Lesson 10 Accounting Standards (AS)

Key Concepts One Should Know

- Accounting Standards
- Standard setting process
- Ind AS
- IFRS
- IGAAP

Learning Objectives

To understand the:

- Meaning and applicability of Accounting Standards
- Role, advantages and limitations of Accounting Standards
- Standards setting process
- Overview of Accounting Standards in India
- Convergence of Indian Accounting Standards with International Financial Reporting Standards as global Standards

Lesson Outline

- Application of Accounting Standards
- Standards Setting Process
- Advantages and Limitations of Accounting Standards
- Enterprises to which the Accounting Standards Apply
- List of Accounting Standards
- Need for Convergence with Global Standards
- International Accounting Standard Board (IASB)
- Differences between IFRS and IGAAP
- LESSON ROUND UP
- GLOSSARY
- TEST YOURSELF

1. MEANING OF ACCOUNTING STANDARDS

> Accounting standards may be defined as the written policy documents issued by an expert Accounting Body or Government or other regulatory bodies covering the aspects of recognition, measurement, presentation and disclosure of the transactions and other events in the financial statements.

The expression 'Accounting Standards' is made up of two words- 'Accounting' and 'Standards'. Let us, therefore, first understand the meaning of these two words. We have already understood the meaning of accounting. The term 'Standard' means 'a generally accepted model or an ideal'. The expression 'Accounting Standards', therefore, means generally accepted models or ideals for accounting.

Let us analyze the definition of accounting standards as under:

a) *Accounting standards are the written policy documents*: The word 'Policy' means a course of action adopted as advantageous or expedient. These are written documents which are advantageous to be adopted by the enterprises in reflecting the effect of the transactions and other events.

b) *Accounting standards are issued by the expert Accounting body, Government or other regulatory bodies*: In India, the expert accounting body to issue the accounting standards is the Institute of Chartered Accountants of India (ICAI). Government also issues the accounting standards. For example, the Central Government issues the accounting standards to be adopted by the companies under the Companies Act, 2013 in the preparation and presentation of their financial statements. Similarly, the regulatory bodies like Insurance and Regulatory Development Authority of India (IRDA) and Reserve Bank of India (RBI) also issue accounting standards.

c) *Accounting Standards deal with the recognition, measurement, presentation and disclosure of transactions and other events*: This point may be explained as under:

   (i) *Recognition of transactions and other events*: Recognition is the process of incorporating an item in the Balance Sheet and statement of Profit and Loss. It involves the depiction of an item in words and by a monetary amount and inclusion of that amount in the totals of the Balance Sheet and Statement of Profit and Loss. The Accounting standards tell us which items to recognize in the Balance sheet and which ones in the Statement of Profit and Loss.

   (ii) *Measurement of the transactions and other events*: Accounting standards also provide guidance as to what monetary amount should be allocated to the transaction and events i.e. these help in the measurement or quantification of the items of transactions and events. For example, Accounting Standard (AS) 10 'Property, Plant and Equipment' provides that for the initial recognition of an item of PPE, the costs of the items to be considered are (a) Purchase price less trade discount and rebates; (b) Non-refundable purchase taxes; (c) Import duties; (d)Directly attributable cost to bring the asset in the location and condition for operation as intended by the management.

   (iii) *Presentation of transactions and other events*: Accounting Standards also deal with the manner of presentation of transactions and other events in the Balance Sheet and Statement of Profit and Loss. For Example, paragraphs 8 to 17 of Accounting Standard 3 'Cash Flow Statements' deal with the manner of presentation of operating activities, investing and financing activities in the cash flow statement.

   (iv) *Disclosure of transactions and other events*: Accounting standards also deal with the manner of disclosure of transactions and other events. For example, paragraph 37 of the AS 10 provides that in the financial statements, gross and net carrying amounts of the items of PPE at the beginning and end of an accounting period showing additions, disposals, acquisitions and other movements should be disclosed.

It may be noted that almost all the Accounting Standards deal with recognition, measurement, presentation and disclosure of transactions and other events.

2. APPLICABILITY OF ACCOUNTING STANDARDS

Which enterprises are the Accounting Standards applicable to?

As per paragraph 3.3. of the 'Preface to the Statements of Accounting Standards' in the 'Compendium of Accounting Standards (Accounting Standards as on July 1, 2019)' issued by the Institute of Chartered Accountants of India (ICAI), accounting standards are intended to apply to enterprises (whether organized in corporate, co-operative or other forms) engaged in commercial, industrial or business activities irrespective of whether it is profit oriented or it is established for charitable or religious purposes. However, the Accounting Standards will not apply to the enterprises which carry on only those activities which are not of commercial, industrial or business nature (e.g. an activity of collecting donations and giving them to flood affected people). 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 is considered to be commercial, industrial or business in nature, the Accounting Standards would apply to all its activities including those which are not commercial, industrial or business in nature.

Thus, it may be stated that the Accounting Standards apply to:

(a) Sole proprietorship concerns/individuals

(b) Partnership firms

(c) Societies

(d) Trusts

(e) Hindu Undivided families

(f) Association of Persons (AOP)

(g) Body of individuals (BOI)

(h) Co-operative societies

(i) Companies and LLPs

Which types of financial statements or reports are the Accounting Standards applicable to?

As per paragraph 3.3 of the 'Preface to the Statements of Accounting Standards' in the 'Compendium of Accounting Standards (Accounting Standards as on July 1, 2019)' issued by the Institute of Chartered Accountants of India (ICAI), Accounting Standards apply to the general-purpose financial Statements and other financial reporting which are subject to attest functions of the members of the ICAI. As per paragraph 3.4 of the said preface, the term 'General purpose Financial Statements' includes 'Balance Sheet', 'Statement of Profit and Loss', 'A Cash Flow Statement' (where applicable), and Statements and explanatory notes which form part thereof issued for the use of various stakeholders, government and their agencies and the public at large.

STANDARDS SETTING PROCESS

Paragraph 5 of the 'Preface to the Statements of Accounting Standards' in the 'Compendium of Accounting Standards (Accounting Standards as on July 1, 2019)' issued by the Institute of Chartered Accountants of India (ICAI) provides for the procedure of issuing Accounting Standards in India which may be explained as under:

Step 1: *Determination of the broad areas*: The Accounting Standards Board (ASB) of ICAI determines the broad areas in which the accounting standards need to be formulated and the priority in regard to the selection thereof.

Step 2: ***Assistance to the ASB by the study group*****:** In the preparation of the accounting standards, the ASB will be assisted by the study groups constituted to consider the specific subjects. In the formulation of the study group, the provision is made for wide participation by the members of the ICAI and others.

