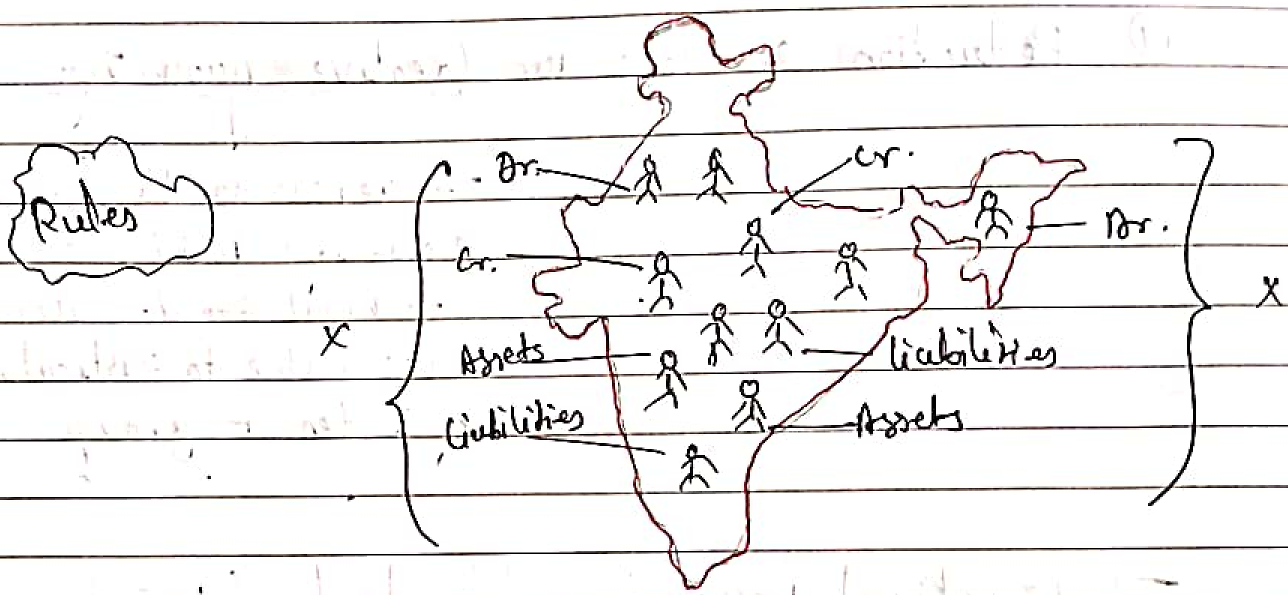
CH- 01 (4-5 Marks)

Introduction to Accounting Standards.

[Full Theory]

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

→ Accounting Standard are Specific accounting principles and methods of Applying these principles.



→ 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 कैसे या कब करें ???
b) Measurement - Money Value क्या होगी ???
c) Presentation - Present कैसे करें ??
d) Disclosure. - Communicate to Stake holders..

Imp → Benefits of AS - Q. ①.

(i) Standardisation of alternative accounting treatment.

(ii) Requirments for Additonal Disclosure

(iii) Comparability of Financial statements.

→ Intra-Enterprise :- 12th vs CA(F) : two time period

→ Inter-Enterprise :- vs CA(F)

vs one time period.

(iv) Reduction of Scope for Creative Accounting

It refers to twisting of accounting policies to produce financial ~~standa~~ statements favourable to particular Interest group

International Accounting Standards (IAS)

Q. (3)

International Financial Reporting ~~Autho~~ Standards [IFRS]

→ With a view of archiving the objective of Setting global Standards, the london based group namely (IASC).

(International Accounting Standards Committee)

Reponsible for developing Accounting Standards [June 1973]

→ IASC is presently known as IASB

Board.

