History and Evolution of Accounting

The early development of accounting can be viewed with Mesopotamia and relates to writing and counting as a way of keeping financial records. It can also be called as process of identifying, measuring, recording, classifying and summarising financial transactions in a systematic manner and presenting the results in the form of financial statements and reports, which are used by stakeholders for decision making. Accounting is a language to communicate business results to various stakeholders. Accounting is all about ALOE i.e. Assets, Liabilities and Owner's Equity. The process can also be referred to as 'Book Keeping'. All enterprises or entities, with or without profit motive have to maintain books of accounts on a continuous basis. Significant changes have taken place in the process of Book-keeping over the centuries and decades. Read on to know more…

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I. Beginning Era of Accounting :

The early development of accounting can be viewed with Mesopotamia and relates to writing and counting of money. By the time of Roman Empire, the Government had access to financial information. In India, *Chanakya* wrote a book on financial management titled as *'Arthashastra'* in Sanskrit (350-275 BC) during the regime of Mauryan Empire.

Accounting records dating back more than 7000 years have been found in Mesopotamia as a simple system of clay tokens to keep track of traded goods, animals, food items etc. Instead of counting heads of cattle and bushels of grain, every time whatever one has traded, trader could add or subtract tokens. Around 4000 BC the Sumerians began placing these tokens in sealed clay envelopes. Each token would be stamped into the clay outside the envelope. This practice of pressing the tokens into the clay may have been earliest genesis of writing. Few 100 years later, more complex tokens began to be used. These tokens had special markings to denote different units or type of goods. Starting from 3000 BC, the Chinese developed Abacus, a tool for counting, calculating and even number writing. Throughout much of ancient history and the Middle Ages, accounting remained a fairly simple affair. The adoption of coinage meant the accounting now dealt with a

common unit of money rather than actual goods, but on single entry book keeping, much similar to that used in modern check registers. The recording system was used to keep track of money exchanged.

European trade markets opened up Middle Eastern trade and European merchants especially in Geneva and Venice became increasingly wealthy. They needed a better way to keep track of large amount of money and in order to handle complex financial transactions.

The Italian multi-talented mathematician Luca Pacioli, who is recognised as Father of Accounting and Book Keeping was the first person to publish in the year 1494 a book titled as *"Summa de arithmetica, Geometria, Proportioniet Proportionaliti"* (Everything about Arithmetic, Geometry and Proportion). Later, he also published in 1504 the book titled "The Perfect School of Merchant", a valuable tool of accounting. The Merchants started writing transactions not only with the name of the buyer and seller, but also with description of goods purchased or sold (weight, size, price, terms of payment etc.). The systematic way of recording transactions began with double entry book keeping system, a widely-accepted system of accounting for centuries till today.

II. Beginning of the Era of Developed Accounting:

The development of joint stock companies (especially in Europe at around 1600) required wider need of accounting information for investors. This development resulted in a split of accounting systems for internal (i.e. Management or Cost Accounting) and external (i.e. Financial Accounting) purposes and subsequently resulted into Accounting and Disclosure regulations and growing need for independent attestation by the external auditors.

> The big change in the history of accounting that led to the accounting model of today was attributed on account of industrial revolution of the 19th century.

The profession of Chartered Accountants originated in Scotland in the nineteenth century. At that time accountants often belonged to the same associations as solicitors, who often offered accounting services to their clients. Accounting and Auditing began to transition into an organised profession in the nineteenth century with local professional body in England in 1880 viz. the Institute of Chartered Accountants of England and Wales. The American Association of Public Accountants was also formed in 1887 and in 1905 standard accounting tests were given for the first time for receiving license to carry out a profession as Certified Public Accountants. The big change in the history of accounting that led to the accounting model of today was attributed on account of industrial revolution of the 19th century.

The US Securities and Exchange Commission (SEC) was created in 1934 in the wake of global depression. Accountants were required to certify the reports filed with SEC by all publicly traded companies. The Association of Public Accountants eventually became The American Institute of Certified Public Accountants in 1957.

Thus, 'Accounting' increasingly became complex on account of needs of various stakeholders, including regulators. The Institute of Chartered Accountants of India (ICAI) is a statutory body established under the Chartered Accountants Act 1949 for regulating the accountancy profession in India.

