



# Knowledge of NFRS among Accounting Faculties of Universities in Nepal

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## Abstract

*This study aims to investigate the knowledge of NFRS among the accounting faculties of universities in Nepal. Four different issues related to NFRS i.e. accounting treatment, provision for implementing NFRS, familiar with the major constraints for implementing NFRS and need of training for implementing have been used in this study as the determinant's performance. Data were collected with a structured questionnaire survey from 50 accounting faculties of different universities. The collected data were analyzed and the findings revealed that accounting faculties of universities in Nepal have not enough knowledge about NFRS and they need training regarding NFRS.*

## Keywords

Constraints, NFRS, provisions and trainings

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I23, M41, M48

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## Introduction

The International Financial Reporting Standards (IFRS), administered by the International Accounting Standards Board (IASB), outline the protocols for companies to maintain and disclose their financial records, detailing various transactions and events with financial implications. These standards were established to establish a standardized accounting framework, ensuring consistency and reliability in financial statements across businesses and nations. IFRS offers a set of principles guiding the accounting treatment of transactions and events in financial statements, fostering consistency, transparency, and comparability globally (NFRS, 2014).

It can be affirmed that IFRS:

- Are issued by the International Accounting Standards Board (IASB) (and encompass record-keeping, account reporting, and other facets of financial reporting.
- Contribute to enhancing corporate transparency, benefiting both companies and stakeholders.
- Are not universally adopted, with the United States following Generally Accepted Accounting Principles (GAAP), while various other countries adhere to alternative accounting methodologies.

## Requirements for IFRS

IFRS encompasses a broad spectrum of accounting practices, with specific areas subject to mandatory regulations:



- a. Statement of Financial Position, commonly known as a balance sheet, is influenced by IFRS in terms of how its components are reported.
- b. Statement of Comprehensive Income can either be a single statement or divided into a profit and loss statement along with a statement of other income, such as property and equipment.
- c. Statement of Changes in Equity, also referred to as a statement of retained earnings, tracks a company's fluctuations in earnings or profit over a defined financial period.
- d. Statement of Cash Flows offers a summary of a company's financial transactions during a specified period, categorizing cash flow into Operations, Investing, and Financing activities.

Additionally, companies are required to provide a synopsis of their accounting policies, often compared alongside previous reports to illustrate changes in profit and loss. Parent companies are obligated to produce separate accounting reports for each subsidiary. Various nations develop their own mechanisms for formally integrating IFRS into national legislation.

In Nepal, accounting standards are overseen by the Accounting Standards Board (ASB), which has recently introduced Nepal Financial Reporting Standards (NFRS) based on contemporary international benchmarks. NFRS is intended for application in the preparation of general-purpose financial statements and other financial reports of profit-oriented entities. These standards delineate recognition, measurement, presentation, and disclosure requirements concerning transactions and events significant to general-purpose financial statements. NFRS is grounded in a Conceptual Framework addressing the foundational concepts underpinning information presented in such financial statements (Nepal Accounting Standards Board, 2014).

### **Need to use NFRS**

Accounting departments in Nepalese universities will need to revise their existing accounting policies to adhere to NFRS standards. This entails addressing key areas such as accounting treatment, provision for NFRS implementation, understanding major implementation constraints, and arranging training for implementing revenue recognition, financial instruments, employee benefit plans, and impairment testing. The selection of accounting policies during the preparation of the initial balance sheet under NFRS not only impacts the first set of NFRS financial statements but also subsequent financial periods, including reported profits.

The preparation of the opening NFRS statement of financial position may necessitate gathering or computing information that was not previously required under National Regulatory Body (NRB) directives and Nepal Accounting Standards (NAS). Moreover, in selecting accounting policies, banks must consider the data available in Management Information Systems (MIS) to ensure compliance with NFRS informational and disclosure requisites (NFRS, 2014).

### **Statement of the Problem**

Inconsistencies between prudential regulation and NFRS-based measurement requirements have been identified as a challenge in implementation. The fact that to what extent does NFRS based financial statement are accepted for prudential purpose by regulators such as Central Bank, Insurance Boards is a challenge and inconsistencies should either be eliminated or narrowed down for effective implementation of NFRS.