Step 3: ***Preparation of the preliminary draft of Accounting Standard by the Study group*****:** The draft of the proposed accounting standard will normally include the following:

(a) Objective of the standards;

(b) Scope of the standard;

(c) Definition of the terms used in the standard;

(d) Recognition and measurement principles wherever applicable; and

(e) Presentation and disclosure requirements.

Step 4: ***Consideration of the preliminary draft by the ASB*****:** The ASB will consider the preliminary draft prepared by the Study group and if any revision of the standard is required on the basis of the deliberations, the ASB will make the same or will refer the same to the study group.

Step 5: ***Circulation of the draft of Accounting Standard by the ASB to the members of ICAI and specified bodies*****:** The ASB will circulate the draft of the standard to the members of the ICAI and to the specified bodies such as MCA, CAG, CBDT, ICAI, ICSI, ASSOCHAM, CII, FICCI, RBI, SEBI, SCOPE, IBA and any other body considered relevant by the ASB keeping in view the nature of the standard.

Step 6: ***Meeting of the ASB with the representatives of the specified bodies to finalize the exposure draft*****:** The ASB will hold a meeting with the representatives of the specified bodies to ascertain their view and on the basis of the comments received and the views of the representatives of the specified bodies, the ASB will finalize the exposure draft of the proposed accounting standard.

Step 7: ***Issue of exposure draft for comments by the members of the ICAI and the public and specified bodies*****:** The exposure draft [ED] of the proposed standard will be issued for the comments by the members of the ICAI and the public. The ED will be specifically sent to the specified bodies as listed above and the stock exchanges and the other interest groups as considered appropriate.

Step 8: ***Submission of the final draft by the ASB to the Council of the ICAI*****:** After taking into consideration the comments received, the ASB will finalize the draft of the standard and the same will be submitted to the council of the ICAI.

Step 9: ***Consideration of the draft by the council of the ICAI and issue of the Standard by the ICAI*****:** The council of the ICAI will consider the draft of the proposed standard and if found necessary, it will revise the same in consultation with the ASB and then the standard will be issued by the ICAI.

ACCOUNTING STANDARD AND AUDITORS

It is the duty of the auditors that while discharging their function, they ensure that the Accounting Standards issued and made mandatory by the Central Government are compiled with. Section 143(3)(e) of the Companies Act, 2013 requires the auditor to report whether in his opinion, the financial statements comply with the Accounting Standards referred in section 133 of the Companies Act, 2013.

ACCOUNTING STANDARD AND BOARD'S REPORT

Section 134(5)(a) of the Companies Act, 2013 states that Directors Responsibility Statement should include that in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanations relating to material departure.

BENEFITS AND LIMITATIONS

Advantages of Accounting Standards

General: The accounting standards seek to describe the accounting principles, valuation techniques and the methods of applying these accounting principles in the preparation and presentation of the financial statements so that they represent a true and fair view of the financial position and financial performance of the enterprise. The ostensible purpose of the standards setting bodies is to promote the dissemination of the timely and useful financial information to the users.

The various advantages of Accounting Standards may be enumerated as under:

(i) ***Improvement of credibility and reliability of financial statements***: The accounting standards create an environment of confidence among the users of accounting information by providing a uniform structure of uniform guidelines which provide credibility and reliability to the accounting information. In this way, the financial statements present a true and fair view of the financial position and financial performance of an entity.

(ii) ***Comparability of financial Statements made easy***: The value of the accounting information is enhanced if the same may be compared in the same line of business activity. But, the comparability is possible only if the same accounting standards are used in the preparation of the financial statements of the different enterprises in the same industry. It is a positive step to protect the interests of the users of the accounting information.

(iii) ***Benefits to the accountants and auditors***: The accounting standards provide a basis for the uniform accounting principles. Due to this reason, there is a less possibility of frauds being committed by the accountant. There is more transparency in the accounting information. Since the accounting profession follows the accounting standards without any exception, they are helpful not only to the accounting entity but also to the accountants and the auditors. Any type of misinformation can lead to a strict action against the accountants and the auditors.

(iv) ***Additional disclosures***: There are certain areas where the important information is not required to be disclosed by the law. The accounting standards require the disclosure of such matters such as the method of depreciation and the change in the method of depreciation which help the users of the financial statements to take important financial decision.

(v) ***Evaluation of the managerial ability***: Accounting standards are useful in measuring the efficiency of the management regarding profitability, liquidity, solvency and other general areas of progress of the enterprise. In the absence of Accounting Standards, it would be difficult to evaluate the managerial efficiency because there is no basis to compare the financial statements of one enterprise with those of another. Each enterprise would evolve its own rules and standards to suit its own purpose and users would, therefore, not be able to get a true and fair view of the functioning of the enterprise.

(vi) ***Helpful to the Government***: The Government officials would find the financial information useful for economic planning, market analysis and tax collection if the financial statements are based on the established accounting standards.

(vii) ***Reforms in accounting theory***: The development of accounting standards has been very helpful in the reforms of accounting theory and practice regarding the measurement, treatment, presentation and disclosure of the financial items.

Disadvantages of Accounting Standards

The disadvantages of Accounting Standards may be enumerated as under:

(i) ***Difficult choice***: Alternative accounting treatments suggested by the accounting standards may each have arguments to recommend them. In such a case, it becomes difficult to choose one out of them for application by an enterprise.

(ii) ***Mechanical choice***: There may be a trend towards rigidity and away from flexibility in applying the Accounting Standards. The reason is that we cannot go beyond the accounting Standards recommendations.

(iii) ***Not different from law***: The accounting standards cannot override the statutes and have to be framed within the bounds of the prevailing statutes.

Conclusion: If viewed sincerely, the advantages of Accounting Standards outweigh their disadvantages much because the disadvantages have been enumerated only for name sake.

How many Accounting Standards?

The Institute of Chartered Accountants of India has, so far, issued 32 Accounting Standards. However, the Accounting Standard 8 “Accounting for Research and Development” was withdrawn subsequent to the issuance of Accounting Standard 26 “Intangible Assets” and the Accounting Standard 6 “Depreciation Accounting” was withdrawn subsequent to the issuance of revised Accounting Standard 10 “Property, Plant and Equipment” including the matters related to depreciation accounting for the old AS 10 “Accounting for Fixed Assets”. The Accounting Standards 30, 31 and 32 related to “Financial Instruments” have been withdrawn by the ICAI in the year 2016. *Thus, effectively, there are only 27 Accounting Standards at present.*

The standards are developed by the Accounting Standards Board (ASB) of the Institute and are issued under the authority of its Council. The institute not being a legislative body can enforce compliance with its standards only by its members. Also, the standards cannot override laws and local regulations. The Accounting Standards are nevertheless made mandatory from the dates specified in respective standards and are generally applicable to all enterprises, subject to certain exception as stated below. The implication of mandatory status of an Accounting Standard depends on whether the statute governing the enterprise concerned requires compliance with that standard.

