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A STUDY ON INDIAN ACCOUNTING STANDARDS(INDAS):AN OVERVIEW

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ABSTRACT: The demand for accounting uniformity has been on the rise in recent decades. Additionally, many countries are expanding their multi-product enterprises. However, differences in financial reporting and accounting standards pose obstacles and hinder economic comparisons at the international level. To address this issue, the International Accounting Standard Board (IASB) introduced the concept of unified accounting standards known as International Financial Reporting Standards (IFRS). Only a few countries worldwide have embraced this revolution and attempted to align with IFRS standards. This article focuses on Indian Accounting Standards (IND AS) and their alignment with IFRS, exploring various aspects of IND AS.

Keywords: IFRS convergence, International Accounting Standards Board IASB, International Financial Reporting Standards IFRS, Indian accounting standard IND.- AS, MCA

I.INTRODUCTION

Indian AS is an accounting standard that has been accepted by Indian companies and is published under the guidance of the International Accounting Standards Board (IASB). The IASB was established as a commission in 1977 and operates under the supervision of the Institute of Chartered Accountants of India (ICAI). The ICAI includes experts from various fields such as academia, ministries, and professional bodies like ASSOCHAM, CII, and FICCI. Indian AS is named and numbered in a similar manner to International Financial Reporting Standards (IFRS). The National Advisory Committee on Accounting Standards (NACAS) proposed these standards to the Ministry of Corporate Affairs (MCA). Currently, the MCA has notified 41 Indian AS, which were implemented voluntarily for businesses in the 2015-16 financial years and will be mandatory for businesses in 2016-17.

The implementation date of Indian-AS for insurance companies, banks, and other entities will be separately notified by the regulators, based on international consensus. Tax accounting standards were notified as ICDS in February 2015.

Accounting Standards (AS)

Accounting Standards (AS) serve as guidelines for key operating principles in the field of accounting. Their primary objective is to ensure the liquidity, reliability, accuracy, consistency, and comparability of financial statements. This is achieved by establishing standardized accounting principles and policies within a nation or economy. Consequently, adherence to accounting standards ensures that all business transactions are recorded in a uniform manner. Accounting standards primarily address four key aspects of accounting, namely:

- Identifying financial events,
- Measuring financial transactions,
- Presenting financial statements in a fair manner, and ensuring that companies fulfill their duty to provide accurate information to stakeholders.

IASB (International Accounting Standards Board)

The IASB, an autonomous organization in the private sector, is responsible for endorsing the International Financial Reporting Standards (IFRS). Operating under the oversight of the IFRS Foundation, the IASB was founded in 2001 as a replacement for the International Accounting Standards Committee (IASC).

MCA (Ministry of Corporate Affairs) IFRS (International Financial Reporting Standard)

IFRS, also known as International Financial Reporting Standards, is a collection of accounting standards that are released by an independent organization called the International Accounting Standards Board (IASB). The main objective of IFRS is to establish a global framework for the creation and disclosure of financial statements by publicly traded companies. Instead of imposing specific reporting regulations, IFRS offers general principles and guidelines for the preparation of financial statements.

The Ministry of Corporate Affairs (MCA) is an official department of the Government of India. Its primary focus is on the Companies Act, 2013, Companies Act, 1956, Companies Act, 2008, and other associated laws, rules, and regulations that are designed to govern the legal operations of the business industry. The MCA plays a crucial role in overseeing and regulating service and industrial companies across India.

Indian AS (Indian Converged Accounting Standards with IFRS)

India has made significant efforts to establish a global standing in the field of financial reporting practices by adopting the International Financial Reporting Standards (IFRS). This process, referred to as the alignment of Indian Accounting Standards with IFRS, has led to the introduction of the revised Indian Accounting Standards, now known as IND-AS, by the esteemed Institute of Chartered Accountants of India (ICAI).

II.OBJECTIVES OF THE STUDY

- Understand the basics of GAAP, IFRS and IND AS.
- To examine the positive and negative results of convergence with GAAP and IFRS.
- Determine how long the approach is fruitful for India.

III.RESEARCH METHODS

The main nature of this study is descriptive. This study is based on secondary data. This information is collected by reviewing various types of literature such as books, journals, magazines, ICAI and IFRS websites and reports etc. published on the internet.

Convergence process in India

India had previously agreed to adopt IFRS within the G20 group, but simultaneously, it is evaluating international accounting standards. Nevertheless, India has encountered difficulties in determining the convergence between its own accounting standards and the international ones. To address this issue, the Institute of Chartered Accountants of India (ICAI) has played a crucial role in establishing and implementing consistent accounting standards across the country. The initial attempt to implement IFRS occurred in 2011, with the announcement of 35 uniform accounting standards. However, due to certain tax legislation concerns, the Ministry of Enterprise decided to postpone the introduction of IND AS at that time.

INDIAN AS implementation roadmap

As per the declaration made by the esteemed Minister of Finance in July 2014 regarding the implementation of standardized accounting practices, the Ministry of Enterprise (MKM) has declared on February 16, 2015 that the adoption of IND AS will occur in a phased manner. The first phase will be implemented during the financial year 2015-2016 on a voluntary basis. In the subsequent phase, starting from 2016-2017, it will become mandatory for companies with a net worth exceeding Rs 500 crore and listed on Indian stock exchanges. Finally, in 2017-2018, it will be mandatory for all companies with a net worth exceeding Rs 250 crore.

Why approach IFRS?

One might wonder why the approach of adopting IFRS is not preferred, considering that if India were to directly adopt IFRS, any future amendments to IFRS would not be applicable in India due to the presence of multiple regulatory bodies. Implementing IFRS standards would require a complete overhaul of regulations, which could potentially disrupt the entire business sector of the country.

Positive results of the approach to IFRS

- IFRS serves as a calculation framework that facilitates the comparison of financial statements for both domestic and international investors. This is achieved by ensuring that there are no discrepancies in the reported numbers.
- In order to tap into the global market, Indian companies need to expand their operations internationally and secure affordable sources of financing from foreign capital markets.
- This can be made possible by adhering to IFRS standards, which opens up opportunities after fulfilling regulatory requirements. The adoption of IFRS also enhances the visibility of knowledgeable and well-educated accounting professionals, both nationally and globally.
- However, it is important to acknowledge that the process of harmonizing with IFRS requires significant time and financial resources from companies and entities in the service sector, ultimately impacting the country's economy.
- Furthermore, convergence to IFRS introduces complexities for companies and entities, particularly in relation to the valuation of assets and liabilities through the introduction of concepts like fair value and current value.
- Lastly, it is crucial to consider the challenges faced by medium-sized business entities, as the transition to IFRS can be overwhelming for them, especially considering the sudden impact of Indian GAAP and Ind.- AS

IV.CONCLUSION

The impact of something, whether positive or negative, is determined by people's thoughts and perceptions. While the alignment of Indian accounting standards with IFRS may have a negative effect, it is important to acknowledge the potential benefits it can bring to India. This move is crucial for enhancing India's international reputation and increasing visibility for its economy on the global stage. To ensure the successful implementation of harmonized accounting standards, the country needs to make concerted efforts. The Institute of Chartered Accountants of India (ICAI) should take the lead in organizing seminars and workshops to educate accounting professionals about the new challenges and motivations of international business convergence. Building trust and garnering support from professionals in the field is a key responsibility of the ICAI, as it plays a vital role in the development of accounting professionals in India. By prioritizing intention and ethical practices, India can pave the way for successful convergence in the field of accounting.

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