Accounting began with a 'Proprietary Theory' i.e. owner of a business is at the center of accounting universe. However, with growth in business organisation structure, it has changed to a 'Business Entity concept' also called as 'Enterprise Theory' with the premise that the enterprise is formed for the benefit of various stakeholders viz. Shareholders, Lenders, Employees, Creditors, Employees etc.

III. Era of Accounting Prior to formulation of Accounting Standards :

Prior to the era of Accounting Standards, there were Generally Accepted Accounting Principles (GAAP), either under an announced framework by the local government or practiced in an informal manner. GAAP was considered as an environment, where financial statements were prepared for the benefit

of various stakeholders such as Investors, Banks and Financial Institutions, Stock Exchanges, Revenue Departments of Government etc. GAAP is considered as application of basic accounting principles, guidelines and rules, which provide the framework for more detailed and comprehensive accounting, conventions and practices. Prior to framing and mandating GAAP (including Accounting Standards), there were well accepted accounting conventions and practices. Thus, in an Accounting Environment, the GAAP comprised of –

- Basic Accounting Principles / Guidelines
- Industry specific accounting Practices to cover unusual scenario
- Guidance issued by Accounting regulator of the country e.g. in India, The Institute of Chartered Accountants of India

The following were considered as the Generally Accepted Accounting Principles –

1) Going Concern Assumption
2) Accounting Periodicity Concept
3) Monetary Unit Assumption (Money Measurement Concept)
4) Historical Cost Concept
5) Business Entity Assumption
6) Accrual Basis of Accounting
7) Matching Concept (Matching of revenue with corresponding cost)
8) Materiality Concept
9) Concept of Prudence (Concept of Conservatism)
10) Consistency
11) Disclosure Principle

Enterprises were recording financial transactions on the basis of well accepted accounting conventions and practices and in most of the undeveloped and developing countries, it was without a regulatory framework.

In a situation of non-regulatory accounting framework, there were different accounting practices followed by the enterprises with a result, it was difficult to ensure quality of financial statements as an outcome of accounting process in the form of Financial Statements.

With this background the era of Accounting Standards began and the country GAAP was mandated by regulators to follow the GAAP voluntarily to begin with and at a later stage regulated in the form of the Accounting Standards.

IV. Beginning of Era of Accounting Standards with Regulated GAAP:

What is an Accounting Standard (AS)?

An Accounting Standard is a common set of principles and standard procedures that defines the basis of Financial Accounting Policies and Practices. Accounting is a common business language of an enterprise to communicate its business results; it serves the purpose as grammar to the business language. Accounting Standards improve the transparency and comparability of Financial Reporting. Thus, AS is a document issued by the regulator or principles by Accounting Standard Setting Body, stating the manner in which financial transactions will be recorded and reported. The primary objective of Accounting Standard is to provide a standardised way of reporting and avoiding diverse accounting policies, principles and policies, which will put to an end the non-comparability of financial statements.

International Accounting Standards Committee (IASC) was set up on 29th June 1973 with Headquarter at London, when 16 accounting bodies viz. The Institute of Chartered Accountants / Certified Public Accountants from 9 nations (i.e. U.S.A., Canada, U.K. and Ireland, Australia, France, Germany, Japan, Mexico and Netherlands) signed the constitution. Later the accounting bodies, which joined as associated members, became the members of IASC. Many other countries also became members of IASC.

The objectives of IASC were as under –

1) To formulate and publish Accounting Standards in the presentation of financial statements in the public interest and promote their worldwide acceptance.
2) To work for the improvement and harmonisation of regulation of Accounting Standards and Procedures.

The International Federation of Accountants (IFAC) at XI International Congress of Accountants in October 1977 had decided to harmonise Accounting, Auditing and Reporting practices in an area which will ensure growing independence of the commercial and industrial systems of the world. In order to formalise the relationship IFAC and IASC constituted a working group, which has in the meantime, issued a statement of 'Mutual Commitments' accepting IASC/IASB as the sole body responsible for issuing pronouncements of International Accounting Standards (IAS). The council of IFAC approved it in May 1981.