In 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? 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?

List of 27 Accounting Standards as issued by ICAI

AS 1 Disclosure of Accounting Policies AS 2 (Revised) Valuation of Inventories AS 3 Cash Flow Statements

AS 4 (Revised) Contingencies and Events Occurring After Balance Sheet Date

AS 5 Net profit or Loss for the period, Prior Period Items and Changes in Accounting Policies

AS 7 Construction Contracts AS 9 Revenue Recognition

AS 10 (Revised) Property, Plant and Equipment

AS 11 The Effects of Changes in Foreign Exchange Rates

AS 12 Government Grants

AS 13 (Revised) Accounting for Investments

AS 14 (Revised) Accounting for Amalgamations AS 15 Employee Benefits

AS 16 Borrowing Costs AS 17 Segment Reporting

AS 18 Related Party Disclosures AS 19 Leases

AS 20 Earnings per Share

AS 21 (Revised) Consolidated Financial Statements

AS 22 Accounting for Taxes on Income

AS 23 Accounting for Investments in Associates AS 24 Discontinuing Operations

AS 25 Interim Financial Reporting AS 26 Intangible Assets

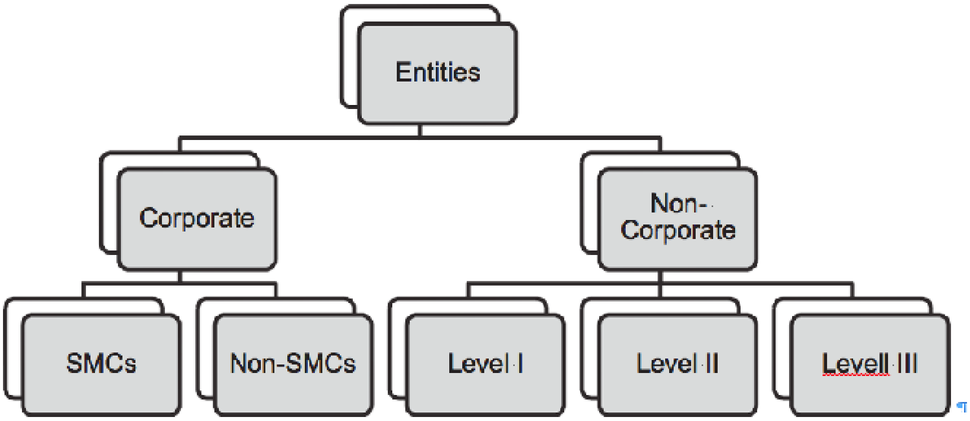
AS 27 Financial Reporting of Interests in Joint Ventures AS 28 Impairment of Assets

AS 29 (Revised) Provisions, Contingent Liabilities and Contingent Assets

APPLICABILITY OF ACCOUNTING STANDARDS

For the purpose of applicability, entities are grouped as follows:

Types of Entities



Classification of Entities in detail:

Corporate Entities: For the purpose of applicability of AS, companies are categorised as follows:

Small and Medium Companies (SMCs): SMCs are companies that satisfy the following conditions:

a) Equity and debt securities of the company are not listed or are not in the process of listing on any stock exchange, whether in India or outside India

b) Company is not a bank or financial institution or insurance company

c) Company's turnover (excluding other income) does not exceed Rs. 50 crores in the immediately preceding accounting year

d) Company does not have borrowing (including public deposits) exceeding Rs. 10 crores at any time during the immediately preceding accounting year and

e) Company is not a holding company or subsidiary of a non-SMC.

Partial Exemption:

Certain relaxations are provided with respect to following AS: AS 17- Segment Reporting

AS 15- Employee Benefits

AS 19- Leases

AS 20- Earnings Per Share (EPS)

AS 29- Provisions, contingent liabilities and contingent assets

Full Exemption

AS 3- Cash Flow Statements, shall not apply to SMCs if it is a One Person Company (OPC), dormant company

and Small company.

Non-SMCs: All the accounting standards are applicable to Non-SMCs.

Non-Corporate Entities: Non-corporate entities are entities other than companies (as defined in the Companies Act, 2013). This expression includes:

a. Cooperative society and charitable entity if they carry on any commercial, industrial or business activities (even if a very small portion), in such cases AS will apply to its entire activity (whether charitable or otherwise)

b. Partnership firms and sole proprietary concerns

c. Societies registered under Societies registration Act, Hindu Undivided Family (HUF) and Association of Person (AOP).

Non-corporate entities are not under any obligatory requirement to follow accounting standards, but if such entities are required to get its financial statements attested, it will be duty of member of ICAI (CA in practice) to examine whether Accounting Standards (ASs) have been complied with. So indirectly, non-corporate entities are also required to follow accounting standards on the basis of level in which it falls.

Levels of non-corporate entities are discussed below:

Level	Conditions	Accounting Standards applicable
Level I	• Entities whose equity or debt instruments are listed or are in process of listing on any stock exchange (in or outside India) • Banks (including co-operative banks), financial institutions or entities carrying on Insurance business • All commercial, industrial or business reporting entities having: ⇨ Borrowings > 10 crores (at any time during immediately preceding accounting year) ⇨ Turnover > 50 crores (during preceding accounting year) • Holding or subsidiary entities of any of theabove.	All the accounting standards are applicable to Level I entities. However, AS 21, 23 and 27 will apply based on regulatory requirement.
Level II	• Other than Level I entities if they fall under the following limit. • All commercial, industrial or business reporting entities having: ⇨ Borrowings > 1 crores (at any time during immediately preceding accounting year) ⇨ Turnover > 10 crores (during preceding accounting year) • Holding or subsidiary entities of any of the above.	Fully applicable AS All accounting standards are applicable to Level II entities except AS 21, 23, 25, 27 and those discussed below. AS applicable but certain relaxations regarding disclosure requirement AS 19 - Leases AS 20 - Earning Per Share AS 29 – Provisions, contingent liabilities and contingent assets. Accounting standards not applicable AS 3 - Cash Flow Statement AS 17 – Segment Reporting
Level III	• All non-corporate entities other than Level I and Level II.	In addition to partial and full exemption as given in Level II, full exemption with respect to these two are also available: AS 18 – Related Party Disclosures AS 24 – Discontinuing Operations

Requirement to follow Accounting Standards

Corporate entities are required to follow accounting standards while preparing their financial statements as per Section 129 of the Companies Act, 2013 and as discussed above, non-corporate entities are also required to comply Accounting standards if they want to get their accounts attested by a practicing Chartered Accountant.

