International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 10 Issue: 01 | Jan - 2026 SJIF Rating: 8.586 ISSN: 2582-3930

Indian Accounting Standards: Objectives and Implementations

DR. FALGUNI SINGH[1]

ABSTRACT

Financial Statements have a great importance and influence in all the sectors of the economy. They actually help to make the annual report of each and every business association or the company so it is important that they must be systemized and regulated so that they must be helpful in giving the most meaningful information and avoiding all wrong and misleading conclusions.Accounting standards are nothing but simply the list of documents; whose main aim is to ensure transparency, reliability and consistency of all the final documents of the company. These standards bring stability and reliability in the companies by standardizing the policies and procedures of the company's overall document and so all the transactions of the firms are recorded uniformly by following these standards. It is well known fact that these accounting standards are issued by the regulatory body and in our country these standards are being issued by Institute of Chartered Accountants of India (ICAI).This paper tries to explain the importance and implementation of the accounting standards in recording accounting policies and procedures.

KEYWORDS: Accounting Standards. ICAI, IND-AS.

1. Dr. Falguni Singh, Assistant Professor, Department: Department of Center for Distance and Online Education, Sharda University, Greater Noida, Sharda University, Greater Noida,Uttar Pradesh,India, Pin Code:201310, E-mail: (falguni1304.fs@gmail.com)

INTRODUCTION

Accounting is the language of the business as it tells the overall report of the company to all the stakeholders and each and every language there are some rules and regulations in the same way accounting language also follows some rules and regulations in the form of Indian Accounting Standards.

Accounting Standards are the written documents having rules, regulations and guidelines for making and uniform, systematic and financial statements. They set forward the terms and conditions rules and regulations for the easy interpretation and recording of financial transactions in the books of accounts of a particular company. Accounting standards systematize the generally accepted principles. They put forward the rules for accounting policies and practices by way of guidelines to instruct as to how the financial transactions should be dealt in the books of accounts and annual statements. They give way to the general principles to put in an organized manner to be used for stakeholders. These standards make the final statements of the different business firms more comparable. Absence of these standards may give wrong misleading and manipulative information to the stakeholders which may lead to wrong decisions of the stakeholders. For the better decision making the data published by the companies should be free from fraud which can be done through accounting standards. These standards may deal with mainly for basic issues:

- Recognition of financial events.
- Measurement of financial transactions.

- Presentation of financial statement.
- Disclosure requirement of the companies.

RESEARCH METHODOLOGY

The paper is solely based on the theoretical meaning of the accounting standards.

NATURE of ACCOUNTING STANDARDS:

The top class of every firm is very much ken and focused on the reliable data so that they may extract both useful and meaningful conclusions for making better decisions. With regard to these important issues the below are some important characteristics of the accounting standards:

1. Act as a Mentor To the Accounting Professionals:

Accounting Standards act as the mentors for the accounting professionals on the process of recording the financial transactions. Just like mentors they help the professionals to simplify the financial statements and put them into correct place that is in the right books of accounts.

2. Serve as a leader or the Autocrat:

These standards become a leader in the area of accounting. As the leader sometimes gives you no choice but to act in the manner as defined by him in the same manner professionals in some cases can't move beyond the rules and regulations as set or defined by the standards.

3. Become a Service Supplier:

These standards define the area of accounting by laying down certain rules for making and implementing the accounting transactions. They also define number of publications for presenting financial transactions.

4. Serve as a Intermediary:

These rules and guidelines are not partial in nature and they create a set defined system in accounting policies and procedures. In many cases they create and give answers to many critical financial issues. From the above short discussion it is clear that they act as a mediator in solving the conflicts and again making the procedures more uniformed and solved

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OBJECTIVESof Accounting Standards:

In older times accounting was just limited to recording of financial transactions but now for the better requirement of uniformed recording there comes many objectives of the accounting standards which are defined as under:

- For making systemized Accounting Methods:

The most important need of these standards is to create equality in accounting procedures by way of their set defined rules and regulations.

- Making Financial Transactions more trustworthy:

Accounting is the eyes of every business association. There are many stakeholders of the financial transactions who make many decisions on the informations supplied by the companies. For making correct decisions they must be trustful information on the priority basis. This trustworthy information are helpful both for the stakeholders and for the company itself as because on one side company can increase its goodwill and more important side stakeholders can make good decisions. Accounting standards act as a sole for trustworthy accounting information.

- Help in ease of Accounting Information:

Standards laid down by ICAI help stakeholders in keeping themselves away by the wrong manipulative conclusions of the information of the company.

- Helpful for Auditor:

These help auditors for quick and complete check of the data given by the company as the rules and regulations are clearly defined before handed by standards issued by ICAI.

Implementation of Accounting Standards:

Indian Accounting Standards Rules 2015 made by MCA help the companies for the adoption of guidelines of accounting standards. The guidelines made and issued are in consultation and with the collaboration of National Advisory Committee. According to MCA these standards can be adopted in two phases:

PHASE I:

These standards are mandatory on or after 1 April 2016 for following companies:

- Companies whose securities are listed in stock market.
- Net worth of companies of Rs 500 cr or more.
- Holding Joint Venture of companies mentioned above.

PHASE II

Mandatory Accounting standards for the period ending 31 March 2017 for following

Companies:

- Companies whose securities are in process of being listed on any stock market having less than 500Cr rupees or less,
- Unlisted company more than 250Cr but less than 500Cr of net worth.
- Holding, Subsidiary and Joint Venture of above mentioned companies.

Present Status of Indian Accounting Standards: Convergence withIFRS

It is being known to everyone that our country is making its mind to converge India Accounting Standards with International Financial Reporting Standards. Doing this will attract foreign investors in India because it will become for the investors to compare Indian AS with IFRS.

- Indian AS will be optional for those companies who are beginning their accounts on or after 1april 2015and mandatory for those who comply with Indian AS for making accounts on or after 1 April 2016:
- Company whose equity or debt securities are listed in or outside India having net worth of 500cr rupees.
- Unlisted Companies having net worth of 500cr rupees.
- Holding, Subsidiary and Joint Ventures of above companies.

It is also mandatory for those who are beginning their accounts on or after 1 April 2017:

- Company whose securities are listed in or outside India having net worth of less than 500cr rupees.
- Unlisted company having net worth of more than 250cr but less than 500cr rupees.
- Holding subsidiary and joint ventures of the above companies.

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CONCLUSION

Accounting standards are the life blood of the accounting information. They have always creates a clear path way for the professionals to easily record the financial statements which in future helps to both the company and the stake holders. So these standards should surely be followed by all the big and small firms for the better comparison and implementation of the data of the companies.

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