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INDIAN HISTORY OF ACCOUNTING

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ABSTRACT

The most important way for companies to disseminate information to the people who are important to them is via the use of financial accounting and reporting. This is an example of the semantics of the language in action. In order to interact with one another on a financial level, entities have adopted a standardised language, and the accounting rules serve as the language's grammar. It is more important than ever before to establish channels of communication that are both clear and timely in today's increasingly complicated business environments, where ownership and management are traditionally kept separate. The language (i.e. Accounting Standards) blends the need for uniformity in reporting with the simplicity of clear communication with the numerous stakeholders. These stakeholders include owners/shareholders, workers, regulators, trade partners, and tax authorities, among others. "Kautilya's (also known as Chanakya) Arthshasthra" is a book on economics and political science that contains particular guidance on accounting (and accountability) concerns for a treasury and government that is applicable in every context. Revolutionary shifts in financial reporting and accounting standards have occurred concurrently with the growth and diversification of economies, as well as the proliferation of diverse social systems. These shifts have taken place in tandem with one another at the same time.

KEY WORDS: Accounting, History, Record, Arthshasthra, Business.

INTRODUCTION

"Pacioli's Summar, which was published in 1494", is often considered to be the earliest existing book on accounting. The 'Italian' method of bookkeeping, on the other hand, didn't come along until centuries after the "Bahikhata method", which is based on a "double-entry system". It is possible that Indian traders were the ones who introduced the "double-entry method" to Italy because it was thought to have originated in India before the advent of the "Greek & Roman empires". After that, it would eventually make its way to Europe, where it would eventually give rise to the accrual from cash approach, and finally, current reporting

would emerge as a result of all of this. After the “Great Depression and the fall of the stock market in the United States in 1929”, many market players and investors pointed the finger of blame at bad and dishonest accounting and reporting as the source of the inflated stock values. This was done in response to the fact that the disaster had occurred. As a result of this view, the “New York Stock Exchange & the American Institute of Accountants”, which is now known as the “AICPA”, revaluated the criteria for financial reporting. Even if the accuracy of this impression is open to discussion, it did succeed in making the accounting world more aware of its place in the world and more flexible in its ability to adapt to shifting conditions.

Both the primary public offering of stocks and bonds, which took place in 1933, and the secondary market selling of securities, which took place in 1934, were governed by the “Securities Act of 1933 & the Securities Exchange Act of 1934”, which were passed a few years later in order to regain the confidence of investors. The “Securities and Exchange Commission of the United States (SEC)” is in charge of supervising the “financial reporting & accounting practises” of publicly listed firms. The “SEC was founded by the 1934 Act” and was given this responsibility. While the “SEC” has maintained its jurisdiction to set standards, it has delegated the process of regulation to the private sector. That's true; the “Securities & Exchange Commission (SEC)” has the authority to change a standard in the private sector if it doesn't approve of the norm and doesn't comply with it. In spite of the fact that the “SEC” only has delegated rulemaking power, the agency nonetheless publishes accounting pronouncements under the name “Financial Reporting Releases or FRRs”.

During the same time period, proposals to establish a global body that would set “international accounting standards” gained momentum in the “European Union & the United Kingdom”. In the middle of 1973, as a direct consequence of this, the “International Accounting Standards Committee (IASC)” was founded. The “EITF at the FASB was founded in 1997” for the same purpose that the “Standing Interpretations Committee (SIC) at the IASC” was established in the same year: to investigate accounting issues and circumstances that required official counsel. An agreement to legally create the “International Federation of Accountants (IFAC)” was signed by 63 accounting groups representing 49 different nations in the year 1977. This was the year that the organisation was fully founded. An association known as the “International Federation of Accountants (IFAC)” is working towards the objective of “the development and enhancement of a coordinated worldwide accountancy profession with harmonised standards”. The “International Federation of Accountants in Agriculture (ICAI)” has been a part of the “IFAC” ever since it was founded. In order to take its role as the parent body of the “International Accounting Standards Board (IASB), the International Accounting Standards Committee (IASC)” underwent a process of reorganisation in the year 2001. This allowed the “IASC” to assume its position as the parent body of the “IASB”. The “International Accounting Standards Board” has issued a number of statements about financial reporting, and those declarations have been given the name “IFRS”. Between 1973 & 2002, the “International Accounting Standards Committee (IASC)” came out with a total of 41 “International Accounting Standards (IAS)”, all of which was eventually approved by the “International Accounting Standards Board (IASB)”. “IFRIC”, which stands for the “International Financial Reporting Interpretations Committee”, is the organisation that is now in charge of the marketing of the “SIC Interpretations”.

ACCOUNTING & AUDITING IN CONTEMPORARY INDIA: A HISTORICAL PERSPECTIVE

The foundation for the modern Indian accounting system was laid in the sixteenth century by India's commercial ties via the silk route to Europe and central Asia, which formed the basis for the system as it exists today. Traditional Indian accounting practises are

a reflection of the variety that exists across the nation as a result of the large number of states and the huge number of languages that are spoken there. This diversity is due to the fact that traditional Indian accounting practises have been passed down from generation to generation.