Entities shall comply with AS 25 only if they are required (or they voluntarily opt) to prepare and present an interim financial report.

Conflict between Act and Accounting Standards

In case there is any conflict between provisions of any applicable Act and Accounting Standard (AS), the provisions of the Act shall prevail to that extent.

Applicability of Accounting Standards for Companies

At present, there are two sets of Accounting Standards under Companies Act as under:

1. Accounting Standards (ASs) as notified by the Companies (Accounting Standards) Rules, 2006. These are from AS-1 to AS-5, AS-7 and AS-9 to AS-29, as amended by notification dated 30th March, 2016.
2. Indian Accounting Standards (Ind AS) as notified by the Companies (Indian Accounting Standards) Rules, 2015. These are from Ind AS-1 to Ind AS-41 and Ind AS-101 to Ind AS-116 as amended by Companies (Ind AS) Amendment Rules, 2016 dated 30th March, 2016.

The Central Government in exercise of powers under section 211(3C) of the Companies Act, 1956 notified the Companies (Accounting Standards) Rules, 2006 in the Official Gazette w.e.f. accounting period commencing on or after 7-12-2006 (now deemed to be Accounting Standard as specified under section 133 of the Companies Act, 2013).

- The rules provide that Accounting Standards 1 to 5 & 7 and 9 to 29 recommended by the Institute of Chartered Accountants of India shall be the "Accounting Standards" (referred to as the "Notified Accounting Standards") for the purposes of section 129(1) and section 143(3)(e) of the Companies Act, 2013.
- The notified accounting standards, for the most part, are a verbatim reproduction of the Accounting Standards as issued by the Institute of Chartered Accountants of India.
- All the 30 Accounting Standards Interpretations issued by Institute of Chartered Accountants of India have been incorporated at the relevant places by way of explanation except Accounting Standards Interpretations 11, 12, 27 and 29.
- The notified Accounting Standards are mandatory for all companies and their auditors except as exempted/ relaxed for SMCs.
- Exemptions/relaxations to Small and Medium Companies (SMCs) have been given.

Applicability of Ind AS to specified companies

Indian Accounting Standards (Ind AS) are another set of accounting standards notified by the Ministry of Corporate Affairs, Government of India which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by Accounting Standards Board of Institute of Chartered Accountants of India (ICAI).

The Ind ASs are named and numbered in the same way as the corresponding IFRS. The Ministry of Corporate Affairs (MCA) has notified 41 Ind ASs as Companies (Indian Accounting Standards) Rules, 2015 as amended by Companies (Indian Accounting Standards) Amendments Rules, 2016. Ind AS are discussed in detail in Lesson 12: Adoption, Convergence and Interpretation of International Financial Reporting Standards (IFRS) and Accounting Standards in India.

Accounting Standards in brief

AS 01. Disclosure of Accounting Policies

Accounting policies are the specific accounting principles and the methods of applying those principles adopted by an enterprise in the preparation and presentation of financial statements.

All significant accounting policies should be disclosed. Such disclosure form part of financial statements.

All disclosures should be made at one place.

Specific disclosure for the adoption of fundamental accounting assumptions is not required.

Disclosure of accounting policies cannot remedy a wrong or inappropriate treatment of the item in the accounts.

AS 02. Valuation of Inventories

A primary issue in accounting for inventories is the determination of the value at which inventories are carried in the financial statements until the related revenues are recognized. This Standard deals with the determination of such value, including the ascertainment of cost of inventories and any write-down thereof to net realizable value.

Inventories should be valued at the lower of cost and net realizable value. The cost of inventories should comprise- All costs of purchase

(a) Costs of conversion

(b) Other costs incurred in bringing the inventories to their present location and condition

AS 03. Cash Flow Statements

The Standard deals with the provision of information about the historical changes in cash and cash equivalents of an enterprise by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

An enterprise should prepare a cash flow statement and should present it for each period for which financial statements are presented.

Cash Flows are inflows and outflows of cash and cash equivalents.

Cash Flow Statement represents the cash flows during the specified period by operating, investing and financing activities.

AS 04. Contingencies and Events Occurring After the Balance Sheet Date

This Standard deals with the treatment in financial statements of:

(a) contingencies, and

(b) events occurring after the balance sheet date.

A contingency is a condition or situation, the ultimate outcome of which, gain or loss, will be known or determined only on the occurrence, or non-occurrence, of one or more uncertain future events.

Events occurring after the balance sheet date are those significant events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.

AS 05. Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies

The objective of this Standard is to prescribe the classification and disclosure of certain items in the statement of profit and loss so that all enterprises prepare and present such a statement on a uniform basis. This enhances the comparability of the financial statements of an enterprise over time and with the financial statements of other enterprises. Accordingly, this Standard requires the classification and disclosure of extraordinary and prior period items, and the disclosure of certain items within profit or loss from ordinary activities. It also specifies the accounting treatment for changes in accounting estimates and the disclosures to be made in the financial statements regarding changes in accounting policies.

This Standard should be applied by an enterprise in presenting profit or loss from ordinary activities, extraordinary items and prior period items in the statement of profit and loss, in accounting for changes in accounting estimates, and in disclosure of changes in accounting policies.

AS 07. Construction Contracts

The objective of this Standard is to prescribe the accounting treatment of revenue and costs associated with construction contracts. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. Therefore, the primary issue in accounting for construction contracts is the allocation of contract revenue and contract costs to the accounting periods in which construction work is performed. This Standard uses the recognition criteria established in the Framework for the Preparation and Presentation of

Financial Statements to determine when contract revenue and contract costs should be recognised as revenue and expenses in the statement of profit and loss. It also provides practical guidance on the application of these criteria.

This Standard should be applied in accounting for construction contracts in the financial statements of contractors.

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

AS 09. Revenue Recognition

This Standard deals with the bases for recognition of revenue in the statement of profit and loss of an enterprise. The Standard is concerned with the recognition of revenue arising in the course of the ordinary activities of the enterprise from:

- the sale of goods,
- the rendering of services, and
- the use by others of enterprise resources yielding interest, royalties and dividends.

