Date: 30.08.2023

DVV Clarifications for Extended Profile
Metric 3.3.2

Point-wise Reply:

Point No.	DVV Clarifications	Reply
1	Provide the Cover page, content page and first page of the publication.	Cover page, content page and first page of the publications have been attached herewith.
2	Provide the Web-link of book showing ISBN number to be given by title, author, Department/ School/ Division/ Centre/ Unit/ Cell, name and year of publication	Since all publications submitted herewith are in print form, the cover page, content page and first page of the publications have been attached herewith. Since publications are in print form, weblinks of the same have not been provided with.

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AUDITING - I

Shraddha M. Bhome
Siddhesh S. Bagwe
Rajiv S. Mishra

Himalaya Publishing House
ISO 9001:2008 CERTIFIED

Siddhesh S. Bagwe.

Auditing – I

(As Per the Revised Syllabus 2018-19 of Mumbai University for T.Y.BBI, Semester V)

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PREFACE

It is a matter of great pleasure to present a book on **Auditing – I** to the students and teachers fraternity of T.Y. BBI for University of Mumbai.

The special features of this book are simple and lucid language, in-depth analysis and more explanation to topics with suitable diagrams. All chapters are properly revised and edited as per the syllabus of University of Mumbai.

We are thankful to our family members for constant support and motivation. We owe sincere gratitude to Himalaya Publishing House Pvt. Ltd. for giving us the chance to write this book. Any constructive suggestions are always welcome.

Also, we are thankful to Prof. Mrunmayi Thatte, Coordinator, BBI and BFM, Joshi Bedekar College and Dr. Afreen Eksambi, Coordinator, BBI, Satish Pradhan Dnyanasadhana College, Thane for support and motivation.

Authors

SYLLABUS

Revised Syllabus of Courses of B.Com. (Banking and Insurance) Programme at Semester V with effect from the Academic Year 2018-2019

Elective Courses (EC)

Auditing - I

Modules at a Glance

Sr. No.	Modules	No. of Lectures
1.	Introduction to Auditing	15
2.	Audit Planning, Procedures and Documentation	15
3.	Auditing Techniques and Internal Audit Introduction	15
4.	Auditing Techniques: Vouching	08
5.	Auditing Techniques: Verification	07
	Total	**60**

Sr. No.	Modules Units
1	**Introduction to Auditing** • **Basics** Financial Statements, Users of Information, Definition of Auditing, Objectives of Auditing – Primary and Secondary, Expression of Opinion, Detection of Frauds and Errors, Inherent limitations of Audit. Difference between Accounting and Auditing, Investigation and Auditing. • **Errors and Frauds** Definitions, Reasons and Circumstances, Types of Error – Commission, Omission, Compensating error. Types of frauds, Risk of Fraud and Error in Audit, Auditors Duties and Responsibilities in Case of Fraud • **Principles of Audit** Integrity, Objectivity, Independence, Skills, Competence, Work Performed by Others, Documentation, Planning, Audi Evidence, Accounting System and Internal Control, Audit Conclusions and Reporting • **Types of Audit** Meaning, Advantages and Disadvantages of Balance sheet Audit, Interim Audit, Continuous Audit, Concurrent Audit and Annual Audit.
2	**Audit Planning, Procedures and Documentation**
	• **Audit Planning** Meaning, Objectives, Factors to be Considered, Sources of Obtaining Information, Discussion with Client, Overall Audit Approach. • **Audit Programme** Meaning, Factors, Advantages and Disadvantages, Overcoming Disadvantages, Methods of Work , Instruction before Commencing Work, Overall Audit Approach

