

INTRODUCTION TO AS

? Question 1 (Past Exam Nov'22)

NB Pg. No.

Explain the objective of "Accounting Standards" in brief. State the advantages of setting Accounting Standards. (4 Marks)

Solution:

Accounting Standards are the written policy documents issued by Government relating to various aspects of measurement, treatment, presentation and disclosure of accounting transactions and events.

Following are the objectives of Accounting Standards:

- Accounting Standards harmonize the diverse accounting policies and practices followed by different companies in India.
- Accounting Standards facilitates the preparation of financial statements and make them comparable.
- Accounting Standards give a sense of faith and reliability to the users.

The main advantage of setting accounting standards are as follows:

- Accounting Standards makes the financial statements of different companies comparable which helps investors in decision making.
- Accounting Standards prevent any misleading accounting treatment.
- Accounting Standards prevent manipulation of data by the management.

? Question 2

NB Pg. No.

Briefly explain the process of issuance of Indian Accounting Standards.

Solution:

Due to the 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 and governance standards of Indian acquirers.

The Government of India in consultation with the ICAI decided to converge and not to adopt IFRSs issued by the IASB. The decision of convergence rather than adoption was taken after the detailed analysis of IFRSs requirements and 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 and in consultation with NFRA. NFRA recommends these standards to the MCA and MCA has to spell out the accounting standards applicable for companies in India.

? Question 3

NB Pg. No.

Explain the significance of emergence of IFRS as Global Standards.

Solution :

Global Standards facilitate cross border flow of money, global listing in different bourses and comparability of financial statements. Global Standards improve the ability of investors to compare investments on a global basis and thus lowers their risk of errors of judgment. It facilitates accounting and reporting for companies with global operations and eliminates some costly requirements say reinstatement of financial statements.

? Question 4 (RTP May'24 & MTP Jan'25)

NB Pg. No.

What do you mean by Carve outs/ins in Ind AS? Explain.

Solution :

Certain changes have been made in Ind AS considering the economic environment of the country,

which is different as compared to the economic 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 principles and 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'.

Question 5 (MTP Nov'21, Apr'23, Sept.'24) (Past Exam Nov'18)**NB Pg. No.**

"Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements." Discuss and explain the benefits of Accounting Standards. **(5 Marks)**

Solution :

Accounting Standards standardize diverse accounting policies with a view to eliminate the non-comparability of financial statements and improve the reliability of financial statements. Accounting Standards provide a set of standard accounting policies, valuation norms and disclosure requirements. Accounting standards aim at improving the quality of financial reporting by promoting comparability, consistency and transparency, in the interests of users of financial statements. The following are the benefits of Accounting Standards:

- (i) **Standardization of alternative accounting treatments:** Accounting Standards reduce to a reasonable extent confusing variations in the accounting treatment followed for the purpose of preparation of financial statements.
- (ii) **Requirements for additional disclosures:** There are certain areas where important is not statutorily required to be disclosed. Standards may call for disclosure beyond that required by law.
- (iii) **Comparability of financial statements:** The application of accounting standards would facilitate comparison of financial statements of different companies situated in India and facilitate comparison, to a limited extent, of financial statements of companies situated in different parts of the world. However, it should be noted in this respect that differences in the institutions, traditions and legal systems from one country to another give rise to differences in Accounting Standards adopted in different countries.