INTERNATIONAL ACCOUNTING STANDARDS – AN OVERVIEW

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Abstract:
Accounting is the language of business. The language must convey the same
meaning to all the users of accounting information. Financial statements are prepared to
ascertain the financial results of business operations and financial position of the
organisation at the end of the accounting period. They are utilized by different groups of
persons in a variety of ways. They, however, cannot provide credible and consistent
information which are essential for comparing the organization’s performances over a
period of time or comparing performances of two similar organizations, due to the varying
accounting alternatives available to deal with accounting situations. In order to
standardize the diverse accounting practices followed for many aspects of accounting and
to make the information given in the financial statements reliable and comparable, it is
necessary to observe some principles, procedures or rules for preparing the financial
statements. It is the function of ‘Accounting Standards’ to prescribe accepted accounting
principles and procedures, so that credible financial statements of the highest quality can
be achieved. In this paper an attempt is made to know about the need for accounting
standards, and to highlight the overview about International Accounting Standards.

Key Words: Accounting, Accounting Standards, International Accounting Standards,
Financial Statements & IAS

Introduction:
Accounting is the language of business. The language must convey the same
meaning to all the users of accounting information. Accounting communicates the
financial results of organizations for a specific period to the various interested parties
associated with the organisation in the form of ‘Financial Statements’.

Financial statements are prepared to ascertain the financial results of business
operations and financial position of the organisation at the end of the accounting period. They are utilized by different groups of persons in a variety of ways. They are prepared from the books of accounts and other records maintained by the organisation. They, however, cannot provide credible and consistent information which are essential for comparing the organization’s performances over a period of time or comparing performances of two similar organizations, due to the varying accounting alternatives available to deal with accounting situations. In order to standardize the diverse accounting practices followed for many aspects of accounting and to make the information given in the financial statements reliable and comparable, it is necessary to observe some principles, procedures or rules for preparing the financial statements. It is the function of ‘Accounting Standards’ to prescribe accepted accounting principles and procedures, so that credible financial statements of the highest quality can be achieved.

Accounting Standards:
Accounting standards provides a framework for the preparation of financial
statements. They are stated to be norms of accounting policies and practices by way of
codes or guidelines to direct as to how the items, which go to make up the financial
statements should be treated in accounts and disclosed in the annual reports. They are
set in the form of general principles, the application of which is left to the professional
judgement. An accounting standard may be regarded as a sort of law, a guide to action, a settled ground or basis of conduct or practice of accounting.

**Objectives of Accounting Standards:**

The main objectives of accounting standards are to bring about uniformity in financial reporting and to ensure consistency and comparability in the data published by companies.

**Criteria of Accounting Standards:**

- The accounting standards must satisfy the following two criteria, viz.,
  - A standard must provide a generally understood and accepted measure of the phenomena of company.
  - A standard should significantly reduce the amount of manipulation of the reported numbers which is likely to occur in the absence of the standard.

**Need for Accounting Standards:**

- Preparation and presentation of accounts by different organizations can be made uniform with the help of accounting standards.
- Accounting standards can ensure that common principles and practices are followed in maintenance, finalization and presentation of accounts.
- Accounting standards can create general sense of confidence by providing ‘Structural framework’ within which credible financial statements can be produced. The framework includes the system of financial measurement and disclosure.
- Accounting standards are needed to ensure that the financial statements present a true and fair picture of the position and progress of the enterprise by making the presentation of the statements consistent with that used in the past by the enterprise.
- Accounting standards are needed to achieve ‘comparability’ of the presentation of financial statements with those of other similar organizations.
- Accounting standards are needed to draw ‘boundaries’ within which conduct and practices are acceptable.

**International Accounting Standards:**

The International Accounting Standards Committee (IASC) and the International Federation of Accountants Committee were established to achieve world wide acceptance, uniformity and meaning in matters of accounting. Of these two, the most prominent for accounting standards, International Accounting Standards Committee (IASC) was established in June 1973 as a result of an agreement by accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherland, United Kingdom, Ireland and United States of America. The number of members of IASC is 153 professional bodies in 112 countries. The business of IASC is done by a Board comprising representatives of 16 member countries. It is responsible for developing and approving International Accounting Standards.

The following objectives have been set out in the constitution of International Accounting Standards Committee (IASC):

- To formulate and publish, in the public interest, accounting standards to be observed in the presentation of financial statements and to promote their world wide acceptance and observance; and
- To work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements.
The International Accounting Standards Committee has, so far issued the following International Accounting Standards:

