

A Useful Compilation of Accounting Policies & Practices in Indian context

— R. Narayanaswamy



Title: *Accounting & Financial Policies, Practices, Standards & Reporting*

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This book is a compilation of accounting policies and related material from published corporate annual reports. In preparing the book, the author, a Chartered Accountant, has taken the trouble of poring over the financial statements of a large number of companies.

In recent years, Indian accounting standards and regulations have been increasing in number and complexity. Since 2000, 14 new standards have been issued as against 15 standards issued over the first 13 years of standard setting. The new standards cover highly complex topics, such as deferred tax, leases, impairment of assets, and preparation of consolidated financial statements. Practitioners have been having a hard time in keeping pace with the requirements of the new standards and responding to calls for help in implementation. A book that focuses on actual reporting practices is never too late to be of assistance.

There are 45 chapters. Of these, 26 chapters are arranged according to the accounting standards issued by The Institute of Chartered Accountants of India (ICAI). The remaining chapters cover diverse topics ranging from accounting for warranty expenses to auditors' reporting on corporate governance. An alphabetical list of companies is given in the detailed contents for each chapter. An overall alphabetical index of companies is also provided. The book intends to provide information on actual practices followed by companies in implementing the ICAI's accounting standards.

The book reflects the author's painstaking study of annual reports. The accounting periods covered are from 2001 to 2003. The book has examples drawn from a rich sample of 282 companies, though a few of them that are subsidiaries are not listed in stock exchanges. It would be useful to mention the ticker symbol of the listed companies in the study and the stock market index (such as BSE 30, Nifty 50, BSE 100, etc.) in which the companies are included for the benefit of those who would like to track future developments in these companies. However, it is not clear how the companies included in the survey were selected. The organisation of the material in terms of accounting standards is helpful in locating the needed infor-

mation without much effort. Each chapter contains a diverse range of items related to the relevant standard.

The chapters that are not related to accounting standards provide useful information on company disclosure practices on matters such as economic value-added, human resources accounting, brand valuation, and corporate governance. The reporting on internal controls under the Companies (Auditor's Report) Order, 2003 has assumed greater significance in the context of the requirement in the Sarbanes-Oxley Act in the United States to pay attention to internal control systems.

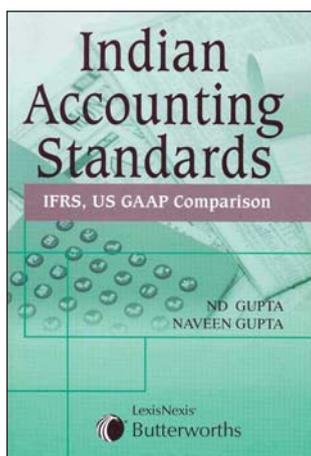
However, a major limitation of this book is the absence of insightful observations on accounting policies. Without the benefit of the author's comments, the reader is left wondering whether a particular practice is commended as an example to be followed or whether it is criticised as an aberration and should be avoided. It would be useful to know what the author's view of seemingly bizarre accounting policies in the form of an evaluation of them in light of the relevant accounting standards. Also, a comparison of accounting practices before and after an accounting standard became effective would enable the reader to understand how the standard contributed to improvement in reporting.

The accounting policy disclosures included in the book indicate considerable diversity in financial reporting among the companies surveyed. For example, Dr. Reddy's Laboratories Limited has five reportable segments—formulations; active pharmaceutical ingredients and intermediates; generics; diagnostics, critical care and biotechnology; and, drug discovery. The company's segment reporting is most certainly among the best by international standards. Again, Padmalaya Telefilms Limited has six reportable segments—television software; integrated communication group; distribution; animation; feature film, and, exhibitors. In contrast, there are companies that claim that they have no segments to report. Differences in accounting estimates exist within the same industry.

The terminology used in published financial reports is far from standard. For example, companies include sales tax, excise duty and other levies, even though Accounting Standards Interpretation 14 *Disclosure of Revenue from Sales Transactions* originally issued in June 2002 requires them to be deducted from gross sales. Inclusion of these items inflates revenue from sales. This is symptomatic of managers' obsession with the top-line.

A book of this nature is invariably ambitious and raises reader expectations. The book attempts to give a flavour of Indian accounting practices. The book would be useful to anyone concerned with preparing, auditing, analysing and regulating financial reports. These include auditors, analysts, corporate managers, government and regulatory authorities, researchers, and chartered accountancy and commerce students. The book can be brought in the form of a CD in order to make searching easier. ■

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Title: Indian Accounting Standards
IFRS, US GAAP comparison
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A Practical Guide to Intricate accounting issues on GAAP

-S. Santhanakrishnan

The Book highlights a comparative and an analytical study on the three major accounting standards as carried in the title. The authors are also attempting to bring about a harmony among the standards, while simultaneously bringing out the differences among them. The approach adopted by the authors in making the reader transpire through a gradual and systematic understanding of the subject is quite appreciable. It is really phenomenal to have the details of all the 32 measurement and disclosure differences at one snapshot.

The book serves as a practical guide to various intricate accounting issues on Generally Accepted Accounting Principles (GAAP) followed in India i.e. the Indian Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the Generally Accepted Accounting Principles issued by the Financial Accounting Standards Board (FASB).

When Indian economy is robust and vibrant with a GDP growth of around 8%, it becomes imperative for the Indian companies to go in tune with global standards. A comparative study of the different standards with real time Indian case studies makes the reading not only educative but also very interesting. This has added the flavour to the pie which otherwise would become a monotonous reading. This reflects the ingenuity of the authors in handling such a bland subject.

The depth and width of coverage of the different accounting standards actually provides a total solution on accounting standard references for any accounting professional. It is

not a standard-to-standard analysis, but it is a study of application of different standards to a particular accounting head that makes a big difference. To put it precisely, all standards applicable to a particular topic are listed in the beginning of a topic and covered in detail. The coverage is so wide and deep that each topic covers various related sub-topics under its realm and then compares among standards. This lucid style would definitely attract those readers who not only want to upgrade their knowledge but also practically enhance their professional acumen.

On an overall analysis it seems that the authors have achieved their mission i.e. to provide the reader with the clear, concise, and up-to-date Accounting Standards followed by the world today and also to help the reader to further himself in his professional development and also for his Continuing Professional Education.

Mr. N.D. Gupta, a chartered accountant by profession and a renowned researcher in accounting theory supplements the authenticity of the accounting standards. Mr. N.D. Gupta, former President of ICAI, has in his own style played a key role in formulating many of the standards and continues to take active interest on the issue. He has brought out a book on a very different and cumbersome topic in a very lucid manner. The author with his first-hand experience in the setting and development of Accounting Standards has brought out critical issues in a very clear manner.

It is heartwarming to see Mr. N.D. Gupta continuing to contribute in an immeasurable manner to the cause of the profession across the globe.

Mr. Naveen Gupta who is also a researcher in the accounting theory and a Chartered Accountant himself co-authors the book.

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NEW WEBSITE (www.icaiarf.org) FOR ICAI ACCOUNTING RESEARCH FOUNDATION

ICAI Accounting Research Foundation, a Section 25 company was incorporated on 14th January, 1999. Since then, all the details about that company, including its activities were available on the Institute's website. Now, a new website (www.icaiarf.org) has been launched for the ICAI ARF. Persons interested in pursuing research and/or willing to know about the foundation may now log on to this new site.