



A COMPARATIVE STUDY BETWEEN INTERNATIONAL ACCOUNTING STANDARD AND INDIAN ACCOUNTING STANDARD AND ITS PROCEDURE POSITION

Mr. Krushnavadan R. Parmar

*Assistant Professor – Commerce and Accountancy, College Of Computer and Management
Studies, Vadu- 382705, Gujarat*

Abstract

The widespread acceptance of International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) makes it timely to examine their technical determinants as well as their implications for the accounting profession and the process of accounting harmonization. In this respect, we suggest that the principles-based approach to the standards and its inner flexibility enables the application of IAS/IFRS to countries with diverse accounting traditions and varying institutional conditions. Furthermore, the principles-based approach involves major changes in the expertise held by accountants and, hence, in their educational background, training programs, and in the organizational and business models of accounting firms. Finally, we submit that the standards set by the IAS/IFRS constitute a step forward in the process of accounting harmonization, although there is still far to go in the comparability of accounting measures across countries and regions. In the paper we discourse to study of International Financial Reporting Standard & Indian Accounting Standard and understand the procedure for issue of International Financial Reporting Standard & Indian Accounting Standard.

Keyword: *International Accounting Standard, Indian Accounting standard, Procedure*



Scholarly Research Journal's is licensed Based on a work at www.srjis.com

INTRODUCTION

Accounting Standards are used as regulatory mechanisms for preparation of financial reports in almost all the countries of the world. Accounting Standard are written policy documents issued by expert accounting body or government or other regulatory body covering the aspects of recognition, measurement, treatment, presentation & disclosure of accounting transaction in the financial statement. Objective of accounting standard is to standardize the diverse accounting policies & practices with a view to eliminate to the extent the non-comparability of financial statements & add the reliability to the financial statements.

The rapid growth of international trade & Internationalization of firms create need of global harmonization of accounting standards as a company having presence in different countries has to prepare financial reports as per GAAP of the country where it operates. Under this global business environment, companies are in need of common accounting language in the

form of harmonized accounting standard across the world.

In India the Institute of Chartered Accountants of India (ICAI) has formed Accounting Standards Board (ASB) in 1977, upon which the responsibility was set to develop accounting standards to be issued and revised in the country from time to time. Though ASB is shaped by ICAI, it is independent in the formulation of accounting standards. ASB comprises members from various fields and organization and it also takes in to consideration customs, usages and business environment prevailing in the country while formulating the standards.

OBJECTIVES OF THE STUDY

- To study of International Financial Reporting Standard & Indian Accounting Standard.
- To understand the procedure for issue of International Financial Reporting Standard & Indian Accounting Standard.

RESEARCH METHODOLOGY

In the present study, descriptive research design was used. Data has been collected from secondary sources like Journals, Reports and website links.

PROCEDURES AFTER AN IFRS IS ISSUED

Setting the agenda: The IASB, by developing high quality financial reporting standards, seeks to address a demand for better quality information that is of value to those users of financial reports. When deciding whether a proposed agenda item will address users needs the IASB considers:

- The relevance to users of the information and the reliability of information that could be provided,
- Existing guidance available,
- The possibility of increasing convergence,
- The quality of the IFRS to be developed,
- Resource constraints.

New issues may also arise from a change in the IASB's Conceptual Framework for Financial Reporting. In addition, the IASB raises and discusses potential agenda items in the light of comments from other standard-setters and other interested parties, the IFRS Advisory Council and the IFRS Interpretations Committee, and staff research and other recommendations.

PLANNING THE PROJECT

When adding an item to its active agenda, the IASB decides whether to conduct the project alone or jointly with another standard-setter. Similar due process is followed under both approaches. When considering whether to add an item to its active agenda, the IASB may determine that it meets the criteria to be included in the annual improvements process. The IASB assesses the issue against criteria such as-

- Clarifying.
- Correcting.
- Well defined and sufficiently narrow in scope that the consequences of the proposed change have been considered.
- Completed on a timely basis, all criteria must be met to qualify for inclusion in annual improvements.

Once this assessment is made, the amendments included in the annual improvements process will follow the same due process as other IASB projects. The primary objective of the annual improvements process is to enhance the quality of IFRSs by amending existing IFRSs to clarify guidance and wording, or correcting for relatively minor unintended consequences, conflicts or oversights. After considering the nature of the issues and the level of interest among constituents, the IASB may establish a working group at this stage and a project team for the project will be selected. The project manager draws up a project plan under the supervision of the directors of the technical staff and the project team may also include members of staff from other accounting standard-setters, as deemed appropriate by the IASB.

DEVELOPING AND PUBLISHING

The discussion paper a discussion paper is not a mandatory step in the IASB s due process. Normally the IASB publishes a discussion paper as its first publication on any major new topic as a vehicle to explain the issue and solicit early comment from constituents. If the IASB decides to omit this step, it will state its reasons. Typically, a discussion paper includes a comprehensive overview of the issue, possible approaches in addressing the issue, the preliminary views of its authors or the IASB, and an invitation to comment.

This approach may differ if another accounting standard-setter develops the research paper. Discussion papers may result either from a research project being conducted by another accounting standard- setter or as the first stage of an active agenda project carried out by the IASB. If research has been performed by another accounting standard-setter, issues related to

the discussion paper are discussed in IASB meetings, and publication of such a paper requires a simple majority vote by the IASB. If the discussion paper includes the preliminary views of other authors, the IASB reviews the draft discussion paper to ensure that its analysis is an appropriate basis on which to invite public comments. For discussion papers on agenda items that are under the IASB's direction, or include the IASB's preliminary views, the IASB develops the paper or its views on the basis of Analysis drawn from staff research and recommendations, as well as suggestions made by the IFRS Advisory Council, working groups and accounting standard-setters and presentations from invited parties. All discussions of technical issues related to the draft paper take place in public sessions. When the draft is completed and the IASB has approved it for publication the discussion paper is published to invite public comment.

