Theory
(4-5 Marks)

Accounting Standards

Chapter-1 Introduction to Accounting Standards.

→ Accounting Standards are the written policy documents issued by expert accounting body of each country

→ Accounting Standards are specific accounting principles and methods of applying those principles. (Simply can say Rules)

→ AS are written policy documents issued by government with support of MCA. (Ministry of Corporate Affairs). Issuing AS with consultation of NFRA (National Financial Reporting Authority).

It covers mainly:-

(a) Recognition → Record kare ya na kare?
(b) Measurement → Monetary value kaise niklegi (Money value kya hogi)?
(c) Presentation → present kaha / kaise kare?
(d) Disclosure → communicate to stakeholders.

→ Benefits of Accounting Standards (Imp)

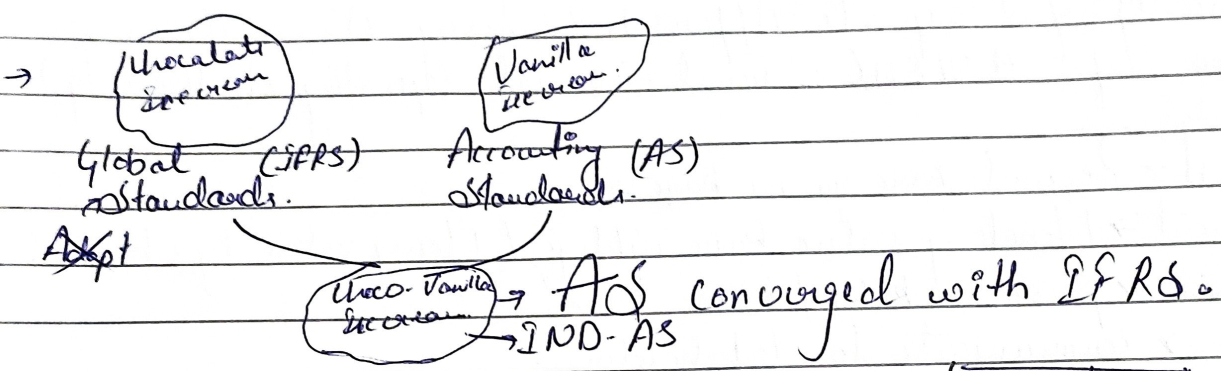
(i) Standardization of Alternative Accounting Treatement.
(ii) Requirements for additional disclosure.
(iii) Comparability of financial statements.
- intra-enterprises : [ ] : (two time period.)
- inter-enterprises : [ ] vs [ ] : (one time period)

(iv) Reduction of Scope of Creative Accounting
- it refers to twisting of accounting policies to produce financial statements favourable to particular interest groups.

→ International Accounting Standards (IAS). changes to International Financial Reporting Standards (IFRS).

→ With a view of acheiving the objective of setting global standards, the London based group namely IASC (International Accounting Standards Committee) responsible for developing international accounting standards. (June 1973).

→ IASC is presently known as IAS[B] → Board.
→ IASC released IASs (between 1973 to 2001)
→ IASB released IFRS (Since 2001).



→ Benefit of Convergtion (Convergence) (Importance)

(i) Improves Investor Confidence Accross the world with transperancy and compatibility.
(ii) Improves Interunit / Interfirm / Inter Industry comparision.
(iii) Group consolidation will be easy.
(iv) Acceptability of financial statement by stock exchanges accross the globe.

→ Need of Convergence.

i) Due to recent stream of overseas acquasitions by Indian companies, there is a need for adoption of high quality standards to convince foreign enterprises about the financial standing as also the disclosure and governance standards of Indian acquaries.

ii) The government of India in consultation with ICAI decided to converge and not to adopt IFRS issued by IASB.

iii) The ICAI has worked towards convergence of global accounting standards and issued (IND-AS) under the supervision and control of ASB and in consultation with NFRA.
Accounting Standard Board.

→ CARVE IN and CARVE OUT. (Impt).

i) Certain changes have been made in Ind AS considering the economic environment of the country, which is different as compare to the economic environment presumed to be in existance by IFRS. These differences are due to differences in economic conditions prevailing in India. These differences which are in deviation to the accounting principles and practises stated in IFRS, are commonly known as CARVE Outs. Additional Guidence given in IND AS over and above what is given in IFRS, is termed as CARVE IN.

→ Other points -

- AS 1, 2, 3, 4, 5, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29.
- At present 27 AS.
- IND AS. is mandatory for companies.
- NBFS, Banks and insurance companies - Seperate Road map