→ IASC Released IASs (between 1973 to 2001)
IASB Released IFRS (Since 2001)

1973 ———————————— 2001 - - - - - - - -

IASC → IAS ✓ ✓ ✓ ✓ ✓ ✓   IASB → IFRS ✓ ✓ ✓ ✓ ✓

→ Chocolate ice cream — Global Standards [IFRS]

Vanilla ice cream — Accounting Standards (AS)

~~ADOPT~~ — Choco Vanilla ice Cream — Accounting Standards (AS)

Choco Vanilla ice Cream → AS Converged with IFRS

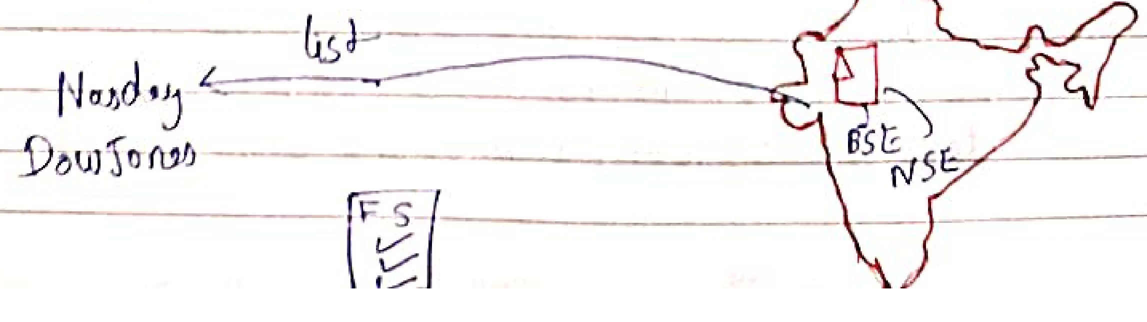
✱ IMP Benefits of Convergence

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

(ii) Improves Inter Unit / Inter Firm / Inter Industry Comparison

(iii) Group ~~Condi~~Consolidation will be easy

(iv) Acceptability of Financial Statements by Stock exchange across the globe



Imp ✱ Need of Convergence / Process

→ Due to Recent stream of overseas acquisitions by Indian Companies, there is a need for adoption of high quality standards to Convince foreign enterprise about the financial Standing as also the disclosure and governance Standards of Indian acquirers.

→ The Government of India in Consultation with ICAI decided to Converge and not to adopt IFRS issued by IASB

→ The ICAI has worked towards Convergence of global accounting Standards and issued IND – AS under the Supervission and control of ASB and in Consultation with NFRA.

Imp ✱ Carve In & Carve Out.

Q.4

R_1	—	A_1
R_2	—	A_2
R_3		A_3
Carve out ☞ R_4		A_4
R_5		A_5 → Only EA — carve in
(Rules IFRS)		(Rules AS)

→ Certain changes have been made in IND-AS Considering the economic enviroremend of the Country, which is deferent as compared to the economic enviorment 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 principles and practices stated in IFRS, are commonly known as Carve Outs. Additional Guidance give in Ind AS over and above what is given in IFRS, is termed as Carve In.

* Other points

AS No.

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.

~~8~~ → 26 At present 27 AS.

~~6~~ → 10

- Ind AS is Mandatory for Companies.
- NBFCs, Banks & Insurance Companies – Separate Road Map

x——x——x——x——x——x——x——x——x

MCQs.

① Accounting Standards for non-corporate entities in India are issued by

Ans (c) Institute of ~~Charted~~ Chartered Accountants of India (ICAI)

② Accounting Standards

(a) Harmonise accounting policies and eliminate the non-comparability of financial statements

(b) Improve the ~~reli~~ reliability of financial statements.

Ans (c) Both (a) and (b)

__/__/__

(3) It is essential to Standardize the Accounting principles and policies in order to ensure.
(a) Transparecy (b) Consistency (c) Comparability
(d) All the above

Ans— (d)

(4) Which Committee is responsible for Approval of accounting standards and their modification for the purpose of applicability to Companies?

Ans (b) MCA

(5) Global Standards facilitate
(a) Cross border flow money
(b) Comparability of Financial Statements.
(c) Uniformity and Transparency of Financial Statements

Ans. (d). All the three.

Theoretical Q.

(1) Explain the Objective of "Accounting Standards" in brief. State the advantages of Setting Accounting Standards.

(2) Briefly explain the process of insurance of Indian Accounting Standards.

(3) Explain the Significance of emergence of IFRS as Global Standards.

(4) What do you mean by Carve outs/ins In Ind AS? Explain.