



How Accounting Standards Influences The Strategies Of Global Capital Markets

¹Gurmeet Kaur , ²Dr.Chandrashekar

¹Associate professor, Department of Masters in Business Administration and Finance, Sree Dattha Institute of Engineering & Science

²Professor, Dept of MBA, Joinpally B.R. Engineering college

Email: ¹Gurmeetsoniya10@gmail.com

Abstract

In the 21st century practices of accounting and reporting does not meet the capital markets and its requirements which is informative.

Convergence of US GAAP AND IFRS is very crucial element in the solution, a process now which now at an early stage. The goal of establishing a single set of accounting standards that will be used internationally is a matter of absolute importance which is critical to the capital markets globally in the future.

Quality markets would require high quality information. Issues related to convergence have to be understood by stake holders who depend on high quality markets

There are several phases in this process. Process of achieving converged standards with high quality is the major issue, as it is not lacking in each details, it is substantially equivalent. There is a possibility of single set of high quality global standards and also which sets the trend as a global standard. As per the scope, nature of accounting and reporting standards will be altered gradually.

In the process of influencing the challenge for all the major stakeholders who have the opportunity a positive way which reflects business interests and their commitments both will add good sound middle market transactions

Keywords: Accounting Standards, International Convergence, and Development stages, Necessity and Feasibility, International Status



1. Introduction

A global trend has been set for accounting standards for international convergence around 30 years ago. (IASC) The Global Accounting Standards Committee has bestowed the adjustment of differences in accounting standards by distributing the Accounting Standards (IAS) globally. In the year 2001 the Global Accounting Standards Committee (IASC) has been transformed as (IASB) the International Accounting Standards Board.

A commitment was given by IASB to achieve a full convergence for a group of high quality, international accounting standards which are understandable and enforceable while promoting the standards and its usage and to bring about merging of accounting standards nationally and internationally.

2. 2. The theory and advancement execution of Accounting standards merging Internationally.

2.1 The definition of accounting standards merging international

The Accounting standards differ from country to country for many reasons. This differentiation may cause problems for multinational companies. International Accounting standard committee (IASC) as a development in response to the problems of global accounting standards

The International Accounting Standards Committee (IASC) has been transformed as International Accounting Standard Board (IASB) in April 2001.

A concept "Convergence" was proposed formally by IASB. Convergence nearly means the same, which is integration, that is, the world's different jurisdictions; the same economic transactions should be using the look-alike accounting approach.

Internationally established a group of accounting standards includes the following definitions: **First:** Convergence represents progress, for the future direction and its development. Convergence furthers acknowledging and completing the requirements of integrating international economies. Any organization which is looking forward to continue in the market globally will try to afford to disregard the trend of international convergence.

Convergence needs pre-arranged and maximum effort to be realized. **Second:** Unity cannot be seen in convergence. Different countries have different economic environments, lawful systems, cultural philosophies, regulatory structures, users of accounting information and fitness for purpose of



accountants. Without paying due attention to national situations, accounting/audit development status or environmental features, we will be unable to achieve true convergence.

Third: Process of merging. Because of different characteristics in different countries, voluntary co-operation need to be carried out actively and constantly by different countries in the world, new studies to be studied, addressing new issues and innovate new mechanisms to create a structure which meets such requirements as international efficiency, equitability, sovereignty, and advancement of international diversity.

Fourth: Convergence means communication (two way process). Convergence does not mean stand alone speech. It means communication between individual and different countries and IASB, and between IASB and regional professional accounting bodies. An interaction between each other, to draw upon from each other, and to obtain mutual recognition from each other. Merging internationally in the context of a world of diversities is an objective law. By complying with it, we can make better progress.

Otherwise, ability and performance may be compromised.

2.2 The process of merging accounting standards internationally

Capital markets which have been rapidly globalized, however, has development in addition to expedition in merging accounting standards as national accounting standards Expansion and use of International Financial Reporting Standards (IFRSs) has emerged in the recent years. For a period of time applications consistency leftover still to be confirmed, IFRSs is used, mandatorily or optionally, in many countries. By the knowledge about the concept of the accounting standards which have been internationally converged, we can classify into three different stages which are as follows: International Comparison, International Harmonization and International Convergence.

1. Comparing internationally, along with the appearance of the capital exchanged across international borders or territories and the multinational capital flows, emerging of accounting which has been internationally compared. Accounting is related to comparison different nations have which internationally compared. The accounting standards' comparing internationally can disclose similarities and difference among accounting systems of different nations, and provide circumstances to the professionally certified through accounting standards.

(2) International Compliance, Economic development and its dimension which has been agreed internationally in general, accounting of international harmonization is promoted.

Adjustment of Accounting which has been promoted globally, Economic Globalization plays a key role.



There is an adjustment of accounting standards which have been improved gradually by different countries; so, there is a possibility of adjusting accounting standards globally.

(3) International Convergence, economic globalization drove the accounting standards of global convergence, To establish common accounting standards internationally and their adjustment, nationwide accounting standards of different countries have shown the consistency by comparing internationally.

3. Merged International Accounting standards and their requirement

Accounting is a product of the economic environment, specific historical periods moreover directly restricts the period of main features which describes the economic conditions, accounting and the basic trend. In today's era a true background is accounting standards which have been internationally merged.

Advancement of economic globalization has been a trend in the world after 1990's,

According to current trend multinational companies have shown interest in international exchange of capital and international investment which have been developed, the growing capital market, cross-border mergers have frequently increasing and intensified, capital flows are also increasing rapidly. In this scenario, as a request there was an emergency for merging of accounting standards internationally.