<table>
<thead>
<tr>
<th>IAS No.</th>
<th>Accounting Standard Name</th>
<th>Issued Year</th>
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<tbody>
<tr>
<td>IAS – 1</td>
<td>Presentation of financial statements</td>
<td>2007</td>
</tr>
<tr>
<td>IAS – 2</td>
<td>Inventories</td>
<td>2005</td>
</tr>
<tr>
<td>IAS – 4</td>
<td>Depreciation Accounting (withdrawn in 1999)</td>
<td>1976</td>
</tr>
<tr>
<td>IAS – 5</td>
<td>Information to be disclosed in Financial Statements (Superseded by IAS-1 effective 1st July 1998)</td>
<td>1976</td>
</tr>
<tr>
<td>IAS – 6</td>
<td>Accounting responses to changing prices (Superseded by IAS-15, which was withdrawn December 2003)</td>
<td>1992</td>
</tr>
<tr>
<td>IAS – 7</td>
<td>Cash Flow Statements</td>
<td></td>
</tr>
<tr>
<td>IAS – 8</td>
<td>Profit or Loss for the period, fundamental errors and changes in accounting policies</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 9</td>
<td>Accounting for Research and Development activities (Superseded by IAS-38, effective 1st July 1999)</td>
<td></td>
</tr>
<tr>
<td>IAS – 10</td>
<td>Events after the Balance Sheet date</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 11</td>
<td>Construction contracts (will be superseded by IFRS 15 as of 1st January,2018)</td>
<td>1993</td>
</tr>
<tr>
<td>IAS – 12</td>
<td>Income Taxes</td>
<td>1996</td>
</tr>
<tr>
<td>IAS – 13</td>
<td>Presentation of Current Assets and Current Liabilities (Superseded by IAS -1, effective 1st July, 1998)</td>
<td></td>
</tr>
<tr>
<td>IAS – 14</td>
<td>Segment reporting (Superseded by IFRS 8 effective 1st January,2009)</td>
<td>1997</td>
</tr>
<tr>
<td>IAS – 15</td>
<td>Information reflecting the effects of changing prices (Withdrawn December 2003)</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 16</td>
<td>Property, Plant and Equipment</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 17</td>
<td>Leases (will be superseded by IFRS 16 as of 1st January,2019)</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 18</td>
<td>Revenue (will be superseded by IFRS 15 as of 1st January,2018)</td>
<td>1993</td>
</tr>
<tr>
<td>IAS – 20</td>
<td>Accounting for Government Grants and Disclosures of Government Assistance</td>
<td>1983</td>
</tr>
<tr>
<td>IAS – 21</td>
<td>The effects of changes in Foreign Exchange Rates</td>
<td>2003</td>
</tr>
<tr>
<td>IAS – 22</td>
<td>Business Combinations (Superseded by IFRS 3 effective 31st March 2004)</td>
<td></td>
</tr>
<tr>
<td>IAS – 23</td>
<td>Borrowing costs</td>
<td>2007</td>
</tr>
<tr>
<td>IAS – 24</td>
<td>Related party disclosures</td>
<td>2009</td>
</tr>
<tr>
<td>IAS – 25</td>
<td>Accounting for Investments (Superseded by IAS-39 &amp; IAS-40 effective 2001)</td>
<td></td>
</tr>
<tr>
<td>IAS – 26</td>
<td>Accounting and Reporting for Retirement benefit plans</td>
<td>1987</td>
</tr>
<tr>
<td>IAS – 27</td>
<td>Consolidated and separate financial statements (Superseded by IFRS 10, IFRS 12 and IAS 27 (2011) effective 1st January,2013)</td>
<td>2003</td>
</tr>
</tbody>
</table>
IAS – 28  Accounting for investments in Associates (Superseded by IAS 28(2011) and IFRS 12 effective 1st January 2013) 2003
IAS – 29  Financial reporting in Hyper inflationary Economies 1989
IAS – 30  Disclosures in the Financial statements of Banks and similar financial Institutions (Superseded by IFRS 7 effective 1st January 2007) 1990
IAS – 31  Financial reporting of interests in Joint ventures (Superseded by IFRS 11 and IFRS 12 effective 1st January, 2013) 2003
IAS – 32  Financial instruments: Disclosures and presentation 2003
IAS – 33  Earnings Per Share 2003
IAS – 35  Discontinuing operations (Superseded by IFRS 5 effective 1st January,2005) 1998
IAS – 36  Impairment of Assets 2004
IAS – 38  Intangible Assets 2004
IAS – 39  Financial instruments: Recognition and measurement (Superseded by IFRS 9 effective 1st January, 2018 where IFRS 9 is applied) 2016
IAS – 40  Investment property 2003
IAS - 41  Agriculture 2001

Conclusion:
The Accounting standards are helpful to investors to evaluate the yield and risk involved in alternative investments in different companies and different countries. Today investors in the equity of any company may be from any part of the world. The Accounting standards will assist the Public Accountants to deal with their clients by furnishing rules of authority which the accountants have to follow in their task of preparing the financial statements on a ‘true and fair’ basis. This makes the accountants...
ensure commitments and integrity in profession. Accounting standards enhance the standard of audit itself in its task of reporting on the financial statements. Government officials and others consider the accounting reports prepared in accordance with established accounting standards are reliable and acceptable. The financial statements prepared by observing establishing accounting standards are found to be fit for the purpose of analyses and inter preparation by analysts, researchers and consultants for economic forecasting and planning.

References: