**Fundamentals of Accounting - ZS Written Assignment 2023**

**Country:** India

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**Characteristic of accounting system in your country.**

The accounting system of any country is complex, and despite ongoing harmonization efforts, it is usually country specific. In this assignment you are asked to draw characteristics of accounting system of your country.

To facilitate your work, I have prepared the list of the main features on which you need to concentrate.

ASSIGNMENT STRUCTURE (template):

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| **Sl. No** | **Question/characteristics** | **Answer/specification** |
| 1 | Please provide the name of the county: | India |
| 2 | What accounting standards are used in your country?  e.g.: Local standards, IFRS, US GAAP | Indian Accounting Standards (Ind AS) and International Finance Reporting Standards (IFRS) |
| 3 | Do local accounting standards exist in your country? | Yes, Local standards exist such as Ind AS |
| 4 | Who is responsible for creating the accounting norms in your country? (e.g., Accounting Act and regulations - ministry or professional organization or other regulatory bodies) | Ministry of Corporate Affairs (MCA) & Institute of Chartered Accountants of India (ICAI) |
| 5 | Which bodies represent the accounting profession? (e.g., Union of accountants Czech Rep.) | Institute of Chartered Accountants of India (ICAI) is the body established by the Act of Parliament. |
| 6 | What is the relation between accounting (reporting) and tax calculation? | They both are closely related; Companies and Institutions prepare statements according to Ind AS and for taxable income statements are derived from Control Board of Direct Taxes |
| 7 | Are there any representatives of international accounting professions, e.g., ACCA, CIMA, CFA, EAA, present in your country? | Yes, such as ACCA, CIMA have a presence in India, however EAA is not based in India, but professionals can be members and participate in its activities. |
| 8 | What is the role of the Ministry of Finance concerning the accounting regulations? | In India, the ministry of finance plays a significant role in various departments such as Taxation Policies, Financial Regulations, Regulatory Oversight, International Standard Adoption and Policy Formulation. |
| 9 | What is the role of the Central Bank concerning the accounting regulations? | Reserve bank of India is the central bank of India. Creating and regulating rules, Implementing International Rule & Regulations, Guidance to Banks is some of the roles that the RBI performs. It has played a role in shaping and overseeing accounting regulations with the banking and financial sectors. |
| 10 | What is the role of the Stock Exchange in relation to accounting regulation? | The major stock such as Bombay Stock Exchange (BSE) & National Stock Exchange (NSC) plays a significant role in relation to accounting regulation. The Exchange may have to follow the Ind AS or the IFRS for their financial reporting. Companies are required to make continuous disclosure to the stock exchange and their investors. Stock Exchange plays a role in Investors information protection, Regular monitoring and regulating compliance and to make sure it follows the cooperate governance guidelines. |
| 11 | Are the any special conditions which companies must meet using the IFRS standards or US GAAP next to local accounting standards in their reporting? | Yes, In India companies should mandatorily adopt their statements in compliance with the Ind AS, for SMEs they can volunteer to adopt some entities. Transactional accounting frameworks and IFRS Reconciliation for Cross Border Listing when the company is outside India are some of the special conditions the company should meet. |
| 12 | Does your country prepare any special standards for industry branches (e.g., agri-business, banks, trading, non-profit sector – hospitals, etc…) | Yes, India has prepared special standards for industry branches.   * The RBI has specific guidelines and regulations tailored to the banking sector. * The Insurance Regulatory and Development Authority of India (IRDAI) are designed to address the Insurance Sector * The Institute of Charted Accountant of India (ICAI) & Indian Government Accounting Standards (IGAS) are specifically made standards for the Non-Profit and the Public Sector * India also has SMEs for small and medium sized entrepreneurs |
| 13 | Is the reporting different based on company size (e.g., SME, multinational companies? | * SMEs must follow the guidelines specifically listed for SMEs. * Multinational and large companies must follow the Ind AS and IFRS. * Public companies regardless of their sixed must follow the rules of the Security and Exchange Board of India (SEBI). * Government owned or Public owned companies have followed the Indian Government Accounting Standards (IGAS) for finance reporting. |
| 14 | Do the corporations in your country use any forms of non-financial reporting, e.g., sustainability reports or integrated reports? Please, provide examples. | Yes, India has non-financial reporting. For example, TCS company in India provides an annual Sustainability reports and Integrated Reports which has information on environmental, social and governance (ESG) performance.  The Reliance and Hindustan Unilever Limited company provided the Corporate Social Responsibility Report (CSR) where they show where the required portion of profit is being spent on the corporate social responsibility activities. |

**Please, write an essay describing and discussing the main features of your country’s accounting system.**

The main principle of accounting is to ensure consistent and uniform accounting and to make sure that the professionals accept and follow a set of principles.

Objectives of Accounting Standards

The major purpose is to improve financial statement dependability. Financial statements may now be relied on by users because they must be created in compliance with the rules. They recognize that failing to achieve these standards could have serious consequences for the companies.

Then there's the comparison problem. Following these principles will allow for comparisons between and within firms. This allows us to keep track of the company's success and market position. It also strives to create a consistent set of accounting principles that encompass the necessary disclosure requirements as well as valuation approaches for diverse financial transactions.

Accounting Standards primarily address four significant accounting difficulties, namely.

* Financial event recognition.
* Financial transaction measurement.
* Financial statement presentation in a fair manner; and
* Company disclosure requirements to ensure stakeholders are not deceived.

There are three types of accounting principles in India:

* Generally Accepted Accounting Principles (GAAP)
* International Financial Reporting Standards (IFRS), and
* Accounting Standards (AS).

India currently has 2 assortments of Accounting Standards:

* The Indian Accounting Standards (Ind AS) and
* The Companies (Accounting Standard) Rules.

In compliance with International Financial Reporting Standards (IFRS), the Ministry of Corporate Affairs notified Ind-AS in 2015. This was done to ensure that India has a global financial reporting system. The ICDS guidelines for tax computation were announced in February 2015. The implementation date, however, will be declared separately by the authorities of banks and insurance companies.

General financial reports will provide information about a business that can be used by potential creditors, investors, and other lenders to make decisions about supplying resources.

These decisions could include:

* Provide or settle loans and other credit.
* Buy, hold, or sell equity and debt standards.
* The ideal is to vote or affect the management's actions that impact the economic resources of the entity.

The Benefits of Indian Accounting Standards

There are many benefits to adopting Indian Accounting Standards:

* International foundation: These standards are well-known internationally, and these concepts are critical for businesses wishing to expand internationally.
* Harmonisation: By adopting these standards, businesses can harmonize their accounting regulations. Harmonisation has the potential to result in the development of worldwide accounting principles.
* Compliance: Adopting these standards ensures that businesses are in compliance.
* Global acceptance: These standards ensure international recognition for all government departments and institutions.

Limitations of Accounting Standards

* Difficulty between Choosing Alternatives

Certain accounting treatments or valuations have alternatives. Stocks, for example, can be valued using the LIFO, FIFO, weighted average, and other methods. Choosing between these possibilities is thus a difficult decision for management. The AS makes no recommendations for the best option.

* Restricted Scope

Accounting standards cannot supersede laws or statutes. They must be written within the constraints of the laws in effect at the time. As a result, their ability to give the appropriate policies for the scenario may be limited.

Thank you.