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शक्तिउत्थानआश्रमलखीसरायबिहार

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Theory Base of Accounting

2.5 Accounting Standards

Accounting standards are written policy documents covering the aspects of recognition, measurement, treatment, presentation and disclosure of accounting transactions in financial statements. Accounting standard is an authoritative statement issued by ICAI, a professional body of accounting in our country. The objective of accounting standard is to bring uniformity in different accounting policies in order to eliminate non comparability of financial statements for enhancing reliability of financial statements. Secondly, the accounting standard provides a set of standard accounting policies, valuation norms and disclosure requirements. In addition to improving credibility of accounting data, accounting standard enhances comparability of financial statements, both intra and inter enterprises. Such comparisons are very effective and widely used for assessment of firms' performance by the users of accounting.

Need for Accounting Standards

Accounting extends information to various users of information. Accounting information can serve the interest of different users only if it possesses uniformity and full disclosure of relevant information. There can be alternate accounting treatment and valuation norms which may be used by any business entity. Accounting standard facilitate the scope of those alternatives which fulfil the basic qualitative characteristics of true and fair financial statement.

Benefits of Accounting Standards

1. Accounting standard helps in eliminating variations in accounting treatment to prepare financial statements.
2. Accounting standard may call for disclosures of certain information which may not be required by law, but such information might be useful for general public, investors and creditors.
3. Accounting standard facilitate comparability between financial statements of inter and intra companies.

Limitations of Accounting Standards

1. Accounting standard makes choice between different alternate accounting treatments difficult to apply.
2. It is rigidly followed and fails to extend flexibility in applying accounting standards.
3. Accounting standard cannot override the statue. The standards are required to be farmed within the ambit of prevailing status.

and comparability of financial statements. Hence, IFRS promotes global standards for each of business growth.

3. It facilitates global investment. The convergence of financial reporting and accounting standards is a valuable process that contributes to the free flow of global investments and achieves substantial benefits for all capital market stakeholders.

To uniform accounting policies and procedures almost all countries have agreed to apply IFRS. But the name of this IFRS has been converged as Ind AS. In substance , Ind AS is not different from IFRS. Ind AS is accounting standard notified by ministry of corporate affairs and has wide range of convergence as compared to existing accounting standards.

The list of Ind AS and existing standards for comparative analysis is given below:

Ind_AS	Title	AS	Title
1	Presentation of Financial Statements	1	Disclosure of accounting policies
		—	Framework for preparation and presentation of financial statements
2	Inventories	2	Valuation of inventories
7	Cash Flow Statements	3	Cash flow statements
8	Accounting Policies, Changes in Accounting Estimates and Errors	5	Net profit or loss for the period, prior period items and changes in accounting policies
10	Events after the Balance Sheet Date	4	Contingencies and events occurring after the balance sheet date
11	Construction Contracts	7	Construction contracts
12	Income Taxes	22	Accounting for taxes on income
16	Property, Plant and Equipment	10	Accounting for fixed assets
		6	Depreciation accounting
17	Leases	19	Leases
18	Revenue	9	Revenue recognition
19	Employee Benefits	15	Employee Benefits
20	Accounting for Government Grants and Disclosure of Government Assistance	12	Accounting for government grants
21	The Effects of Changes in Foreign Exchange Rates	11	The effects of changes in foreign exchange rates
23	Borrowing Costs	16	Borrowing Costs
24	Related Party Disclosures	18	Related Party Disclosures

27	Consolidated and Separate Financial Statements	21	Consolidated Financial Statements
28	Investments in Associates	23	Accounting for Investment in Associates in CFS
29	Financial Reporting in Hyperinflationary Economics	—-	
31	Interests in Joint Ventures	27	Financial reporting of interest in joint venture
32	Financial Instruments: Presentation	31	Financial instrument: Presentation
33	Earnings Per Share	20	Earnings Per Share
34	Interim Financial Reporting	25	Interim Financial reporting
36	Impairment of assets	28	Impairment of Asset
37	Provisions, contingent liabilities and contingent assets	29	Provisions, contingent liabilities and contingent assets
38	Intangible assets	30	Intangible assets
39	Financial instruments: Recognition and measurement	13	Financial instruments: Recognition and measurement
		13	Accounting for investments
40	Investment property	13	Accounting for investments
101	First time adoption of international financial reporting standards	---	
102	Share-based payments	---	G.N. on employee share based payment
103	Business combinations	14	Accounting for amalgamations
104	Insurance Contracts	—-	
105	Non-current Assets held for Sale and Discontinued Operations	24 —-	Discontinuing Operation
106	Exploration for and Evaluation of Mineral Resources	---	
107	Financial Instruments: Disclosures	32	Financial Instrument : Disclosure
108	Operating Segments	17	Segment Reporting

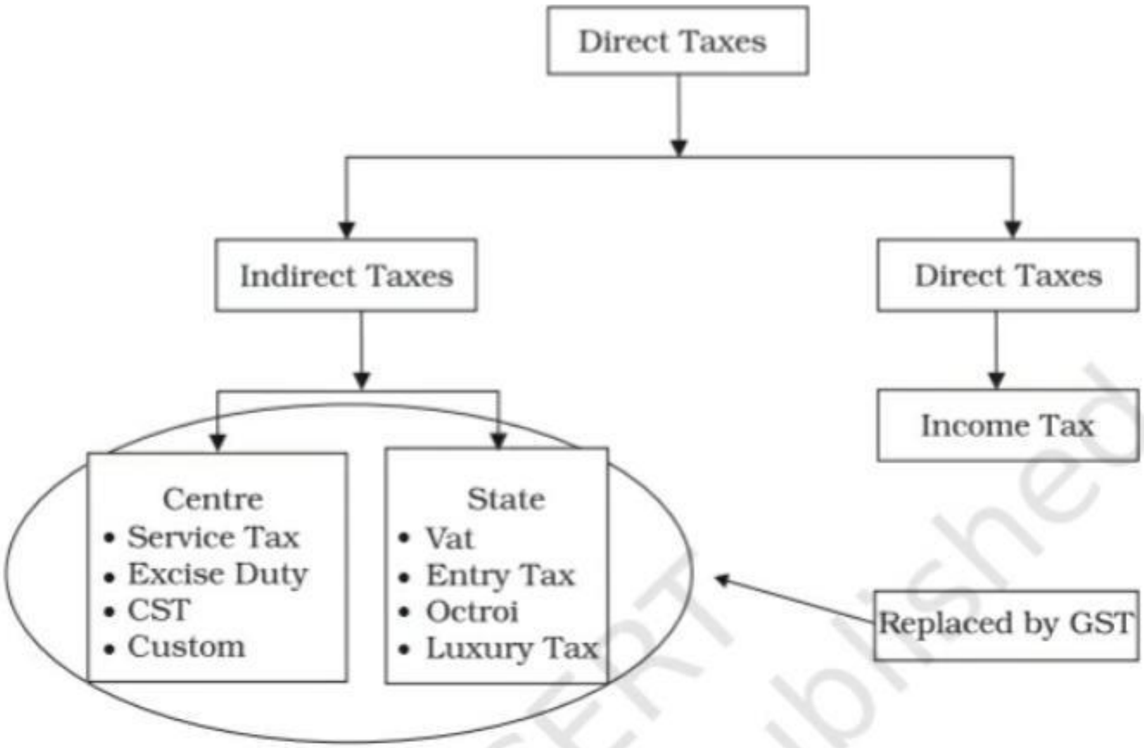
Goods and Services Tax
(One Country One Tex)

GST is a destination based tax on consumption of goods and services. It is proposed to be levied at all stages right from manufacture up to final consumption with credit of taxes paid at previous stages available as setoff. In a nutshell, only value addition will be taxed and burden of tax is to be borne by the final consumer. The concept of destination based tax on consumption implies has the tax would accrue to the taxing authority which has jurisdiction over the place of consumption which is also termed as place of supply.

GST has a dual aspect with the Centre and States simultaneously levying on a common tax base. There are three main components of GST which are CGST, SGST, CGST means Central Goods and Services Tax. Taxes collected under CGST will constitute the revenues of the Central Government . The present central taxes like central excise duty, additional excise duty, special excise duty, central sales tax etc., will be subsumed under CGST. SGST means State Good and Services Tax. A collection of SGST is the revenue of the State Government. With GST all state taxes like VAT, entertainment tax, luxury tax, entry tax etc, will be merged with GST. For example, Ramesh a dealer in Punjab sell goods to Seema in Punjab worth Rs. 10,000. If the GST rate is 18%, i.e., 9% CGST and 9% SGST, Rs. 900 will go to Central Government and 900 will go to Punjab Government.

IGST means Integrated Goods and Services Tax. Revenue collected under IGST is divided between Central and State Government as per the rates specified by the Government. IGST is charged on transfer of goods and services from one state to another. Import of goods and services are also covered under IGST. For example, if the goods are transferred from Madhya Pradesh to Rajasthan then this transaction will attract IGST. Lets extend the above example to understand SGST. If Ramesh in Madhya Pradesh sell goods to Anand in Rajasthan worth Rs. 1,000,000. Applicable GST late is 18% i.e., 9% CGST and 9% SGST. In this case, the dealer will charge 18,000 as IGST and will go the Central Government.

> India is a federal country where both the Centre and the States have been assigned the powers to levy and collect taxes through appropriate legislation. Both the levels of government have distinct responsibilities to perform according to the division of powers prescribed in the Constitution for which they need to rise resources. A dual GST will, therefore, be in keeping with the Constitutional requirement of fiscal federalism. Hence, Centre will levy and administer CGST & IGST while respective states will levy and administer SGST. The Constitution of India has been amended for this purpose.



Characteristics of Goods and Services Tax

1. GST is a common law and procedure throughout the country under single administration.
2. GST is a destination based tax and levied at a single point at the time of consumption of goods and services by the end consumer.
3. GST is a comprehensive levy and collection on both goods and services at the same rate with benefit of input tax credit or subtraction of value.
4. Minimum number of rates of tax does not exceed two.
5. There is no scope for levy of cess, resale tax, additional tax, turnover tax etc.
6. There is no multiple levy of tax on goods and services, such as sales tax, entry tax, octroi, entertainment tax or luxury tax etc.

Do it yourself

State how the GST rates will be applicable if CGST is 9%, SGST is 9% and IGST 18% in each of the following situations:

1. Goods worth Rs. 10,000 is sold by a Manufacturer 1 in Maharashtra to a Dealer A in Maharastra.
2. Dealer A sell goods worth Rs. 25,000 to Dealer B in Gujarat.
3. Dealer B sell goods to Sunita in Gujarat worth Rs. 30,000.
4. Sunita sell goods to Ravindra in Rajasthan worth Rs. 65,000.