

A STUDY ON THE IMPACT OF CHANGE IN THE FISCAL YEAR AS SAME AS CALENDAR YEAR IN INDIA.

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Abstract

Fiscal year is the duration where the companies and individuals economic or monetary performance are measured by themselves and also by the government. India's fiscal year was starting from 1st April to 31st march where all the companies including the government organizations were preparing their annual reports and also there budget for the next year but the Prime Minister Narendra Modi as formed the committee headed by former chief economic adviser Shankar Acharya for analyzing the period for change in the fiscal year. The committee as proposed that the fiscal year can be changed to 1st January to 31st December. This study analyzes the impact of the change in fiscal year on different proposals. The main intention for the fiscal year change is to match the Indian companies accounting

year with the US companies so that the companies need to follow different accounting years for the different branches. The agricultural income and also risk can be partly analyzed if the country follows the January to December hence the Prime minister as announced that the fiscal year will be changing from April – March to January – December.

Key words: Calendar year, Fiscal year.

Introduction

At NitiAyog governing council meeting the Prime Minister Narendra Modi as announced the idea of changing the current fiscal year from April-March to January to December. India is following fiscal year from April to March from the past 150 years it is just to match the imperial British rules. If the change in fiscal year takes place that will be a major break from a 150-year old colonial practice implemented by English rulers in India way back in 1867 to align Indian accounting with that of imperial Britain.

The Prime Minister Narendra Modi as formed the committee headed by Shankar Acharya former chief Economic adviser. The committee had the responsibility to

consult various government and local bodies and collect their opinions regarding the change in the fiscal year as a result the committee recommended to change the fiscal year.

Maharashtra as argued for the change in the fiscal year in 2016 where they demanded for new financial year system. The state, in its communication to the center had argued that at a time when major structural changes taking places in state's financial system, which are consuming a lot of administrative time and manpower, change into new the financial year may not be feasible. Even though the Maharashtra government demanded for the change in the financial system but they are not adopted to the changes currently but the Madhya Pradesh as adopted and stood first in adopting the new changes implemented by Prime Minister.

Review of literature

Sandeep singh (2017) the study as analyzed the financial year and calendar year from the ancient times of various countries. The financial years and the calendar years of the countries as not remained same and also the one countries financial year differs from the other countries financial years hence the countries are following their own financial

years according to their local requirements hence there is no need for the change in the financial year. The government of India as also formed various committees even in the past for analyzing the requirement of the change in the financial year but they analyzed there are more complications and costs involved in the change of fiscal year. The study as finally concluded that the change in financial year will leads to confusion and incur a lot of costs to the companies and individuals.

Huabing Wang (2016) the study as analyzed the effect of changing fiscal year on maintaining accounting records by taking the sample of few companies who have already changed there fiscal year and the problems faced by them in adopting new fiscal year changes in maintain the accounting record. The companies choose their fiscal year based on their requirement where retailers will not opt for closing their fiscal year at December as because there will be a festival season holiday. Hence it is not necessary that the calendar year must be same as the fiscal year. The study as analyzed that the companies have their own reasons to choose the month for fiscal year ending some business corporation will end there fiscal year by December to match the US requirements. They will also change

their fiscal year to better reflect company's business cycle. The calendar year is unchangeable hence the country and companies are engaged in changing their fiscal year.

Lo YukSui (2014) the study has analyzed the requirement and the effect of change in fiscal year end in the Hong Kong. The board decided to change the fiscal year end from March 31st to December 31st the major requirement to change their fiscal year is to match there fiscal year with the century city group. The board didn't insist any mandatory requirement for the financial implication of the fiscal year. As the board gave required time for the companies to implement the changes there was not much complications in the companies to adopt the new fiscal year and make the necessary changes in their performance.

Statement of the problem

The fiscal year of the country plays a major role in every decision of the individuals and the companies as because there performance will be measured at the end of the fiscal year. The Indian fiscal year has remained same from the past 150 years hence the change in fiscal year will have drastic

impact on the individuals and the companies.

