

Star Rating

On the basis of Maximum marks from a chapter

Nil

On the basis of Questions included every year from a chapter

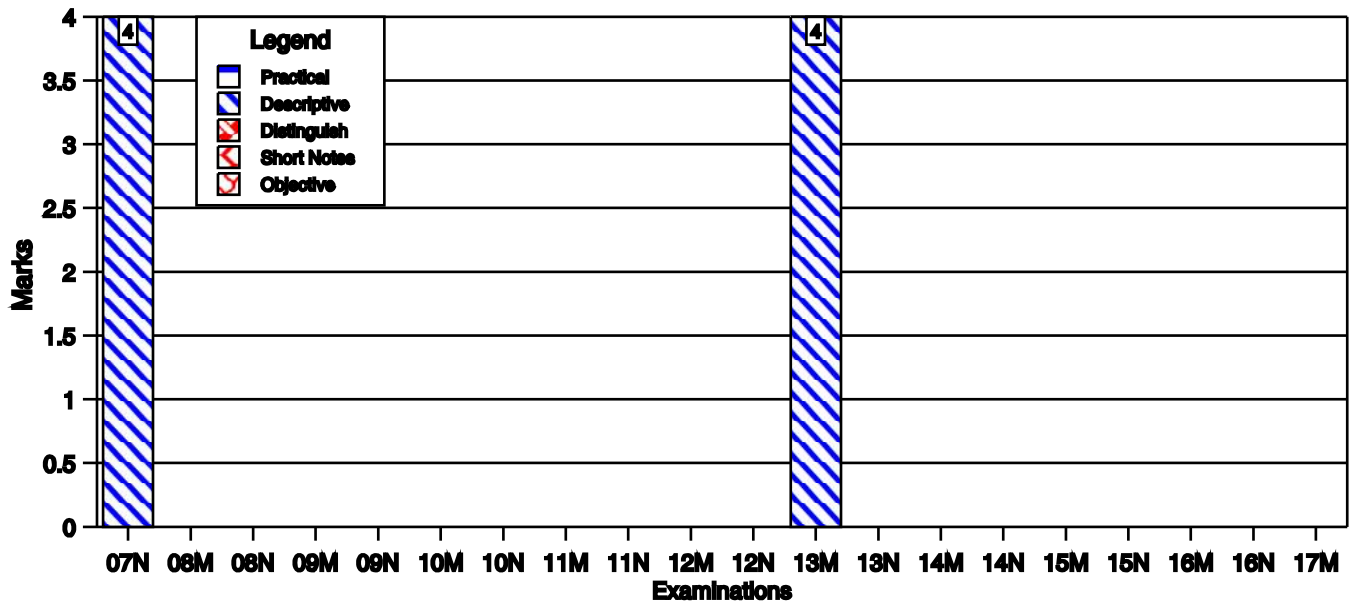
Nil

On the basis of Compulsory questions from a chapter

Nil

CHAPTER	Introduction to Accounting Standards
1	
THIS CHAPTER COMPRISES OF	
<p>☞ Standards Setting Process ☞ Benefits of Accounting Standards ☞ Status of Accounting Standards ☞ International Accounting Standard Board</p> <p>☞ International Financial Reporting Standards as Global Standards</p> <p>☞ Convergence to IFRS in India ☞ Significance of Indian Accounting Standards ☞ Carve OUTS/INS in IND AS ☞ List of IND AS</p>	

Marks of Objective, Short Notes, Distinguish Between, Descriptive & Practical Questions



Bloom's Taxonomy (BT)

Keeps You Ahead During Learning

Basis On Which Questions Are Asked In Your Exam. So Learn In a Proper, Systematic & Scientific Way.	Low Level Thinking Skills	Level 1: Knowledge Level 2: Comprehension
	High Level Thinking Skills	Level 3: Application Level 4: Analysis Level 5: Synthesis Level 6: Evaluation

Focus:

Analysis of this chapter on the basis of Bloom's Taxonomy

Questions asked in your exam from this chapter are basically based on Low Level Thinking Skill. However, some question requires Synthesis skill along with Low Level Skill.

▶ DESCRIPTIVE QUESTIONS

2007 - Nov [6]

Based on BT's Level 1

Answer the following:

- (e) List the criteria to be applied for rating an enterprise as Level-I enterprise for the purpose of Compliance of Accounting Standards in India.

