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Accounting Standards

Accounting Standards are norms of accounting policies and practices by way of codes or guidelines. Accounting Standards are different from generally accepted accounting principles (GAAP). (GAAP) provides a number of alternative treatments of the same item. But Accounting Standards narrow down the areas of differences in accounting principles and provides solution to specific issues. Accounting Standards can be summarised as:

Accounting Standards (i). are the policy documents, (ii). Issued by the recognised expert Accountancy body, (iii). Related to various aspects of measurement, treatment and disclosure of accounting transactions and events.

Need for Accounting Standards

Accounting standards provide a basis to resolve potential financial conflicts, if any, between various groups. Accounting standards are needed to ensure uniformity in the preparation and presentation of financial statements.

Purpose of Accounting Standards

The main purpose of accounting standard is to provide information to the users of financial statements as to the basis on which financial statements have been prepared.

1. To provide the norms on the basis of which financial statements should be prepared.
2. To ensure uniformity in the preparation and presentation of financial statements by removing the effect of diverse accounting practices.
3. To make financial statements more meaningful, reliable and comparable.
4. To resolve potential financial conflicts of interest between various groups.
5. To help auditors in the audit of accounts.

Types of Accounting Standards

1. Disclosure standards
2. Presentation standards
3. Content standards
4. Voluntary compliance standards
5. Government standards
6. Privately set standards

Indian Accounting Standards

The ICAI and the ICWA of India are both members of the international accounting standards committee. On 22nd April, 1977, the council of Institute of Chartered Accountants established an Accounting Standard Boards (ASB). The main function of ASB is to formulate accounting standards so that such standards will be established by the council of Institute of Chartered Accountants.

Indian Accounting Standards in the initial years are recommendatory but latter on become mandatory.

Following are accounting standards issued in India by the Institute of Chartered Accountants of India (ICAI):

- AS1. Disclosure of accounting policies.
- AS2. Valuation of inventories
- AS3. Cash flow statements
- AS4. Contingencies and events occurring after the balance sheet date
- AS5. Net profit or loss for the period
- AS6. Depreciation accounting
- AS7. Accounting for constructions contracts
- AS8. Accounting for research and development
- AS9. Revenue recognition
- AS10. Accounting for fixed assets
- AS11. Accounting for the effects of change in foreign exchange rates
- AS12. Accounting for government grants
- AS13. Accounting for investments
- AS15. accounting for retirement benefits in the financial statements of employers
- AS16. Borrowing costs.
- AS17. Segment reporting
- AS18. Related party disclosure as
- AS19. Leases
- AS20. Earnings per share

AS21. Consolidated financial statements
AS22. Accounting for taxes on income
AS23. Accounting for investments in consolidated financial statements
AS24. Discontinuing operations
AS25. Interim financial reporting
AS26. Intangible assets
AS27. Financial reporting of interest in joint venture
AS28. Impairment of assets
AS29. Provisions, contingent liabilities and contingent assets
AS30. Financial instrument: recognition and measurement
AS31. Financial instrument: presentation
AS32. Financial instrument: disclosures

Main things which are to be evaluated are as follows:

1. The risk factor of financial instruments to was the entity
2. The significance of financial instruments towards entity's financial position and performance.

Accounting standards also bring about greater transparency in the disclosures related to financial instruments.

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Long answer type question:

1. What are accounting standards? State their objects and types.
2. Give the summary of accounting standards issued by the Institute of Chartered Accountants of India.

Short answer type question:

1. What are the purposes of accounting standards?
2. Explain AS-6 and AS-14.
3. Give the name of any five accounting standards in India.

References:

- *Financial Accounting- Dr. S.M Shukla, Sahitya Bhawan Publication, Agra*
 - *Financial Accounting- Karim and Khanuja, SBPD Publishing House, Agra*
- *Advanced Accountancy-R.L Gupta and M. Radhaswami, S.Chand & Sons, New Delhi*

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