

IMPACT OF IASB & FASB ON FINANCIAL STATEMENTS AND CHALLENGES: A STUDY

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Abstract

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB): today issued new direction on reasonable value estimation, and divulgence necessities for International Financial Reporting Standards (IFRSs) and the US generally accepted accounting principles (GAAP). The direction, set out in IFRS 13 Fair Value Measurement in the FASB's Accounting Standards Codification® (in the past alluded to as SFAS 157), finishes a noteworthy venture of the boards' joint work to enhance IFRSs and US GAAP and to achieve their union. The harmonization of reasonable value estimation and revelation prerequisites internationally additionally shapes an essential component of the boards' reaction to the worldwide financial emergency. This research displayed a proposition for research on the effect that the reasonable framework has following the subjective research.

1. OVERVIEW

Today, more than 100 nations use IFRS for public reporting purposes. The SEC has issued a guide regarding how Indian companies will move forward to report utilizing IFRS. Both IFRS and US GAAP share a similar general principles and applied framework. Notwithstanding, US GAAP is more guidelines based, though IFRS is more principles-based. Maybe the best contrast is that IFRS gives substantially less by and large detail. The greater part of the progressions that will be experienced between US GAAP and IFRS won't affect the reporting at the lodging property level. Indian companies will spend somewhere in the range of 0.125% and 0.13% of their income on making the transition. The SEC will choose in 2011 whether to require

Indian companies to report utilizing IFRS. Adopting a proactive strategy and deciding for a change would be a judicious choice.

The IFRS are being followed more than 114 nations of the world. The goal of the accompanying the IFRS is to talk one accounting language everywhere throughout the world. The utilization of the basic arrangement of accounting standards throughout the world gives a simple method for the likeness of financial statements with the other financial statements arranged in different nations and straightforwardness of financial data. Before IFRS, we had IAS (International Accounting Standards) issued by IASC (International Accounting Standards Committee). In India, Accounting Standard Board (ASB) of India comprised under the ICAI (Institute of Chartered

Accountants of India) sets and distributes the standards tuned in to IAS.

The International Accounting Standards Board (IASB), responsible for International Financial Reporting Standards (IFRS), and the Financial Accounting Standards Board (FASB), responsible for the U.S. Generally Accepted Accounting Principles (U.S. GAAP), today issued together with a joined standard on the acknowledgment of revenue from contracts with customers. The standard will enhance the financial reporting of revenue and enhance the equivalence of the best line in financial statements globally [1]. Revenue is a fundamental measurement for clients of financial statements and is utilized to survey a company's financial performance and prospects. Be that as it may, the past necessities of both IFRS and U.S. GAAP were unique and frequently brought about various accounting for exchanges that were monetarily comparable. Moreover, while revenue acknowledgment necessities of IFRS needed adequate detail, the accounting prerequisites of U.S. GAAP were viewed as excessively prescriptive and clashing in specific zones.

Reacting to these difficulties, the boards have grown new, completely united necessities for the acknowledgment of revenue in both IFRS and U.S. GAAP – giving significant upgrades to the quality and consistency of how revenue is accounted for while additionally enhancing similarity in the financial statements of organizations reporting utilizing IFRS and U.S. GAAP [2]. The center principle of the new standard is for organizations to perceive revenue to delineate the transfer of

merchandise or administrations to customers in sums that mirror the thought (that is, payment) to which the company hopes to be entitled in return for those products or administrations. The new standard additionally will result in upgraded exposures about revenue, give direction to exchanges that were not recently tended to extensively (for instance, benefit revenue and contract changes) and enhance direction for numerous component plans. The board's together host counseled broadly with intrigued gatherings for the duration of the existing cycle of the revenue venture, looking for the public remark at each phase of the advancement procedure and further refining their proposition in light of that criticism. Altogether, the boards got more than 1,500 remark letters in light of their work. Moreover, the boards have set up a joint change asset assemble to help progress to the new standard. Further insights concerning that gathering will be reported shortly [3].

Consummation of the task is the zenith of over five years' work to enhance and adjust reasonable value estimation and divulgence necessities. The necessities, which are to a great extent indistinguishable crosswise over IFRSs and US GAAP, have profited from broad fair treatment and public conference, including a contribution from a Fair Value Expert Advisory Panel and the FASB's Valuation Resource Group. The necessities don't expand the utilization of reasonable value accounting, however, give direction on how it ought to be connected where its utilization is as of now required or allowed

by different standards inside IFRSs or US GAAP[4].

