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Accounting Standards

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ABSTRACT

Accounting standards ensure the comprehensive disclosure of the corporate's accountability, which may be regarded as a prime issue and a pre requisite for good Corporate Governance. An examination of practices of accounting standards, and their issues in Indian industry may help to understand the existing practices of accounting standards, which in turn help in designing the effective standard practices so as to ensure good Corporate Governance.

Keywords : History and Development of Accounting Standards , Composition of the Accounting Standards Board , Indian Accounting Standards , Corporate Governance and accounting standard

Introduction:
The accounting profession came to realize that the major changes to business and commerce that came along with the later third of the twentieth century led to the need to upgrade book keeping, accounting and accounting reporting requirements. Consequently, we now have the accounting profession itself, an accounting standard setting body and the International Accounting Standards Board.

The old ways of selective and conservative reporting is yielding place to more transparent and voluntary disclosures, in tune with the changing times. Therefore, there is no alternative to adopting by the corporate entities of new standards of accountability, where the accountability is largely a matter of disclosure, of transparency, of explaining a company's activities to those to whom the company has responsibilities. i. e. the disclosure in simple, understandable and comparable form, forms clearly the basis for accountability, which can be provided only if companies adopt uniform accounting policies and disclose adequate information about the accounting standards.

What is Accounting Standards ?

--- Accounting standerds are the subject of guidlines issued by the Institute of Chartered Accountant of india in respect of financial transactions.

--- A common standard for accounting and reporting. Accounting Standards contain the principles governing accounting practices and determine the appropriate treatment of financial transactions.

History and Development of Accounting Standards:
Accounting has been around since the beginning of civilization. Accountants participated in the development of cities, trade, and the concepts of wealth and numbers. The importance of accounting cannot be overemphasized. Equally important are the standards used to guild the application of accounting practice. Without principles and standards, financial reporting would not fairly present the financial position of a company. Accounting has changed and evolved vastly over time and continues to change. I will discuss the evolution and history of accounting, the Conceptual frame work of accounting, and the governing bodies which shape the standards and principles of accounting practice. The beginning of civilization occurred during the transition from hunter-gatherer to farmer. Farming led to crop surplus and therefore the need to trade and barter. Jericho, the oldest city known to historians was the first known trading center for surplus goods. Personal wealth created the need to keep track of inventories. Ancient bookkeepers used small clay balls called tokens to count and keep track of existing wealth. These tokens were used as evidence of transactions. Over time, the tokens were used to make impressions in clay along with pictures which represented the first attempts at accounting. Evidence suggests that double entry bookkeeping developed in Italy around 1200 B.C. The first book written on double entry bookkeeping was written by Luca Pacioli in 1494. (Smith) Pacioli was referred to as the father of accounting, but he did not actually invent the system he described. He simply wrote about the business practices used by merchants in Venice at the time. Many of his writings were used for several centuries. With the development of technology, wealth, and trade came the need to adequately account for the complexity involved.

Composition of the Accounting Standards Board:
The composition of the ASB is broad-based with a view to ensuring participation of all interestgroups in the standard-setting process. These interest-groups include industry, representatives of various departments of government and regulatory authorities, financial institutions and academic and professional bodies. Industry is represented on the ASB by their apex level associations, viz., Associated Chambers of Commerce & Industry (ASSOCHAM), Confederation of Indian Industries (CII) and Federation of Indian Chambers of Commerce and Industry (FICCI). As regards government departments and regulatory authorities, Reserve Bank of India, Ministry of Company Affairs, Comptroller & Auditor General of India, Controller General of Accounts and Central Board of Excise and Customs are represented on the ASB. Besides these interest-groups, representatives of academic and professional institutions such as Universities,

Indian Accounting Standards:
AS 1 Disclosure of Accounting Policies
AS 2 Valuation of Inventories
AS 3 Cash Flow Statements
AS 4 Contingencies and Events Occurring after the Balance Sheet Date
AS 5 Net Profit or Loss for the Period, Prior Period Items and Changes in
Accounting Policies
AS 6 Depreciation Accounting
AS 7 Construction Contracts
AS 8 Accounting for Research and Development (Withdrawn pursuant to
AS 26 becoming mandatory)

AS 9 Revenue Recognition
AS 10 Accounting for Fixed Assets
AS 11 The Effects of Changes in Foreign Exchange Rates
AS 12 Accounting for Government Grants
AS 13 Accounting for Investments
AS 14 Accounting for Amalgamations
AS 15 Employee Benefits
AS 16 Borrowing Costs
AS 17 Segment Reporting
AS 18 Related Party Disclosures
AS 19 Leases
AS 20 Earnings Per Share
AS 21 Consolidated Financial Statements
AS 22 Accounting for Taxes on Income
AS 23 Accounting for Investments in Associates in Consolidated Financial Statements
AS 24 Discontinuing Operations
AS 25 Interim Financial Reporting
AS 26 Intangible Assets
AS 27 Financial Reporting of Interests in Joint Ventures
AS 28 Impairment of Assets
AS 29 Provisions, Contingent Liabilities and Contingent Assets
AS 30 Financial Instruments: Recognition and Measurement
AS 31 Financial Instruments: Presentation

