

# CHP - 1 Introduction to Accounting Standards

- Accounting standards (AS) are written policy documents issued by Govt with support of other regulatory bodies eg. Ministry of corporate Affairs
- ↳ issuing AS for corporates with in consultation with (NERA) National financial Reporting Authority.

Covering the following aspects of Accounting transaction or events in FS :

- Recognition of events & transaction in FS. Should we record it or no?
- Measurement of events & transaction. What is the money value?
- Presentation & - of E&T in FS in a manner that is meaningful & understandable to reader
- Disclosure - E&T to communicate to Stakeholder

## → Benefits of AS.

① Standardisation of Alternative accounting treatments :  
reduce or eliminate any confusing variations in accounting treatment.

② Requirements for Additional disclosures :

Where info is not statutorily required to be disclosed ...

↳ AS may call for appropriate disclosure of Accounting Policies.

③ Comparability of Financial Statements :

To improve credibility of Accounting data

SOAP improves comparability of FS Both

Such comparisons are very effective & most widely used to tools

↳ Intra-Enterprise → Same enterprise  
Two time period

↳ Inter-Enterprise → Two Enterprise  
Same time periods

④ Reduction of Scope for creative accounting :  
refers to twisting of accounting policies to produce financial statements favourable to a particular interest group.

→ International Accounting Standards (IAS)

↓  
International Financial Reporting Standards (IFRS)

International Accounting Standard Board (IASB)

With a view of achieving the objective of setting global standards, The London based group namely the International Accounting Standards Committee (IASC) responsible for developing

↳ International Accounting Standards (IAS)  
was established in June 1973.

IASC is presently known as IASB.

IASC comprises the professional accountancy bodies of over 75 countries (Including ICAI)

Primarily IASC was established to formulate & publish

IAS's to be followed in preparation & presentation of FS

IAS were issued to promote acceptance & observance of IAS's worldwide

And then the members of IASC took the responsibility to propagate those standards in their respective countries.

Between 1973 to 2001 - IASC released IAS.

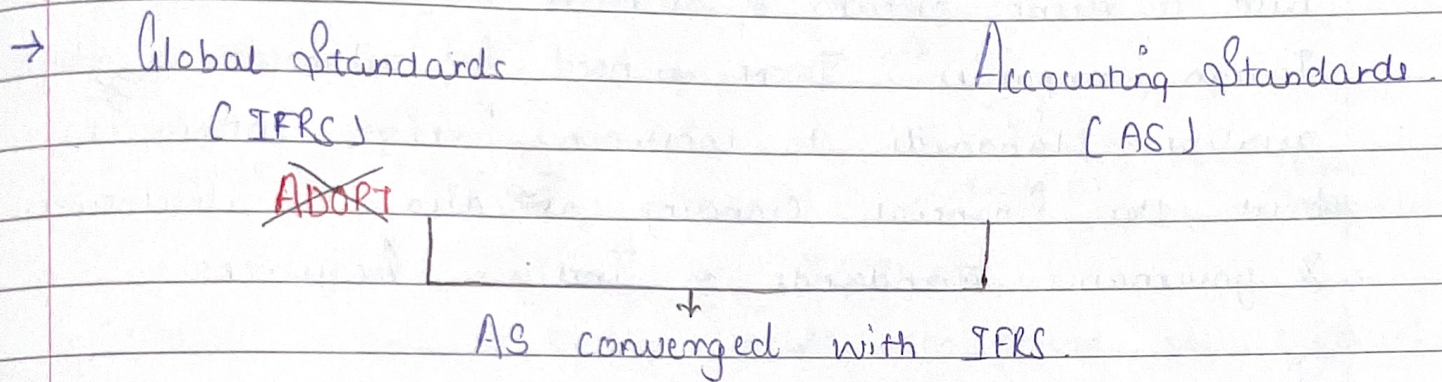
Since 2001 - IASB released IFRS

Between 1997 & 1999 - IASC reconstructed their organisation, which resulted in formation of IASB.

The changes came into effect from 1-1-2001.