Practical implementation of NFRS requires adequate technical capacity among preparers, auditors, users and regulatory authorities. Shortage of accountants and auditors who are technically competent in implementing NFRS and limited availability of training materials and experts on NFRS at an affordable cost is an issue for most of the countries in process of implementing NFRS.

The disclosure and reporting requirements under NFRS can be completely different from the national reporting requirements. The business reporting models of companies might have to be amended to meet the reporting requirements of NFRS. The information systems of the companies should be designed to capture new requirements relating to segment disclosures, fair value assessment, related party transactions etc.

The universities accounting faculties have lack of knowledge regarding NFRS i.e. most of them are confused where to start the actual process of adopting the new standards. Therefore, there is a need to study the issues and

assess probable impacts. The following problems are stated in this study:

- a. What is the level of knowledge of accounting faculties of universities of Nepal regarding NFRS?
- b. At what level accounting faculties of universities of Nepal are familiar with accounting treatment under NFRS?
- c. What are the major constraints for full implementation of NFRS

## **Objectives**

The major objectives of this study are as follows:

- a. To examine the knowledge of accounting faculties of universities of Nepal regarding NFRS.
- b. To assess the level of awareness of accounting faculties of universities of Nepal regarding accounting treatment under NFRS
- c. To exam faculties of universities of Nepal in the major constraints for full implementation of NFRS

## **Significance of the Study**

The following are the significances of NFRS:

- a. This research will contribute in identifying and analyzing the NFRS-based measurement and disclosure requirements.
- b. The result of this research will be useful to the government, accounting professionals, students, educational institutions and regulating bodies and those having interest and stake in accounting.
- c. This research will contribute in identifying and analyzing the real causes of unawareness of NFRS, reluctance to apply NFRS and consequences of failure to apply and inappropriate application.

## **Limitations of the Study**

The following are the limitations of the study:

- a. The study only deals with NFRS knowledge of accounting faculties of universities of Nepal.
- b. The findings and conclusion of this study may not be applicable for every organization.

## **Methodology used**

This study has been based upon descriptive and exploratory research design to deal with issues associated with the knowledge of NFRS among faculties of universities of Nepal.

Accounting faculties of universities of Nepal are considered as the total population of the study and out of total population 100 accounting faculties of universities of Nepal were considered as sample for this study using convenience sampling technique.

According to the nature of the study, in this research, both primary and secondary data are used. Primary data has been collected by using questionnaires with 11 questions which were distributed to the accounting faculties of universities of Nepal. Secondary data were used from already available resources i.e. from magazines, newspapers, books, journals etc. It may be either published data or unpublished data.

Likert scale questions were used and coded like 5 as strongly agree, 4 as agree, 3 as stay neutral, 2 as disagree and 1 as strongly disagree. These data were entered in the data analysis tool (SPSS) and analyzed accordingly as per the requirement of the research.

Cronbach's Alpha has been used to ensure the reliability of the data. Cronbach Alpha value should be higher than 0.80 or equal to for reliability.

## **Analysis and Findings**

### **Familiarity with Accounting Treatment under NFRS**

In this question respondents are asked about the familiarities with accounting treatment under NFRS to the accounting faculties of universities of Nepal

**Table 1:** Familiar with accounting treatment under NFRS

	Accounting Faculties	
	Number	%
Highly Familiar	5	10
Familiar	8	16
Moderately Familiar	10	20
Less Familiar	20	40
Not at All	7	14
Total Number	50	100
Average Value	2.84	

Source: Questionnaire survey, 2023

Table 1 shows the data relating to the familiarity of the accounting faculties of universities of Nepal with the accounting treatment under the NFRS. Only few accounting faculties are highly familiar i.e. 10 percent, with the accounting treatment under the NFRS followed by 16 percent of them are familiar. About 54 percent are found as totally ignorant about accounting treatment under NFRS. Average value, 2.84 clear that they have not enough knowledge about how to do accounting treatment under NFRS.

### Familiarity with the provision of NFRS in implementing NFRS

In this question respondents are asked about the familiarities with the provision of NFRS in implementing NFRS accounting faculties of universities of Nepal.

