

ACCOUNTING STANDARD



Meaning of Accounting Standard

- Accounting standards are the policy documents issued by the recognised expert accountancy body relating to various aspects of measurement ,treatment and disclosure of accounting transactions and events . These standards are in conformity with applicable law customs, usage and business environment in the country

Accounting standards in india

- 1977 Institute of Chartered Accountants of India (ICAI) constituted Accounting standard board (A.S.B.)
- A.S.B. formulate the standards after taking into consideration the applicable laws, customes,usages and business Environment

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- As-1: Disclosure of Accounting policies
 - AS-2: Valuation of inventories
 - AS-9: Revenue Recognition

Nature

- 1) self regulation on the part of business organisations
- 2) Publishing the use of Accounting standard
- 3) Avoidance of duplication of authority

Objectives

- ❑ To standardise the diverse accounting policies
- ❑ To standardise the accounting practices
- ❑ To eliminate non-comparability of financial statements
- ❑ To enhance reliability of financial statements

- Compliance
- Need and importance
- Advantages:
 - 1) Standards removes to a considerable extent variations in accounting treatment in preparation of financial statements
 - 2) standards call for disclosure of information beyond that required by law
 - 3) it facilitates comparison of financial statement of different companies

Advantages

- Transparency
- Guidance
- Provide a benchmark
- Maintain uniformity
- Uniform discloser
- Maintain business records
- Improve reliability of financial statements
- Help the professionals
- Determination of accountability

Disadvantages


- There may be rigidity in application of accounting standards
- There may be differences in the accounting standards of different countries
- The standards are required to be framed within the scope of law

As-1: Disclosure of Accounting policies

- Areas:
- Method of depreciation
- Treatment of expenditure during construction
- Conversion or translation of foreign currency items
- Valuation of inventories
- Valuation of investment
- Treatment of retirement of retirement benefits
- Valuation of fixed Assets
- Treatment of contingent liability

AS-2: Valuation of inventories (Stock)

- Inventory
- Special Features: 1) Tangible, Intangible Assets
2) consider fixed and variable overheads
3) apply WAM
- Applicability : Revised 1 April 2016
All enterprise

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- Measurement of Inventory
 - 1) measurement of cost
 - 2) measurement of net realisable value
 - Comparison between the cost and net realisable value

AS-9:Revenue Recognition

- Revenue is gross inflow of cash, receivable or other consideration arising in the course of ordinary activities of the reporting entity from sale of goods, rendering of services, and from the use of entity's resources by other yielded interest, dividend and royalties