In India, the Institute of Chartered Accountants of India (ICAI) constituted an Accounting Standards Board (ASB) on 21st April 1977 with the objectives of formulating Accounting Standards (AS) keeping in mind applicable laws, customs, usages, business environment and IASC's standards and also persuades the related parties to follow AS, while preparing and presenting the General Purpose Financial Statements.

ICAI's 27 ASs are in operation as of today. Accounting Standards are applicable to any enterprise engaged in commercial, industrial or business activities. Even if a very small proportion of the activities of an enterprise is considered to be commercial, industrial or business in nature, the AS would apply to all activities including those which are not commercial, industrial or business in nature. The ASs are designed to apply to the General Purpose Financial Statements, which are subject to the attest function by the members of the ICAI.

General Purpose Financial Statements include –

1) Balance Sheet
2) Statement of Profit and Loss
3) Cash Flow Statement
4) Explanatory Notes forming part of Accounts

To begin with ASs were recommendatory and were made mandatory at a later stage. As of today, all ASs are mandatory (except AS 3-Cash Flow Statements, which is now mandatory to Companies after the amendments in the Indian Companies Act, 2013).

The primary responsibility to prepare the financial statements in conformity with the Accounting Standards is that of the management. ICAI, the regulator of Accountancy Profession mandated its members to ensure full compliance of ASs, otherwise, qualify the Audit Report. There was no express mandate to Companies' through the Companies Act, 1956 to follow the ASs. Due to non or partial compliance of ASs, the Audit Reports were qualified by Statutory Auditors.

Section 211 (3A) had been inserted in Companies Act 1956 in 1999 stating that "Every Profit and Loss Account and Balance Sheet of the Company shall comply with the accounting standards", a welcome step at that time to ensure compliance. At the same time, the Companies Act 1956 had inserted Section 210A empowering the Central Government to establish "National Advisory Committee on Accounting Standards (NACAS)" for recommendation of ASs to be notified. Central Government in exercise of powers under Section 211 (3C) of the Companies Act, 1956 notified that the expression 'Accounting Standards' means the Standards of Accounting as recommended by the Institute of Chartered Accountants of India in consultation with the NACAS.

Though the Companies Act, 1956 was amended in 1999, first set of Accounting Standards (AS) was notified by the Ministry of Corporate Affairs (MCA) through the Companies (Accounting Standards) Rules, 2006. This has mandated companies to follow notified Accounting Standards.

One can correlate the following factors leading to this development in Accounting –

- Involvement of huge public funds, through Banks and Financial Institutions.
- Raising of funds from public through debt instruments.
- Multiplied growth in business.
- Use of societal resources viz. water, air, mineral resources, space etc.
- Awareness of social cost benefits.

- Change in Laws to take care of interest of various stakeholders.
- Public accountability on account of Tax Levy.
- Cross Border transactions.
- Increased expectations from National and International Investors.
- Technology Revolution.
- Increasing Corporate Scams and Frauds.
- Introduction of Derivative Financial Instruments.

Accounting Standards issued by ICAI, as well as notified by MCA, are based on International Accounting Standards (IAS) with some variation on account of applicable local laws, customs, usages and local business environment. India thus began to enter into a search of International Accounting Standards.

V. Beginning of Era with Converged IFRS i.e. Ind AS :

IFRS standards constitute a globally recognized set of standards for the preparation of Financial Statements by business entities. IFRS standards prescribe-

- the items that should be recognised as Assets, Liabilities, income and Expenses
- how to measure those items
- how to present them in a set of Financial Statements
- related disclosure of these items

Government of India principally aligned its policy to globalise its economy since April 1991. As a result, there was a phenomenal business growth. Due to the following factors, it was felt that Accounting Standards applicable in India requires further improvement especially for public interest entities to take care of global scenario –

- Raising of fund from Foreign Institutional Investors and Retail Investors.
- Raising of funds, through international markets by way of American Depositary Receipts (ADR), Global Depositary Receipts (GDR), foreign convertible/ non-convertible bonds and other innovative Financial Instruments.
- Listing of securities on the International Stock Exchanges.
- International Mergers, Acquisitions and Take overs.
- Incorporation of Foreign Subsidiaries.
- Incorporation of Indian Subsidiaries by foreign companies.
- International joint venture arrangements.
- Substantial variation in GAAP in different jurisdictions.
- Issuance of complex financial instruments.
- Corporate Scams and Scandals.

