A Study of International Accounting Standard and Indian Accounting Standard with Processing Of IRFS

DR. AMAN GUPTA

SHRI J J T UNIVERSITY, JHUNJHUNU

ABSTRACT

International Accounting Standards are developed by International Accounting Standards Committee (IASC) which was established in London in 1973. This committee is now renamed as International Accounting Standards Board (IASB). Professional accounting bodies of over 75 countries are comprised in IASC which also includes Institute of Chartered Accountants of India. The basic aim of IASC is the formulation and publishing of International Accounting Standards. There are standards issued by International Financial Reporting Standards (IFRS) involves IFRS issued by IASB. International Financial Reporting Standards (IFRSs) are a collection of principles based bunch of standards. In fact, broad rules are established by IFRs. The current paper highlights the international accounting standard and Indian accounting standard with processing of FIRS.

KEYWORDS: International, Accounting, Standard, FIRS

INTRODUCTION

Institute of Chartered Accountants of India (ICAI) develops generally accepted accounting practices (GAAP) as applicable in India. If a comparison is done between IFRS and Indian GAAP then it can be observed that the accounting standard of IFRS are much broader and are already accepted by 110 countries. On the other hand, Indian GAAP is narrow and is only followed in India only(1).

Consolidated financial statements need to be prepared by the companies in case of IFRS but India GAAP does not compel any company to generate any kind of consolidated financial statement. A type of disclosure related to the usage of IFRS needs to be admitted by the companies in case of IFRS but no kind of disclosure is required for Indian GAAP(2).

In case of IFRS, revenue plays an important role and is treated as fair tool for the financial statements but in the case of Indian GAAP, the revenue comes into play when charges are imposed on the products or services by the companies. For this purpose, a number of resources are used by the companies (3, 4).

According to IFRS, exchange rates are used for the conversion of the assets and liabilities of the company if functional currency is not used by the company. On the other hand, there is no need of any kind of functional currency in case of Indian GAAP as it is applicable for Indian companies only.

Individuals become involved with corrupt activities mainly due to greed and

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opportunism. At the organizational level, corruption may also be seen as a lack of proper policies and procedures, or, where there is excess discretion, insufficient supervision or inadequate publicity. From an even broader perspective, corruption can result from fundamental economic, political, and institutional causes(5,6).

Political corruption takes the form of accepting bribes, using state resources for personal gain, wastefulness, and extravagances paid for from public funds. In addition, patronage in the awarding of jobs or political positions, nepotism and irregularities in the granting of contracts, and the use of state resources in election campaigns were exposed.

It is important to look at the role of the ethical codes issued by professional accounting bodies in maintaining the highest standards of ethical behaviour in their members by being competent, and preserving their integrity and objectivity(7,8).

Financial statements not only define a company's financial performance, position and changes, but also describe "the size, health, structure and performance, in other words, the reality of an organization".

Further, the growing number of corporate scandals has increased concerns about ethics education in accounting internationally. This highly researched area continues to highlight the importance of providing accounting students with ethics education and training. However, the debate over the role of ethics education in accounting programs is ongoing in terms of its goal, content, and pedagogy.

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Each ethics course must have the objective of change, that is, to be a way of helping students understand and practice their positive, moral, and ethical dimensions as a fundamental part of their human character. The discussion also indicates that knowing how best to develop the ethical maturity of accountants is challenging when confronting ethical situations.

Organizational variables are defined as "characteristics of the decision setting (versus characteristics of the decision maker or the decision) that should influence the decision-making process and outcomes". Most ethical decision-making models recognize the importance of incorporating factors arising from the organizational or work environment.

In particular, the corporate goals, stated policy, and corporate culture of an organization are the factors arising from the work environment that influence decisions to act ethically or unethically (9, 10).

There are organizational context variables, including organization culture and ethics, rewards and sanctions, and executive leadership, influence ethical decision-making.