2. DIFFERENCE BETWEEN IASB AND FASB

IASB or International Accounting Standards Board and FASB or Financial Accounting Standards Board is both identified with accounting. Even though the IASB and FASB have met up in the vast majority of their capacities, they are as yet extraordinary in numerous perspectives. When looking at their starting point, the International Accounting Standards Board appeared on April 1, 2001. The IASB can be called as the successor of the International Accounting Standards Committee. The IASB manages the advancement of International Financial Reporting Standards and advancing the use of these standards. The IASB situated in the UK capital London is an accounting standard setter, which is free and financed secretly.

The FASB is situated in the United States and appeared in 1973. It supplanted the Accounting Principles Board (APB) and the Committee on Accounting Procedure (CAP). The FASB is a no-benefit association, which obliges the advancement of Generally Accepted Accounting Principles (GAAP) in light of a legitimate concern for the public. Going to the association, the International Accounting Standards Board has 16 individuals ready, each having a vote. The individuals are picked dependent on their expert fitness and down to earth understanding.

3. THE EFFECTS ON FINANCIAL LEVERAGE AND PERFORMANCE

Organizations today have an expanding need to share their financial information; to give clearer and increasingly transparent information and to encourage the correlation of information with others; organizations must receive similar rules. A standout amongst the most vital focuses that expansion the adequacy of financial communication is, truth be told, "consistency with every single administrative requirement." To acquire more noteworthy viability of financial communication, the utilization of an "accounting regulation" is critical; Meeks and Meeks (2001) [5], in this respect, utilize the expression "accounting regulation" to allude to financial accounting standard-setting, auditing/confirmation and authorization and allude to the general arrangement of regulation, just as, in a portion of their exchanges, to explicit standards.

4. INTERNATIONAL ACCOUNTING STANDARD AND INDIAN ACCOUNTING STANDARD

Accounting Standards are utilized as administrative components for the arrangement of financial reports in practically every one of the nations of the world. Accounting Standard is composed arrangement archives issued by master accounting body or government or other administrative body covering the aspects of acknowledgment, estimation, treatment, introduction, and divulgence of accounting exchange in the financial articulation. The

target of accounting standard is to institutionalize the assorted accounting arrangements and practices to kill to the degree the non-similarity of financial statements and add the dependability to the financial statements.

Broad audit of writing has been experienced for the examination reason to guarantee better comprehension of the idea and maintaining a strategic distance from the application as past work in the concerned zone the of change or selection of the IFRS. Analysts have given different sentiments on the utility of reception of IFRSs over the globe as a solitary arrangement of Reporting Standards. Summarily, embracing a single lot of Financial Reporting Standards convey numerous advantages to reporting elements, This learning can be joined in reconsidering educational module identified with international financial reporting. The present investigation has been done essentially based on writing audit and optional data accessible from different diaries, gathering procedures and reports of expert bodies.

