International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

A Study on Analyzing the Adoption of AS and ICDS in Small Businesses

Shilpa UV[1], Prakruthi Bharadwaj[2]

PES University. India

ABSTRACT:

The implementation of Indian Bookkeeping Guidelines (IND AS) and Pay Calculation and Divulgence Norms (ICDS) has significantly impacted charge review practices in India. Respondents reveal that these criteria have made the engagement more complicated and time-consuming due to increased information and documentation requirements. Challenges arise from a lack of consciousness, resources, and skill inside organizations, preventing constant alignment with established frameworks and techniques. While IND AS and ICDS have improved transparency in charge reviews and spurred more detailed accounting disclosures, they have also increased scrutiny from charge specialists. Despite these modifications, the overall impact on the relationship between organizations and expenditure specialists remains unclear. As a result, whereas IND AS and ICDS intend to improve monetary announcing precision and certainty among partners, their entire implications for charge review practices and authoritative elements remain unknown.

INTRODUCTION:

AS and ICDS are both important accounting standards used in India to ensure consistency, transparency, and accuracy in financial reporting.

AS, or Accounting Standards, are issued by the Institute of Chartered Accountants of India (ICAI). They provide guidelines and rules for the preparation and presentation of financial statements. AS aims to standardize accounting practices across different entities, making it easier to compare financial statements and understand the financial health of an organization. These standards cover various aspects of accounting such as revenue recognition, fixed assets, and leases.

ICDS, or Income Computation and Disclosure Standards, are rules introduced by the Central Board of Direct Taxes (CBDT) under the Income Tax Act, 1961. ICDS provides guidelines for computing taxable income and disclosing it in the tax return. These standards are applicable to all assesses, including individuals, companies, and firms, and cover areas such as revenue recognition, construction contracts, and government grants.

Both AS and ICDS play a crucial role in ensuring that financial statements and tax computations are prepared in a consistent and transparent manner, helping to maintain trust and confidence in the financial reporting process.

HISTORY OF IND AS AND ICDS:

To keep up with the changing economic environment and to guarantee conformity with global accounting and reporting standards, U India has been regularly amending its tax laws and regulations. The Indian Ministry of Corporate Affairs published the International Financial Reporting Standards-based Indian Accounting Standards in 2015. An important turning point in Indian accounting practices' history was the adoption of IND AS. It signaled a change toward a more consistent and transparent method of financial reporting, bringing India into compliance with international best practices. The introduction of IND AS was also intended to standardize accounting procedures across different industries and improve financial statement comparability.

The way tax audits are conducted in India has significantly changed as a result of the deployment of IND AS and ICDS. To make sure that tax laws and regulations are being followed, tax authorities employ audits as a crucial instrument. The implementation of these new accounting standards and tax reporting obligations has resulted in a considerable change in tax audit procedures to comply with the new laws.

HISTORY OF SMALL BUSINESS:

Before these new accounting standards and tax reporting requirements went into effect, it was difficult for small firms in India to comply with the intricate tax system. Small firms found it challenging to comprehend and follow the legislation due to the lack of consistency in accounting standards and tax reporting requirements, which frequently led to non-compliance and penalties.

This study compares tax audit procedures before and after the installation of IND AS and ICDS in order to examine the effects of these changes on tax audit procedures in India. The context of this issue emphasizes how crucial it is to comprehend how legislative changes affect tax compliance and reporting and how firms and tax authorities must adjust to these changes to ensure legal compliance.

IMPORTANCE OF STUDY:

- AS provide a consistent framework for accounting practices, ensuring that similar transactions are treated the same way across different entities. This enhances comparability and understanding of financial statements.
- AS promote transparency by requiring companies to disclose relevant information in their financial statements. This helps stakeholders, including investors, creditors, and regulators, to make informed decisions.
- ICDS provide a consistent framework for computing taxable income, ensuring that taxpayers calculate their taxes in a uniform manner. This reduces the risk of errors and discrepancies in tax filings.
- ICDS help taxpayers comply with tax laws and regulations. Compliance with ICDS reduces the risk of tax audits, penalties, and litigation.
- AS help companies comply with legal and regulatory requirements related to financial reporting. Compliance with AS reduces the risk of non-compliance penalties and ensures that financial statements are prepared in accordance with prevailing accounting standards.