DRAFT THE IFRS

Publication of an exposure draft is a mandatory step in due process. An exposure draft is the IASB's main vehicle for consulting the public. Unlike a discussion paper, an exposure draft sets out a specific proposal in the form of a proposed IFRS (or amendment to an IFRS). The development of an exposure draft begins with the IASB considering issues on the basis of staff research and recommendations, as well as comments received on any discussion paper, and suggestions made by the IFRS Advisory Council, working groups and accounting standard-setters and arising from public education sessions. After resolving issues at its meetings, the IASB instructs the staff to draft the exposure draft. When the draft has been completed, and the IASB has balloted on it, with a minimum of nine votes necessary to publish an exposure draft, the IASB publishes it for public comment. An exposure draft contains an invitation to comment on a draft IFRS, or draft amendment to an IFRS, that proposes requirements on recognition, measurement and disclosures.

The draft may also include mandatory application guidance and implementation guidance, and will be accompanied by a basis for conclusions on the proposals and the alternative views of dissenting IASB members (if any). The IASB normally allows a period of 120 days for comment on an exposure draft. If the matter is exceptionally urgent, the document is short, and the IASB believes that there is likely to be a broad consensus on the topic, the IASB may consider a comment period of no less than 30 days, but it will set such a short period only after formally requesting and obtaining prior approval from 75 per cent of the Trustees. The project team collects summaries and analyses the comments received for the IASB's deliberation. After the comment period ends, the IASB reviews the comment letters

Copyright © 2017, Scholarly Research Journal for Interdisciplinary Studies

received and the results of other consultations. As a means of exploring the issues further, and soliciting further comments and suggestions, the IASB may conduct field visits, or arrange public hearings and round-table meetings.

DEVELOPING AND PUBLISHING THE STANDARD

The development of an IFRS is carried out during IASB meetings, when the IASB considers the comments received on the exposure draft. Changes from the exposure draft are posted on the website. After resolving issues arising from the exposure draft, the IASB considers whether it should expose its revised proposals for public comment, for example by publishing a second exposure draft. If the IASB decides that re-exposure is necessary, the due process to be followed is the same as for the first exposure draft. As it moves towards completing a new IFRS or major amendment to an IFRS, the IASB prepares a project summary and feedback statement.

The analysis will therefore attempt to assess the likely effects of the new IFRS on:

- The financial statements of those applying IFRSs.
- The possible compliance costs for preparers.
- The costs of analysis for users.
- Identifying how the data have been measured and adjusting data for the purposes of including them in, for example, a valuation model.
- The comparability of financial information between reporting periods for an individual entity and between different entities in a particular reporting period, and
- The quality of the financial information and its usefulness in assessing the future cash flows of an entity.

AFTER THE STANDARD IS ISSUED

After an IFRS is issued, IASB members and staff hold regular meetings with interested parties, including other standard-setting bodies, to help understand unanticipated issues related to the practical implementation and potential impact of its provisions. The IFRS Foundation also fosters educational activities to ensure consistency in the application of IFRSs. The IASB carries out a post-implementation review of each new IFRS or major amendment. This is normally carried out two years after the new requirements have become mandatory and been implemented.

PRESENTATION OF FINANCIAL STATEMENT

Companies Act requires preparation of

- Balance Sheet.
- Profit & Loss Account.
- Notes to Accounts
- Statement of Financial Position (Balance Sheet)
- Income Statement (Profit & Loss Account)
- Statement of Changes in Equity (SOCIE)
- Statement of Cash flows.
- Notes comprising a summary of significant accounting policies & other explanatory information.
- Statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statement.

CORRECTION OF ERRORS

IFRS prescribes if error occurred before the earliest prior period presented, the opening balances of assets, liabilities and equity for the earliest prior period presented are restated. Whereas, Indian GAAP prescribes if errors occurred then restatement is not required. The effect of correction is included in current year income statement with separate disclosure.

CONCLUSION

International financial Reporting Standard focuses on quality, reliability & relevancy aspects of the information to all its users all over the globe while setting a new standard. Harmonization of Accounting Standard is a need to create & develop global economy. Harmonisation will result into true & fair presentation of financial statement that can be easily accessible to all the potential users including potential investors. IFRS provided detailed guideline for presentation of financial statement & it gives more insights about the financial information of the entity so that investor can compare it with other entity to find out best investment option. For MNC s adoption of IFRS will result into reduction in the cost of preparation of financial statement & also overcome the difficulty of consolidation of financial statements working in different country.

REFERENCES

- Barth, E., Landsmann, R., Lang, H. 2007. *International accounting standards and accounting quality. Research Paper, Stanford University, USA.*
- Botsari, A., Meeks, G. 2008. *Do acquirers manage earnings prior to share for share bid? J. Business Finance. Account., 35: 633 670.*
- Bradshaw, M., Mark, T., Miller, G. 2008. *Will harmonizing accounting standards really harmonize accounting? J. Account. Audit. Finance, 6: 148 161.*
- The value relevance of accounting income reported by DAX- 30, German companies. J. Int. Financial Manag. Account., 18(3): 611 641.*
- La Porta, R. 1998. *Law and Finance. J. Political Economy, 106: 1113 1155.*
- www.iasplus.com/en/standards/ias –
- www.ifrs.org/About-us/IASB
- en.wikipedia.org/wiki/Indian_Accounting_Standards