Revenue is the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends. Revenue is measured by the charges made to customers or clients for goods supplied and services rendered to them and by the charges and rewards arising from the use of resources by them. In an agency relationship, the revenue is the amount of commission and not the gross inflow of cash, receivables or other consideration.

AS 10. Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to other or for administrative services. The objective of this AS is to prescribe the accounting treatment for property, plant and equipment. The principal issues in accounting for property, plant and equipment are the recognition of the assets, determination of their carrying amounts and depreciation charges and recognition of impairment losses in relation to them. Under this AS, property, plant and equipment are initially recognized at cost, subsequently measured by using either cost model or revaluation model and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.

AS 11. The Effects of Changes in Foreign Exchange Rates

An enterprise may carry on activities involving foreign exchange in two ways. It may have transactions in foreign currencies or it may have foreign operations. In order to include foreign currency transactions and foreign operations in the financial statements of an enterprise, transactions must be expressed in the enterprise's reporting currency and the financial statements of foreign operations must be translated into the enterprise's reporting currency.

This Standard should be applied: (a) in accounting for transactions in foreign currencies; and (b) in translating the financial statements of foreign operations.

AS 12. Accounting for Government Grants

This Standard deals with accounting for government grants. Government grants are sometimes called by other names such as subsidies, cash incentives, duty drawbacks, etc.

Government grants are assistance by government in cash or kind to an enterprise for past or future compliance with certain conditions. They exclude those forms of government assistance which cannot reasonably have a value placed upon them and transactions with government which cannot be distinguished from the normal trading transactions of the enterprise.

The receipt of government grants by an enterprise is significant for preparation of the financial statements for two reasons. Firstly, if a government grant has been received, an appropriate method of accounting therefor is necessary. Secondly, it is desirable to give an indication of the extent to which the enterprise has benefited from such grant during the reporting period. This facilitates comparison of an enterprise's financial statements with those of prior periods and with those of other enterprises.

AS 13. Accounting for Investments

This Standard deals with accounting for investments in the financial statements of enterprises and related disclosure requirements.

Investments are assets held by an enterprise for earning income by way of dividends, interest, and rentals, for capital appreciation, or for other benefits to the investing enterprise. Assets held as stock-in-trade are not 'investments'.

Enterprises hold investments for diverse reasons. For some enterprises, investment activity is a significant element of operations, and assessment of the performance of the enterprise may largely, or solely, depend on the reported results of this activity.

An enterprise should disclose current investments and long term investments distinctly in its financial statements. Further classification of current and long-term investments should be as specified in the statute governing the enterprise. In the absence of a statutory requirement, such further classification should disclose, where applicable, investments in: (a) Government or Trust securities (b) Shares, debentures or bonds (c) Investment properties (d) Others—specifying nature.

AS 14. Accounting for Amalgamations

This standard deals with accounting for amalgamations and the treatment of any resultant goodwill or reserves. This standard is directed principally to companies although some of its requirements also apply to financial statements of other enterprises.

According to this Standard, amalgamation means an amalgamation pursuant to the provisions of the Companies Act, 1956 or any other statute which may be applicable to companies.

An amalgamation may be either – (a) an amalgamation in the nature of merger, or (b) an amalgamation in the nature of purchase.

AS 15. Employee Benefits

The objective of this Standard is to prescribe the accounting and disclosure for employee benefits. The Standard requires an enterprise to recognise:

(a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and

(b) an expense when the enterprise consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Employee benefits are all forms of consideration given by an enterprise in exchange for service rendered by employees.

AS 16. Borrowing Costs

The objective of this Standard is to prescribe the accounting treatment for borrowing costs.

Borrowing costs are interest and other costs incurred by an enterprise in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The amount of borrowing costs eligible for capitalisation should be determined in accordance with this Standard. Other borrowing costs should be recognised as an expense in the period in which they are incurred.

The financial statements should disclose: (a) the accounting policy adopted for borrowing costs; and (b) the amount of borrowing costs capitalised during the period.

AS 17. Segment Reporting

The objective of this Standard is to establish principles for reporting financial information, about the different types of products and services an enterprise produces and the different geographical areas in which it operates. Such information helps users of financial statements:

(a) better understand the performance of the enterprise;

(b) better assess the risks and returns of the enterprise; and

(c) make more informed judgements about the enterprise as a whole.

If a single financial report contains both consolidated financial statements and the separate financial statements of the parent, segment information need be presented only on the basis of the consolidated financial statements.

In the context of reporting of segment information in consolidated financial statements, the references in this Standard to any financial statement items should construed to be the relevant item as appearing in the consolidated financial statements.

AS 18. Related Party Disclosures

The objective of this Standard is to establish requirements for disclosure of:

(a) related party relationships; and

(b) transactions between a reporting enterprise and its related parties.

This Standard should be applied in reporting related party relationships and transactions between a reporting enterprise and its related parties. The requirements of this Standard apply to the financial statements of each reporting enterprise as also to consolidated financial statements presented by a holding company.

AS 19. Leases

The objective of this Standard is to prescribe, for lessees and lessors, the appropriate accounting policies and

disclosures in relation to finance leases and operating leases.

This Standard should be applied in accounting for all leases other than:

(a) lease agreements to explore for or use natural resources, such as oil, gas, timber, metals and other mineral rights;

(b) licensing agreements for items such as motion picture films, video recordings, plays, manuscripts, patents and copyrights; and

(c) lease agreements to use lands

AS 20 Earnings per Share

The objective of this Standard is to prescribe principles for the determination and presentation of earnings per share which will improve comparison of performance among different enterprises for the same period and among different accounting periods for the same enterprise. The focus of this Standard is on the denominator of the earnings per share calculation. Even though earnings per share data has limitations because of different accounting policies used for determining 'earnings', a consistently determined denominator enhances the quality of financial reporting.

This Standard should be applied by all companies. However, a Small and Medium Sized Company, as defined in the Notification may not disclose diluted earnings per share (both including and excluding extraordinary items).

In consolidated financial statements, the information required by this Statement should be presented on the basis of consolidated information.

AS 21. Consolidated Financial Statements

The objective of this Standard is to lay down principles and procedures for preparation and presentation of consolidated financial statements. Consolidated financial statements are presented by a parent (also known as holding enterprise) to provide financial information about the economic activities of its group. These statements are intended to present financial information about a parent and its subsidiary (ies) as a single economic entity to show the economic resources controlled by the group, the obligations of the group and results the group achieves with its resources.

This Standard should be applied in the preparation and presentation of consolidated financial statements for a group of enterprises under the control of a parent.

