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INTERNATIONAL ACCOUNTING STANDARDS IN FINANCIAL INCLUSION

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Abstract: International Accounting Standards (IAS)/International Financial Reporting Standards (IFRS) makes it timely to examine their technical determinants as well as their implications for the accounting profession and the process of accounting harmonization. In this respect, we suggest that the principles-based approach to the standards and its inner flexibility enables the application of IAS/IFRS to countries with diverse accounting traditions and varying institutional conditions. Furthermore, the principles-based approach involves major changes in the expertise held by accountants and, hence, in their educational background, training programs, and in the organizational and business models of accounting firms. Finally, we submit that the standards set by the IAS/IFRS constitute a step forward in the process of accounting harmonization, although there is still far to go in the comparability of accounting measures across countries and regions. In the paper we discourse to study of International Financial Reporting Standard & Indian Accounting Standard and understand the procedure for issue of International Financial Reporting Standard & Indian Accounting Standard. Accounting phenomena in one country with lessons or repercussions extending to other countries…accounting phenomena related to multinational enterprises…global movements to shape the direction of accounting… and comparative accounting requirements and practices accounting phenomena in one country with lessons or repercussions extending to other countries…accounting phenomena related to multinational enterprises…global movements to shape the direction of accounting…and comparative accounting requirements and practices. Financial inclusion serves as an effectual tool to reducing poverty and improving welfare of generality of the masses thereby attaining inclusive growth.

Keywords: Introduction, Role And Importance of Accounting Standards , IAS Committee, List of IAS, Comparison between IFRS Vs .Gaap, Financial Inclusion, Conclusion, references.

INTRODUCTION

International Accounting Standards (IAS), now renamed International Financial Reporting Standards (IFRS), are gaining acceptance worldwide. This section discusses the extent to which IFRS are recognized around the world and includes a brief overview of the history and key elements of the international standard-setting process.

ROLE AND IMPORTANCE OF ACCOUNTING STANDARDS

Operating a line of work is not simply to make profits, deposit money in the money box, paying employees, and lure more customers and clients. It is whether the commercial enterprise is booming or if the owner is simply investing in something that will not win them all.

Accounting standards in the United States appear in the conformation of the generally accepted accounting principles, a set of measures, guidelines and operations that are used when accounting for the affairs of most governmental and non- governmental bodies. The reading of numbers and the wherewithal to put them in the proper context are at the essence of accountability. Measures exist to assure that accounting decisions are reached in a unified and reasonable manner.

- Comparison
- Transparency
- Relevance
- Hearings
- Protecting Investors
- Regulatory Compliance

THE INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE

From 1973 until 2001, the body in charge of setting the international standards was the International Accounting Standards Committee (IASC). The principal significance of IASC was to encourage national accounting standard setters around the world to improve and harmonize national accounting standards. Its objectives, as stated in its Constitution, were to

- Formulate and publish in the public interest accounting standards to be observed in the presentation of financial statements and to promote their worldwide acceptance and observance
- Work generally for the improvement and harmonization of regulations, accounting standards, and procedures relating to the presentation of financial statements.

INTERNATIONAL ACCOUNTING STANDARDS

During its existence, IASC issued 41 numbered Standards, known as International Accounting Standards (IAS), as well as a Framework for the Preparation and Presentation of Financial Statements.

List of IAS Still in Force for 2006 Financial Statements	
IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 7	Cash Flow Statements
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events After the Balance Sheet Date
IAS 11	Construction Contracts
IAS 12	Income Taxes
IAS 14	Segment Reporting
IAS 16	Property, Plant, and Equipment
IAS 17	Leases
IAS 18	Revenue
IAS 19	Employee Benefits
IAS 20	Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 23	Borrowing Costs
IAS 24	Related-Party Disclosures
IAS 26	Accounting and Reporting by Retirement Benefit Plans
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 29	Financial Reporting in Hyperinflationary Economies
IAS 30	Disclosures in the Financial Statements of Banks and Similar Financial Institutions
IAS 31	Interests in Joint Ventures
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 34	Interim Financial Reporting
IAS 36	Impairment of Assets
IAS 37	Provisions, Contingent Liabilities and Contingent Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IAS 40	Investment Property
IAS 41	Agriculture

Comparison between IFRS Vs .GAAP

GAAP (US Generally Accepted Accounting Principles) is the accounting standard used in the US, while **IFRS** (International Financial Reporting Standards) is the accounting standard used in over 110 countries around the world. GAAP is considered a more "rules based" system of accounting, while IFRS is more "principles based." The U.S. Securities and Exchange Commission is looking to switch to IFRS by 2015.

	IFRS	**GAAP**
Stands for	International Financial Reporting Standards	Generally Accepted Accounting Principles
Definition of an asset	The IFRS framework defines an asset as a resource from which future economic benefit will flow to the company	The US GAAP framework defines an asset as a future economic benefit.
Introduction	Universal financial reporting method that allows international businesses to understand each other and work together.	Standard guidelines and structure for typical financial accounting.
Used in	Over 110 countries, including those in the European Union	United States
Performance elements	Revenue or expenses, assets or liabilities	Revenue or expenses, assets or liabilities, gains, losses, comprehensive income
Required documents in financial statements	Balance sheet, income statement, changes in equity, cash flow statement, footnotes	Balance sheet, income statement, statement of comprehensive income, changes in equity, cash flow statement, footnotes
Inventory Estimates	First-in, first-out or weighted-average cost	Last-in, first-out; first-in, first-out; or weighted-average cost
Inventory Reversal	Permitted under certain criteria	Prohibited
Purpose of the framework	Under IFRS, company management is expressly required to consider the framework if there is no standard or interpretation for an issue.	US GAAP (or FASB) framework has no provision that expressly requires management to consider the framework in the absence of a standard or interpretation for an issue.
Objectives of financial statements	In general, broad focus to provide relevant info to a wide range of stakeholders. IFRS provides the same set of objectives for business and non-business entities.	In general, broad focus to provide relevant info to a wide range of stakeholders. GAAP provides separate objectives for business and non-business entities.
Underlying assumptions	IFRS gives prominence to underlying assumptions such as accrual and going concern.	The "going concern" assumption is not well-developed in the US GAAP framework.
Qualitative characteristics	Relevance, reliability, comparability and understandability. The IASB framework (IFRS) states that its decision cannot be based upon specific circumstances of individual users.	Relevance, reliability, comparability and understandability. GAAP establishes a hierarchy of these characteristics. Relevance and reliability are primary qualities. Comparability is secondary. Understandability is treated as a user-specific quality.

FINANCIAL INCLUSION

Micro, small and medium-sized enterprises (MSMEs) are important contributors to the national economies worldwide. In most countries, they represent the majority of enterprises, provide most of the employment and also make an important contribution in terms of income generation.

The role of accounting in financial inclusion for MSMEs, participants emphasized the importance of keeping a realistic view of the type of accounting information needed by and from each type of company (in terms of size) in order to avoid excessive compliance costs that discourage the micro and small entrepreneurial activity. There was agreement that a simplified guidance – such as the SMEGA Level 3, developed by UNCTAD-ISAR – would be a good basis. It was stressed that raising financial literacy of entrepreneurs would significantly contribute to facilitating MSMEs financial inclusion, their access to finance and reducing defaults on loans. Participants highlighted affordability of financial services as a key underlying issue and the need for greater responsiveness of the industry and regulatory frameworks on considering the needs of MSMEs.

CONCLUSION

The changes are effective from 1 January 2020, but companies can decide to apply them earlier.

- **Old definition:** Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements (IAS 1 *Presentation of Financial Statements*).

New definition: Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity

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