**Table 2:** Familiar with the provision of NFRS in implementing NFRS

	Accounting Faculties	
	Number	%
Highly Familiar	6	12
Familiar	8	16
Moderately Familiar	8	16
Less Familiar	20	40
Not at All	8	16
Total Number	50	100
Average Value	2.68	

Source: Questionnaire survey, 2023

Table 2 shows the data relating to the familiarity of the accounting faculties of universities of Nepal with the provisions of NFRS-1. Only 6 accounting faculties are highly familiar i.e. 12 percent, with the provisions of NFRS-1 followed by 16 percent of them are familiar. About 16 percent are found to be less familiar and 56 percent of the respondents are found as totally ignorant about provision of NFRS-1. Average value, 2.68 clear that they have not enough knowledge about the provisions of NFRS-1.

### Familiarity with the major constraints for full implementation of NFRS

In this question respondents are asked about the familiarities with the major constraints for full implementation of NFRS accounting faculties of universities of Nepal.

**Table 3:** Familiar with major constraints for full implementation of NFRS

	Accounting Faculties	
	Number	%
Highly Familiar	2	4
Familiar	5	10

Moderately Familiar	7	14
Less Familiar	24	48
Not at All	12	24
Total Number	50	100
Average Value	2.22	

Source: Questionnaire survey, 2023

Table 3 shows the data relating to the familiarity of the accounting faculties of universities of Nepal with the major constraints for full implementation of NFRS. Expensive training costs, unawareness towards the NFRS and inactive role of regulatory body are different constraints for implementing NFRS. Only 4 percent accounting faculties of universities are highly familiar with the major constraints for full implementation of NFRS followed by 10 percent of them are familiar. About 14 percent are found to be less aware and 72 percent of the respondents are found as totally ignorant about the major constraints for full implementation of NFRS. Average value i. e. 2.22 shows that they have not enough knowledge about the major constraints of NFRS.

### Need of training on NFRS for implementation in financial institutions

Table 4: Need of training on NFRS for implementation

	Accounting Faculties	
	Number	%
Strongly Agree	22	44
Agree	20	40
Neutral	8	16
Dis-agree	-	-
Strongly Dis-agree	-	-
Total Number	50	100
Average Value	4.28	

Source: Questionnaire survey, 2023

Table 4 explains the data relating to the need of training on NFRS for implementation accounting faculties of universities of Nepal. All the accounting faculties of universities are strongly agreed i.e. 44 percent are realized the need of training on NFRS for implementation, followed by 40 percent of them are agreed. Only 16 percent are found to be less agreed. Average value i.e. 4.28 from showed that most of them need training on NFRS for implementation because most of them are not provided training for implementing NFRS.

### Major Findings

The major findings of the study are:

- All the accounting faculties of universities are not highly familiar with the accounting treatment under the NFRS and they have not enough knowledge about how to do accounting treatment under NFRS.
- All the accounting faculties of universities are not highly familiar with the provisions of NFRS-1 and they have not enough knowledge about the provisions of NFRS-1.
- All the accounting faculties of universities have not enough knowledge about the major constraints of NFRS. Expensive training costs, unawareness towards the NFRS, reluctance from bank and inactive role of regulatory body are different constraints for implementing NFRS.
- All the accounting faculties of universities need training on NFRS for implementation because most of them are not provided training for implementing NFRS.

### Conclusion

The research reveals that not all accounting faculties in universities possess a high level of awareness regarding every aspect of NFRS. Additionally, the overall awareness level about NFRS among them was found to be

neither highly nor moderately significant. The consensus among accounting faculties emphasized the necessity for training to facilitate the effective implementation of NFRS. Major impediments to NFRS implementation included the high costs associated with training, resistance from financial institutions, and the passive involvement of regulatory bodies. It is recommended that universities develop efficient IT systems to enable the assessment of impairments.

## **Implications**

The study underscores the low level of awareness about NFRS among accounting faculties in universities, prompting several implications for relevant stakeholders:

- a. Development of distinct policies, acts, rules, and regulations concerning accounting transactions in alignment with NFRS guidelines. Ensuring consistency and coherence in provisions across all acts and rules pertaining to accounting treatment is imperative to avoid conflicts.
- b. Provision of regular training sessions, workshops, or seminars on NFRS to enhance the understanding and proficiency of accounting faculties across universities.
- c. Adoption of internationally recognized terminology and language utilized in IFRS within the framework of NFRS. This measure aims to facilitate easier comprehension of NFRS principles among accounting professionals in Nepal.

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