Subject: **Financial Accounting-I**	
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Lesson: **2**	Vetter:

ACCOUNTING CONCEPTS AND CONVENTIONS

STRUCTURE

2.0 OBJECTIVES

After studying this lesson, you should be able to-

- Appreciate the need for a conceptual framework of accounting.
- Understand and describe the generally accepted accounting principles (GAAP).
- Know the importance and advantages of uniformity in accounting policies and practices.

2.1 INTRODUCTION

Accounting is often called the language of business because the purpose of accounting is to communicate or report the results of business operations and its various aspects to various users of accounting information. In fact, today, accounting statements or reports are needed by various groups such as shareholders, creditors, potential investors, columnist of financial newspapers, proprietors and others. In view of the utility of accounting reports to various interested parties, it becomes imperative to make this language capable of commonly understood by all. Accounting could become an intelligible and commonly understood language if it is based on generally accepted accounting principles. Hence, you must be familiar with the accounting principles behind financial statements to understand and use them properly.

2.2 MEANING AND FEATURES OF ACCOUNTING PRINCIPLES

For searching the goals of the accounting profession and for expanding knowledge in this field, a logical and useful set of principles and procedures are to be developed. We know that while driving our vehicles, follow a standard traffic rules. Without adhering traffic rules, there would be much chaos on the road. Similarly, some principles apply to accounting. Thus, the accounting profession cannot reach its goals in the absence of a set rules to guide the efforts of accountants and auditors. The rules and principles of accounting are commonly referred to as the conceptual framework of accounting.

Accounting principles have been defined by the Canadian Institute of Chartered Accountants as “The body of doctrines commonly associated with the theory and procedure of accounting serving as an explanation of current practices and as a guide for the selection of conventions or procedures where alternatives exists. Rules governing the formation of accounting axioms and the principles derived from them have arisen from common experience, historical precedent statements by individuals and professional bodies and regulations of Governmental agencies". According to Hendriksen (1997), Accounting theory may be defined as logical reasoning in the form of a set of broad principles that (i) provide a general frame of reference by which accounting practice can be evaluated, and (ii) guide the development of new practices and procedures. Theory may also be used to explain existing practices to obtain a better understanding of them. But the most important goal of accounting theory should be to provide a coherent set of logical principles that form the general frame of reference for the evaluation and development of sound accounting practices.

The American Institute of Certified Public Accountants (AICPA) has advocated the use of the word "Principle" in the sense in which it means "rule of action". It discuses the generally accepted accounting principles as follows:

Financial statements are the product of a process in which a large volume of data about aspects of the economic activities of an enterprise are accumulated, analysed and reported. This process should be carried out in conformity with generally accepted accounting principles. These principles represent the most current consensus about how accounting information should be recorded, what information should be disclosed, how it should be disclosed, and which financial statement should be prepared. Thus, generally accepted principles and standards provide a common financial language to enable informed users to read and interpret financial statements.

Generally accepted accounting principles encompass the conventions, rules and procedures necessary to define accepted accounting practice at a particular time……. generally accepted accounting principles include not only broad guidelines of general application, but also detailed practices and procedures (Source: AICPA Statement of the Accounting Principles Board No. 4, “Basic Concepts and Accounting Principles underlying Financial Statements of Business Enterprises “, October, 1970, pp 54-55)

According to ‘Dictionary of Accounting’ prepared by Prof. P.N. Abroal, “Accounting standards refer to accounting rules and procedures which are relating to measurement, valuation and disclosure prepared by such bodies as the Accounting Standards Committee (ASC) of a particular country”. Thus, we may define Accounting Principles as those rules of action or conduct which are adopted by the accountants universally while recording accounting transactions. Accounting principles are man-made. They are accepted because they are believed to be useful. The general acceptance of an accounting principle usually depends on how well it meets the following three basic norms: (a) Usefulness; (b) Objectiveness; and (c) Feasibility.