(1) Merged international accounting standards and their requirements needs to follow the trend of economic globalization. Economic globalization in the world at late 20th century is clearly accelerating, so in the state of affairs of any country to get rid of world trade and capital markets to seek self-development are inconceivable. National language of business is accounting, in economic globalization plays a progressively significant role, the level of market transactions and its quality directly influenced by accounting information, the quality and the effective allocation of global resources. Therefore, transparent financial information is essential to promote convergence of accounting standards for the provision of comparable and transparent financial information is essential. ***

(2) In the world economy with the globalization increased international accounting standards have been promoted by International organizations, in merging of international accounting standards international organizations are playing a significant role steadily in.

(WTO) World Trade Organization, the SFC nationwide organizations and international financial institutions have conveyed their hope that States Securities and Future Commission, banks, enterprises, the acceptance of (IAS) international accounting standards.



(3) Accounting standards and their convergence requires rapid development of multinational companies..

In the world of growing economy multinational companies sprang up like mushrooms in the emergence of economic globalization which resulted in the development rapidly.

Multinational operators in direction of maximizing profitability, reduce risk and certainly hope to have able to eliminate the country-specific differences for all countries recognized by the accounting standards, in the direction to facilitate their economic activities.

(4) International convergence of accounting standards has promoted International investment activities in addition to multinational companies. Considerable development has been gained by other form of direct or indirect cross-border investments, such as the investors through venture funds,

As an approach of foreign investment, stocks such as joint ventures or co-operative approach will be purchased by insurance companies and other forms of foreign companies, true object which is reliable by the investors should be understood and to be accessed, risk by investment and its size to be assessed by the financial information

detailed and unambiguous financial information to assess the size of the investment risk, then he would quickly make the appropriate investment decisions. On the contrary, such as the lack of such necessary financial information, investors will hesitate, hesitate.

For enterprises to provide financial information comparable at the international level to reduce due to international differences in accounts and their standards and practices lead foreign investors to use and read financial reporting problems, national accounting standards have to be harmonized by us , to promote its international convergence.

4. The Global Status for merging of (IASB) International Accounting Standards

More than 100 countries and regions require the approval of international financial accounting standards, Chairman David Teddy said in early 2006.

International Financial Reporting standards will be world's major capital markets which are unified. At present, Merging of national accounting standards internationally has processed accordingly, developed a broad range of protection mechanism. Mainly materialized are as follows: 1. (IASB) International Accounting Standards Board merging accordingly with international requirements, to conduct a comprehensive structural reorganization, while the development is promoted of new mechanisms merging of international standards are created.



2001 IASC standard-setting bodies and the accounting profession "decoupling", reorganized as a separate legal entity (IASB). Following countries: are co-operating in setting up the bodies of IASB with national strategies. Communication and consultation mechanism has been established developing with the other channels, through Advisory Committee, a strategic partnership to be established by G-7 standard bodies.

Accounting standards of IASB have been raised from various countries; "coordinator" has been a "global accounting standards," makers.

- (1) A number of international organizations will be recognized by (IAS) International Accounting Standards, forming IASB cooperation with international organizations to promote the use of international norms.

IASB seize the scope to adjust its position and policies to continuously improve the authority's strategy its (IAS) international accounting standards through international organizations and many national leaders of the "substantial authority" to support and cooperate in the promotion of (IAS) international accounting standards of the practical actions, such as the Securities Commission International Organization (IOSCO), system of core standards were developed by Securities Commission International Organization, IOSCO to the world, United states of America also recommended the usage of all major capital markets, and get the Group of Seven support.

Other international development banks like IMF and the international institution also have a loan with the state and enterprises in according to international accounting standards to provide financial information. To more effectively promote trade in goods and promote trade in services, (IAS) International accounting and the promotion of its standards were strongly supported by WTO.

- (2) Many countries have started their way of international accounting standards which have been converged in many countries of the European Union have started through a way of converged accounting standards internationally, most of the major developed countries to consider the development and convergence of International Financial Reporting Standards calendar. October 29, 2002, the U.S. Financial accounting and reporting standards and International Accounting standards Board reached a formal agreement, expressing the mutual convergence of positions.

July 3rd, 2002, the (AFRC) Australian Financial Reporting Council As per the announcement, converged accounting standards officially released internationally.



5. Conclusion

The accounting internationalization is the inherent requirements of the economic and capital markets globalization. National accountings which have been internationally converged. The international convergence of national accounting standards has become a global economic stage of development inevitable trend.

International accounting convergence objectives are: to find correct line of work together to build a global system of high-quality accounting standards. Convergence is a gradual and interactive process that requires countries or regions to make continuous efforts towards the process of implementation problems and difficulties should have a complete understanding and preparation.

Accounting standards systems with high quality accepted globally, not only for maintaining and promoting global economic stability and development of beneficial, but also for the healthy development of each country's economy and its integration to the world economic system is also very important.

References

1. Dai, Huayue. (2007). On international convergence of accounting standard. Vol.2 Li, Yingfang. (2008).
2. On international convergence of accounting standards. Economic & Trade Update, Vol.6 Liu, Jinxing. (2009).
3. IAS which has been converged of: Process and Status. Accounting Learning, June. Zhu, Hailin, & Liugang. (2003).
4. Report on the accounting standards which have been internationally converged. Certified Public Accountant, Vol.4 Zhu, Xingwen. (2009). Chinese view on international accounting standards. Contemporary Finance & Economics, Vol.2.