Accounting Standards & IFRS

1. **What do you mean by accrual basis of accounting?**

Ans: Accrual basis of accounting is based on the concept of realization and expiration and follows two basic accounting principles i.e. revenue recognition and matching principle. Under this system income is recorded as income when it is earned or accrued.

2. **Which basis of accounting is recognized under companies Act, 2013?**

Ans: Accrual Basis of Accounting.

3. **What is hybrid basis of accounting?**

Ans: It is a combination of both cash basis of accounting and accrual basis of accounting. In this system incomes are recorded on cash basis and expenses are recorded on Accrual Basis.

4. **"Closing Stock is valued at cost price or market price whichever is less". According to which accounting principle the above statements valid?**

Ans: Conservatism principle or prudence principle.

5. **The economic life of an enterprise is artificially split into periodic intervals in accordance with which accounting principle?**

Ans: Accounting Period Principle.

6. **The financial statements must disclose all the relevant and the reliable information in accordance with which accounting principle?**

Ans: Full Disclosure Principle.

7. **Name the accounting principle applied in classification of assets as current assets and fixed assets.**

Ans: Going Concern Principle.

8. **When stock is valued at cost in one accounting period and at lower of Net Realizable Value in another accounting period, which Accounting Principle conflicts with which Accounting Principle?**

Ans: Prudence concept conflicts with the consistency principle.

9. **What do mean by accounting standards?**

Accounting standards are set of guidelines i.e. generally accepted accounting principles issued by accounting body of country i.e. ICAI that are followed for preparation and presentation of financial statement. These are written policy documents covering the aspects of recognition , measurement , treatment and disclosure of accounting transactions in financial statements.

10. **Explain the nature of accounting standards.**

i) These are guidelines providing the framework.

ii) Accounting standards are mandatory in nature.

iii) Accounting standards have also been made flexible so that a firm is freely to adopt any of the practices with suitable disclosure.

iv) Accounting standards are prepared keeping in view business environment and laws of their country.

11. **What are the objectives of Accounting Standards**?

i) To minimize the diversified accounting policies and practices.

ii) To promote better understanding of financial statement.

iii) To enhance the reliability of financial statement.

iv) To facilitate the meaningful comparison of financial statements of two or more firms.

v) To bring uniformity in different accounting policies.

vi) To provide a set of standard accounting policies, valuation norms & disclosure requirements.

12. **What is the utility of accounting standards?**

    (i)It ensures uniformity in the preparation and presentations of financial statements.

    (ii)It helps the auditors in auditing the accounts.

    (iii)It creates a sense of confidence among the users of accounting.

    (iv)It provides the norms on the books of which financial statements should be prepared.

13. **What is the need for accounting standards ?**

    These can serve the interest of different users only if possesses uniformity & full disclosure of relevant information. These facilitate the scope of those alternatives which fulfill the basic qualitative characteristics of true and fair financial statements .

14. **What are the limitations of Accounting Standards?**

    1. Accounting Standards make 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 Standards cannot override the statue. The standards are required to be framed with in the ambit of prevailing status.

15. **Define IFRS**

    IFRS are a set of accounting standards developed by international accounting standard board (IASB).

16. **Explain the financial statements prepared under IFRS.**

    (i)Statement of financial position

    (ii)Statement of comprehension income

    (iii)Statement of changes in equity

    (iv)Statement of cash flow

17. **Explain the difference between IFRS and Indian GAAP**.

    IFRS is principal based while Indian GAP and accounting standard are rules based IFRS are based on fair value concept whereas Indian GAP and accounting standards are based on historical cost concept.

18. **What is the full form of GAAP?**

    It is the generally accepted accounting principles.