

The Impact of IFRS Convergence on Impairment of Trade Receivables of Finance Companies

Jayarathne, I.M.I.H.¹ and Gunasekara, U.L.T.P.²
ishanijayarathne92@gmail.com¹, thamarag@kln.ac.lk²

The IFRS convergence is an excellent decision to be in line with the global trend to enable a common language for financial reporting process. Due to this major breakthrough, companies in Sri Lanka can now enjoy a common, high quality and internationally accepted set of accounting and financial reporting standards. The convergence with the internationally accepted standards is also seen as an initiative to bring in ‘more credibility’ to financial reporting in the country. This study mainly focused on the Impact of IFRS Convergence on Impairment of Trade Receivables in financial companies in Sri Lanka. The pre-test and post-test methodology was applied to make a comparison between before and after the implementation of IFRS, and then to identify its impact on Impairment of Trade Receivables. Since most of finance companies undergo this matter as a major issue, the study is significant in evaluating the impact of IFRS Convergence, and find out any feasible solution for this issue. The findings showed that IFRS convergence negatively affect the companies’ impairment of trade receivables. Further it specifies that new transformation of accounting policies badly influence the key performance indicators, demonstrating that the investors should be attentive in the risk allied with trade debtors.

Keywords: IFRS convergence, Financial reporting, Impairment of trade receivables