	• **Audit working Papers** Meaning, Importance, Factors Determining Form and Contents, Main Functions/Importance, Features, Contents of Permanent Audit File, Temporary Audit File, Ownership, Custody, Access of Other Parties to Audit Working Papers, Auditors Lien on Working Papers, Auditors Lien on Client's Books • **Audit Notebook** Meaning, Structure, Contents, General Information, Current Information, Importance.
3	**Auditing Techniques and Internal Audit Introduction**
	• **Test Check** Test Checking Vs Routing Checking, Test Check meaning, Features, Factors to be Considered, When Test Checks Can be Used, Advantages, Disadvantages and Precautions. • **Audit Sampling** Audit Sampling, Meaning, Purpose, Factors in Determining Sample Size - Sampling Risk, Tolerable Error and Expected Error, Methods of Selecting Sample Items, Evaluation of Sample Results, Auditors Liability in Conducting Audit Based on Sample. • **Internal Control** Meaning and Purpose, Review of Internal Control, Advantages, Auditors Duties, Review of Internal Control, Inherent Limitations of Internal Control, Internal Control Samples for Sales and Debtors, Purchases and Creditors, Wages and Salaries. Internal Checks Vs Internal Control, Internal Checks Vs Test Checks. • **Internal Audit** Meaning, Basic Principles of Establishing Internal Audit, Objectives, Evaluation of Internal Audit by Statutory Auditor, Usefulness of Internal Audit, Internal Audit Vs External Audit, Internal Checks Vs Internal Audit.
4	**Auditing Techniques: Vouching**
	• **Audit of Income** Cash Sales, Sales on Approval, Consignment Sales, Sales Returns Recovery of Bad Debts written off, Rental Receipts, Interest and Dividends Received, Royalties Received. • **Audit of Expenditure** Purchases, Purchase Returns, Salaries and Wages, Rent, Insurance Premium, Telephone Expenses, Postage and Courier, Petty Cash Expenses, Travelling Commission, Advertisement, Interest Expenses.
5	**Auditing Techniques: Verification**
	• **Audit of Assets Book Debts / Debtors, Stocks** Auditors General Duties; Patterns, Dies and Loose Tools, Spare Parts, Empties and Containers, Quoted Investments and Unquoted Investment, Trade Marks/Copyrights, Patents, Know-how, Plant and Machinery, Land and Buildings, Furniture and Fixtures. • **Audit of Liabilities** Outstanding Expenses, Bills Payable, Secured loans, Unsecured Loans, Contingent Liabilities

PAPER PATTERN

Maximum Marks: 75

Questions to be set: 05

Duration: 2 1/2 Hrs.

All Questions are Compulsory Carrying 15 Marks each.

Q. No.	Particulars	Marks
Q.1	Objective Questions (A) Sub Questions to be asked 10 and to be answered any 08 (B) Sub Questions to be asked 10 and to be answered any 07 (*Multiple choice / True or False / Match the columns/Fill in the blanks)	15
Q.2	Full Length Practical Question **OR**	15
Q.2	Full Length Practical Question	15
Q.3	Full Length Practical Question **OR**	15
Q.3	Full Length Practical Question	15
Q.4	Full Length Practical Question **OR**	15
Q.4	Full Length Practical Question	15
Q.5	(A) Theory Questions (B) Theory Questions **OR**	8 7
Q.5	Short Notes To be asked 05 To be answered 03	15

Note: Theory question of 15 marks may be divided into two sub questions of 7/8 and 10/5Marks.