(4 marks)

Answer :

Enterprises which fall in any one or more of following categories are classified as level I Enterprise –

1. Enterprises, whose equity or debt securities are either listed or are in the process to be listed in India or outside India.
2. Banks, Insurance Companies and Financial institutions.
3. All commercial, industrial and other reporting business enterprises, whose **total turnover** during the previous year **exceeds ₹ 50 crores** (as per the audited financial statement).
4. All commercial, industrial and other reporting business enterprises, whose **total borrowings including public deposits** during the previous year **exceeds ₹ 10 crores** (as per audited financial statement).

5. Holding or subsidiary company of any of the above enterprises any time during the year.

KZ - 1	Knowledge Zone
<p>Level II Enterprise:</p> <ol style="list-style-type: none"> All commercial, industrial and other reporting business enterprises, whose total turnover during the previous year exceeding ₹ 1 crore but does not exceed ₹ 50 crores (as per the audited financial statement). All commercial, industrial and other reporting business enterprises, whose total borrowings including public deposits during the previous year exceeds ₹ 1 crore but not exceeds ₹ 10 crores (as per the audited financial statement). Holding or subsidiary company of any of the above enterprises any time during the year. <p>Level III Enterprises: All the enterprises not covered in two levels (i.e. Level I & II Enterprises) come under this level.</p>	

2013 - May [7]

Based on BT's Level 1

Answer the following:

(e) What are the issues, with which Accounting Standards deal? (4 marks)

Answer :

Accounting Standards deal with the issues of:

- Recognition** of events and transactions in the financial statements,
- Measurement** of these transactions and events,
- Presentation** of these transactions and events in the financial statements in a manner that is meaningful and understandable to the reader, and
- Disclosure** requirements which should be there to enable the public at large and the stakeholders and the potential investors in particular, to get an insight into what these financial statements are trying to reflect and thereby facilitating them to take prudent and informed business decisions.

KZ - 2	Knowledge Zone
<p>Basic Objective of Accounting Standards</p> <p>The main objective of AS is to harmonise the diverse accounting policies and practices. However, harmonisation does not mean that AS should become very rigid. In fact, harmonisation of AS permits flexibility to make the necessary adjustments to suit their purpose.</p>	

▶ SHORT NOTES

2008 - Dec [2] (a)

Based on BT's Level 1

Write short note on the following :

- Objectives of international accounting standards.

(3 marks) [CS Exe - I]

Answer :

Objectives of International Accounting Standards : The objectives of the International Accounting Standard are to improve and to harmonise company reporting around the world. Basically the IAS has two objectives:

1. To formulate and publish International Accounting Standards.
2. To promote their worldwide acceptance and observation.

With regard to the first objectives the IAS issues financial accounting standards on specific problems concerning elementary as well as sophisticated accounting issues. As to the second objective, to promote worldwide acceptance and observation of the IAS, the IASC has no inherent authority to do this and instead relies on its members organisations, who have pledged to use their best efforts to have the standard adopted by their national authoritative standards setting bodies.

2010 - June [2] (a)

Based on BT's Level 1

Write short note on the following:

- (i) Non-acceptability of International Accounting Standards

(3 marks) [CS Exe - I]

Answer :

Non acceptability of International Accounting Standard : Accounting practices in different countries are different due to there different legislative requirement, social and economic condition, long standing practices, tax structure and organized professional accounting. Whenever multinational company have different way of working than national company, and of due to this. Worldwide contradiction of views have been noticed in the national standard setting bodies and international bodies. There is a glaring diversity in accounting practices in different countries which require harmonization for evolving uniform accounting standard for world wide application.

The above discussed factors are the basic reason for non-acceptability of International Accounting Standard throughout the world.

DESCRIPTIVE QUESTIONS

2008 - June [2] (a)

Based on BT's Level 1, 2 & 5

“Accounting standards are formulated in conformity with the provisions of the applicable laws, customs, usages and business environment of a country.” Comment. (5 marks) [CS Inter - I]

Answer :

Every effort is made to issue accounting standards which are in conformity with the provisions of the applicable laws, customs, usages and business environment of our nation.

However, if due to subsequent amendments in the law, a particular accounting standard is found to be not in conformity with such law, the provision of the said law will prevail and the financial statements should be prepared in conformity with such law.

The accounting standards by their very nature cannot and do not override the local regulations which govern the preparation and presentation of financial statements in our country.

However, the Institute of Chartered Accountants of India will determine the disclosure requirements to be made in the financial statements and auditor's reports. Such disclosure may be by way of appropriate notes explaining the treatment of particular items. Such explanatory notes will only be

in the nature of clarification and therefore, need not be treated as adverse comments on the related financial statements.

