Accounting standards

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Abstract :
Learning Objectives
After analysing this research paper we will be able to
(1) understand the Concept of accounting standards.
(2) Learn how the topic of standards has been selected.
(3) How the Process of setting standard established.
(4) Familiarize with the overview of accounting standard in India.

Introduction :
Accounting Standards are written Policy Documents Issued by expert accounting body or other regulatory body, Covering the aspect of recognition management presentation and disclosure of accounting transactions in the financial statements.
Accounting Standard reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, there by ensuring comparability of financial statement of different enterprise.

Deals with
(1) Recognition of events and transactions in the financial statements.
(2) Measurement of these transactions and events
(3) Presentation of these taxations and events in the financial statements in a manner that is meaningful and understandable to the reader.
(4) The disclosure requirement which should be there to enable the public at large and the stakeholders and the potential investor.

Diversification
Accounting standards standardize diverse accounting policies with a view to
(1) Eliminate the non-comparability of financial statements and there by Improving the reliability of financial statements to the maximum possible extents and
(2) Provide a set of standard accounting policies and valuation norm and disclosure requirements.

Standard setting process
The ICAI being a premier accounting body in the wintry, took upon its of the leadership standards board in 1977 Following is process of accounting standards.
(1) Identification of Area.
(2) Constitution of study group.
(3) Preparation of draft and its correlation.
(4) Ascertainment of views of different bodies on draft.
(5) Finalisation of exposure draft (E.D)
(6) Comments received on exposure draft.
(7) Modification of the draft.
(8) Issue of accounting standard.

The ASB considers, the international accounting standards, (IFRS) International Financial Reporting Standard, While Framing Indian accounting Standard and try to integrate them. In the light of the environment in the country.

Composition of accounting standards board

It Induces representatives of Industry. (Namely Assocham CII FICCI) regulators academicians, government, department etc. ASB is a body constituted by the council of the ICAI it is independent in formulation of accounting standards.

Benefits

Following are the benefits the benefits and limitations of accounting standards.

(1) Standardization of alternative accounting treatments.

(2) Requirement For additional discourse.

(3) Comparability of financial statements.

Limitations

(1) Difficulties in marking choice between different treatments.

(2) Luck of Flexibilities.

(3) Restricted scope.

How many Accounting Standards

The Council of ICAI has so far issued 34 accounting standards however. As 8 on Accounting for research and development has been withdrawn consequent to the issuance of As 26 on intangible assets. Thus there are effectively 33 accounting standards at present.

Need for convergence to wards global standards

The last decade has witnessed a sea-change in the global economic scenario. Each country has its own set of rules and regulations for accounting and Financial reporting. There fore when an enterprise decide reporting . There fore when an enterprise decide to raise capital from the markets other than the country in which it is located, the rules and regulations of that other country will apply and this in turn will require that the enterprise is in a position to understand the differences between the rules governing financial reporting in the foreign country as compared to its own country of origin.

International financial reporting
Standards as global standards.

The tern TFRS comprises TFRS issued by IASB, IFLS issued by IASC and interpretations issued by the standard inter predations committee.

TFRS are considered " Principles based " set of standards. In fact they established broad rules. Rather than dictating specific treat mints. Every major nation is moving towards adopting them to some extent.

Adoption of IFRS in India

In India The ICAI is on the way towards convergence of its standards with global standard. Divergences have been minimized to the maximum possible extent in the area where in full convergence is difficult.

Recognizing the growing need of full convergence of Indian accounting standards with IFRS, To bring Indian standard at par with the IFLS, IFRS some of the earlier accounting standards and guidance notes have been revised or are under the process of revision.

However at present the ASB in consultation with the core group constituted by the ministry of corporate coffers for convergence of Indian accounting standards with IFRS has decided that there will be two separate sets of accounting standards.

(1) Indian Accounting standards Converged with IFRS.
Converged with IFRS.

(2) Existing Accounting standards.

Accounting Standard and income tax act 1961

Accounting standards intend to reduce diversity in application of accounting Principles. They improve Comparability of financial statements and promote transparency and fairness in their presentation. Deductions and exemptions allowed in computation of taxable income on the other hand is a matter of fiscal policy of the government.

Status of Accounting Standards.

It is already mentioned that the standards are developed by the Accounting Standards board. Of the institute and are issued under the authority of its council. The institute not being a legislative body ceen enforce compliance with its standards only by its members. Also Standards asnnot override laws and local regulations.

The Accounting standards are neyertheless made mando tory from the dates specified in respective standards and are generally applicable to all enterprises, subject to certain exception as statued below. The Implication of mandatory status of an accounting standards depend on whether the statue governing the enterprise wncerned required compliance with the standard.

Is Assessing whether an accounting standard is applicable, one must find correct answer to the following three questions.

(A) Does it apply to the enterprise concerned p if yes, the next question is,

(B) Does it apply to the financial Statement concerned if yes the next question is.

(C) Does it apply to the Financial item concerned .

Enterprises to which the accounting standards apply

Accounting standards apply in respect of any enterprise (whether organized in corporate, co-operative or other forms) engaged in commercial industrial or business activities, whether or not profit oriented and even if established for charitable or religious purposes.

Accounting standards however do not apply to enterprises solely arraying on the activities, which are not of commercial, intestinal or business nature.

Exclusion of an enterprise from the applicability of accounting standards would be permissible only if no part of the activity of such enterprise is commercial, industrial or business in nature.

Even if a very small proportion of the activities of an enterprise were considered to be commercial, industrial or business in nature the accounting standards would apply to all its activities including these, which are not commercial industrial or business in nature.

Conclusion

This all in all accounting standards right now playing vital role in baseness development as well as it allows the investors to identify real situation of the win parry two basic objective of transportability and comparability is also achieved.

Reference

1. ICAI. Accounting
2. Pro.S.N. Maheshwari Cost & MGI