In G 20 summit held at Pittsburgh, Pennsylvania, United States in the year 2009, the then Prime Minister of India gave assurance that India will follow Global Accounting Standards. International Accounting Standards (IASs) were issued by International Accounting Standards Committee (IASC) between 1973 and 2001. Though IASs were followed by many associates of IASC, it had some limitations with its global acceptability.

> Ministry of Corporate Affairs in consultation with National Advisory Committee on Accounting Standards and The Institute of Chartered Accountants of India decided not to adopt, but to converge IFRSs for applicability to public interest entities in India viz. Large Corporates, Banks and Insurance entities. Converged IFRS are known as Ind AS (Indian Accounting Standards).

IFRS Foundation predecessor body was called the International Accounting Standards Foundation was formed on 6th February 2001. The Foundation changed name to the International Financial Reporting Standards Foundation (IFRS Foundation) on 1st July 2010. It is incorporated as a not for

profit organisation in Delware, USA. For this purpose, IFRS Foundation renamed IASC to International Accounting Standards Board (IASB). IASB decided to issue qualitative global standards known as IFRS w.e.f. 1.4.2001 and all existing IASs to form part of IFRS framework. The existing IASs at that time were to continue to remain in effect, unless replaced by IFRS.

Thus, IFRS framework comprises of –

IAS – International Accounting Standards issued before April 2001

SIC – Interpretations by Standing Interpretation Committee on IAS

IFRS – International Financial Reporting Standards issued after April 2001

IFRIC – Interpretations by International Financial Reporting Interpretation Committee on IFRS

Ministry of Corporate Affairs in consultation with National Advisory Committee on Accounting Standards and The Institute of Chartered Accountants of India decided not to adopt, but to converge IFRSs for applicability to public interest entities in India viz. Large Corporates, Banks and Insurance entities. Converged IFRS are known as Ind AS (Indian Accounting Standards).

Initially, it was decided to implement from Financial Year 2011-12, but due to corporate representations and inadequate preparations by corporates, it had been postponed to 2015-16. The Finance Minister in an Interim Budget of July 2014 first time introduced the subject of Accounting Standards before both houses of Parliament announcing to implement Ind AS. Accordingly Ministry of Corporate Affairs under Companies (Indian Accounting Standards) Rules 2015 vide notification dt. 16th February, 2015, notified Ind AS applicability to companies with the threshold criteria of Net Worth in a phased manner starting from financial year 2015-16 as follows –

Phase	To whom Applicable	Effective from Financial Year
I-Voluntary	Companies (other than NBFC, Banks and Insurance Entities) without any criteria of net worth	2015-16
II- Mandatory	Listed Companies (other than NBFC, Banks and Insurance Entities) with net worth equal to or more than ₹ 500 crores. Unlisted Companies with net worth equal to or more than ₹ 500 crores. Parent, Subsidiaries, Associates and Joint Ventures of above	2016-17
III- Mandatory	Listed Companies (other than NBFC, Banks and Insurance Entities not covered in Phase II above) Unlisted Companies with net worth equal to more than ₹ 250 crores and upto ₹ 500 crores. Parent, Subsidiaries, Associates and Joint Ventures of above	2017-18
IV- Mandatory	Non-Banking Finance Companies (NBFC) having net worth equal to or more than ₹ 500 crores. Parent, Subsidiaries, Associates and Joint Ventures of above	2018-19
V- Mandatory	NBFCs having net worth equal to more than ₹ 250 crores and upto ₹ 500 crores. Parent, Subsidiaries, Associates and Joint Ventures of above	2019-20
VI- Mandatory	Insurance Sector Entities (irrespective of Net Worth)	2020-21
VII- Mandatory	Banking Sector Entities (irrespective of Net Worth)	Date is yet to be announced by the Regulator.

Notes :

1) Those Companies who have not fallen in Ind AS era to begin with because of net worth having below the threshold limit are also mandated to follow Ind AS, as and when the threshold criteria of net worth equal to or more than Rs. 250 Crores is met from the succeeding financial year.