LITERATURE REVIEW:

1. Impact of Accounting Standards on Small Business Performance

Accounting standards play a pivotal role in shaping the performance review of small businesses. These standards provide a consistent framework for financial reporting, enhancing transparency and comparability. For small businesses, adherence to accounting standards fosters credibility, instills investor confidence, and facilitates access to capital. Moreover, standardized financial statements enable effective benchmarking against industry norms, aiding in identifying areas for improvement. Compliance with accounting standards also enhances the reliability of financial information, which is crucial for decision-making. While there may be initial challenges in implementation, the long-term benefits for small businesses include improved financial management, reduced risks, and a strengthened foundation for sustainable growth.

2. ICDS and its Ramifications on Small Business Taxation

The Income Computation and Disclosure Standards (ICDS) have substantial ramifications on small business taxation. Introduced to bring consistency and clarity to income computation, ICDS impacts the way small businesses report their financials for tax purposes. While the standards aim to streamline the process and reduce ambiguity, their implementation often poses challenges for small businesses due to increased compliance requirements. Small businesses may need to invest in systems and resources to meet the standards, leading to additional operational costs. On the positive side, adherence to ICDS can enhance the accuracy of income computation, providing a more transparent view of the business's financial health. However, the nuanced nature of ICDS demands careful understanding, and small businesses may require professional assistance to navigate its complexities effectively. Overall, while ICDS aims to standardize taxation practices, its implications on small businesses involve a delicate balance between compliance benefits and associated operational challenges.

3. Navigating AS and ICDS: A Small Business Perspective

Navigating Accounting Standards (AS) and Income Computation and Disclosure Standards (ICDS) presents a multifaceted challenge from a small business perspective. AS provides a framework for financial reporting fostering transparency and comparability. Small businesses, while benefiting from standardized practices, often encounter complexities in compliance due to resource limitations. ICDS, on the other hand, introduces a structured approach to income computation but adds an additional layer of intricacy to taxation. Small businesses may face increased compliance costs and the need for professional expertise to ensure accurate adherence to both sets of standards. The interplay between AS and ICDS demands a nuanced understanding, and small enterprises must strike a balance between achieving compliance benefits and managing operational complexities. Ultimately, successful navigation of these standards can empower small businesses with improved financial reporting and taxation practices, contributing to their long-term sustainability.

4. AS and ICDS Compliance: A Case Study Approach for Small Enterprises

Examining the compliance landscape of Accounting Standards (AS) and Income Computation and Disclosure Standards (ICDS) through a case study approach reveals a nuanced picture for small enterprises. In practice, small businesses often encounter challenges aligning their financial reporting with AS, given resource constraints and varying degrees of financial expertise. The implementation of ICDS introduces an additional layer of intricacy, necessitating a meticulous understanding the standards. Through case studies, it becomes evident that successful compliance involves a tailored approach, taking into account the unique circumstances and complexities faced by small enterprises. While achieving compliance with AS and ICDS can enhance financial transparency and facilitate accurate income computation, the case study perspective underscores the importance of practical solutions and expert guidance for small businesses navigating these intricate regulatory landscapes.

RESEARCH OBJECTIVES:

1. Understand the awareness level of AS and ICDS among small business owners.
2. Evaluate the challenges faced by small businesses in implementing AS and ICDS.
3. Assess the impact of AS and ICDS adoption on financial reporting practices.
4. Analyze the readiness of small businesses to comply with AS and ICDS requirements.

RESEARCH GAP:

There is some current research on the effects of IND AS on financial reporting, but the focus of this study is on the effects of IND AS on tax audits of Indian corporations. The research discusses tax and accounting department collaboration and raises the need for increased understanding from the viewpoint of chartered accountants and tax experts.

The study offers a helpful examination of how Ind AS and ICDS affect tax audits, but because it solely concentrates on the views of practicing chartered accountants, its reach is constrained. The study's scope might be widened in the future to consider the opinions of many stakeholders, including tax authorities, auditors, and corporate management.