Objectives

- To analyze the impact of Change in fiscal year on the common man.
- To analyze the effect of fiscal year on the companies.
- To examine the influence of fiscal year changes on investors.

Research Design

The study is based on the secondary information as because the change in fiscal year as not been implemented practically the people are not much aware of this information hence it was not possible to acquire the Primary source of information.

The data was collected from various newspapers, journals and websites.

Limitation of the study

- This study as analyzed the limited source of information.
- Lack of reliability of secondary information
- Time constraints

Findings

The committee and the prime minister as proposed the change in the fiscal year

mainly to analyze the income of the agriculture where in India Agriculture is one of the main source of income and it is also subjected for natural disasters. The seasons favorable for agriculture will start from the January where it will help the farmers to yield good income but the farmers will be getting there income only after the end of the fiscal year hence it is difficult for the government to predict the agricultural income without analyzing the seasons hence in the present scenario the government is unable to predict the agricultural income during budget announcement hence the change in fiscal year to January to December will help the government to analyze the seasons and predict the agricultural income during the budget announcement.

Many Indian companies have their subsidiaries in the foreign countries especially in US and also the foreign companies are operating in India hence the companies operating in two different countries has to follow two different fiscal years for maintaining their accounting record hence it leads to lot of confusion and complication for the companies for presenting the financial statements. Hence the Prime Minister NarendraModi has come up with an innovative idea i.e, the change is

fiscal year from April-March to January-December where the companies can follow same financial year for both the countries. This changes will be beneficiary at one end but the companies as to invest a lot of amount to change their procedure hence this will not create interest in the companies for accepting the change in the fiscal year.

The government budget plays a major role in any country as because all the activities of the company or individual are based on the financial budget. The government must undertake the information from all the sectors before framing the budget hence if there is change in the fiscal year it will impact every sectors which creates a lot of confusion in the process of budget that does not provide the efficient budget for the year. The government must present the budget before two months from the starting of the fiscal year. So as per the current changes the government must present their budget in the month of November so that they can implement the budget from January.

The investors plays a major role in the development of countries economy but the investor are more attracted with the tax benefits and exemptions. The change in fiscal year will also lead confusion in filing the income tax returns. (For example if the

person as to pay insurance premium on 15th March and the government declares that the first financial year will be same as April to March) in this case the investors cannot file for the exemption. The change in the financial year will make the first year either longer or Shorter where there will be effective change in the tax rates also hence the change in financial year does not yield much benefits for the investors. So the investors are hesitating to accept the changes of the fiscal year.

Suggestion:

The government must take various measures to help the people to analyze the change of the fiscal year in the positive way so that everyone will accept and support the changes. Even the companies required time to make the necessary changes to adopt the new fiscal year hence the government instead of starting immediately they must analyze the situation and plan well so that it will change without disturbing the common man.

The companies which have their branches in abroad are happy with the change in the fiscal year but even they require time to frame their budgets and the financial reports according to the new rules and new amendments in the new fiscal year. Hence

they must plan efficiently at the beginning stage so that they will accept the changes with ease and adopt effectively.

The common man are not aware of the change in fiscal year even after two months this shows that their no effective promotion regarding the change in fiscal year which is one of the drawback for the acceptance of the changes. This changes will influence all the people of the country hence the government must take necessary measures to promote the change in fiscal year so that people will not be affected much as in case of demonetization.

The people are in confusion with the GST concept and its effects, if at this back only if Government changes the fiscal year then people will be disturbed and they hesitate to accept the changes hence the prime minister as to take some time till the people get used to the GST concept so that they will be prepared to accept the new changes implemented by the government.

Conclusion

The changes as to be accepted when it will yield a positive impact hence the change in fiscal year will provide the benefits for the government, companies and also farmers who are the main contributors for the economy. If government or the company

gets benefited it will directly benefits to the common man also. The government must create an awareness about the changes in the fiscal year before implementing so that the people get prepared for accepting and implementing the change in fiscal year. The change in fiscal year will be breaking the historical record hence when everyone supports and make this change in fiscal year to happen practically then it will help in the country's economic development.

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