New Trends of Accounting and Its Effects on Corporate Sector

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Abstract

The adoption of new Accounting Standards (such as AS-22: Accounting for Taxes on Income, AS-28: Impairment of Assets, etc.) has affected profitability of companies. This is in view of the stringent recognition and measurement guidelines laid down by the new Accounting Standards. The new Accounting Standards also require that adequate training be imparted to both accountants and CFOs. Auditors also have had to grapple with interpretation issues. In many cases, where clarifications have not been readily available, the benefit of the doubt has, more often than not, been given to the companies. In addition to the formulation of the Accounting Standards, ICAI has also been active in issuing Auditing and Assurance Standards (AAS). AAS (or SAPs as they were earlier called) are mandatory for auditors to follow while giving their opinion on the "truth and fairness" of financial statements. The AAS issued by the Auditing and Assurance Standards Board of ICAI follow the International Standards on Auditing (ISAs) issued by IFAC. Till date, ICAI has issued 34 AAS.

Keywords: - Accounting Standards; Measurement Guidelines; Financial Statements

Introduction

Accounting as a branch of knowledge emerged as it was felt that a short pencil is better than long memory. All the transactions that were undertaken by any entity in the old days grew to such an extent that it became impossible for anyone to manage all of them by memory alone. Gradually as trade and commerce developed, accounting became a requirement and then a necessity. Not only does the law requires every organization to prepare the accounts but also decides on the format and other issues. Today, accounting has a far greater significance because of the role it plays in decision-making process. The Government accounts and financial reporting currently followed in our country derive their 'substance and form' largely from the accounting procedures introduced during the British rule. The system worked reasonably well in the early phase of post-independence era. But over the last two to three decades, there has been a significant change in the role and responsibilities of the government. Today, our government is expected to continuously review itself in light of the changes that are taking place and should not hesitate in implementing any such change that is desired in the current scenario. An examination of the possible areas where our Government can presently make any meaningful change is the change in the country's accounting system from cash to accrual basis. This is because an accounting system is not an end in itself but rather a means to an end. A sound accounting system should assist the Government in fulfilling its objectives in a changing scenario by providing the desired inputs for decision-making. It needs to disseminate information of high quality in terms of understandability, relevance, materiality, reliability, faithful representation, substance over form, neutrality, prudence and comparability . The present system of accounting does not fulfill

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An Analysis of the Revenue Recognition Guidance

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Abstract

The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) recently issued their long-awaited, substantially converged final standards on revenue recognition. These final standards are the culmination of a joint project between the Boards that has spanned many years. FASB's Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, will substantially replace the numerous industry based accounting and audit guides, which have been codified in the FASB Accounting Standards Codification (ASC), Revenue Recognition. The new standard provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance, including industry-specific guidance. Given the broad applicability and potentially significant ramifications of the guidance in the ASU, FASB provided significantly delayed effective dates for its guidance. The standard is effective for public entities for annual reporting periods beginning after December 15, 2016, including interim periods therein. The standard is effective for non-public entities for annual reporting periods beginning after December 15, 2017. FASB did not permit early adoption. However, a non-public company may elect to apply the guidance early so long as it is after the effective date for public companies.

Keywords: - Financial Accounting; Substantially; Industry Based; Effective; Guidance

Introduction

Revenue is almost always the single largest item reported in a company's income statement. As with bottom-line income, top-line revenue is significant not only in monetary terms but also in its importance to investors' decision-making process; trends and growth in a company's revenue are barometers of the company's past performance and future prospects. Consequently, revenue recognition has been one of the most important issues confronting standard setters and accountants. One of the critical issues with respect to revenue recognition is timing, i.e., the appropriate point in the sales cycle when revenue should be recognized. India GAAP broadly stipulates that revenue should be recognized when it is realized/ realizable and earned. However, in practice, the timing of revenue recognition is complicated because of the complexity and diversity in the underlying revenue-generating transactions. Companies frequently have opportunities to accelerate revenue through early recognition—for example, by recognizing revenue before transfer of title and/or shipment of product, or at a time when the customer still has the option to terminate, void, or delay the sale. Recently, early revenue recognition has drawn the attention of standard setters. Despite the importance of revenue recognition in financial reporting and the recent attention devoted by standard setters, there is surprisingly little empirical research examining revenue recognition in general and revenue recognition timing in particular. One reason for the paucity of research in this area is the difficulty in obtaining data related to revenue recognition policies. In this study, I exploit a unique situation around the promulgation of Statement of Position (SOP) on Software Revenue

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Implementation of Indian Accounting standards

