

Chp-1. Theoretical Framework

Unit 7: Accounting Standards

→ Accounting standards are written policy documents issued by the expert accounting body or by the government or other regulatory body covering aspects of :-

- (i) Recognition of events and transactions in the financial statements.
- (ii) Measurement of these transactions and events.
- (iii) Presentation of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader.
- (iv) Disclosure requirements [which enables the users to get an insight into the financial statements].

→ Objectives of Accounting Standards

- (i) Eliminate the non-comparability of financial statements and thereby improving the reliability of financial statements.
- (ii) Ensures transparency and consistency.
- (iii) Provides a set of accounting policies, norms & disclosure requirements.

→ Benefits of Accounting Standards

(i) Accounting standards reduces the confusing variations in the financial statements.

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(ii) There are certain areas where important information are not ^[Law] statutorily required to be disclosed. Accounting standard may call for the disclosure beyond that required by law.

(iii) The application of Accounting Standard would ~~facilitate~~ facilitate comparison.

→ Limitations of Accounting Standards

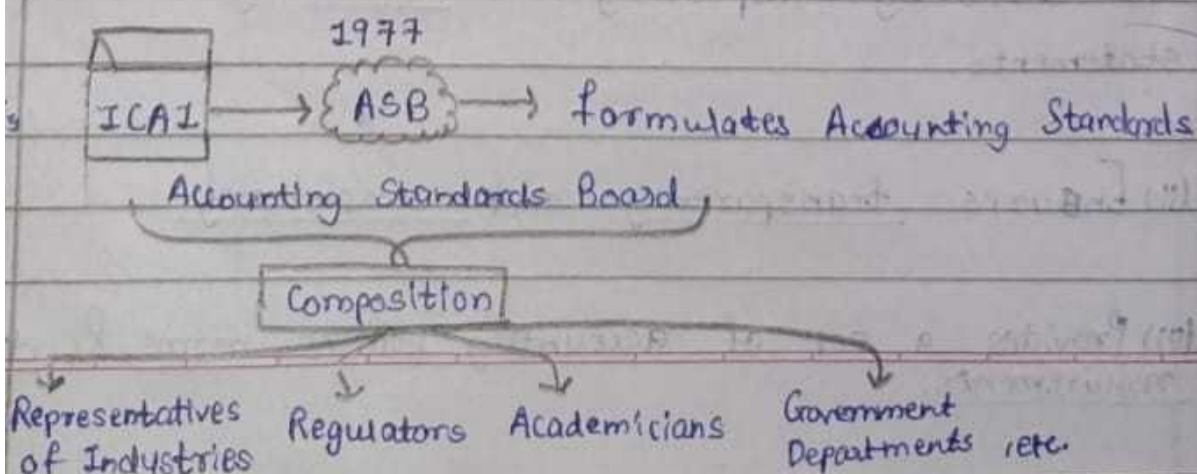
(i) Difficulties in making choice between different treatments.

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(ii) Accounting standards cannot override the statute [i.e. Restricted Scope].

(iii) Accounting standards may lead to Rigidity.

→ Process

→ Formulation of Accounting Standards



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Identification of area

Constitution of Study Group

Preparation of draft and its circulation

Ascertainment of views of different bodies on draft

Finalisation of Exposure Draft

Comments Received on Exposure Draft

~~Modification of the draft~~

Modification of the draft

Issue of Accounting Standards

→ List of Accounting Standards

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.