The accounting standards are intended to apply to items which are material. Any limitations with regard to the applicability of a specific standard will be made clear by the Institute from time to time. The Institute will use its best endeavours to persuade the Government, appropriate authorities, industrial and business community to adopt these standards in order to achieve uniformity in the presentation of financial statements. In formulation of Accounting Standards, the emphasis would be on laying down accounting principles for application and implementation thereof.

2009 - Dec [4] (c)

Based on BT's Level 1 & 2

“Accounting Standards are mandatory for all companies.” Comment.

(3 marks) [CS Exe - I]

Answer :

Central Government to prescribe Accounting Standards

According to **Sec. 133** of Companies Act, 2013, the Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted under Sec. 3 of the Chartered Accountants Act, 1949, in consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Accounting Standard are mandatory and applicable to all companies while preparing financial statement of the company.

Where the financial statement of the company do not comply with the accounting standard, such companies shall disclose in its financial statement the following :

1. the deviation from the accounting standard;
2. the reasons for such deviation; and
3. the financial effect, if any, arising due to such deviation.

2013 - Dec [2] (e)

Based on BT's Level 1

State the objectives of the Accounting Standards Board.

(3 marks) [CS Exe - I]

Answer:

Objectives of the Accounting Standards Board:

1. To conceive and suggest areas in which Accounting Standards need to be developed.
2. To formulate Accounting Standards with a view to assisting the council of the ICAI in evolving and establishing Accounting Standards in India.
3. To examine how far the relevant International Accounting Standards/ International Financial Reporting Standard can be adapted while formulating the AS and to adapt the same.
4. To review, at regular intervals the Accounting Standards from the point of view of acceptance or changed conditions and if necessary revise the same.
5. To provide from time to time interpretations and guidance on Accounting Standards..
6. To carry out such other functions relating to Accounting Standards.

2015 - June [2] (a)

Based on BT's Level 1 & 2

Explain the convergence of Indian Accounting Standards (IAS) with International Financial Reporting Standards (IFRS).

(3 marks) [CS Exe - II]

Answer:**Applicability:**

Companies which are not required to follow Ind AS shall continue to comply with Accounting Standards ('AS') as prescribed in Companies (Accounting Standards) Rules, 2006.

Highlights of the notified Companies (Indian Accounting Standard) Rules, 2015 is provided below:

Applicability of Ind AS:

The Companies and their Auditors shall comply with the Ind AS specified in the Annexure to the Rules in preparation of their Financial Statements (FS) and Audit respectively, in the following manner;

1. Voluntary adoption (for FY 2015-16):

Any company may comply with the Ind AS for Financial Statements for accounting periods beginning on or after 1st April 2015, with the comparatives for the periods ending on 31st March 2015, or thereafter. This option is also available to companies whose securities are listed or are in the process of being listed on Small and Medium Enterprises ('SME') exchange.

2. Mandatory adoption:

(i) **From FY 2016-17:** Companies satisfying following criteria are required to comply with the Ind AS for or the accounting periods beginning on or after 1st April 2016, with the comparatives for the periods ending on 31st March 2016, or thereafter.

- (a) Companies whose Equity or Debt Securities are listed or are in the process of being listed on any stock exchange in India or outside India and having Net Worth (NW) of ₹ 500 crore or more.
- (b) Unlisted Companies (i.e. other than those mentioned in (a) above) having NW of ₹ 500 crore or more.
- (c) Holding, Subsidiary, Joint Venture/Associate Companies of Companies covered in (a) and (b) above.

(ii) **From FY 2017-18:** Companies satisfying following criteria are required to comply with the Ind AS for or the accounting periods beginning on or after 1st April 2017, with the comparatives for the periods ending on 31st March 2017, or thereafter:

- (a) Companies whose Equity or Debt Securities are listed or are in the process of being listed on any stock exchange in India or outside India and having NW of less than ₹ 500 crore.
- (b) Unlisted Companies having NW of ₹ 250 crore or more but less than ₹ 500 crore.
- (c) Holding, Subsidiary, Joint Venture/Associate Companies of Companies covered in (a) and (b) above.

Ind AS once required to be complied with in accordance with these rules, shall apply to both standalone financial statements (SFS) and consolidated financial statements (CFS).

2016 - June [2] (b)

Based on BT's Level 1

State the functions of National Financial Reporting Authority to provide for matters relating to accounting and auditing standards.

