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COMPARATIVE STUDY of I.F.R.S AND INDIAN ACCOUNTING STANDARDS: A VIEW ON INTERIM FINANCIAL REPORTING

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Abstract;

The regulatory standard for the preparation of financial reports in all the countries are accounting standard. Accounting Standard are written policy documents issued by t accounting body or government or other regulatory body covering the aspects of recognition, measurement, treatment, presentation & disclosure of accounting transaction in the financial statement. The objective of this Standard is to prescribe the minimum content of an interim financial report. Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an enterprise's capacity to generate earnings and cash flows, its financial condition and liquidity. In India these standards are issued by the Accounting Standard Board (ASB) of Institute of Chartered Accountants of India (ICAI) as per the guidelines of International Accounting Standard Committee. So, the objective of this paper is to study the comparative differences between international financial reporting standard and Indian accounting standard on interim financial report.

Keywords: ASB, ICAI, Standards, Reporting, IASC, interim financial report

INTRODUCTION: Accounting is an art of recording the transactions in the most suitable manner as possible, so it is necessary that there should be a set of guidelines. These guidelines are called as the accounting policies. The intricacies of accounting policies permitted companies to alter their accounting principles for their benefits. This made it possible to make a comparison, in order to avoid the above and to have a harmonized accounting principles, standards needed to be set by recognized accounting bodies. The financial statements are prepared to summarize the end result of all the business enterprises during an accounting period in monetary terms. These business activities vary from one enterprise to another. To compare the financial statement of various reporting, enterprises possess some difficulties because of their divergence in the method and principle adopted by these enterprises in preparing their financial statements.

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In order to make these principles uniform and comparable to the extent possible, standards are evolved. Thus, accounting standards are the statement of code of practice of the regulatory accounting bodies that are to be observed in the preparation and presentation of financial statements.

In general terms, accounting standards are written documents issued by the expert institute or other regulatory bodies covering various aspects of measurement, treatment, presentation and disclosure of accounting transactions.

ACCOUNTING STANDARDS: In order to develop accounting as a basic language, development of accounting standard is a vital step. They provide reasonable degree of flexibility and subjectivity in response to specific circumstances of an enterprise and also modified with the changes in the economic environment, social needs, legal requirements and technological developments but at the same time they are intended to remove irrational and divers accounting policies and practices.

Accounting Standards at International Level- For harmonization and standardization of accounting policies at International level the International Accounting Standard Committee (IASC) was established in 1973. Now it has been renamed as the International Accounting Standard Board (IASB). In India the Institute of Chartered Accountant of India, fully recognizing the need of harmonizing the diverse accounting policy and practices established the Accounting Standard Board (ASB) on 21st April 1977.

FUNCTIONS OF ASB:

1. The Accounting Standard Board aims at formulation of various accounting standards in India.

2. To consider the applicable laws, customs, usage and business environment while formulating the accounting standards.

3. To integrate the International Accounting Standards (IAS) to the extent possible while formulating standards in India so as to support the objectives of IASC.

4. To review the existing accounting standards issued at periodic interval.

OBJECTIVES OF THE RESEARCH:

1.. To study of International Financial Reporting Standard & Indian Accounting Standard.

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2. To bring standardization in the presentation of several accounting aspects.

3. To harmonize the diverse accounting policies followed in the preparation and presentation of financial statements by different reporting enterprises so as to facilitate intra- firm and inter- firm comparison.

RESEARCH METHODOLOGY

Data has been collected from secondary sources by using descriptive design method e.g journal, websites, reports .

INDIAN ACCOUNTING STANDARD ON INTERIM FINANCIAL REPORTING:

The following terms are used in this Standard with the meanings specified:

.1 Interim periods is a financial reporting period shorter than a full financial year.

2 Interim financial report means a financial report containing either a complete set of financial statements or a s AS - 25 Interim Financial Reporting : This standard comes in respect of accounting periods commencing on or after 1-4-2002. If an enterprise is required or elects to prepare and present an interim financial report, it should comply with the statement. In includes

(a) Interim Report - It is a financial report containing financial statements or a set of condensed financial statement for an interim period. An interim financial report should include at a minimum the following components.