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Abstract

Corporate transparency refers to removing barriers to and facilitating of free and easy public access to corporate information. Accounting standards are methodologies and disclosure requirements for the preparation and presentation of financial statements. Accounting standards are usually developed within the institutional and professional framework of a country, and promulgated by regulatory or professional accountancy bodies. Indian Accounting standards issued by Institute of Chartered Accountants of India is being harmonized with internationally recognized set of benchmark standards such as International Accounting Standards or the U.S. GAAP. The study is an empirical investigation on sample of listed companies to determine the extent of compliance with accounting standards leading to transparency in their financial statements. The paper is based on primary survey of Annual reports. Indian Accounting Standards mandatory for the listed companies are compared with disclosures made by the companies. The paper examines whether a significant relationship exists between disclosure in financial reporting and a number of key corporate characteristics like size, profitability, leverage, age of company etc. The collected data is being analyzed with Regression Analysis [OLS].Indian companies have shown high degree of compliance with disclosure requirements of Accounting Standards.

Keywords: - Corporate Transparency; Accounting Standards; Corporate information; Professional framework.

Introduction

Accounting standards are formulated with a view to harmonize different accounting policies and practices in use in a country. The objective of accounting standards is, therefore, to reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of

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Alternative Investment Markets: Surfing the Market

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Abstract

Over the past few years, hedge funds and related alternative investments have gained in popularity as traditional assets such as equities, corporate bonds, and venture capital have lost considerable market value due to the worsening economic conditions. Ideally, a hedge fund offers diversification benefits without a large reduction in expected profit/returns. University endowments in the India have benefited by this approach. In this context, a desirable pattern would be to achieve the expected gains of equity assets or even better, with substantial diversification benefits. While this goal may be elusive in the short run, we show that certain forms of hedge funds – namely funds that follow trends – can play a role in dynamic, multi-period asset allocation. Selected hedge funds employ trend-following strategies in an attempt to achieve superior risk adjusted returns. We employ a look back straddle approach for evaluating the return characteristics of a trend following strategy. The strategies can improve investor performance in the context of a multi-period dynamic portfolio model. The gains are achieved by taking advantage of the funds' high level of volatility. A set of empirical results confirms the advantages of the look back straddle for investors at the top end of the multi-period efficient frontier.

Keywords: - Diversification Benefits; Efficient Frontier; Hedge Funds; Strategies; Straddle Approach

Growth of Rural Banking in India: A Case Study of Regional Rural Banks in Jharkhand

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Abstract

The banking sector is a vital component of the economy. Its functions and services have a considerable impact on modern economic activities. The Indian economy is based on agriculture, and true India is found in villages. The Indian economy is built on the backbone of village economies. Even after 60 years of independence, India's rural economy continues to be hampered by infrastructure and other long-standing farmer issues. It is the rural sector, in fact, which determines economic advancement and industrial development. More than 70% of Indians rely on agriculture; 60% of industries are agro-based; the rural sector contributes 50% of national income; and the agricultural sector is India's greatest foreign exchange earner. In our country, the Reserve Bank of India (RBI) has established a monetary policy aimed at providing affordable banking services to both the poorest and least paid parties. For a number of reasons, banking services are available mainly in urban areas, but the rural areas of India are not well covered. Rural development plays a major role in the development of the global economy. The researcher would cover several aspects of rural banking and the various challenges faced by the industry.

Keywords: Banking Services; Economic Activities; Foreign Exchange; Industrial Development

Barriers to Digital Finance Adoption: Insights from Semi-Urban India-A Case Study of Jamshedpur

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Abstract

This study explores the barriers to digital finance adoption in semi-urban India, focusing on the case of Jamshedpur. Despite significant strides in digital finance, adoption remains uneven, particularly in semi-urban regions where factors such as inadequate digital literacy, limited access to technology, and infrastructural deficits impede progress. Utilizing a mixed-methods approach, this research draws on primary data from field surveys and interviews with local stakeholders, as well as secondary data from relevant financial reports. The findings identify critical roadblocks, including trust deficits in digital platforms, resistance to change among traditional business operators, and gaps in government outreach initiatives. The study also highlights potential enablers, such as targeted digital literacy programs and localized fintech solutions, which could bridge the gap between financial inclusion objectives and on-ground realities. This research provides actionable insights for policymakers, financial institutions, and technology providers to foster equitable digital finance adoption, ultimately contributing to sustainable economic growth in India.

Keywords: Financial Inclusion, Digital Finance, MSMEs, Fintech, Economic Growth, India, Regulatory Framework.

1. Introduction

- **Overview of the Indian Financial Landscape**The Indian financial system has