

Chapter 5 Accounting Standards & International Financial Reporting Standards (IFRS)

Short Questions

Question 1

Define accounting standard.

Answer- These are written statements specifying uniform rules and practices for preparing the financial statement.

Question 2

Give two points regarding the nature of accounting standards.

Answer- The two nature of accounting standards are

- (i) They define the accounting policies norms and indicates how transactions should be registered
- (ii) They remove the effect of diverse accounting policies

Question 3

Give two advantages of accounting standards.

Answer- The two advantages of accounting standards are

- (i) Accounting standard ensures the consistency and comparability of financial statements.
- (ii) Accounting standard improves the reliability and credibility of financial statement

Question 4

State the objectives of an accounting standard.

Answer- The objectives of an accounting standard are.

- To guarantee evenness in the development and display of financial statements.
- To provide data to the users about the policies used in the formation of a financial statement
- To eliminate the effect of diverse accounting policies and practices.
- To guarantee uniformity, clarity, and comparability of financial statement
- To enhance the safety and of financial statement

Question 5

Define International Financial Reporting Standards (IFRS).

Answer- International Financial Reporting Standards (IFRS) is defined as a common set rule that helps financial statements to be uniform, clear and similar across the globe. IFRS rules are published by the International Accounting Standards Board (IASB). They designate how a business should manage and record their accounts.

Question 6

What are the two basic objectives of having an accounting standard?

Answer- The two basic objectives of having an accounting standard are.

- (i) To ensure uniformity in accounting practices

(ii) To ensure transparency, consistency, and comparability.

Question 7

Why are accounting standard required?

Answer- Accounting standard is required to improve reliability and bring uniformity in the accounting process.

Question 8

What is the full form of IFRS?

Answer- The full form of IFRS is the International Financial Reporting Standards

Question 9

Which values are followed by adopting the accounting standards?

Answer- The values followed by adopting the accounting standards are the value of transparency, the value of consistency, the value of comparability, and value of reliability

Question 10

Why International Financial Reporting Standards (IFRS) is important.

Answer- Few points that show that International Financial Reporting Standards (IFRS) is important are.

- **Easy Access to Global Capital Market-** Investors are now open to invest in different countries and access the fund globally. However, foreign investor fully relies on IFRS based financial statement of the company. Hence, the financial statement prepared according to the IFRS rules helps the company to get the investor and raise the fund.
- **Easy to Make Comparison-** Foreign investors compare the statement based on the internationally accepted set of accounting goal.
- **Uniformity in Financial Reporting-** The IFRS rule brings evenness, comparability, and clarity.
- **Difficult to engage in duplicity-** In the traditional style of accounting it is easy to engage in duplicity, but, in accordance with IFRS it is extremely difficult to manipulate the account.