and the index values are between 0.267 and 0.317.

The findings on the partial disclosure index are shown in Table: 7. It suggests that the sample firms tend to be harmonized regarding the number of issues disclosed in their annual reports over the study periods from 2004-05 to 2008-09. However, it is worth mentioning that the level

**Table 4: Corporate Practices on valuation and Amortization of Intangible Assets (n=30) (%)**

Method	2004-05		2005-06		2006-07		2007-08		2008-09	
	Total	%	Total	%	Total	%	Total	%	Total	%
Based on MGT Estimation	13	43.33	9	30	8	26.67	9	30	7	23.33
Wholesome	2	6.67	2	6.67	1	3.333	0	0	0	0
As per rules	5	16.67	4	13.33	4	13.33	5	16.67	5	16.67
Depends on assets / Expenses	7	23.33	8	26.67	10	33.33	11	36.67	13	43.33
Not disclosed (fully/ partly)	9	30	7	23.33	7	23.33	5	16.67	5	16.67
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>

**Table 5: Corporate Practices on Treatment of Research & Development Expenditures (n=30)**

Methods	2004-05		2005-06		2006-07		2007-08		2008-09	
	Total	%	Total	%	Total	%	Total	%	Total	%
Deferred (only)	4	13.33	2	6.67	0	0	0	0	0	0
Wholesome (only)	5	16.67	3	10	2	6.67	2	6.67	2	6.66
Both depending on policy	4	13.33	7	23.33	9	30	12	40	14	46.67
Varies based on nature of expenditure	3	10	7	23.33	10	33.33	7	23.33	5	16.67
Not fully disclosed	14	46.67	11	36.67	9	30	9	30	9	30
<b>Total</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>	<b>30</b>	<b>100</b>

**Table 6: Findings on the Issues Considered:**

years	2004-05	2005-06	2006-07	2007-08	2008-09
Accounting Issue	C	C	C	C	C
Accounting Policies Disclosed (AS1)	0.519	0.455	0.503	0.441	0.423
Inventory Valuation (AS2)	0.171	0.186	0.167	0.197	0.209
Depreciation on Tangible Fixed Assets (AS6)	0.381	0.4	0.464	0.533	0.524
Valuation and Amortization of Intangible Assets	0.335	0.211	0.229	0.255	0.273
Treatment of Research & Development Expenditures	0.267	0.232	0.271	0.285	0.317

**Table 7: Compatible Disclosure Index for the Sample Firms<sup>1</sup>**

years	2004-05	2005-06	2006-07	2007-08	2008-09
Max No. of Disclosure (N)	600	600	600	600	600
No. of Disclosures ( $n_i$ )	322	360	381	438	455
C - index value	0.287	0.359	0.402	0.532	0.574
Level of Harmonization (Partial or Full)	P. H.	P. H.	P. H.	P. H.	P. H.

<sup>1</sup> P.H. and F.H. indicates partial harmonization (full harmonization) in terms of partial C-index (C – index) value. Even though within the process of harmonization in India, newer A.S. s like A.S.23, 24, 26, 27, 28, and 29 were introducing by I.C.A.I. by year after year, a few firms have taken their initiative to disclose these information. Thus, No of firms (30) \* No of Accounting Issues Considered ( 20 ) = 600. PH indicates partial harmonization.

of harmonization is far behind the full harmonization level of unity.

Apart from the above, the study applies the Partial Comparability Index (C) to specify the level of harmonization regarding each of the twenty-nine accounting standards. The findings are shown in Table: 8. In the following few lines, we report the same briefly.

- (i) The disclosures of Accounting Policies regarding AS 1, 2, 3, 6, 9, 11, 13, 17, 18, 19, 22, 28, and 29 are followed by all most of all the sample companies, since after these become mandatory in nature. The items or notes stated under respective accounting policies are more or less same for all the concerns selected for the study. The requirement of these disclosures is only to disclose the material facts. However, whether the issues are material or immaterial that wholly depends on the best judgment and would be decided by the organization where the influence of personal judgments is expected in the absence of concrete guidelines. Therefore, the effectiveness of the standards is doubtful.
- (ii) Alternative accounting treatment is allowed in a few accounting standards viz., valuation of inventory, and accounting of depreciation (and amortization)

on tangible (intangible) fixed assets, and treatment of Research & Development Expenditures. Different methods are followed by different companies in different periods, and hence, the possibility of inter unit, intra-industry or inter-period comparison is impaired. This kind of flexibility creates problems in judging the quality and reliability of financial statements of a firm. Lack of comparability delivers less meaningful information to the investing public and creates confusion in them.

- (iii) The C- index value shows that with the introduction of more and more accounting standards mandatory (on and from 1.4.2002 in our case) the degree of harmonization progress increasingly (from 0.287 to 0.572). However, still there is enough space of diversification since the C- index figure is below 0.60 and far beyond the target 1.00 figure.
- (iv) Regarding the number of accounting policies disclosed within C- index figure shows that the firms are not in the way at-par regarding the disclosure requirements. This indicates that even though the numbers of the firms who disclose greater number of accounting policies increases, all firms do not disclose the required information. This sort of disclosure may be due to the varied nature of transactions