2) Ind AS is applicable to Separate (or Standalone) as well as Consolidated Financial Statements.

3) There is no provision of rebuttal, once Ind AS is made applicable, even though Net worth subsequently falls below the threshold limit.

4) On establishment of National Financial Reporting authority (NFRA) in place of NACAS w.e.f. 1st October 2018, NFRA in consultation with ICAI recommends the New Standard/ Modifications to the Ministry of Corporate Affairs for notification.

What is convergence?

The dictionary meaning of the word 'converge' is 'as near there to'. If IFRS is implemented in a jurisdiction as it is, the process is known as adoption. However, if there are some eliminations or modifications to IFRS, the process is known as convergence. While converging IFRS into Ind AS, there are few carve-outs in Indian Framework. As such India is not IFRS compliant country till carve outs are eliminated.

Ind AS framework is relevant, honest and faithful presentation of Profitability, Financial Position and Cash Flow. Thus, Ind AS Financial Reporting is qualitative way of Accounting and of high value to a stakeholder for his/its decision making process.

Salient Features of Ind AS (Converged IFRS):-

Sr. No.	Salient Feature	Details
1.	Principle based Standards	Standards are based on substance over from i.e. understanding the reality of a transaction rather than only legality. These are not Rule Based Standards.
2.	Fair Value Measurement	Measurement base is of a fair value to arrive at true and fair profitability and financial position by overcoming limitation of historical cost.
3.	Time Value of Money	Weightage to time factor is given and discounted value is recorded for accounting and financial presentations.
4.	Robust disclosures	Considering interest of all stakeholders, material facts and details are conveyed by way of appropriate disclosures.
5.	Global Acceptability	IFRS are adopted / converged by more than 150 countries. Thus, IFRS is having worldwide acceptance and usage.
6.	Complexity in IFRS	IFRS application requires higher degree of judgement and estimates.

Ind AS framework is relevant, honest and faithful presentation of Profitability, Financial Position and Cash Flow. Thus, Ind AS Financial Reporting is qualitative way of Accounting and of high value to a stakeholder for his/its decision making process.

VI. Comparative Summary of AS, IFRS and Ind AS:

AS No.	Existing Indian Standard	IFRS No.	Ind AS No.	Converged IFRS
AS 1	Disclosure of Accounting Policies	IAS 1	Ind AS 1	Presentation of Financial Statements
AS 2	Valuation of Inventories	IAS 2	Ind AS 2	Inventories

AS No.	Existing Indian Standard	IFRS No.	Ind AS No.	Converged IFRS
AS 3	Cash Flow Statements	IAS 7	Ind AS 7	Statements of Cash Flows
AS 4	Contingencies and Events Occurring after the Balance Sheet Date	IAS 10	Ind AS 10	Events after the Reporting Period
AS 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	IAS 8	Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors
AS 7	Construction Contracts	IAS 11	Ind AS 115	Revenue from Contracts with Customers
AS 9	Revenue Recognition	IFRS 15	Ind AS 115	Revenue from Contracts with Customers
AS 10	Property, Plant and Equipment	IAS 16	Ind AS 16	Property, Plant and Equipment
AS 11	The Effects of Changes in Foreign Exchange Rates	IAS 21	Ind AS 21	The Effects of Changes in Foreign Exchange Rates
AS 12	Government Grants	IAS 20	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance
AS 13	Accounting for Investments	IAS 40	Ind AS 40	Investment Property
		IFRS 9	Ind AS 109	Financial Instruments
AS 14	Accounting for amalgamations	IFRS 3	Ind AS 103	Business Combinations
AS 15	Employee Benefits	IAS 19	Ind AS 19	Employee Benefits
AS 16	Borrowing costs	IAS 23	Ind AS 23	Borrowing costs
AS 17	Segment Reporting	IFRS 8	Ind AS 108	Operating Segments
AS 18	Related Party Disclosures	IAS 24	Ind AS 24	Related Party Disclosures
AS 19	Leases	IFRS 16	Ind AS 116	Leases
AS 20	Earnings Per Share	IAS 33	Ind AS 33	Earnings Per Share
AS 21	Consolidated Financial Statements	IFRS 10	Ind AS 110	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income	IAS 12	Ind AS 12	Income Taxes
AS 23	Accounting for Investments in associates in Consolidated Financial Statements	IAS 28	Ind AS 28	Investments in Associates and Joint Ventures
AS 24	Discontinuing Operations	IFRS 5	Ind AS 105	Non-Current Assets Held for Sale and Discontinuing Operations
AS 25	Interim Financial Reporting	IAS 34	Ind AS 34	Interim Financial Reporting
AS 26	Intangible assets	IAS 38	Ind AS 38	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures	IAS 28	Ind AS 28	Investments in Associates and Joint Ventures
		IFRS 11	Ind AS 111	Joint Arrangements
AS 28	Impairment of Assets	IAS 36	Ind AS 36	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets	IAS 37	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets
-	-	IAS 26	No Ind AS	Accounting and Reporting of Retirement Benefit Plans
-	-	IAS 27	Ind AS 27	Separate Financial Statements
-	-	IAS 29	Ind AS 29	Financial Reporting in Hyperinflationary Economies
-	-	IAS 32	Ind AS 32	Financial Instruments – Presentation
-	-	IAS 41	Ind AS 41	Agriculture
-	-	IFRS 1	Ind AS 101	First Time Adoption of Indian Accounting Standards