- The Indian Parliament passes the country's first Companies Act in 1857.
- Accounting & auditing requirements are made legal. The need for formal auditor certification arose in 1866.
- Passage of the New Companies Act in 1913. Keeping certain records of financial transactions is obligatory. A Certificate issued by the local government verifying formal credentials was necessary for auditors to perform their duties. There are two types of Auditor Certification in British India: one that allows you to work anywhere in the country and in any language, and another that limits you to only one province and the languages listed on the certificate.
- In Mumbai, the government started offering a diploma in accounting called the GDA in 1918. The candidate would be eligible for the issuance of an Unrestricted Certificate after completing three years of articleship with an authorised accountant and passing the Qualifying test.
- Restricted Certificates were no longer being issued by 1920.
- The Indian government plans to use an accountants' registry as a tool for monitoring the profession by 1930. Individuals whose details appeared here were referred to as "Registered Accountants (RA)". The "local government's legislative jurisdiction" to issue certificates authorising auditors has been supplanted by the "Governor General in Council". All of India was open to the work of auditors.
- The original "Accounting Board" was established in 1932. The Board's mandate included giving the "Governor General in Council" guidance on accounting issues and helping to uphold the professional requirements for auditors.
- The first-ever accounting exam in India was held 1933& 1935. The exam was waived for GDAs.
- GDA was done away by 1943.
- The formation of an expert committee to review the plan for an independent accountants' association in India was done in 1948.
- On May 1st, 1949, Congress enacted the "Chartered Accountants Act". "Chartered Accountants" eventually replaced "Indian Registered Accountants" as the preferred title for this profession. On July 1, 1949, "The Institute of Chartered Accountants of India (ICAI)" came into existence with the passage of the "Chartered Accountants Act".
- On April 21, 1977, the "Institute of Chartered Accountants of India (ICAI)" established the "Accounting Standard Board (ASB)" with the mission of developing "Accounting Standards" that could be used by the "ICAI Council" to provide a reliable system for "reporting financial information in India". To ensure that National Standards are generally linked to "Global Accounting Principles", the "ASB" considers and establishes "National Standards" based on "International Accounting Standards (IFRS/IAS)". Many government agencies are represented at "ASB besides only ICAI members (Revenue Departments, RBI, IRDA, MCA, and Chambers of Commerce)".
- There were eleven "Accounting Standards (AS)" notified by "ICAI" between 1977 & 1988 that were developed by "ASB" in a consultative capacity but were never codified into law.

In 1999, the "Companies Act, 1956" was amended to provide "Accounting Standards legislative status and legal effect". Each balance sheet and profit and loss account of the Company must now conform to the accounting standards, prescribed by the "Central

Government” in consultation with the “National Advisory Committee on Accounting Standards (NACAS), per new subsections (3A), (3B), and (3C) added to section 211”. As the ‘Company’ form of business organisation flourished and developed, so did the legal requirement “Section 209(3) of 1956 Act” that all companies keep their books in accordance with the 'accrual' basis and the double-entry system of accounting.

ACCOUNTING: CURRENT STATUS

The ‘accounting’ world is not immune to these developments because of the far-reaching changes that have been brought about by the globalisation of economies and the emergence of a globally linked globe. Since the beginning of the 21st century, there has been rising support for the convergence or adoption of a single set of high-quality accounting standards that guarantee comparable and transparent information in financial statements. Convergence refers to the process in which two or more sets of accounting standards are combined into one. Examples of how broadly accepted revisions to fundamental accounting concepts and ideas have become include the addition of fair value measurements, giving more weight to fair and honest reporting, adding additional components to financial statements, and so on. Even more significantly, the process of determining accounting standards has progressed away from ones that are based on “Prescriptive Rules” and towards ones that are based on “Principles.” The severe global financial crisis that started in 2007–08 and the creation of integrated reporting framework in 2010 both have important repercussions for the process of standard-setting. Integrated reporting framework emerged in 2010. In the field of creating standards, legislators and regulators are keeping a careful eye on the progress that has been done. As a direct consequence of this, those responsible for establishing accounting standards bear a greater burden of responsibility.

CONCLUSION

It does not matter if an organization's headquarters are located in India or somewhere else; at the end of each accounting period, it is still the organization's responsibility to prepare “financial statements”. It is required that “financial statements” are prepared in line with the “accounting standards” that have been set by the “Accounting Standard Board” of the nation. When a foreign subsidiary, joint venture, or affiliate of a business produces its “financial statements” in accordance with the “accounting standards” of the nation in which it is headquartered, there is a possibility that the firm's profits will change. A significant contributor to the variance in reported results is the fact that different countries use different “accounting standards”. In order to eradicate inconsistencies of this nature in reported results, the “International Accounting Standard Board” formulated a set of guidelines that came to be known as the “International Financial Reporting Standards (IFRS)”. “IFRS” is the standard that all countries who are members of the “International Accounting Standards Board (IASB)” are required to conform to when producing their financial accounts. Utilising “IFRS” may be of assistance to a firm in achieving consistent financial outcomes, regardless of the actual location of the organisation. Before publishing any new “IFRS” or making any amendments to previously published “IFRS”, the “IASB” first conducts outreach events, distributes exposure drafts, and writes discussion papers. During the course of the last decade, users' expectations about “financial statements & audit reports” on those statements have undergone significant shifts. When it comes to matters pertaining to “financial statements & audit reports”, the trend has certainly turned away from a desire for brevity and clarity in favour of a preference for more openness and transparency. This movement came about as a result of a preference for greater openness and transparency. This article makes an effort to demonstrate how accounting and auditing have changed over time to keep up with these expanding requirements, and it does so by describing how these changes came about.

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