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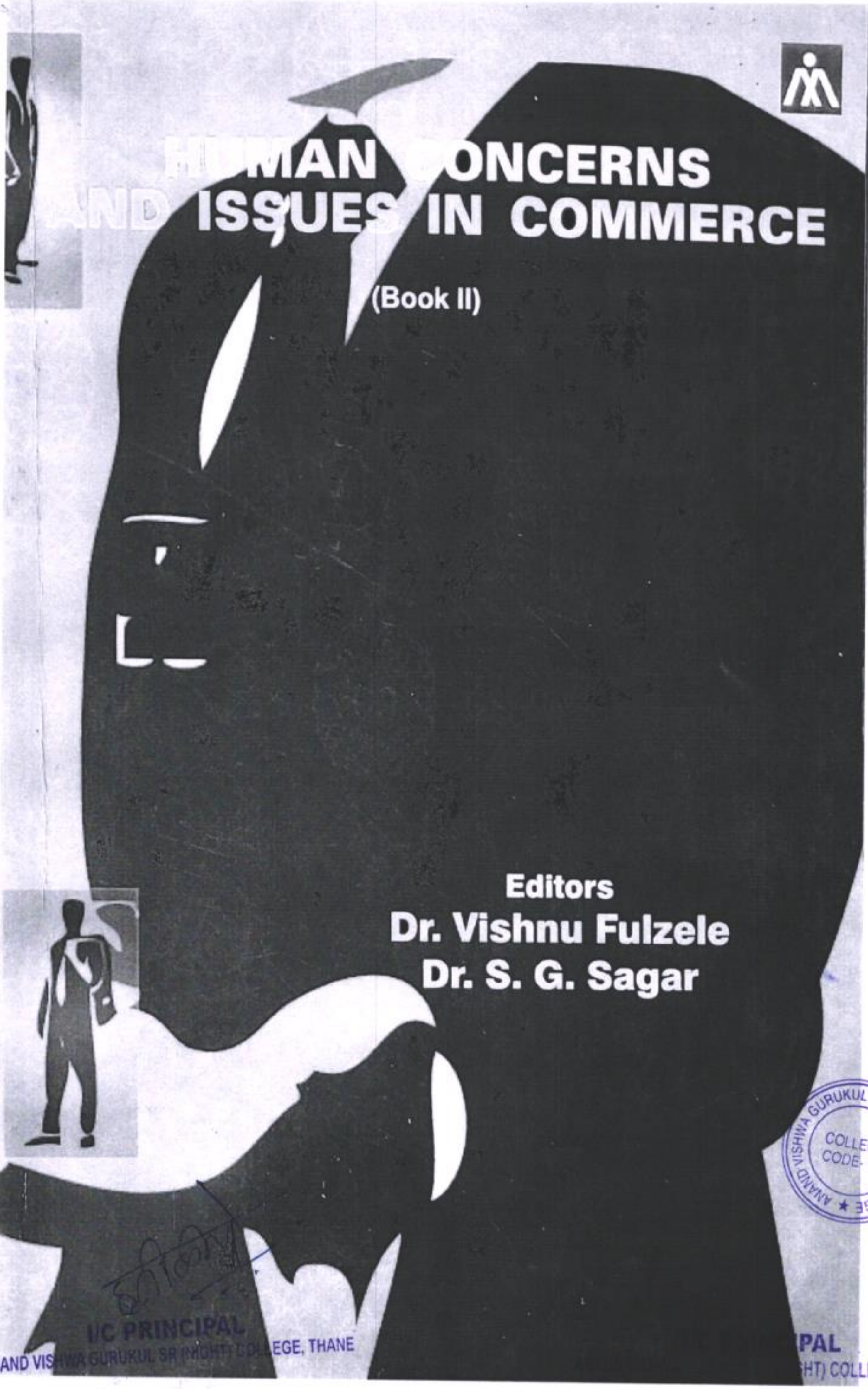

HUMAN CONCERNS AND ISSUES IN COMMERCE

(Book II)

Editors

Dr. Vishnu Fulzele

Dr. S. G. Sagar

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Contents

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Indian Banking Sector- Recent Changes & It's Impact on Indian Economy

Prof. Rupesh A. Dhruvanshi
Research Scholar
Shri J.J.T University

Introduction: The banking sector plays a very important role in the development of one country's economy. The growth of banking sector depends upon the customer services given by them in various aspects. The growing trend in banking sector is found noteworthy after the recent economic reforms in India. Today India has a fairly well developed banking system with different classes of banks with the Reserve Bank of India as the ultimate authority. Nowadays banking sector acts as a backbone of Indian economy which reflects as a supporter during the period of boom and recession. The RBI's most important goal is to maintain monetary stability in India.

India is being fundamentally strong supported by concrete economic policies, decisions and implementations by the Indian Government.To improve major areas of banking sector, Government of India, RBI and Ministry of finance have made several notable efforts.

Objectives

1. To know about the various changes in banking sector
2. To study the impact to be created by changes in banking sector on Indian economy

Limitations

The topic is so vast but due to certain limitations couldn't express in depth. Some changes are only considered for the research paper. Due to certain situations could not collect primary data.

Research Methodology

Primary data was not collected for the research paper. The research is basically based on secondary data collected from various websites and journals.