This Standard should also be applied in accounting for investments in subsidiaries in the separate financial statements of a parent.

AS 22. Accounting for Taxes on Income

The objective of this Standard is to prescribe accounting treatment for taxes on income. Taxes on income is one of the significant items in the statement of profit and loss of an enterprise. In accordance with the matching concept, taxes on income are accrued in the same period as the revenue and expenses to which they relate. Matching of such taxes against revenue for a period poses special problems arising from the fact that in a number of cases, taxable income may be significantly different from the accounting income. This divergence between taxable income and accounting income arises due to two main reasons. Firstly, there are differences between items of revenue and expenses as appearing in the statement of profit and loss and the items which are considered as revenue, expenses or deductions for tax purposes. Secondly, there are differences between the amount in respect of a particular item of revenue or expense as recognised in the statement of profit and loss.

This Standard should be applied in accounting for taxes on income. This includes the determination of the amount of the expense or saving related to taxes on income in respect of an accounting period and the disclosure of such an amount in the financial statements.

AS 23. Accounting for Investments in Associates in Consolidated Financial Statements

The objective of this Standard is to set out principles and procedures for recognising, in the consolidated financial statements, the effects of the investments in associates on the financial position and operating results of a group.

This Standard should be applied in accounting for investments in associates in the preparation and presentation of consolidated financial statements by an investor.

AS 24. Discontinuing Operations

The objective of this Standard is to establish principles for reporting information about discontinuing operations, thereby enhancing the ability of users of financial statements to make projections of an enterprise's cash flows, earnings-generating capacity, and financial position by segregating information about discontinuing operations from information about continuing operations.

This Standard applies to all discontinuing operations of an enterprise.

The requirements related to cash flow statement contained in this Standard are applicable where an enterprise prepares and presents a cash flow statement.

AS 25. Interim Financial Reporting

The objective of this Standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in a complete or condensed financial statements for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an enterprise's capacity to generate earnings and cash flows, its financial condition and liquidity.

This Standard does not mandate which enterprises should be required to present interim financial reports, how frequently, or how soon after the end of an interim period. If an enterprise is required or elects to prepare and present an interim financial report, it should comply with this Standard.

AS 26. Intangible Assets

The objective of this Standard is to prescribe the accounting treatment for intangible assets that are not dealt with specifically in another Accounting Standard. This Standard requires an enterprise to recognise an intangible asset if, and only if, certain criteria are met. The Standard also specifies how to measure the carrying amount of intangible assets and requires certain disclosures about intangible assets.

This Standard should be applied by all enterprises in accounting for intangible assets, except: (a) intangible assets that are covered by another Accounting Standard; (b) financial assets1; (c) mineral rights and expenditure on the exploration for, or development and extraction of, minerals, oil, natural gas and similar non-regenerative resources; and (d) intangible assets arising in insurance enterprises from contracts with policyholders.

An intangible asset should be recognised if, and only if: (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and (b) the cost of the asset can be measured reliably.

An enterprise should assess the probability of future economic benefits using reasonable and supportable assumptions that represent best estimate of the set of economic conditions that will exist over the useful life of the asset.

AS 27. Financial Reporting of Interests in Joint Ventures

The objective of this Standard is to set out principles and procedures for accounting for interests in joint ventures and reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors.

This Standard should be applied in accounting for interests in joint ventures and the reporting of joint venture assets, liabilities, income and expenses in the financial statements of venturers and investors, regardless of the structures or forms under which the joint venture activities take place.

AS 28. Impairment of Assets

The objective of this Standard is to prescribe the procedures that an enterprise applies to ensure that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and this Standard requires the enterprise to recognise an impairment loss. This Standard also specifies when an enterprise should reverse an impairment loss and it prescribes certain disclosures for impaired assets.

This Standard should be applied in accounting for the impairment of all assets, other than: (a) inventories (see AS 2, Valuation of Inventories); (b) assets arising from construction contracts (see AS 7, Construction Contracts); (c) financial assets, including investments that are included in the scope of AS 13, Accounting for Investments; and deferred tax assets (see AS 22, Accounting for Taxes on Income).

AS 29. Provisions, Contingent Liabilities and Contingent Assets

The objective of this Standard is to ensure that appropriate recognition criteria and measurement bases are applied to provisions and contingent liabilities and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature, timing and amount. The objective of this Standard is also to lay down appropriate accounting for contingent assets.

This Standard should be applied in accounting for provisions and contingent liabilities and in dealing with contingent assets, except: (a) those resulting from financial instruments1 that are carried at fair value; (b) those resulting from executory contracts, except where the contract is onerous; (c) those arising in insurance enterprises from contracts with policyholders; and (d) those covered by another Accounting Standard.

NEED FOR CONVERGENCE WITH GLOBAL STANDARDS

The last decade has witnessed a sea change in the global economic scenario. The emergence of transnational corporations in search of money, not only for fuelling growth, but to sustain ongoing activities has necessitated raising of capital from all parts of the world, cutting across frontiers.

Each country has its own set of rules and regulations for accounting and financial reporting. Therefore, when an enterprise decides to raise capital from the markets other than the country in which it is located, the rules and regulations of that other country 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. Therefore, translation and re-instatements are of utmost importance in a world that is rapidly globalizing in all ways. In themselves also, the Accounting Standards and principle need to be robust so that the larger society develops degree of confidence in the financial statements, which are put forward by organizations.

International analysts and investors would like to compare financial statements based on similar Accounting Standards, and this has led to the growing support for an internationally accepted set of Accounting Standards for cross-border filings. The harmonization of financial reporting around the world will help to raise confidence of investors generally in the information they are using to make their decisions and assess their risks.

Also a strong need was felt by legislation to bring about uniformity, rationalization, comparability, transparency and adaptability in financial statements. Having a multiplicity of Accounting Standards around the world is against the public interest. If accounting for the same events and information produces different reported numbers, depending on the system of standards that are being used, it is self-evident that accounting will be increasingly discredited in the eyes of those using the numbers. It creates confusion, encourages error and facilitates fraud. The cure for these ills is to have a single set of global standards, of the highest quality, set in the interest of public. Global Standards facilitate cross-border flow of money, global listing in different bourses and comparability of financial statements.

The convergence of financial reporting and Accounting Standards is a valuable process that contributes to the free flow of global investment and achieves substantial benefits for all capital market stakeholders. It improves 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 reinstatement of financial statements. It has the potential to create a new standard of accountability and greater transparency, which are values of great significance to all market participants, including regulators. It reduces operational challenges for accounting firms and focuses their value and expertise around an increasingly unified set of standards. It creates an unprecedented opportunity for standard setters and other stakeholders to improve the reporting model. For the companies with joint listings in both domestic and foreign country, the convergence is very much significant.