AS No.	Existing Indian Standard	IFRS No.	Ind AS No.	Converged IFRS
-	-	IFRS 2	Ind AS 102	Share based Payment
-	-	IFRS 4	Ind AS 104 (Not in Operation)	Insurance Contracts
-	-	IFRS 6	Ind AS 106	Exploration for and Evaluation of Mineral Resources
-	-	IFRS 7	Ind AS 107	Financial Instruments: Disclosure
-	-	IFRS 9	Ind AS 109	Financial Instruments
-	-	IFRS 12	Ind AS 112	Disclosure of Interest in other Entities
-	-	IFRS 13	Ind AS 113	Fair Value Measurement
-	-	IFRS 14	Ind AS 114	Regulatory Deferral Accounts
-	-	IFRS 16	Ind AS 116	Leases
-	-	IFRS 17	Ind AS 117	Insurance Contracts

VII. Organisations Contributing for Qualitative Global Financial Reporting Standards Issued by IFRS Foundation and International Accounting Standards Board:

IFRS Foundation:

IFRS Foundation is a not-for-profit public interest organisation with oversight by a monitoring Board of public authorities. The Governance and due process are designed to keep the standard setting independent from special interests, while ensuring accountability to the stakeholders around the world. The mission is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world. IFRS standards serve the public interest by fostering trust, growth and long term financial stability in the global economy.

IFRS Foundation predecessor body was called as the International Accounting Standards Foundation was formed on 6th February 2001, The change in its name as the International Financial Reporting Standards Foundation (IFRS Foundation) was made on 1st July 2010. The Foundation is governed by a Board of 22 trustees and a Monitoring Board.

IAS and SIC interpretations forming the part of IFRS framework are previously developed by the IASC and have been adopted by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee respectively, when they were framed. The Standards are developed and published by the IASB, the 14 member Standard Setting Body of the IFRS Foundation, while IFRIC Interpretations are provided by the IFRS Interpretation Committee. The IFRS Foundation through IASB also sets out the IFRS for Small and Medium–Sized Entities (SMES) to better meet the needs of SMES and relieve the burden imposed on them by the full IFRS Standards.

The IFRS Foundation also develops and maintains the IFRS taxonomy. The IFRS taxonomy consists of elements that can be used to tag data contained in financial statements prepared using IFRS standards. Tagging makes information computer–readable and therefore, more accessible to investors and other users of electronic company financial reports. The eXtensible business reporting language (XBRL) is used to represent and deliver IFRS Taxonomy content.

International Accounting Standards Board (IASB):

IASB was established on 1st April 2001, as the successor to the International Accounting Standards Committee (IASC). IASB is responsible for developing International Financial Reporting Standards (IFRS Standards), previously known as International Accounting Standards (IAS) and promoting the use and application of these standards.