A principle is useful to the extent that it results in meaningful or relevant information to those who need to know about a certain business. In other words, an accounting rule, which does not increase the utility of the records to its readers, is not accepted as an accounting principle. A principle is objective to the extent that the information is not influenced by the personal bias or Judgement of those who furnished it. Accounting principle is said to be objective when it is solidly supported by facts. Objectivity means reliability which also means that the accuracy of the information reported can be verified. Accounting principles should be such as are practicable. A principle is feasible when it can be implemented without undue difficulty or cost. Although these three features are generally found in accounting principles, an optimum balance of three is struck in some cases for adopting a particular rule as an accounting principle. For example, the principle of making the provision for doubtful debts is found on feasibility and usefulness though it is less objective. This is because of the fact that such provisions are not supported by any outside evidence.

2.3 KINDS OF ACCOUNTING PRINCIPLES

In dealing with the framework of accounting theory, we are confronted with a serious problem arising from differences in terminology. A number of words and terms have been used by different authors to express and explain the same idea or notion. The various terms used for describing the basic ideas are: concepts, postulates, propositions, assumptions, underlying principles, fundamentals, conventions, doctrines, rules, axioms, etc. Each of these terms is capable of precise definition. But, the accounting profession has served to give them lose and overlapping meanings. One author may describe the same idea or notion as a concept and another as a convention and still another as postulate. For example, the separate business entity idea has been described by one author as a concept and by another as a convention. It is better for us not to waste our time to discuss the precise meaning of generic terms as the wide diversity in these terms can only serve to confuse the learner.

We do feel, however, that some of these terms/ideas have a better claim to be called 'concepts' while the rest should be called 'conventions'. The term 'Concept' is used to connote the accounting postulates, i.e., necessary assumptions and ideas which are fundamental to accounting practice. In other words, fundamental accounting concepts are broad general assumptions which underline the periodic financial statements of business enterprises. The reason why some of these terms should be called concepts is that they are basic assumptions and have a direct bearing on the quality of financial accounting information. The term 'convention' is used to signify customs or tradition as a guide to the preparation of accounting statements. The following are the important accounting concepts and conventions:

Accounting Concepts	**Accounting Conventions**
Separate Business Entity Concept	Convention of Materiality
Money Measurement Concept	Convention of Conservatism
Dual Aspect Concept	Convention of consistency
Accounting Period Concept	
Cost Concept	
The Matching Concept	
Accrual Concept	
Realisation Concept	

2.4 ACCOUNTING CONCEPTS

The more important accounting concepts are briefly described as follows:

1. Separate Business Entity Concept

In accounting we make a distinction between business and the owner. All the books of accounts records day to day financial transactions from the view point of the business rather than from that of the owner. The proprietor is considered as a creditor to the extent of the capital brought in business by him. For instance, when a person invests Rs. 10 lakh into a business, it will be treated that the business has borrowed that much money from the owner and it will be shown as a 'liability' in the books of accounts of business. Similarly, if the owner of a shop were to take cash from the cash box for meeting certain personal expenditure, the accounts would show that cash had been reduced even though it does not make any difference to the owner himself. Thus, in recording a transaction the important question is how does it affects the business? For example, if the owner puts cash into the business, he has a claim against the business for capital brought in.

In so-far as a limited company is concerned, this distinction can be easily maintained because a company has a legal entity like a natural person it can engage itself in economic activities of buying, selling, producing, lending, borrowing and consuming of goods and services. However, it is difficult to show this distinction in the case of sole proprietorship and partnership. Nevertheless, accounting still maintains separation of business and owner. It may be noted that it is only for accounting purpose that partnerships and sole proprietorship are treated as separate from the owner (s), though law does not make such distinction. In fact, the business entity concept is applied to make it possible for the owners to assess the performance of their business and performance of those whose manage the enterprise. The managers are responsible for the proper use of funds supplied by owners, banks and others.

2. Money Measurement Concept

In accounting, only those business transactions are recorded which can be expressed in terms of money. In other words, a fact or transaction or happening which cannot be expressed in terms of money is not recorded in the accounting books. As money is accepted not only as a medium of exchange but also as a store of value, it has a very important advantage since a number of assets and equities, which are otherwise different, can be measured and expressed in terms of a common denominator.