INTERNATIONAL ACCOUNTING STANDARD BOARD (IASB)

With a view of achieving these objectives, the London-based group namely the International Accounting Standards Committee (IASC), responsible for developing International Accounting Standards, was established in June, 1973. It is presently known as International Accounting Standards Board (IASB). The IASC comprises the professional accountancy bodies of over 75 countries (including the Institute of Chartered Accountants of India). Primarily, the IASC was established, in the public interest, to formulate and publish, International Accounting Standards to be followed in the presentation of audited financial statements. International Accounting Standards were issued to promote acceptance and observance of International Accounting Standards worldwide. The members of IASC have undertaken a responsibility to support the standards promulgated by IASC and to propagate those standards in their respective countries.

Between 1973 and 2001, the International Accounting Standards Committee (IASC) released International Accounting Standards. Between 1997 and 1999, the IASC restructured their organization, which resulted in the formation of International Accounting Standards Board (IASB). These changes came into effect on 1st April, 2001. Subsequently, IASB issued statements about current and future standards: IASB publishes its Standards in a series of pronouncements called International Financial Reporting Standards (IFRS). However, IASB has not rejected the standards issued by the IASC. Those pronouncements continue to be designated as "International Accounting Standards" (IAS). The IASB approved IASB Resolution on IASC Standards at their meeting in April, 2001, in which it confirmed the status of all IASC Standards and SIC Interpretations in would come into effect on 1st April, 2001.

International Financial Reporting Standards (IFRS) as Global Standards

The term IFRS comprises IFRS issued by IASB, IAS issued by International Accounting Standards Committee (IASC), and Interpretations issued by the Standard Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

> International Financial Reporting Standards (IFRSs) are considered a "principles-based" set of standards. In fact, they establish broad rules rather than dictating specific treatments.

Every major nation is moving towards adopting IFRS to some extent. Large number of authorities requires public companies to use IFRS for stock-exchange listing purposes, and in addition, banks, insurance companies and stock exchanges may use them for their statutorily required reports. So over the next few years, thousands of companies will adopt the international standards. This requirement will affect about 7,000 enterprises, including their subsidiaries, equity investors and joint venture partners. The increased use of IFRS is not limited to public-company listing requirements or statutory reporting. Many lenders and regulatory and government bodies are looking to IFRS to fulfil local financial reporting obligations related to financing or licensing.

International Financial Reporting Standards comprise –

- 16-International Financial Reporting Standards (IFRS) – standards issued after 2001 by IASB.
- 24-International Accounting Standards (IAS) – standards issued before 2001 by IASC which are still valid.
- 12-Interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) after 2001.
- 4–interpretations issued by Standing Interpretations Committee (SIC) before 2001.

However, in practice IFRS is interchangeably used to denote individual Accounting Standards issued by IASB as well as International accounting principles collectively.

Following are some of the advantages of IFRS:

- It would facilitate increased comparability of financial information among companies operating in different countries.
- The financial reporting process would become more transparent.
- The standardization of accounting methodology provides creditors and investors with the ability to analyze businesses around the world using the same financial methods.
- It would also permit international capital to flow more freely.
- It would give investors a better understanding to the financial statements and assess the investment
- opportunities in other countries.
- It would also benefit the accounting professionals as they will be able to sell their services in the different parts of the world.

All these benefits of IFRS have prompted many countries to pursue convergence of national Accounting Standards with IFRS. India has also decided to facilitate the convergence of the Indian Accounting Standards with IFRS and in this direction all existing Accounting Standards are being revised and converged with corresponding IAS/ IFRS. Convergence of entire world towards IFRS would benefit the corporate sector, investors, regulators and facilitate economic growth as a whole.

Convergence with IFRS in India

Increasingly, Indian accountants and businessmen feel the need for convergence with IFRS. Capital markets provide an important explanation for this change. Some Indian companies are already listed on overseas stock exchanges and many more will list in the future. Internationally acceptable Accounting Standards are becoming the language of communication for Indian companies.

Also, the recent stream of overseas acquisitions by Indian companies makes a compelling case for adoption of high quality standards to convince foreign enterprises about the financial standing, as also the disclosure and governance standards of Indian acquirers. Convergence with IFRS would require several changes in Indian laws and decision processes.

In India, the Institute of Chartered Accountants of India (ICAI) is on the way towards convergence of its Standards with Global Standards. Divergences have been minimized to the maximum possible extent in the areas wherein full convergence is difficult. Recognizing the growing need of full convergence of Indian Accounting Standards with IFRSs, ICAI constituted a Task Force to examine various issues involved. Full convergence involves adoption of IFRSs in the same form as that issued by the IASB. While formulating the Accounting Standards, ICAI recognizes the legal and other conditions prevailing in India and makes deviations from the corresponding IFRSs.

WHY IFRS?

The IFRSs are important because of their following features:

a. Single set of Accounting Standards would enable internationally to standardize and assure better quality on a global screen.

b. It would also permit international capital to flow more freely, enabling companies to develop consistent global practices on accounting problems.

c. It would be beneficial to the regulators too, as the complexity associated with needing to understand various reporting regimes would be reduced.

d. For investors, it gives a better understanding to the financial statements and assess the investment opportunities other than their Home Country.

e. It also benefits the accounting professionals in a way that they will be able to sell their services in the different parts of world.

Indian GAAP (IGAAP)

Indian GAAP is a set of accounting standards that are specifically designed for the Indian context. GAAP stands for Generally Accepted Accounting Principles. Most Indian companies follow Indian GAAP while preparing their accounting records. When a company follows IFRS, it needs to provide a disclosure in the form of a note that it is complying with the IFRS. But for Indian GAAP, the disclosure of the statement isn't mandatory. When a company is said to follow the Indian GAAP, it's assumed that they're complying with the Indian GAAP to portray the true and fair view of their financial affairs.