(3 marks) [CS Exe - II]

Answer:

Functions of National Financial Reporting Authority:

1. Make recommendations to the Central Government on the formulation and laying down of accounting and auditing policies and standards for adoption by companies or class of companies or their auditors, as the case may be;
2. monitor and enforce the compliance with accounting standards and auditing standards in such manner as may be prescribed;
3. oversee the quality of service of the professionals associated with ensuring compliance with such standards, and suggest measures required for improvement in quality of service and such other related matters as may be prescribed;
4. The Central Government may prescribe the standards of accounting or any addendum thereto, as recommended by the Institute of Chartered Accountants of India, constituted in consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

KZ - 1	Knowledge Zone
Meaning and Objective of Ind AS	
Meaning	
Ind AS are Accounting Standard notified by Ministry of Corporate Affairs in line with Interpretation Financial Reporting Standards. Ind AS have wide range of coverage as compared to existing Accounting Standards. More Principal based as compared to existing AS.	
Objective	
<ul style="list-style-type: none"> (i) Reliable, Consistent and uniform financial reporting is important part of good corporate governance practices worldwide. (ii) To enhance the credibility of the businesses in the eyes of investors to take informed investment decisions. (iii) According to G-20 commitment given by India, the process of convergence of Indian of Corporate Affairs through wide ranging consultative exercise with all the stakeholders. 35 Indian Accounting Standard has been notified by Ministry of Corporate Affairs. 	
How Ind AS are different from IFRSs	
<ul style="list-style-type: none"> • In order to the uniform Accounting Policies & Procedures almost all the countries have agreed to apply International Financial Reporting Standards (IFRSs). • India has also agreed to apply IFRSs. But the name of these IFRSs has been converged as Ind AS. So Ind - AS are not different from IFRSs. 	

KZ - 2	Knowledge Zone	
Comparative Analysis of Ind AS and Existing Standard.		
	Indian Accounting Standards [Ind AS]	Existing Accounting Standards
1	Ind AS 101	First-time Adoption of International Financial
		—

		Reporting Standards		
2	Ind AS 102	Share-based Payments	—	
3	Ind AS 103	Business Combinations	AS 14	Amalgamations
4	Ind AS 104	Insurance Contracts	—	
5	Ind AS 105	Non-current Assets Held for Sale and Discontinued Operations	AS 24	Discontinuing Operations
6	Ind AS 106	Exploration for and Evaluation of Mineral Resources	—	
7	Ind AS 108	Operating Segments	AS 17	Segment Reporting
8	Ind AS 1	Presentation of Financial Statements	AS 1	Disclosure of Accounting Policies
9	Ind AS 2	Inventories	AS 2	Inventory valuation
10	Ind AS 7	Cash Flow Statements	AS 3	Cash Flow Statements
11	Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors	AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
12	Ind AS 10	Events after the Reporting Date	AS 4	Contingencies and Events Occurring after the BS date
13	Ind AS 11	Construction Contracts	AS 7	Construction Contracts
14	Ind AS 12	Income Taxes	AS 22	Accounting for Taxes on Income
15	Ind AS 16	Property, Plant and Equipment	AS 10	Property, Plant and Equipment
16	Ind AS 17	Leases	AS 19	Leases
17	Ind AS 18	Revenue	AS 9	Revenue Recognition
18	Ind AS 19	Employee Benefits	AS 15	Employee Benefits
19	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance	AS 12	Accounting for Government Grants
20	Ind AS 21	The Effects of Changes in Foreign Exchange Rates	AS 11	The Effects of Changes in Foreign Exchange Rates
21	Ind AS 23	Borrowing Costs	AS 16	Borrowing Costs
22	Ind AS 24	Related Party Disclosures	AS 18	Related Party Disclosures
23	Ind AS 27	Consolidated and Separate Financial Statements	AS 21	Consolidated Financial Statements
24	Ind AS 28	Investments in Associates	AS 23	Accounting for Investments in Associates in the Consolidated Financial Statements

25	Ind AS 29	Financial Reporting in Hyper-inflationary Economics	—	
26	Ind AS 31	Interests in Joint Ventures	AS 27	Financial Reporting of Interests in Joint Ventures.
27	Ind AS 33	Earnings Per Share	AS 20	Earnings Per Share
28	Ind AS 34	Interim Financial Reporting	AS 25	Interim Financial Reporting
29	Ind AS 36	Impairment of Assets	AS 28	Impairment of Assets
30	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets	AS 29	Provisions, Contingent Liabilities and Contingent Assets
31	Ind AS 38	Intangible Assets	AS 26	Intangible Assets
32	Ind AS 40	Investment Property	—	