We must realise that this concept imposes two severe limitations. Firstly, there are several facts which though very important to the business, cannot be recorded in the books of accounts because they cannot be expressed in money terms. For example, general health condition of the Managing Director of the company, working conditions in which a worker has to work, sales policy pursued by the enterprise, quality of product introduced by the enterprise, though exert a great influence on the productivity and profitability of the enterprise, are not recorded in the books. Similarly, the fact that a strike is about to begin because employees are dissatisfied with the poor working conditions in the factory will not be recorded even though this event is of great concern to the business. You will agree that all these have a bearing on the future profitability of the company.

Secondly, use of money implies that we assume stable or constant value of rupee. Taking this assumption means that the changes in the money value in future dates are conveniently ignored. For example, a piece of land purchased in 1990 for Rs. 2 lakh and another bought for the same amount in 1998 are recorded at the same price, although the first purchased in 1990 may be worth two times higher than the value recorded in the books because of rise in land prices. In fact, most accountants know fully well that purchasing power of rupee does change but very few recognise this fact in accounting books and make allowance for changing price level.

3. Dual Aspect Concept

Financial accounting records all the transactions and events involving financial element. Each of such transactions requires two aspects to be recorded. The recognition of these two aspects of every transaction is known as a dual aspect analysis. According to this concept every business transactions has dual effect. For example, if a firm sells goods of Rs. 5,000 this transaction involves two aspects. One aspect is the delivery of goods and the other aspect is immediate receipt of cash (in the case of cash sales). In fact, the term 'double entry' book keeping has come into vogue and in this system the total amount debited always equals the total amount credited. It follows from 'dual aspect concept' that at any point of time owners' equity and liabilities for any accounting entity will be equal to assets owned by that entity. This idea is fundamental to accounting and could be expressed as the following equalities:

Assets = Liabilities + Owners Equity …(1)

Owners Equity = Assets- Liabilities …(2)

The above relationship is known as the 'Accounting Equation'. The term 'Owners Equity' denotes the resources supplied by the owners of the entity while the term 'liabilities' denotes the claim of outside parties such as creditors, debenture-holders, bank against the assets of the business. Assets are the resources owned by a business. The total of assets will be equal to total of liabilities plus owners capital because all assets of the business are claimed by either owners or outsiders.

4. Going Concern Concept

Accounting assumes that the business entity will continue to operate for a long time in the future unless there is good evidence to the contrary. The enterprise is viewed as a going concern, that is, as continuing in operations, at least in the foreseeable future. In other words, there is neither the intention nor the necessity to liquidate the particular business venture in the predictable future. Because of this assumption, the accountant while valuing the assets does not take into account forced sale value of them. In fact, the assumption that the business is not expected to be liquidated in the foreseeable future establishes the basis for many of the valuations and allocations in accounting. For example, the accountant charges depreciation on fixed assets. It is this assumption which underlies the decision of investors to commit capital to enterprise. Only on the basis of this assumption accounting process can remain stable and achieve the objective of correctly reporting and recording on the capital invested, the efficiency of management, and the position of the enterprise as a going concern.

However, if the accountant has good reasons to believe that the business, or some part of it is going to be liquidated or that it will cease to operate (say within six-month or a year), then the resources could be reported at their current values. If this concept is not followed, International Accounting Standard requires the disclosure of the fact in the financial statements together with reasons.

5. Accounting Period Concept

This concept requires that the life of the business should be divided into appropriate segments for studying the financial results shown by the enterprise after each segment. Although the results of operations of a specific enterprise can be known precisely only after the business has ceased to operate, its assets have been sold off and liabilities paid off, the knowledge of the results periodically is also necessary. Those who are interested in the operating results of business obviously cannot wait till the end. The requirements of these parties force the businessman 'to stop' and 'see back' how things are going on. Thus, the accountant must report for the changes in the wealth of a firm for short time periods. A year is the most common interval on account of prevailing practice, tradition and government requirements. Some firms adopt financial year of the government, some other calendar year. Although a twelve month period is adopted for external reporting, a shorter span of interval, say one month or three month is applied for internal reporting purposes.