1. Condensed Balance Sheet,

2. Condensed Statement of Profit and Loss,

3. Condensed Cash Flow Statement and

4. Selected explanatory notes. If an enterprise prepare and presents a complete set of financial statements in its interim financial report the form and contents of those statement should confirm to the requirements as applicable to the annual complete set of financial statements. If an enterprise prepares and presents a set of consolidated financial statements in its interim report those condensed statement should include at a minimum each of the heading and sub-heading that was included in its

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most recent annual financial statement and the selected explanatory notes as required by this statement.. If an enterprise present basic and diluted earnings per share in its annual financial statements in accordance with its accounting standard AS-20. Earnings per share, basic and diluted earnings per share, should be presented in accordance with AS 20 on the face of the statement of profit and loss, complete or condensed for an interim report.

An enterprise should include the following information as a minimum, in the notes to its interim financial statements, if material and if not disclosed elsewhere in the interim financial report. of condensed financial statements (as described in this Standard) for an interim period.

3. During the first year of operations of an enterprise, its annual financial reporting period may be shorter than a financial year. In such a case, that shorter period is not considered as an interim period.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (1.F.R.S.):

The international financial reporting standards (I.F.R.S.) are designed as a common global language for business affairs so that they are easily understood by outsiders across the boundaries. They are a consequence of growing international share holding and trade and are particularly important for companies that have dealing in several countries.

A financial statement should reflect true and fair view of the business affairs of the organization, thus these financial statement should reflect a true view of the financial position of the organization. Thus I.F.R.S. authorizes three basic accounting models.

1. **Current Cost Accounting:** Under the physical capital maintenance at all levels of inflation and deflation under the historical cot paradigm as well as the capital maintenance in units of constant purchasing power paradigm.

2**. Financial Capital Maintenance in Normal Monetary Units:** The globally implemented historical cost accounting during low inflation and deflation, only under the traditional historical cost paradigm.

3. **Financial Capital Maintenance in Units of Constant Purchasing Power The constant**: item purchasing power accounting in term of a daily consumer price index or daily rate at all levels of

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inflation and deflation under the capital maintenance in units of constant purchasing power paradigm and constant purchasing power accounting during hyper inflation under the historical cost paradigm.

INTERNATIONAL ACCOUNTING STANDARD ON INTERIM FINANCIAL REPORTING-

1. **IAS 34 Interim Financial Reporting**: The objective of the standard is to prescribe the minimum content of an interim financial report and to prescribe the principles of recognition and measurement in complete or condensed financial statement for an interim period. Timely and reliable interim financial reporting improves the ability of investors, creditors and others to understand an entity capacity to generate earning and cash flows and its financial condition and liquidity.

An Interim Financial Report shall include at a minimum the following components:

1. A statement of financial position.

2. A statement of changes in equity.

3. A cash flow statement or statement of cash flows.

4. A statement of comprehensive income and separately a statement of comprehensive income which reconcile profit and loss on the income statement of total comprehensive income.

5. A summary of significant accounting policies. In the interests of timeliness and cost consideration and to avoid repetition of information previously reported an entity may be required to or may elect to provide less information at interim dates as compared with annual financial statements.

INTERNATIONAL ACCOUNTING COMPARATIVE STUDY OF INDIAN ACCOUNTING STANDARD WITH STANDARD: In International financial reporting standard (I. F. R. S.) on interim financial reporting the standard focuses on the following-

1. **Materiality: -** The International Accounting Standard IAS 34 States that for the purpose of discloser an item which has material effect should be disclosed but the Indian accounting standard on materiality is silent.

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2. Contents of Interim Report: - In the interim report of International Accounting Standard IAS 34 there is statement of changes in equity which is not there in the interim report as stated by the Indian Accounting Standard IAS 25.

3. Duplicity of Information: The IAS 34 International Accounting Standard states that there should not be any duplicity of the information reported earlier but the Indian accounting standard AS 25 does not give any information regarding the duplicity of information reported earlier.

4. As per I.F.R.S, the companies need to disclose as a note that they're complying with the I.F.R.S but in the case of Indian accounting standard there's no need for a statement disclosing that the company is complying with Indian accounting standard

CONCLUSION:

International financial Reporting Standard focuses on quality, reliability & relevancy aspects of the information of it users all over the globe while setting a new standard. The international accounting standard is the basic reporting of accounting standard for the measurement of interim report of financial statement. For global investors IFRS provides detailed guidelines and also gives the information regarding the financial position, so that the s investor can compare it with other entity to find out best investment option.

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