

Accounting Standards in India

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Abstract: - Accounting Standards is used to standardize the diverse accounting policies and practices with a view to end to the extent possible the non-comparability of financial statements and the reliability to the financial statements. The institute of Chartered Accountants of India, recognizing the need to harmonize the diverse accounting policies and practices, constituted at Accounting Standard Board (ASB) on 21st April, 1977

Keywords— Accounting Standards

I. INTRODUCTION

Accounting or accountancy is the measurement, processing and communication of financial information about economic entities. It was established by the Italian mathematician Luca Pacioli, in 1494. Accounting, which has been called the "language of business", measures the results of an organization's economic activities and conveys this information to a variety of users including investors, creditors, management, and regulators. Practitioners of accounting are known as accountants. The terms accounting and financial reporting are often used as synonyms.

Accounting has variously been defined as the keeping or preparation of the financial records of an entity, the analysis, verification and reporting of such records and "the principles and procedures of accounting"; it also refers to the job of being an accountant.

Indian Accounting Standards (abbreviated as India AS) are a set of accounting standards notified by the Ministry of Corporate Affairs 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. Now India will have two sets of accounting standards viz. existing accounting standards under Companies (Accounting Standard) Rules, 2006 and IFRS converged Indian Accounting Standards (Ind AS). The Ind AS are named and numbered in the same way as the corresponding IFRS. NACAS recommend these standards to the Ministry of Corporate Affairs. The Ministry of Corporate Affairs has to spell out the accounting standards applicable for companies in India. As on date the Ministry of Corporate Affairs notified 39 Indian Accounting Standards (Ind AS). This shall be applied to the companies of financial year 2015-16 voluntarily and from 2016-17 on a mandatory basis. Based on the international consensus, the regulators will separately notify the date of implementation of AS Ind for the banks, insurance companies etc.

Standards for the computation of Tax would be notified separately

II. OBJECTIVE OF ACCOUNTING STANDARDS IN INDIA

Objective of Accounting Standards is to standardize the diverse accounting policies and practices with a view to eliminate to the extent possible the non-comparability of financial statements and the reliability to the financial statements.

The institute of Chartered Accountants of India, recognizing the need to harmonize the diverse accounting policies and practices, constituted at Accounting Standard Board (ASB) on 21st April, 1977.

Compliance with Accounting Standards issued by ICAI

Sub Section (3A) to section 211 of Companies Act, 1956 requires that every Profit/Loss Account and Balance Sheet shall comply with the Accounting Standards. 'Accounting Standards' means the standard of accounting recommended by the ICAI and prescribed by the Central Government in consultation with the National Advisory Committee on Accounting Standards (NACAS) constituted under section 210(1) of companies Act, 1956.

The basic objective of Accounting Standards is to remove variations in the treatment of several accounting aspects and to bring about standardization in presentation. They intend to harmonize the diverse accounting policies followed in the preparation and presentation of financial statements by different reporting enterprises so as to facilitate intra-firm and inter-firm comparison.

III. LIST OF INDIAN ACCOUNTING STANDARDS (IND ASS)

IND ASs are converged with International Financial Reporting Standards. Following is the list of IND ASs hosted on MCA's website. The date on which these come into force is yet to be notified.

- Ind AS 101 First-time Adoption of Indian Accounting Standards *
- Ind AS 102 Share based Payment *
- Ind AS 103 Business Combinations *
- Ind AS 105 Non current Assets Held for Sale and Discontinued Operations *

- Ind AS 106 Exploration for and Evaluation of Mineral Resources *
- Ind AS 107 Financial Instruments: Disclosures *
- Ind AS 108 Operating Segments *
- Ind AS 109 Financial Instruments *
- Ind AS 110 Consolidated Financial Statements
- Ind AS 111 Joint Arrangements *
- Ind AS 1 Presentation of Financial Statements *
- Ind AS 2 Inventories *
- Ind AS 7 Statement of Cash Flows *
- Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors *
- Ind AS 10 Events after the Reporting Period *
- Ind AS 11 Construction Contracts *
- Ind AS 12 Income Taxes *
- Ind AS 16 Property, Plant and Equipment *
- Ind AS 17 Leases *
- Ind AS 19 Employee Benefits *
- Ind AS 20 Accounting for Government Grants and Disclosure of Government Assistance *
- Ind AS 21 The Effects of Changes in Foreign Exchange Rates *
- Ind AS 23 Borrowing Costs *
- Ind AS 24 Related Party Disclosures *
- Ind AS 27 Consolidated and Separate Financial Statements *
- Ind AS 28 Investments in Associates *
- Ind AS 32 Financial Liability and Equity *
- Ind AS 33 Earnings per Share *
- Ind AS 34 Interim Financial Reporting *
- Ind AS 36 Impairment of Assets *
- Ind AS 37 Provisions, Contingent Liabilities and Contingent Assets *
- Ind AS 38 Intangible Assets *
- Ind AS 40 Investment Property *
- Ind AS 41 Agriculture

Accounting for Investments: It is the assets held for earning income by way of dividend, interest and rentals, for capital appreciation or for other benefits.

Accounting for Amalgamation: This accounting standard deals with accounting to be made in books of Transferee company in case of amalgamation. This accounting standard is not applicable to cases of acquisition of shares when one company acquires / purchases the share of another company and the acquired company is not dissolved and its separate entity continues to exist. The standard is applicable when acquired company is dissolved and separate entity ceased exist and purchasing company continues with the business of acquired company

Employee Benefits: Accounting Standard has been revised by ICAI and is applicable in respect of accounting periods commencing on or after 1st April 2006. the scope of the accounting standard has been enlarged, to include

accounting for short-term employee benefits and termination benefits.

Borrowing Costs : Enterprises are borrowing the funds to acquire, build and install the fixed assets and other assets, these assets take time to make them useable or saleable, therefore the enterprises incur the interest (cost on borrowing) to acquire and build these assets. The objective of the Accounting Standard is to prescribe the treatment of borrowing cost (interest + other cost) in accounting, whether the cost of borrowing should be included in the cost of assets or not.

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