There is a corporate code of ethics as a "written, distinct, and formal document which consists of moral standards used to guide employee and/or corporate behaviour". Several ethical decision-making models incorporated codes of ethics into their models. In addition, many researchers have argued that ethical decision-making in organizations can be influenced by a corporate code.

In particular, many empirical researchers have suggested that the availability of a corporate code can guide employees, and that it is, thus, a necessary tool for an organization.

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However, several researchers argued that codes of ethics may of themselves not be adequate to ensure that individuals within organizations make ethical decisions.
The world is getting smaller and smaller, globalization has made it possible to accept the world as one market. For better understanding of the business reporting and consistency in accounting policies, there was an urgent need to align to one global accounting language. Application of a single set of accounting requirements would increase the comparability of different entities. This is the reason for more than 120 countries to follow global accounting standards i.e. International Financial Reporting Standards (IFRS).
The organization communicates its Financial Position using financial statements and reports. For any communication to be effective and efficient, the language must be the same. It will be difficult to communicate if the language is different i.e. comparing, analysing, etc. of Financial statements of different organisation will be difficult. The problem of uniform reporting of Financial Statement had overcome by introduction of common set of Standards known as Accounting Standards.
If the financial accounting process is not properly regulated, there is possibility of financial statements being misleading, tendentious and providing a distorted picture of the business, rather than the true state of affairs. In order to ensure transparency, consistency, comparability, adequacy and reliability of financial reporting, it is essential to standardize the accounting principles and policies.

DISCUSSION

Accounting standards are written policy documents issued by expert accounting body or by government or other regulatory body covering the aspects of recognition, measurement, treatment, presentation and disclosure of accounting transactions in the financial statements.
Every country has its own set of Local Accounting Standards for recognition, measurement, presentation & disclosure of financial statement.
In India, Local standards are known as Accounting Standards (AS) issued by Accounting Standard Board (ASB) in consultation with Institute of Chartered Accountants of India (ICAI).
IFRSs refers to the entire body of IASB pronouncements, including standards and interpretations approved by the International Accounting Standard Board (IASB) & IASs and SIC interpretations approved by the predecessor International Accounting Standards Committee (IASC)
Broadly, IFRS consist of,

1. 13 International Financial Reporting Standard (IFRS)
2. 28 International Accounting Standard (IAS)
3. 15 International Financial Reporting Interpretation committee (IFRIC) Interpretations
4. 9 Standard Interpretation Committee (SIC) Interpretation

Simply be put, IFRS are AS of the World.
The Accounting Standards (AS) issued by ICAI are prepared on the basis of the Indian environment, while International Financial Reporting Standards (IFRS) are prepared by

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considering the global environment as a whole. The Indian environment and Global environment are different which leads to a huge gap between AS issued by ICAI & IFRS issued by IASB. So as to bridge the gap between AS & IFRS, ICAI issued Indian Accounting Standard converged with IFRS (formally known as Ind AS)

Ind AS are set of accounting standards notified by Ministry of Corporate Affairs (MCA), converged with International Financial Reporting Standards (IFRS), these accounting standards are formulated by Accounting Standard Board (ASB) of Institute of Chartered Accountants of India (ICAI).

Convergence means alignment of the standards of different standard setters with a certain rate of compromise, by adopting the requirements of the standards either fully or partially.

Indian Accounting Standards are almost similar to IFRS but with few carve outs so as to make them suitable for Indian Environment.

CONCLUSION

As the convergence work is still going on, the practical application of IFRS converged standards are yet to come up. As such, problems in the post application periods cannot be denied and moreover, the types of such problems cannot be forecasted for certain, at this point of time. Hence, preparation of IFRS-converged standards is a challenge before the preparers both in India and outside.

If I could leave you with one thought, it will be that, I am one of those dreamers who would like to see, by the year 2020, India becoming an important financial hub like Hong Kong, New York or London. To make that happen, there are several important steps to be undertaken, one of them is having account standards that are exactly same as International Standard. Ind AS is no more an option; it is the need of the hour.

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