The Financial Accounting Standards Board (FASB):

It is a not-for-profit organization standard setting body, whose primary purpose is to establish and improve Generally Accepted Accounting Principles (GAAP) within the United States in the public interest. The Securities and Exchange Commission (SEC) designated FASB as the organization responsible for setting accounting standards for public companies in US. The FASB replaced the Accounting Principles Board

(APB) of American Institute of Certified Public Accountants (AICPA) on 1st July 1973. FASB accounting standards are accepted as authoritative by many organisations, including state boards of Accounting and AICPA.

The IASB and FASB have undertaken joint project to eliminate a variety of differences between IFRS and US GAAP. The project grew out of an agreement reached by the two boards in October 2002 (the 'Norwalk Agreement').

European Financial Reporting Advisory Group (EFRAG):

EFRAG was established in June 2001, a group of organizations representing the European accounting profession, preparers, users and national standard setters with the following objectives.

- To provide technical expertise to the European commission concerning the use of IAS / IFRS within Europe
- To participate in IASB's standard setting process.
- To co-ordinate within European Union (EU) the development of views concerning international accounting standards.

Group of Latin American Accounting Standard Setters (GLASS):

GLASS is a regional organization from standard setters in the Latin-American region. The group was established in June 2011. The objectives of GLASS includes –

- Interacting with IASB by providing technical inputs to all documents published for comments.
- Promoting the adoption and/or convergence with IFRSs in the region as well as their consistent application.
- Taking a part in the technical meetings of the National Standard Setters and World Standard Setters.

GLASS is comprised of 16 members and 1 observer.

PAN African Federation of Accountants (PAFA):

PAFA is a regional body that is aimed to represent African professional accountants, particularly in relation with International Federation of Accountants (IFAC). It was inaugurated on 5th May 2011. PAFA communicates and participates in the work of IFAC and IASB and committees in agreed areas and liaison with other international and national organizations. PAFA is comprised of 37 professional accountancy organizations from 34 countries.

Asian Oceanian Standard Setters Group (AOSSG):

AOSSG is a grouping of 27 accounting standard setters in the Asian-Oceanian region. The group has been formed in the year 2009 to discuss issues and share experiences on the adoption and/or conversion of IFRSs and to contribute to the development of high quality set of global accounting standards. AOSSG also promote consistent application of IFRSs by jurisdictions in the region.

International Federation of Accountants (IFAC):

IFAC is a global organization for the accountancy profession dedicated to serve the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised over 175 members and associates in more than 130 countries and jurisdictions, representing almost 3 million accountants in public practice, education, government service, industry and commerce. IFAC's focus area is to promote adoption and/or conversion in developing IFRSs and IFRS for SMEs.

South Asian Federation of Accountants (SAFA):

SAFA is a forum of professional accounting bodies in South Asian Association of Regional Co-operation (SAARC) region of 8 nations. It works in public interest and towards broad economic development of the region through promoting harmonization of International Accounting Standards and Practices.

The Confederation of Asian and Pacific Accountants (CAPA):

CAPA is a regional organization representing 33 national professional accountancy organizations (PAOs) operating in 24 jurisdictions in Asia and the Pacific. PAOs are referred as CAPA members represent over 1.7 million accountants across the region. CAPA is one of four regional organizations (ROs) recognized by the global accountancy profession, which is represented by IFAC. The other ROs represents PAOs in Europe (Accountancy Europe), Africa (PAN African Federation of Accountants) and the Americas (Inter-American Accounting Association) CAPA share IFAC's mission and promotes adoption and/or conversion in developing IFRS and IFRS for SMEs.

International Forum of Accounting Standard Setters (IFASS):

IFASS is a grouping of national accounting standard setters from around the world plus other organizations that have a close involvement in financial reporting

issues. IFASS hold meetings of national accounting standard setters and deliberate issues in IFRS. These meetings are attended by IASB members and staff.

Emerging Economies Group (EEG):

EEG was created in 2011 at the direction of IFRS Foundation Trustees with the aim of enhancing the participation of emerging economies in the development of IFRS standards. EEG focuses on issues around the application and implementation of IFRS standards.