KZ - 3

Knowledge Zone

Comparative Study of IFRS and Ind AS

Sr. No.	Name	Issued (reissued)	IFRS	Corresponding Indian Accounting Standard (Ind AS)
	International Financial Reporting Standards			
1	First-time Adoption of International Financial Reporting Standards	2008	IFRS 1	Ind AS 101
2	Share-based Payment	2004	IFRS 2	Ind AS 102
3	Business Combinations	2008	IFRS 3	Ind AS 103
4	Insurance Contracts	2004	IFRS 4	Ind AS 104
5	Non-Current Assets held for Sale and Discontinued Operations	2004	IFRS 5	Ind AS 105
6	Exploration for and Evaluation of Mineral Assets	2004	IFRS 6	Ind AS 106
7	Financial Instruments: Disclosures	2005	IFRS 7	Ind AS 107
8	Operating Segments	2006	IFRS 8	Ind AS 108
9	Financial Instruments	2014	IFRS 9	Ind AS 109
10	Consolidated Financial	2011	IFRS 10	Ind AS 110

	Statements			
11	Joint Arrangements	2011	IFRS 11	Ind AS 111
12	Disclosure of Interests in Other Entities	2011	IFRS 12	Ind AS 112
13	Fair Value Measurement	2011	IFRS 13	Ind AS 113
14	Regulatory Deferral Accounts	2014	IFRS 14	Ind AS 114

KZ - 4**Knowledge Zone****Overview of Applicability of Ind AS in Different Areas**

1		First Time Adoption of Indian Accounting Standards
	Ind AS 101	First time adoption of Indian Accounting Standards
2		Presentation of Financial Statements
	Ind AS 1 Ind AS 7 Ind AS 8 Ind AS 10 Ind AS 33 Ind AS 34	Presentation of Financial Statements Statement of Cash Flows Accounting Policies, Changes in Accounting Estimates and Errors Events after the Reporting Period Appendix A: Distributions of Non-Cash Asset to Owners Earning per share Interim Financial Reporting Appendix A: Interim Financial Reporting and Impairment
3		Assets
	Ind AS 2 Ind AS 16 Ind AS 38 Ind AS 40 Ind AS 23 Ind AS 17	Inventories Property, Plant and Equipment Appendix A: Changes in Existing Decommissioning, Restoration and Similar Liabilities Appendix B: Stripping Costs in the Production Phase of a Surface Mine Intangible Assets Appendix A: Intangible Assets: Website Costs Investment Property Borrowing Cost Leases Appendix A: Operating Leases - Incentives Appendix B: Evaluating the Substance of Transactions involving the legal form of a lease Appendix C: Determining whether an arrangement contains a lease Impairment of Assets Non-Current Assets held for Sale and Discontinued Operations

	Indn AS 36 Ind AS 105 Ind AS 20	Government Grants Appendix A: Government Assistance: No Specific relation to Operating Activities
4		Liabilities and Expenses
	Ind AS 12 Ind AS 19 Ind AS 37 Ind AS 102	Income Taxes Appendix A: Income Taxes: Changes in the Tax Status of an Entity or its Shareholders Employee Benefits Appendix B: The Limit on a Defined benefit Asset, Minimum Funding Requirements and their interaction Provisions, Contingent Liabilities and Contingent Assets Appendix A: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds Appendix B: Liabilities arising from participating in a specific market-waste electrical and electronic equipment Appendix C: Levies Share based payments
5		Incomes
	Ind AS 115	Omitted vide Companies (Indian Accounting Standard) (Amendment) Rules, 2016
6		Financial Instruments
	Ind AS 32 Ind AS 107 Ind AS 109 Ind AS 113	Financial Instruments: Presentation Financial Instruments: Disclosure Requirement Financial Instruments Appendix C: Hedges of a Net Investment in a Foreign Operation Appendix D: Extinguishing Financial Liabilities with Equity Instruments Fair Value Measurement
7		Industry/Economy Standards
	Ind AS 21 Ind AS 29 Ind AS 41 Ind AS 114 Ind AS 104 Ind AS 106	The effects of changes in Foreign Exchange Rates Financial Reporting in Hyperinflationary Economies Appendix A: Applying the Restatement approach under Ind AS 29 Agriculture Regulatory Deferral Accounts Insurance Contracts Exploration for and Evaluation of Mineral Resources



8		Business Combination and Consolidation
	Ind AS 110 Ind AS 27 Ind AS 28 Ind AS 111 Ind AS 112 Ind AS 103	Consolidated Financial Statements Separate Financial Statements Investments in Associates and Joint Ventures Joint Arrangements Disclosure of Interests in Other Entities Business Combinations
9		Disclosure Standard
	Ind AS 24 Ind AS 108	Related Party Disclosures Operating Segments