Recent changes inBanking sector

- **Payment Banks**

A Payments bank is similar to any other bank except it operates on a smaller scale. The Reserve Bank of India (RBI) introduced it in 2014 to increase the scope of financial inclusion to small savings account holders, low income households, small businesses, unorganised sector entities and migrant labourforce.A Payments bank can accept a restricted deposit of up to Rs 1 lakh per customer and will pay interest on those balances just like a savings bank account.It can enable transfers and remittances through a mobile phone. It also offers services like automatic bill payments and digital purchased through the mobile phone. It provides debit cards and ATM cards that can be used on ATM network of all banks.However, unlike our regular banks, a Payments bank cannot provide loans and credit cards to its customers.

RBI has granted licence to certain companies to launch payment banks. They are given below:

1) Aditya Birla Nuvo Ltd
2) Airtel M Commerce Services Ltd
3) Cholamandalam Distribution Services Ltd
4) Department of Posts
5) FinoPayTech Ltd
6) National Securities Depository Ltd
7) Reliance Industries Ltd
8) DilipShantilalShanghvi
9) Vijay Shekhar Sharma
10) Tech Mahindra Ltd
11) Vodafone m-pesa Ltd

Of these, three—Chalomandalam Distribution Services, Sun Pharmaceuticals and Tech Mahindra—have surrendered their licences. Airtel, which became the first entity to receive a payments bank licence from the RBI in 2011and India Post Payments Bankbecame the second entity to start operations in January by launching pilot in Raipur and Ranchi.

White Label ATM's

In terms of existing rules/regulations, only banks are permitted by Reserve Bank of India (RBI) to set up Automated Teller Machines (ATMs) as extended delivery channels. Banks have played a major role in encouraging ATM adoption by customers and modifying behavioral strategies in the domain of personal banking. Although there has been nearly 23-25 % year-on-year growth in the number of ATMs (90,000+ presently), their deployment has been predominantly in Tier I & II centres. Keeping this in view, RBI has reviewed the extant policy on ATMs. While reviewing the policy, the Reserve Bank has taken into account the feedback received from banks, authorised ATM network operators, non-bank entities and members of public on the draft. Accordingly, it has been decided to permit non-bank entities incorporated in India under the Companies Act 1956, to set up, own and operate ATMs in India. Non-bank entities that intend setting up, owning and operating ATMs, would be named "White Label ATM Operators" (WLAO) and such ATMs would be called "White Label ATMs" (WLAs). They will provide the banking services to the customers of banks in India, based on the cards (debit/credit/prepaid) issued by banks. The WLAO's role would be confined to acquisition of transactions of all banks' customers and hence they would need to establish technical connectivity with the existing authorised shared ATM Network Operators / Card Payment Network Operators.

Demonetisation

The government has implemented a major change in the economic environment by demonetising the high value currency notes – of denomination 500 and 1000. These ceased to be legal tender from the midnight of 8th of November 2016. People have been given upto December 30, 2016 to exchange the notes held by them. The proposal by the government involves the elimination of these existing notes from circulation and a gradual replacement with a new set of notes. In the short term, it is intended that the cash in circulation would be substantially squeezed since there are limits placed on the amount that individuals can withdraw. In the months to come, this squeeze may be relaxed somewhat. The reasons offered for demonetisation are two-fold: one, to control forgrd notes that could be contributing to terrorism, in other words a national security concern and second, to determine or eliminate the "black economy".

Jan DhanYojana

The PradhanMantri Jan DhanYojana was a tremendous decision taken by any government so far in India. PradhanMantri Jan-DhanYojana (PMJDY) is National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner.

Under this scheme account can be opened in any bank's branch or Business Correspondent (Bank Mitr) outlet. PMJDY accounts are being opened with Zero balance. However, if the account-holder wishes to get cheque book, he/she will have to fulfill minimum balance criteria.

MUDRA Bank

The Micro Units Development and Refinance Agency Ltd. (MUDRA) Bank was launched by prime minister NarendraModi on 8 April, 2015 with a corpus of Rs 20,000 crore and a credit guarantee corpus of Rs. 3,000 crore. The launch was the fulfillment of an announcement made earlier by the Finance Minister ArunJaitley in his FY 15-16 Budget speech.