VIII. Era of Indian Government Accounting Standards (IGASs):

Indian Government Accounting Standards (IGASs) are formulated by Government Accounting Standards Advisory Board (GASAB) under the aegis of Comptroller and Auditor General of India. It is established in August 2002. The mission of GASAB is to formulate and recommend IGASs for cash system of accounting and Indian Government Financial Reporting Standards (IGFRS) for accrual system of accounting with a view to improve standards on Government Accounting and Financial Reporting, which enhances the quality of decision making and public accountability. The standards apply to the General Purpose Financial Statements of Government Entities. These include Union Government, State Governments, Local Bodies and their component entities (e.g. Departments, Agencies, Boards, Commission). IGASs are mandatory from the effective date after their notification by Ministry of Finance, Govt. of India.

Following is the summary of IGAs for cash system of accounting –

IGAS No.	Notified by Govt. of India	IGAS No.	Approved by GASAB and under consideration of Govt. of India
	Title		Title
1	Guarantees given by Governments : Disclosure Requirement	7	Foreign currency transactions and loss or gain by Exchange Rate Variations.
2	Accounting and Classification of Grants-in-Aid	9	Government Investments in Equity
3	Loans and Advances made by Governments	10	Public Debt and other Liabilities of Government: Disclosure Requirements

Following is the summary of notified IGFRSs for accrual system of accounting –

IGFRS No.	Title
1	Presentation of Financial Statements
2	Property, Plant and Equipment
3	Revenue from Government Exchange Transactions
4	Inventories
5	Contingent Liabilities (other than Guarantees) and Contingent Assets : Disclosure Requirement

IX. Era of Accounting Standards for Local Bodies (ASLBs):

ASLBSs are Accounting Standards formulated by the ICAI that govern the preparation and presentation of General Purpose Financial Statements of a particular local body. ASLBs are based on International Public Sector Accounting Standards (IPSASs) issued by the International Accounting Standards Board. The implementation of ASLBs, which are being issued in dynamic environment, will help in improving the financial reporting of local bodies, which will also help in augmenting more financial resources to local bodies, enabling smooth implementation of smart cities mission of Government of India. So for the ICAI has issued 13 ASLBs which include one cash based ASLB that will facilitate transitioning local bodies from cash to accrual basis of accounting. The purpose of ASLBs is to ensure that the financial reporting by local bodies reflects how efficiently and effectively Local Bodies have discharged their responsibilities in using public funds.

Following is the list of ASLBs issued by ICAI–

ASLB No.	Title
1	Presentation of Financial Statements
2	Cash Flow Statements
3	Accounting Policies, Changes in Accounting Estimates and Errors
5	Borrowing Costs
9	Revenue from Exchange Transactions
11	Construction Contracts
12	Inventories
14	Events after the Reporting Date
17	Property, Plant and Equipment
18	Segment Reporting
19	Provision, Contingent Liabilities and Contingent Assets
24	Presentation of Budget Information in Financial Statements
31	Intangible Assets
-	Financial Reporting under the Cash Basis of Accounting

X. Conclusion

Accounting is a business communication language and development of Accounting Standards has served like a grammar to make this language rich, qualitative and effective. Complexities of financial transactions evolved gradual development by way of up-gradation in the field accounting.

In India, the following sets of Accounting Standards are in force as of today-

S. No.	Accounting Standard	Abbreviations	Applicability
1.	Companies (Accounting Standards) Rules 2006, notified by Ministry of Corporate Affairs	AS	Non Ind AS Companies
2.	Companies (Indian Accounting Standards) Rules 2015, notified by Ministry of Corporate Affairs	Ind AS	Ind AS Companies
3.	Accounting Standards, issued by ICAI	AS	Non-Corporate Enterprises
4.	Indian Government Accounting Standards, notified by Ministry of Finance	IGAS	Government Entities
5.	Accounting Standards for Local Bodies, issued by ICAI	ASLB	Local Bodies

This development of qualitative Accounting Standards has to go a long way as a continuous process to make this language as richer source of Financial Reporting for the benefit of all stakeholders.

XI. *References:*

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The world as we have created it is a process of our thinking. It cannot be changed without changing our thinking. *- Albert Einstein*