International financial Reporting Standards (IFRSs) / Ind-AS

⇒ **IFRS** - is a set of accounting standards, a series of opinion issued by International Accounting standard Board, explaining how different types of Business transactions and events should be reported in financial statements.

- It also includes guidelines and interpretations approved by IASB.

- The main goal of IFRSs is to permit international comparisons possible.

Main features of IFRSs

1. IFRSs are principle based accounting standards

2. IFRSs are drafted in a clear and simple language and are easy to understand and apply.

) Under IFRSs, the historical cost concept of recording the fixed assets has been replaced by current cost system for more accurate and realistic financial position of the business.

Indian Accounting Standards (IND-AS)

Indian Accounting Standard (Ind-AS) are converged International Financial Reporting Standards issued by the government of India under the supervision and control of Accounting Standards board (ASB) of ICAI and in consultation with NACAS.

NACAS recommend these standard to ministry of corporate affairs MCA.

MCA has to spell out the accounting standards applicable for companies in India.

The Ind-AS are named and numbered in the same way as the corresponding IFRS.

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Capital and Revenue Items

Capital Expenditure - money spent on the purchase of fixed assets for use in the business for long period and not for immediate resale.

or

on the permanent improvement of or addition to or extension of an existing asset with a view to increase the earning capacity of the business enterprise.

Examples of capital Expenditure

1) Tangible fixed asset - plant, land legal Expenses paid in connection with the purchase of property (e.g registration charges) and expenses of delivering or installing fixed asset like machinery are included in the cost of fixed assets.

2. Intangible fixed asset - Goodwill

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trade marks; patents, copyright etc

3 Investment in share and debenture of other companies for a long period.

4. Cost of financing a fixed asset (int. paid on loan to purchase a fixed asset)

Revenue Expenditure

Money spent on materials and services which are used by a business enterprise in carrying out normal business activities and maintenances of fixed assets and to maintain productivity and earning capacity.

Examples - Rent, rates, heat, light wages, commission, advertising

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Deferred Revenue Expenditure

Expenditure which are primarily revenue in nature but the benefit from which is not consumed in the year in which the expenditure is incurred.

Example - Advertisement campaign
prepaid Insurance, prepaid salaries, prepaid rent.
preliminary expenses.

Capital Receipts

capital receipts are contribution into the business by the proprietor partners or shareholders.
proceed of sale of any fixed asset

Example - Sale of machinery.
Additional Capt. Introduced
Issue of Shares

Revenue Receipts

Money received from firm's activities in the normal course of business such as sales revenue commissions and fees received for services rendered, interest on any investment, discount received etc.

Capitalised Expenditure

Where an expenditure is incurred as an important part of an asset such as in the construction or installation of an asset or expenditure is required to increase the earning capacity, such expenditure are treated as part of the asset and are added to the cost of the asset.