This concept poses difficulty for the process of allocation of long term costs. All the revenues and all the cost relating to the year in operation have to be taken into account while matching the earnings and the cost of those earnings for the any accounting period. This holds good irrespective of whether or not they have been received in cash or paid in cash. Despite the difficulties which stem from this concept, short term reports are of vital importance to owners, management, creditors and other interested parties. Hence, the accountants have no option but to resolve such difficulties.

6. Cost Concept

The term ‘assets’ denotes the resources land building, machinery etc. owned by a business. The money values that are assigned to assets are derived from the cost concept. According to this concept an asset is ordinarily entered on the accounting records at the price paid to acquire it. For example, if a business buys a plant for Rs. 5 lakh the asset would be recorded in the books at Rs. 5 lakh, even if its market value at that time happens to be Rs. 6 lakh. Thus, assets are recorded at their original purchase price and this cost is the basis for all subsequent accounting for the business. The assets shown in the financial statements do not necessarily indicate their present market values. The term ‘book value’ is used for amount shown in the accounting records.

The cost concept does not mean that all assets remain on the accounting records at their original cost for all times to come. The asset may systematically be reduced in its value by charging ‘depreciation’, which will be discussed in detail in a subsequent lesson. Depreciation has the effect of reducing profit of each period. The prime purpose of depreciation is to allocate the cost of an asset over its useful life and not to adjust its cost. However, a balance sheet based on this concept can be very misleading as it shows assets at cost even when there are wide difference between their costs and market values. Despite this limitation you will find that the cost concept meets all the three basic norms of relevance, objectivity and feasibility.

7. *The Matching concept*

This concept is based on the accounting period concept. In reality we match revenues and expenses during the accounting periods. Matching is the entire process of periodic earnings measurement, often described as a process of matching expenses with revenues. In other words, income made by the enterprise during a period can be measured only when the revenue earned during a period is compared with the expenditure incurred for earning that revenue. Broadly speaking revenue is the total amount realised from the sale of goods or provision of services together with earnings from interest, dividend, and other items of income. Expenses are cost incurred in connection with the earnings of revenues. Costs incurred do not become expenses until the goods or services in question are exchanged. Cost is not synonymous with expense since expense is sacrifice made, resource consumed in relation to revenues earned during an accounting period. Only costs that have expired during an accounting period are considered as expenses. For example, if a commission is paid in January, 2002, for services enjoyed in November, 2001, that commission should be taken as the cost for services rendered in November 2001. On account of this concept, adjustments are made for all prepaid expenses, outstanding expenses, accrued income, etc, while preparing periodic reports.

8. *Accrual Concept*

It is generally accepted in accounting that the basis of reporting income is accrual. Accrual concept makes a distinction between the receipt of cash and the right to receive it, and the payment of cash and the legal obligation to pay it. This concept provides a guideline to the accountant as to how he should treat the cash receipts and the right related thereto. Accrual principle tries to evaluate every transaction in terms of its impact on the owner's equity. The essence of the accrual concept is that net income arises from events that change the owner's equity in a specified period and that these are not necessarily the same as change in the cash position of the business. Thus it helps in proper measurement of income.

9. Realisation Concept

Realisation is technically understood as the process of converting non-cash resources and rights into money. As accounting principle, it is used to identify precisely the amount of revenue to be recognised and the amount of expense to be matched to such revenue for the purpose of income measurement. According to realisation concept revenue is recognised when sale is made. Sale is considered to be made at the point when the property in goods passes to the buyer and he becomes legally liable to pay. This implies that revenue is generally realised when goods are delivered or services are rendered. The rationale is that delivery validates a claim against the customer. However, in case of long run construction contracts revenue is often recognised on the basis of a proportionate or partial completion method. Similarly, in case of long run instalment sales contracts, revenue is regarded as realised only in proportion to the actual cash collection. In fact, both these cases are the exceptions to the notion that an exchange is needed to justify the realisation of revenue.

2.5 ACCOUNTING CONVENTIONS

1. Convention of Materiality

Materiality concept states that items of small significance need not be given strict theoretically correct treatment. In fact, there are many events in business which are insignificant in nature. The cost of recording and showing in financial statement such events may not be well justified by the utility derived from that information. For example, an ordinary calculator costing Rs. 100 may last for ten years. However, the effort involved in allocating its cost over the ten year period is not worth the benefit that can be derived from this operation. The cost incurred on calculator may be treated as the expense of the period in which it is purchased. Similarly, when a statement of outstanding debtors is prepared for sending to top management, figures may be rounded to the nearest ten or hundred.