Corporate Governance and accounting standard:
In recent years, the Indian economy has undergone a number of reforms, resulting in a more market-oriented economy. Particularly, after the Government of India has taken steps towards liberalization and globalization of the economy, the size of Indian corporates is becoming much bigger and accordingly the expectations of various stakeholders are also increasing, which can be satisfied only by the good Corporate Governance. The importance of good Corporate Governance has also been increasingly recognized for improving the firm's competitiveness, better corporate performance and better relationship with all stakeholders because of which the Indian Corporates have obliged to reform their principles of Governance. For that purpose, Indian companies will now be required to make more and more elaborate disclosures than have been making hitherto, for which they are also required to adhere to the uniform and proper accounting standards, as the standards reduce discretion, discrepancy and improves the utility of the disclosure.

Here, the Corporate Governance is a voluntary, ethical code of business concerned with the morals, ethics, values, parameters, conduct and behavior of the company and its management. Thus, the Corporate Governance is a system of accountability primarily directed towards the shareholders in addition to maximizing the shareholders' welfare, where the debate on disclosure/ transparency issues of Corporate Governance eventually centres around the proper accounting standards, their practices and issues, as the application of accounting standards give a lot of confidence to the corporate management and the disclosure would be more effective and ensure the good Corporate Governance .

Accounting Standard in India:
In any country, the awareness and competitiveness among the corporates would be strengthened when they understand each other and compare their performance, for which the simple, understandable and comparable disclosure is an important instrument. The main objective of disclosure would be fulfilled and the utility of the disclosure towards good Corporate Governance would be improved when the disclosure is done on the basis of uniform and consistent accounting standards. Thus, the development and the practice of uniform accounting standards is an essential essence of Corporate Governance, for which various bodies have been thinking to strengthen the standards to make the Corporate Governance more effective in the context of the changing corporate environment and contributed their wisdom. The Institute of Chartered Accountants of India (ICAI), which is an Apex Body for the development of accountancy in India, has been working for the adoption and improvement of accounting standards. In order to frame the uniform accounting standards the ICAI became an associate member of International Accounting Standards Committee (IASC) in April, 1974. Recognizing the need to hormonise the diverse accounting practices prevalent in India and to integrate them with the global practices, the Accounting Standards Board (ASB) was constituted in April 1977 by ICAI. Inview of liberalization of Indian economy in recent times, faster integration between Indian and International Accounting Standards (IAS) is warranted to have the benefits of foreign investments.

GAAP and Accounting Standards:
Generally accepted accounting principles (GAAP) are the basis of financial accounting and reflect federal financial accounting standards. GAAP is important to US firms.

GAAP is a collection of methods used to process, prepare, and present public accounting information. GAAP is overall very general in its methods, as it needs to be somewhat applicable to many different types of industries. GAAP can be principle-based or specific technical requirements. Due to the fact that in many instances it is flexible and general, most industries in the United States are expected to follow GAAP principles.

Although different organizations contribute to GAAP, the Financial Accounting Standards Board (FASB) is the main contributor to GAAP. This is done through one of four categories of methods which differ on method and level of importance. FASB is an organization that has been granted the authority to establish generally accepted accounting principles (GAAP) by the Securities and Exchange Commission (SEC).

Objectives and Impact of Accounting Standards:
The basic purpose of accounting standards is to facilitate the provision of financial information about entities to enable investors, analysts, creditors and the entities themselves to make informed decisions about the allocation of resources. Accounting standards are essentially about disclosure and, in many respects, are at the heart of market efficiency. Clearly, while accounting standards assist preparers of financial statements by providing a framework within which to construct the statements, their prime importance is to assist users of the statements to make meaningful assessments about the financial position of an entity. Users of financial statements range from directors to investors, through to credit rating agencies.

Effective financial reporting, which is essential to investor confidence, can only be achieved if it is underpinned by relevant and well designed accounting standards. As the detail of financial reporting requirements is increasingly being left by legislation to be filled in by accounting standards, the importance of accounting standards is becoming accentuated. Accounting standards facilitate both the efficient day-to-day operations of individual business entities and contribute to the efficient operation of capital markets. At the firm level, accounting standards improve the accountability of individual business enterprises and their managements to investors and creditors. By promoting accurate reporting, accounting standards assist the management of a business entity to maximise the wealth of the entity and to put in place effective and efficient corporate governance arrangements. At a broader level, accounting standards are central to the provision of accurate, transparent and reliable information to the market as a whole.

Conclusion:
In this regard, a well informed market will generally be an efficient one.Accounting standards that result in the provision of accurate and comparable information about the true financial performance and position of business. The statement aims at providing better understanding on classification of cost for preparation of various cost statements required for statutory obligations or cost control measures. The objective of this Standard is to prescribe the classification of costs for ascertainment of cost of a product or service and preparation of cost statements on a consistent and uniform basis with a view to effect the comparability of the same of an enterprise with that of previous periods and of other enterprises.