Chapter -01

Introduction to accounting Standards

Generally accepted accounting principles

It is common set of accepted accounting principles standards & procedures that business entity must follow when it prepares & presents it's financial statements.

- In india → AS and Ind AS
- at international → IFRS

Imp

Accounting Standard deals with

R. M. P. D

- Recognition events & transactions in the FS
- measurement —"—
- presentation —"—
- Disclosure —"—

example

AS 10 → PPE

R - when to recognize PPE

M - How much to recognize PPE

P - How to Show PPE

D - what the extra information you need to give about PPE.

Benefits of AS

1. Standardisation of alternative accounting treatement
   reduce or eliminate confusion in accounting treatement while preparing FS
2. comparability of financial statements
3. Requirements for additional disclosures

Standard setting process

ASB is setting process

Identification of area
↓
Constitution of study group
↓
Preparation of draft & circulations
↓
Finalisation of draft
↓
Comments received
↓
modification of draft
↓
Issue of AS

Imp
* For corporate entities the AS are issued by MCA
* For Non-Corporate entities the AS are issued by

ASB – Accounting Standard board

Accounting Standards

There are 27 AS at present

AS NO	Accounting Standards
1	Disclosure of Accounting policies
2	valuation of inventory [Revised]
3	cash flow statement
4	contingencies & events occurring after the Balansheet date [Revised]
5	Net profit or Loss for the period, prior period items & changes in accounting policies.
7	Construction contracts
9	Revenue recognition
10	property, plant & equipment
11	The effects of changes in foreign exchange rates
12	Accounting for government grants
13	Accounting for investment [Revised]
14	Accounting for amalgamation [Revised]
15	Employee benefits
16	Borrowing Costs
17	Segment reporting

18	Related party disclosures
19	Leases
20	Earnings per share
21	Consolidated financial statements [Revised]
22	Accounting for taxes on income
23	Accounting for investments in associates in Consolidated financial statements.
24	Discontinuing operations
25	Interim financial reporting
26	Intangible assets
27	Financial reporting of interests in Joint ventures
28	Impairment of assets
29	Provisions, Contingent liabilities & Contingent assets [Revise

India hasnot adopted to IFRS

India has Converted to IFRS

↓

which is Ind AS

Roadmap for implementation of Ind AS

For companies other than banks, NBFCs & insurance Co

Phase I Compulsory should apply Ind AS	1st April 2016 - Mandatory basis a] companies listed / in process of listing on stock excha[nge] in india or outside india having net worth of ≥ 500 crores b] unlisted companies having net worth of ≥ 500 cror[es] c] parent, subsidiary, association, Joint venture follow Ind A's
Phase II	1st April 2017 - mandatory basis a] Same as above but networth is less than abo[ve] b] unlisted co having net worth of ≥ 250 crores c] parent, subsidiary, association, Joint ventures

For Non-Banking financial companies [NBFCs]

Phase I

1st April 2018 [mandatory Basis]

a)
b) Same as above phase I

phase II

1st april 2019 [Mandatory basis]

a]
b] Same as above phase II

Carve outs | carve ins in Ind AS

Imp
- India has not adopted IFRS
- India has converted (made changes in) to IFRS (Ind AS)

Carve outs - D/f B/w IFRS and Ind AS

Carve in - Restricting the option

example : IFRS says to follow FIFO or LIFO
Ind AS —"— only FIFO

MCQ

1. Additional guidance given in Ind AS over & above, what is given in IFRS are called
   carve-ins.

2. IASB stands -> International AS Board
3. IFRS stands -> International financial reporting standards
4. phase I of Ind AS was applicable to
   Companies with net worth of ₹ ≥ 500 crores

Test your knowledge

1. Explain AS, advantages ?
2. Carve outs / in in Ind AS ?