This convention will unnecessarily overburden an accountant with more details in case he is unable to find an objective distinction between material and immaterial events. It should be noted that an item material for one party may be immaterial for another. Actually, there are no hard and fast rules to draw the line between material and immaterial events and hence, It is a matter of judgement and common sense. Despite this limitation, It is necessary to disclose all material information to make the financial statements clear and understandable. This is required as per IAS-1 and also reiterated in IAS-5. As per IAS-1, materiality should govern the selection and application of accounting policies.

2. Convention of Conservatism

This concept requires that the accountants must follow the policy of “playing safe” while recording business transactions and events. That is why, the accountant follow the rule anticipate no profit but provide for all possible losses, while recording the business events. This rule means that an accountant should record lowest possible value for assets and revenues, and the highest possible value for liabilities and expenses. According to this concept, revenues or gains should be recognised only when they are realised in the form of cash or assets (i.e. debts) the ultimate cash realisation of which can be assessed with reasonable certainty. Further, provision must be made for all known liabilities, expenses and losses, Probable losses regarding all contingencies should also be provided for. 'Valuing the stock in trade at market price or cost price which ever is less', 'making the provision for doubtful debts on debtors in anticipation of actual bad debts', 'adopting written down value method of depreciation as against straight line method', not providing for discount on creditors but providing for discount on debtors', are some of the examples of the application of the convention of conservatism.

The principle of conservatism may also invite criticism if not applied cautiously. For example, when the accountant create secret reserves, by creating excess provision for bad and doubtful debts, depreciation, etc. The financial statements do not present a true and fair view of state of affairs. American Institute of Certified Public Accountant have also indicated that this concept need to be applied with much more caution and care as over conservatism may result in misrepresentation.

3. Convention of Consistency

The convention of consistency requires that once a firm decided on certain accounting policies and methods and has used these for some time, it should continue to follow the same methods or procedures for all subsequent similar events and transactions unless it has a sound reason to do otherwise. In other worlds, accounting practices should remain unchanged from one period to another. For example, if depreciation is charged on fixed assets according to straight line method, this method should be followed year after year. Analogously, if stock is valued at 'cost or market price whichever is less', this principle should be applied in each subsequent year.

However, this principle does not forbid introduction of improved accounting techniques. If for valid reasons the company makes any departure from the method so far in use, then the effect of the change must be clearly stated in the financial statements in the year of change. The application of the principle of consistency is necessary for the purpose of comparison. One could draw valid conclusions from the comparison of data drawn from financial statements of one year with that of the other year. But the inconsistency in the application of accounting methods might significantly affect the reported data.

Accounting standards

The accounting concepts and conventions discussed in the foregoing pages are the core elements in the theory of accounting. These principles, however, permit a variety of alternative practices to co-exist. On account of this the financial results of different companies can not be compared and evaluated unless full information is available about the accounting methods which have been used. The lack of uniformity among accounting practices have made it difficult to compare the financial results of different companies. It means that there should not be too much discretion to companies and their accountants to present financial information the way they like. In other words, the information contained in financial statements should conform to carefully considered standards. Obviously, accounting standards are needed to:

a) provide a basic framework for preparing financial statements to be uniformly followed by all business enterprises,

b) make the financial statements of one firm comparable with the other firm and the financial statements of one period with the financial statements of another period of the same firm,

c) make the financial statements credible and reliable, and

d) create general sense of confidence among the outside users of financial statements.

In this context unless there are reasonably appropriate standards, neither the purpose of the individual investor nor that of the nation as a whole can be served. In order to harmonise accounting policies and to evolve standards the need in the USA was felt with the establishment of Securities and Exchange Commission (SEC) in 1933. In 1957, a research oriented organisation called Accounting Principles Boards (APB) was formed to spell out the fundamental accounting principles. After this the Financial Accounting Standards Board (FASB) was formed in 1973, in USA. At the international level, the need for standardisation was felt and therefore, an International Congress of accountants was organised in Sydney, Australia in 1972 to ensure the desired level of uniformity in accounting practices. Keeping this in view, International Accounting Standards Committee (IASC) was formed and was entrusted with the responsibility of formulating international standards.