However IASB has not rejected the standards issued by the IASC.

These pronouncements continue to be designated as IAS.



\* Benefit of Convergence...

(i) Improves Investor Confidence across the world with Transparency & Comparability...

(ii) Improves Inter unit / Inter firm / Inter Industry Comparison

(iii) Group Consolidation will be easy with same standards by all companies in group irrespective of their global location.

(iv) Acceptability of financial statement by Stock exchange across the globe, which will facilitate listing of Indian companies to international stock exchanges.

\* Need for Convergence towards global standards.

① Raising funds from International markets

② Comparability of Financial Statement

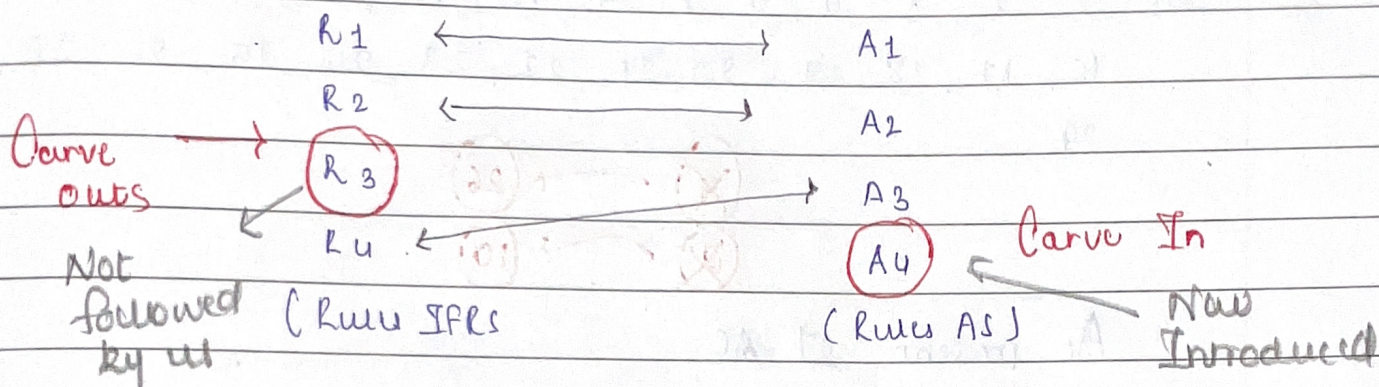
③ Uniformity, Comparability Transparency etc.

## ④ Global Investment

### \* Process of Issuance of IND-AS.

- Due to recent stream of overseas acquisitions by Indian companies, there is need for adoption of high-quality standards to convince foreign enterprises about the financial standing as also the disclosure & governance standards of Indian Acquirers.
- The government of India in consultation with the ICAI decided to converge & not to adopt IFRS issued by the IASB.  
The decision of convergence rather than adoption was taken after the detailed analysis of IFRS requirements & extensive discussion with various stakeholders.
- The ICAI has worked towards convergence of global accounting standards by considering the application of IFRS in Indian corporate environment.  
Recognising the growing need of full convergence of IND-AS with IFRS, ICAI constituted a Task Force to examine various issues involved.
- Ind-AS are issued by the Central Government of India under the supervision and control of ASB of ICAI & in consultation with NFRA.  
NFRA recommends these standards to the MCA & MCA has to spell out the accounting standards applicable for companies in India.

## \* CARVE IN & CARVE OUTS



### In INDAS

- Certain changes have been made, considering the economic environment of the country, which is different as compared to the environment presumed to be in existence by IFRS.

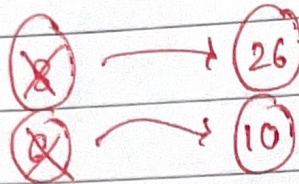
These differences are due to differences in economic conditions prevailing in India.

These differences which are in deviation to the accounting principle & practices stated in IFRS are commonly known as 'CARVE-OUTS'.

Additional guidance 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.

- NBFC's, Bank & Insurance companies  
↳ Separate Road Maps.