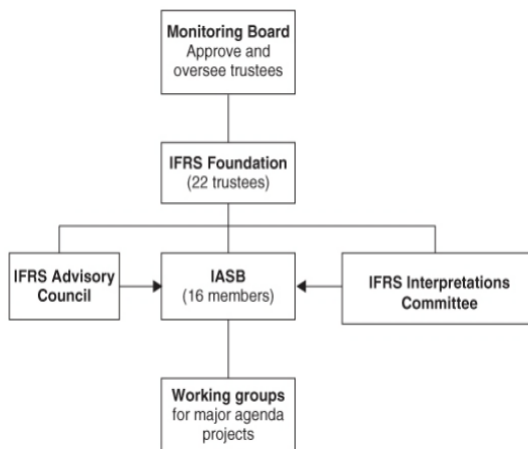


Figure 1: Trustees of the IFRS Foundation

5. PROBLEMS, BENEFITS AND CHALLENGES WITH ACCOUNTING STANDARDS

Current financial accounting is regularly not a decent guide for either corporate administrators or speculators. The essential strategy issue presently is in the case of accounting standards should keep on being set by the Financial Accounting Standards Board (FASB) and affirmed by the Securities and Exchange Commission (SEC). It would propose not, for the accompanying reasons: U.S. accounting standards have turned out to be abnormally mind-boggling and helpless against abstract translation. There is no conspicuous motivation behind why anyone lot of accounting standards is best for all organizations in all businesses or stock exchanges. There is no proof that the accounting standards board, the S.E.C., and Congress have leverage over different foundations in setting accounting standards. The FASB has been ease back to create standards for new sorts of financial transactions and conditions, has permitted the U.S. accounting standards to end up uncommonly mind-boggling and helpless against emotional translation, and has been powerless against a few dubious accounting tenets. The S.E.C. has no specific favorable position in exploring and affirming the progressions suggested by the FASB, but to translate the parity of current political requests. In light of a Congressional request to consider the near value of rules-based and

principles-based accounting, for instance, the S.E.C. straddled the issue.

- **Benefits of Convergence with IFRS**

In India, the Institute of Chartered Accountants of India (ICAI) has chosen to completely meet with IFRS issued by the International Accounting Standards Board for accounting periods initiating on or after April 1, 2011. The Ministry of Corporate Affairs (MCA) issued different public statements on the IFRS guide and convergence plan for India determining the convergence date to be 1 April 2011, through 2014 for select Indian companies.

Since the course of events in the guide is never again legitimate for Phase, I companies, the new execution date for Ind. AS is anticipated from the MCA. It is indistinct if the MCA will release a crisp guide or simply change the execution date. Convergence will deliver aplenty advantages to investors, industry, experts and the economy all in all. This is a noteworthy move towards the rise of IFRS as a global accounting language.

- **Challenges of Moving to IFRS**

There are a few aspects of IFRS which don't exist in US GAAP. For instance, International Accounting Standard 41 (IAS 41) recommends the accounting treatment for agrarian and natural resources. IAS 41 requires estimation of organic resources at a reasonable value, up to the point of gather For instance: A fish cultivate in Norway

must apply a reasonable value standard to its salmon stock amid the period that the salmon develops from an egg to a full-developed fish prepared for collecting. The expansion in value is reported in the announcement of profit and loss. The inquiry is: What is the value of a half-developed salmon? In like manner, a timberland items organization in Finland must apply a reasonable value standard to its trees that develop and achieve development over a time of at least 20 years. On the off chance that the SEC chooses to move from US GAAP to IFRS, almost certainly, there will be a sure level of perplexity and incomprehension concerning this standard. IFRS is regularly viewed as a bigger number of principles-based than US GAAP. While this might be valid, a principles-based methodology represents a few problems. For instance, IAS 17, which deals with lease accounting, indicates that:

The International Accounting Standards Board (IASB) is trying to create blended financial accounting standards to fulfill overall requests. Companies occupied with international business experience an assortment of difficulties because of their global tasks. Difficulties result from various societies, language contrasts, distinctive legitimate frameworks, political contrasts, diverse working situations, and diverse accounting and financial reporting standards. Much past research inspects the impact of culture on accounting and business.

6. CONCLUSION

The new direction, whose partner is IFRS 15, is a piece of FASB and IASB's disentanglement activity, and is required for utilize starting December 15, 2016 or later, contingent upon the arrangement of the substance. The new direction, facilitated under ASC 606, will have an assortment of consequences for different ventures and parties, and is an imperative marker for the theoretical characteristics of future accounting direction.

The reason for this examination is to figure out what material distinction in the theoretical framework of the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) has on financial statements. This examination will likewise investigate what effect of the global calculated framework venture gone up against by the IASB and FASB has on the financial statements. The FASB issues Statements of Financial Accounting Standards (SFAS) and Statement of Financial Accounting Concepts (SFAC) to control accountants in the planning of financial statements utilizing General Accepted Accounting Principles (GAAP).

This investigation, it is trusted, will disclose any plausibility of error or disarray from the absence of global issuance of rules and the multifaceted nature of the concepts issued to date and decide whether the concepts are materially unique in the IASB and the FASB. This examination will show what, assuming any, affect the absence of consistency in concepts has on the asset report and salary explanation. The FASB has strict rules. The multifaceted nature of

the accounting concepts has preparers and clients of the financial statements in a mess. This disarray and the absence of straightforwardness of the financial statements crosswise over nations add to the trouble of planning steady financials. The present framework is more principles-based, not rules-based.

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