In order to harmonise varying accounting policies and practices, the Institute of Chartered Accountants of India (ICAI) formed the Accounting Standards Board (ASB) in April, 1977. ASB includes representatives from industry and government. The main function of the ASB is to formulate accounting standards. This Board of the Institute of Chartered Accountants of India has so far formulated around 27 Accounting Standards, the list of these accounting standards is furnished. Regarding the position of Accounting standards in India, it has been stated that the standards have been developed without first establishing the essential theoretical framework. As a result, accounting standards lack direction and coherence. This type of limitation also existed in UK and USA but it was remedied long back.

Hence, there is an emergent need to make an attempt to develop a conceptual framework and also revise suitably the Indian Accounting Standards to reduce the number of alternative treatments.

2.6 SUMMARY

Accounting principles may be defined as rules of action or conduct which are adopted by the accountants universally while recording accounting transactions. Accounting principles are accepted because they are believed to be useful. The general acceptance of an accounting principle usually depends on how well it meets the three basic norms i.e., usefulness, objectiveness and feasibility. The accounting principles broadly classified into two categories namely accounting concepts and accounting conventions. The term concept is used to cannot the accounting postulates, i.e., necessary assumptions and ideas which are fundamental to accounting practice. Accounting concepts are separate business entity concepts, money measurement concept, dual aspect concept, accounting period concept, cost concept, matching concept, accrual concept, realisation concept. The term convention is used to signify customs or tradition as a guide to the preparation of accounting statement, main conventions of accounting are- (i) convention of materiality, convention of conservatism. Convention of consistency.

2.7 KEYWORDS

Creditor: Amount owned by an enterprise on account of goods purchased or services received.

Debtor: Persons from whom amounts are due for goods sold or services rendered.

Reserve: The portion of earnings of an enterprise appropriated by the management for a general or specific purpose.

Provision: Amount retained by way of providing for any known liability the amount of which cannot be determined with substantial accuracy.

Net Realisable Value: Actual selling price of an asset in the ordinary course of business less cost incurred in order to make the sale.

Inventory: Tangible property held for sale in the ordinary course of business or in the process of production for such sale.

Interim Report: The information provided with reference to a date before the close of the accounting period to owners or other interested persons concerning its operations/financial position.

Depreciation: Decrease in the value of fixed assets.

Balance Sheet: A statement of the financial position of an enterprise as at a given date.

Capital: Generally refers to the amount invested in an enterprise by its owners.

2.8 SELF ASSESSMENT QUESTIONS

1. State whether the following statements are true or false:
   a) The 'materiality concept' refers to the state of ignoring small items and values from accounts.
   b) Accounting principles are rules of action or conduct which are adopted by the accountants universally while recording accounting transactions.
   c) The 'separate entity concept' of accounting is not applicable to sole trading concerns and partnership concerns.
   d) The 'dual aspect' concept result in the accounting equation: Capital+Liabilities = Assets.
   e) The 'conservatism concept' leads to the exclusion of all unrealised profits.
   f) The balance sheet based on 'Cost concept' is of no use to a potential investor.
   g) Accounting standards are statements prescribed by government regulatory bodies.

h) Accounting statements are statements prescribed by professional accounting bodies.

i) Accounting concepts are broad assumptions.

2. Choose the correct answer from the alternations given:

(I) Accounting standards are statements prescribed by

a) Law

b) Bodies of shareholders

c) Professional accounting bodies

(II) Accounting Principles are generally based on

a) Practicability

b) Subjectivity

c) Convenience in recording

(III) The Policy of 'anticipate no profit and provide for all possible losses' arises due to convention of

a) Consistency

b) Disclosure

c) Conservatism

(IV) Which is the accounting concept that requires the practice of crediting closing stock to the trading account

a) Going concern

b) Cost

c) Matching

(V) The convention of conservatism, when applied to the balance sheet, results in

a) understatement of assets liabilities

b) understatement of

c) understatement of capital.