NEED OF THE STUDY:

- Effect on the payment of taxes
- Finding options for tax planning
- Evaluation of the results of tax audits
- Effects on tax experts

SCOPE OF THE STUDY:

- Modifications to the frequency or timing of tax adjustments.
- Several audit scrutiny areas are being focused on by tax officials.
- The demand for tax specialists and any changes in the availability of competent individuals.

LIMITATIONS OF THE STUDY:

- Time restraints
- Confounding variables
- Accounting procedures

RESEARCH METHODOLOGY AND DATA COLLECTION:

The primary data is also called raw data which is collected first hand by the researchers. The primary data is collected according to the objectives laid out by the research. Apart from academic purposes, the primary data is also collected by the corporates, brands to assess the public's perception and work on the development of the brand name. Even before the launch of a new product, a market survey is conducted by the brands to ascertain the probable markets, probable customer groups and geographical locations to promote the products. The companies keep collecting the primary data/ conducting market research and surveys to evaluate and correct their policies. Apart from the brands and researchers, the NGOs, developmental organizations and think tanks also undertake the primary data collection to assess the social scenarios before planning their interventions and suggesting the policies. The primary data is collected via the research tools of questionnaires, personal interviews, behaviour observations, one-to-one conversations, online and offline surveys etc.

DATA ANALYSIS AND INTERPRETATION:

Null Hypothesis (H0): There is no significant difference in the perceived challenges faced by entities in implementing IND AS and ICDS.

Alternative Hypothesis (H1): There is a significant difference in the perceived challenges faced by entities in implementing IND AS and ICDS.

Correlations

Correlations

		10. How has the implementation of Ind AS and ICDS affected the time and cost involved in conducting tax audits?	11. How has the implementation of Ind AS and ICDS affected the relationship between your organization and the tax authorities?
10. How has the implementation of Ind AS and ICDS affected the time and cost involved in conducting tax audits?	Pearson Correlation	1	.157
	Sig. (2-tailed)		.118
	N	100	100
11. How has the implementation of Ind AS and ICDS affected the relationship between your organization and the tax authorities?	Pearson Correlation	.157	1
	Sig. (2-tailed)	.118	
	N	100	100

Interpretation: The null hypothesis would not be rejected if the assessed t-test value was below 5%. However, the null hypothesis is rejected because it is greater than 0.05.The significance remains uncertain, with a value of 0.118, which is considerably higher than 0.05. Any unfounded speculation is disregarded, whereas alternative hypothesis is accepted

FINDINGS:

- Majority of respondents did not agree that the implementation of IND AS and ICDS affected the treatment of changes in foreign exchange rates.
- Majority of respondents believed that the implementation of IND AS and ICDS has made tax audits more transparent.
- Lack of resources and expertise to implement the standards is one of the potential challenges that entities may face in implementing IND AS and ICDS.

RECOMMENDATION:

- Companies should invest in training and resources to better understand and implement IND AS and ICDS.
- Organizations should also consider outsourcing the implementation of IND AS and ICDS to specialized firms or consultants.
- To manage the increased complexity of tax audits under IND AS and ICDS, companies should adopt robust accounting systems and processes that are aligned with the new standards.

CONCLUSION:

Charge review systems have been fundamentally influenced by the reception of IND AS and ICDS, with most of respondents saying that the technique has developed more troublesome and time consuming. This is for the most part a result of the extra determinations that these norms give, such extended exposures and more intensive documentation. The execution of IND AS and ICDS has been challenging for organizations, remarkably because of an absence of information, assets, and experience. Organizations have found it trying to coordinate their ongoing frameworks and methodology with the new standards because of an absence of assets and information.

REFERENCES:

5. A, G. K. (2017). Impact of Ind AS and ICDS on the tax audit of small and medium enterprises. 2141- 6664.
6. A, M. (2017). Impact of ICDS on Tax Audit in India. 0976-4781.
7. A, S. (2018). Impact of IND AS and ICDS on tax audits in India. 2162-3082.
8. A, S. P. (2018). Impact of Ind AS and ICDS Implementation on the Tax Audit of Indian Companies. 2518-7647.
9. A, T. (2018). A literature review on the impact of the tax audit reforms in India. 2249-0558.
10. Bansal, G. A. (2019). Impact of IND AS and ICDS on tax audits of companies in India. 2158-3625.