DIFFERENCES (IFRS VS IGAAP)

	IFRS	**IGAAP**
First time adoption	Full retrospective application of IFRS to P&L Account and Balance Sheet. Reconciliation of P&L Account and Balance Sheet with respect of last year's reported numbers under previous GAAP.	No needs to prepare reconciliation on first time adoption.
Components of Financial Statements	Comprises of Balance Sheet, Profit and Loss A/c. Cash Flow Statement, changes in equity and accounting policy and notes to Accounts.	Comprises of Balance Sheet, Profit and Loss A/c. Cash Flow Statement (if applicable), and Notes to Accounts
Balance Sheet	No particular format, a current/non current presentation of assets and liabilities is used.	As per Format Prescribed in Schedule III for Companies, adherence to Banking Regulation for Banks, etc.
Income Statement	No particular format prescribed (IAS-1).	As per Format Prescribed in Schedule III (AS-1).
Cash Flow Statements	Mandatory for all entities (IAS-7).	Level 3 entities are exempted (AS-3).
Dividends	Liability to be recognized in the period when dividend is declared. (IAS-10).	Recognized as an appropriation against the profit, and recorded as liability at BS date even if declared subsequent to reporting period but before the approval of Financial statements (AS-4).
Cost of major repairs and overhaul expenditure on fixed assets	Recognized in carrying amount of the assets (IAS-16).	Expensed off. Only expenses which increases the FEB are to be capitalized. (AS-10).
Re-evaluation	Re-evaluation (if done) to be updated periodically so that carrying amount does not differ from fair value at the end period. Re-evaluation to be done for entire class of assets (IAS-16).	No specific requirement for re-evaluation. Re-evaluation can be done on systematic basis like for one location leaving aside the assets of other location. (AS-10).
Change in the method of depreciation	Considered as a change in accounting estimate. To Be applied prospectively. (IAS-16 and IAS 8).	Considered as change in accounting policy, retrospective computation and excess or deficit is adjusted in same period. Required to be disclosed (AS- 6).

Earnings Per Share	Disclosure to be made in only consolidated financials of the parent Co. (IAS-33).	Disclosure of EPS in both consolidated and separate financials (AS-20) .
Component Accounting	Required each major part of No such requirement (AS-10). PPE with a cost that is significant in relation to total cost, should be depreciated separately (IAS-16).	No such requirement (AS-10).
Intangible Assets	Intangible assets can have indefinite useful life and hence such assets are tested for impairment and not amortized.	There is no concept of indefinite useful life. Assets have definite life (usually 10 years).
Reporting Currency	Requires the measurement of profit using the functional currency. Entities may, however, present financial statements in a different currency (IAS- 21).	Schedule III to the Companies Act, 2013 specifies Indian Rupees as the reporting currency (AS-11).
Key Management Personnel (KMP)	Includes Executive as well as non executive directors (IAS-24).	Excludes non-executive directors (AS- 18).
Compensation to KMP	Disclosure to be made for total compensation such as short term employee benefits and post employment benefits.	AS-18 does not require the break-up of compensation cost.
Fringe Benefits Tax	Included as part of related expense (fringe benefit) which gives rise to incurrence of the tax.	Disclosed as a separate item after profit before tax on the face of the income statement.
Uniform Accounting Policies	Prepared using uniform accounting policies across all entities in a group. (IAS-27)	Policies may differ due to impracticability. (AS-21)
Disclosure of extra ordinary items	Prohibits such disclosure (IAS-1). No such term in IFRS	Disclosure to be made in notes (AS- 5)

LIST OF 39 IFRS

- IFRS 1-First time Adoption of International Financial Reporting Standards
- IFRS 2-Share Based Payments
- IFRS 3-Business Combinations
- IFRS 4-Insurance Contracts
- IFRS 5-Non-current Assets Held for Sale and Discontinued operations
- IFRS 6-Exploration for and Evaluation of Mineral Resources
- IFRS 7-Financial Instruments: Disclosures
- IFRS 8-Operating Segments

- IFRS 9-Financial Instruments
- IFRS 10-Consolidated Financial Statements
- IFRS 11-Joint Arrangements
- IFRS 12-Disclosure of Interests in other Entities
- IFRS 13-Fair Value Measurement
- IFRS 14-Regulatory Deferral Accounts
- IFRS 15-Revenue from Contracts with Customers
- IFRS 16-Leases
- IAS-1-Presentation of Financial Statements
- IAS-2- Inventories
- IAS-7- Statement of Cash Flows
- IAS-8- Accounting Policies, Change in Accounting estimates and Errors
- IAS-10- Events after balance sheet date
- IAS-12- Income Taxes
- IAS-16-Property, Plant and Equipments
- IAS-19- Employee Benefits
- IAs-20-Accounting for Govt. Grant and Disclosure of Govt. Assistance
- IAS-21- The Effect of Changes in Forex Rates
- IAS-23-BorrowingCosts
- IAS-24- Related Party Disclosures
- IAS-26- Accounting and reporting by retirement benefit plans
- IAS-27- Separate Financial Statements
- IAS-28- Investment in Associates and Joint Ventures
- IAS-29- Financial Reporting in Hyper inflationary Conditions
- IAS-32- Financial Instruments- Presentation
- IAS-33- Earnings Per Share
- IAS-34- Interim Financial Reporting
- IAS-36- Impairment of Assets
- IAS-37- Provisions, Contingent Liabilities and Contingent Assets
- IAS-38- Intangible Assets
- IAS-40-Investment Property
- IAS-41-Agriculture

LESSON ROUND-UP

- Accounting Standards (ASs) are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspects of recognition, measurement, presentation and disclosure of accounting transactions in the financial statements.
- The objective of general-purpose financial reporting is to provide financial information that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity.
- Two important characteristics of financial information relate to relevance and reliability
- Convergence of national Accounting Standards with International Financial Reporting Standards (IFRS) has gained worldwide momentum in recent years to ensure uniformity and transparency in reporting standards.
- India has started applying its Indian Accounting Standards (Ind AS) converged with IFRS in a phased manner beginning from April 1, 2016.

GLOSSARY

Accounting standards

Accounting standards may be defined as the written policy documents issued by an expert Accounting Body or Government or other regulatory bodies covering the aspects of recognition, measurement, presentation and disclosure of the transactions and other events in the financial statements.

Indian Accounting Standards (Ind AS)

Indian Accounting Standards (Ind AS) are another set of accounting standards notified by the Ministry of Corporate Affairs, Government of India which are converged with International Financial Reporting Standards (IFRS).

International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards (IFRSs) are considered a "principles-based" set of standards. In fact, they establish broad rules rather than dictating specific treatments.

IGAAP

Indian GAAP is a set of accounting standards that are specifically designed for the Indian context. GAAP stands for Generally Accepted Accounting Principles.

TEST YOURSELF

1. What is the need for Standards?
2. What is the process followed for setting Standards?
3. What are the advantages & limitations of Accounting Standards?
4. What is the need for convergence with IFRS?
5. What are the differences between IFRS, IGAAP & Ind AS?