3. Examine the role of accounting concepts in the preparation of financial statements. Do you find any of the accounting concepts conflicting with each other? Give examples.

4. Discuss briefly the basic concepts and conventions of accounting?

5. Write short notes on
   a) Going concern concept
   b) Dual aspect concept
   c) Business entity concept
   d) Convention of materiality
   e) Convention of conservatism.

6. Why accounting practices should be standardised? Explain.

7. What progress has been made in India regarding standardisation of accounting practices?

2.9 REFERENCES/SUGGESTED READINGS

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2. S.P. Jain (2001), "Advanced Accountancy", Kalyani Publishers, New Delhi.

3. Ashok Banerjee (2005), "Financial Accounting", Excel Book, New Delhi.

4. George Foster (2002), "Financial Statement Analysis", Pearson Education.

5. S.P. Jain (2001), "Corporate Accounting", Kalayani Publishers, New Delhi.

EXHIBIT-I
INTERNATIONAL ACCOUNTING STANDARDS ISSUED BY ISAC

IAS-1	Disclosure of Accounting Policies.
IAS-2	Valuation and Presentation of Inventories in the context of historical cost system.
IAS-3	Consolidated financial statements.
IAS-4	Depreciation accounting
IAS-5	Information to be disclosed in financial statements
IAS-6	Accounting responses to changing prices
IAS-7	Cash flow statement
IAS-8	Unusual and prior period items and changes in accounting policies
IAS-9	Accounting for research and development activities
IAS-10	Contingencies and events occurring after balance sheet date
IAS-11	Accounting for construction contracts
IAS-12	Accounting for taxes on income
IAS-13	Presentation of current assets and current liabilities
IAS-14	Reporting financial information by segments
IAS-15	Information reflecting the effects of changing prices
IAS-16	Accounting for property, plant and equipment
IAS-17	Accounting for leases
IAS-18	Revenue recognition
IAS-19	Accounting for retirement benefits in the financial statements of employees
IAS-20	Accounting for government grants and disclosure of government assistance.
IAS-21	Accounting for effects of changes in Foreign Exchange Rates

IAS-22 Accounting for business combinations

IAS-23 Capitalisation of borrowing costs

IAS-24 Related party disclosures

IAS-25 Accounting for investments

IAS-26 Accounting and reported by retirement benefit plans

IAS-27 Consolidated financial statements and accounting for investments in subsidiaries

IAS-28 Consolidated financial statements and accounting for investments in subsidiaries

IAS-29 Financial reporting in Hyper inflationary economics

IAS-30 Disclosure in the financial statements of bank and similar financial institutions

IAS-31 Financial reporting of interests in joint ventures

IAS-32 Financial instruments: disclosure and presentation.

EXHIBIT-II
REVISED IAS ISSUED BY ISAC

IAS-2	Inventories
IAS-8	Net Profit or loss for the period, fundamental Errors changes in Accounting Policies
IAS-9	Research and Developments costs
IAS-11	Construction Contracts
IAS-16	Property, Plant and Equipment
IAS-18	Revenue
IAS-19	Retirement Benefit costs
IAS-21	The effects of changes in foreign exchanges rates
IAS-22	Business Combinations
IAS-23	Borrowing Costs

EXHIBIT-III
ACCOUNTING STANDARDS ISSUED BY ASB

AS-1	Disclosure of Accounting policies
AS-2	Valuation of Inventories
AS-3	Changes in Financial Position
AS-4	Contingencies and Events Occurring after the Balance Sheet Date
AS-5	Prior period and Extraordinary Items and changes in Accounting policies
AS-6	Depreciation Accounting
AS-7	Accounting for Construction Contracts
AS-8	Accounting for Research and Development
AS-9	Revenue Recognition
AS-10	Accounting for Fixed Assets
AS-11	Accounting for Changes in Foreign Exchange Rate
AS-12	Accounting for Government Grants
AS-13	Accounting for Investments
AS-14	Accounting for Amalgamations
AS-15	Accounting for Retirement Benefits in the Financial Statements of Employers/Employees