

Impact of IFRS Adoption on Financial Ratios Evidence from Materials and Capital Goods Sectors in Sri Lanka

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Abstract

In preparing their financial statements, the companies listed on the Colombo Stock Exchange (CSE) were mandated to adopt International Financial Reporting Standards (IFRS/SLFRS) with effect from 01 January 2012. Sri Lankan companies were reporting under the Sri Lanka Accounting Standards (SLAS) prior to the introduction of IFRS. The objective of this study is to investigate the impact of the adoption of IFRS on the key financial ratios of the materials & capital goods sectors of Sri Lanka. The sample consist of 30 companies listed in the CSE during the six years from 2009 to 2014 under material and capital goods sectors. To gather data for the analysis, audited financial statements were used. This analysis compares pre-adoption ratios under SLAS with post-adoption ratios in SLFRS to evaluate this impact on financial statements. The findings of the study will provide useful insights to the accounting regulatory bodies in evaluating whether its stated objective of IFRS adoption toward financial statements is being accomplished.

Keywords: Colombo Stock Exchange, IFRS, IFRS adoption, Ratio Analysis, Sri Lanka.