**Table 8: The disclosures of Accounting Policies**

AS. No.	Indian Accounting Standards	2004-05			2005-06			2006-07			2007-08			2008-09		
		N	%	(C)	N	%	(C)	N	%	(C)	N	%	(C)	N	%	(C)
1	Disclosure of Accounting Policies	30	100.0	0.05	30	100	0.05	30	100	0.05	30	100	0.05	30	100	0.05
2	Valuation of Inventories	30	100.0	0.05	30	100	0.05	30	100	0.05	30	100	0.05	30	100	0.05
3	AS 3 Cash Flow Statements Changes in Accounting Estimates and Errors	25	83.33	0.04	27	90	0.045	26	86.66	0.043	27	90	0.045	28	93.33	0.047
4	Contingencies and Events Occurring after the Balance Sheet Date	5	16.66	0.008	6	20	0.01	5	16.66	0.008	7	23.33	0.012	8	26.67	0.013
6	Depreciation Accounting	30	100.0	0.05	29	96.66	0.0483	28	93.33	0.046	29	96.66	0.048	30	100	0.05
9	Revenue Recognition	30	100.0	0.05	30	100	0.05	30	100	0.05	30	100	0.05	30	100	0.05
11	The Effects of Changes in Foreign Exchange Rates	5	16.66	0.008	12	40	0.02	15	50	0.025	22	73.33	0.036	28	93.33	0.047
13	Accounting for Investments	22	73.33	0.036	23	76.66	0.038	21	70	0.035	23	76.66	0.038	24	80	0.04
15	Employee Benefits	25	83.33	0.041	26	86.66	0.043	26	86.66	0.043	23	76.66	0.038	28	93.33	0.047
16	Borrowing Costs	7	23.33	0.0116	9	30	0.015	10	33.33	0.016	12	40	0.02	12	40	0.02
17	Segment Reporting	12	40.00	0.02	15	50	0.025	17	56.66	0.028	21	70	0.035	22	73.33	0.037
18	Related Party Disclosures	15	50.00	0.025	18	60	0.03	20	66.66	0.033	25	83.33	0.041	26	86.67	0.043
19	Leases	9	30.00	0.015	11	36.66	0.018	15	50	0.025	16	53.33	0.026	18	60	0.03
20	Earnings Per Share	15	50.00	0.025	18	60	0.03	22	73.33	0.036	25	83.33	0.041	28	93.33	0.047
22	Accounting for Taxes on Income	25	83.33	0.041	25	83.33	0.041	26	86.66	0.043	26	86.66	0.043	26	86.67	0.043
23	Accounting for Investments in Associates in Consolidated Financial Statements	7	23.33	0.048	10	33.33	0.103	11	36.66	0.126	11	36.66	0.126	12	40	0.02
26	Intangible Assets	5	16.67	0.023	7	23.33	0.048	10	33.33	0.103	12	40	0.151	12	40	0.02
27	Financial Reporting of Interests in Joint Ventures	4	13.33	0.014	8	26.66	0.064	7	23.33	0.048	9	30	0.08	10	33.33	0.017
28	Impairment of Assets	12	40	0.152	15	50	0.241	17	56.67	0.31	23	76.66	0.58	24	80	0.04
29	Provisions, Contingent Liabilities and Contingent Assets	9	30	0.082	11	36.66	0.126	15	50	0.24	27	90	0.80	28	93.33	0.047

made by firms since the introduction of a few A.S. mandatory require more detailed disclosure of these information.

- (v) Again with respect to inventory valuation it can be well understood that due to the existence alternative measures of valuation methods there is a very low degree of C-index value even though the value progress timidly. Thus, there is an urgent need for unique inventory valuation method for enhanced disclosure of information in a harmonized way.
- (vi) On depreciation, even if the degree is moderate, there is a indication of harmonization.
- (vii) Again with respect to valuation and amortization of intangible assets, it can be well understood that due to the existence discretion on the part of managements' decision and policy measures there is a very low degree of the C-index value. There is increasing trend of diversification in the value of the C-index. Thus, there is an urgent need for unique guidelines the valuation and amortization of intangible assets.
- (viii) With respect to treatment of Research & Development Expenditures, it can be well understood that there is a very low degree of the C-index value even though there is increasing trend towards harmonization in the value of the C-index. Thus, there is an urgent need for rectifications for unique guidelines the treatments of Research & Development Expenditures.

## 5. Conclusion

On harmonization, there are different opinions on the theoretical points of views and empirical point of views as well. In order to ensure uniformity, the firms in the Indian pharmaceutical industry are following the Indian Accounting Standards and are adopting disclosure practices theoretically. There is diversity regarding the disclosure of information. The increase in international capital market activities due to LPG, and possibility of the variety of approaches regarding the recording of same transaction in various alternative manners within each accounting standard, the scopes for harmonization are limited. This implies that all accounting standards have to be made mandatory; otherwise it will be extremely difficult for Indian investors to trust on the corporate reporting practices. However, the study forwards a few suggestions.

- (i) For improving the quality of reporting practices in preparation of the financial statements in compliance with the accomplishment of the guidelines in the accounting standards, focuses on the local conditions, improving the relevance i.e. indigenization of accounting standards should be made to make the standards more suitable or appropriate to the existing industrial phenomenon in India.
- (ii) The Capital Market Authority in India in consultation with other professionals and regulatory bodies should evolve some mechanism to limit the scope of alternative methods available within an accounting standard. Thus, the use of uniform accounting standards would enhance the qualitative and comparability dimensions of financial statement and reporting.
- (iii) The establishment of harmony among the applicable laws like Companies Act, Income Tax Act, Banking Regulations etc., which have significant bearing on different items of financial statements, would give true and fair view of business.
- (iv) The formulation of comprehensive and indigenous standards, like accounting for changes in prices, inflationary economies, segment accounting, accounting for joint ventures, earning per share, investment in subsidiaries, associates etc., useful to make accounting standards more user friendly and international acceptable.

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