



FirstRanker.com

FirstRanker's choice

www.FirstRanker.com

www.FirstRanker.com

Unit - 5

Emerging Issues in Accounting

Human Resource Accounting

- Process of identifying and measuring data about human and communicating this information to interested parties
- Deals with investments in people and with economic those investments.

Need for HRA

- Change in production pattern, employment pattern and roles of governments, enterprises and individuals
- To improve human resource management
- To retain qualified human resource
- To focus on employee as an asset
- To create and improve the company image through pro of HRA
- To overcome the difficulties in traditional balance sheet
- To attract future employees

Methods of valuation of Human Resource

- **Historical cost method** - valued at unexpired portion of the recruiting, training and development
- **Replacement cost method** - costs include the cost of recruiting, training and development, the opportunity cost during the interim period till the new recruitment attains the efficiency level of the employee.
- **Standard cost method** - standard costs of recruiting, hiring and developing the employees are developed and established up to date every year.
- **Present value** - represent the discounted value of the estimated net contributions of personnel to the earnings of the company
- **Current Purchase Power method** - Historical cost of investment in human resource is converted into current purchasing power with the help of index numbers
- **Opportunity cost method** - value of an employee in his alternative use is determined
- **Economic value method** - Present value of the firm's future cash flows attributable to human resources will be the value of human resource

Forensic Accounting

- Concerned with detection and prevention of financial and white-collar criminal activities
- Integration of accounting, auditing and investigative skills
- According to AICPA “ Forensic accounting is the application of accounting principles, theories and discipline to analyze hypotheses at issues in a legal dispute and encompass a branch of accounting knowledge.”

Uses of Forensic Accounting

- Fraud detection where employees commit fraud
- Criminal investigation
- Cases relating to professional negligence
- Arbitration service
- Settlement of Insurance claims
- Dispute settlement

Sustainability Reporting

- Report about an organizations environmental and social performance
- Enables the organizations to be more transparent about the risks and opportunities

Internal benefits of Sustainability Reporting

- Increased understanding of risks and opportunities
- Emphasizing the link between financial and non-financial performance
- Influencing long term management strategy and policy to business
- Streamlining processes, reducing costs and improving efficiency
- Benchmarking and assessing sustainability performance with industry standards, laws, norms, codes, performance standards and voluntary initiatives
- Comparing performance internally and between organizations and sectors

External benefits of sustainability reporting

- Mitigating negative environmental, social and governance impacts
- Improving reputation and brand loyalty
- Enabling external stakeholders to understand the organisation's true value and tangible and intangible assets
- Demonstrating how the organisation influences, and is influenced by, expectations about sustainable development

Accounting Standards

Written documents issued by the regulatory bodies covering aspects of guidelines, treatment and disclosure of accounting transactions.

International Accounting Standards Board defines “to formulate, publish, in the public interest, basic standards to be observed in the presentation of audited accounts and financial statements and to promote their worldwide acceptance and observance.”

Objectives of Accounting Standards

- To harmonise the diverse accounting policies
- To eliminate variations in the treatment of several accounting aspects
- To provide inference and guidelines on accounting standards
- To bring uniformity in the presentation of accounting aspects
- To facilitate inter-firm and intra-firm comparison
- To make credibility, reliability and acceptability of accounting information
- Useful in the preparation of financial statements
- To improve the transparency in financial statements
- To help in determining corporate accountability and management effectiveness

International Financial Reporting Standards (IFRS)

- Original name International Accounting Standards (IAS)
- Common global language for business affairs so that accounts are understandable and comparable across international borders
- Growing international share holding and trade and inter dealings with several countries have led to the growth of IFRS
- IFRS are a set of international accounting standards stating particular type of transactions and other events should be recorded in financial statements.
- IFRS are issued by the International Accounting Standards Board
- The goal is to make international comparisons as easy as possible
- Synchronising accounting standards across the globe is an ongoing process in the international accounting community

Need for IFRS

- For the world wide acceptance of the accounting standards must be universally accepted
- A single system of financial reporting would benefit many
 - With quality standards, consistently applied, investor understanding and confidence rises
 - That translates to strong, stable, liquid markets
- Convergence of accounting standards has played a major role in the growing acceptance of IFRS

Objectives of IFRS

- To develop in the public interest, a single set of high quality, understandable, enforceable and globally accepted financial reporting standards based upon clearly articulated principles
- To ensure high quality, transparent and comparable information in financial statements to help investors, and other users of financial information to make economic decisions
- To promote the use and rigorous application of those standards
- To promote and facilitate adoption of IFRS being the standards and interpretations issued by the IASB
- To make common platform for better understanding of accounting internationally
- Synchronisation of accounting standards across the globe
- To create, comparable, reliable, and transparent financial statements
- To facilitate greater cross-boarder capital raising and trade
- To have company wide one accounting language which has been used in different countries

- **Link for you tube video on financial and accounting fraud**

<https://www.youtube.com/watch?v=YZcfq2pa5pQ>