As per NSSO Survey of 2013, there are close to 5.77 crore small-scale business units, mostly sole proprietorships, which undertake trading, manufacturing, retail and other small-scale activities. Compare this with the organised sector and larger companies that employ 1.25 crore individuals. Clearly, the potential to harness and nurture these micro businesses is vast and the government recognises this. Today, this segment is unregulated and without financial support or cover from the organised financial banking system.

To address the three segments, MUDRA Bank has launched three loan instruments:

Shishu: covers loans uptoRs 50,000/-
Kishor: covers loans above Rs 50,000/- and uptoRs 5 lakh
Tarun: covers loans above Rs 5 lakh and uptoRs 10 lakh

Impact of above changes on Indian Economy

Viewing the feasiblemultidimensional positive changesinIndian banking on Indian economy, there are many reasons to smile for these changes in India. It is helping our financial sector in maintaining stability while helping real economic sector attain inclusive growth.

- The Payments Banks will magnify the potential of financial inclusion in the economy. It will empower those citizens who have only transacted in cash, to head towards formal banking. Traditional banks may be doubtful to open branches in every village due to its uneconomic returns, but a simple mobile phone coverage is all that is required now. Keeping in mind the government's unwavered digital drive target, customers can shift from cash transactions to operating their accounts on their mobile phone and transact digitally.
  India also serves as a big remittance market and with money transfers possible through mobile phones, workers and migrant labours could simply shift to Payments Bank and send their money home. Payment banks can also play a crucial role in implementing the government's direct benefit transfer scheme, where subsidies on healthcare, education and gas are paid directly to beneficiaries' accounts.
- The White label ATM's launched by Indian Government has created a lot of support to the existing banking system of India. Due to these ATM's the flexibility of banking has increased. But there are many users found not satisfied by this change. The companies running these ATM's are not getting customers because of bad service provided by the companies and the reliability belief of the people in India has also made this change unsuccessful. Even in Bangalore, some of the White-Label are barely getting 2 to

3 customers in a week making the companies suffer losses in this business.

- With exchange of the old currency notes coming to an end, many people are forced to open accounts to save their money. The leading consumer internet companies in India (Flipkart, Snapdeal, Shopclues, CCAvenues, Ola and Oyo Rooms) have applauded the move, saying it will pave the way for digital payments, aid the process of financial inclusion and the overall transformation in the economy will translate into long-term benefits for the industry. Payments companies Paytm and Freecharge saw a surge in adoption of their digital wallets. According to market experts, the growth of digital payments and wallets is the first phase of the impact and will give big boost to lending and credit as the digital records of merchants will expand and create more demand in the second phase.

  Even though demonetization change created adverse short-term policy impact the real impact of must be assessed in the medium/long term. The reduction in overall investments, both in the formal and informal sectors, would certainly reduce economic growth potential. In addition, demonetization has reduced illegal activities such as generation of black money and corruption from getting channeled back into the economy.
- The Jan DhanYojana has created a great impact on Indian economy. It has benefited the people a lot. It has made easy transfer of money across India and also provided life insurance cover of 30,000 rupees paving a way for the growth of economy. Almost 22 crore bank accounts have been opened within 20 months of its launch in August 2014, accounting for a cumulative balance of almost Rs 37,000 crore in these accounts, providing access to banking services to more than 15% of the unbanked population. A notable highlight of these accounts is that after keeping the account operative for six months, one member of the household is allowed an overdraft of up to Rs 5,000. So far, about 19 lakh account holders have availed an overdraft amounting to Rs 256 crore. Punjab National Bank, Canara Bank and State Bank of India are among the top banks in providing such overdrafts under the scheme.
- The MUDRA Bank has regulated the lender and the borrower of microfinance and brought stability to the microfinance system through regulation and inclusive participation. It has also extended finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals. It has registered all MFIs and introduced a system of performance rating and accreditation for the first time.This will help last-mile borrowers of finance to evaluate and approach the MFI that meets their requirement best and whose past

record is most satisfactory. This will also introduce an element of competitiveness among the MFIs. The ultimate beneficiary will be the borrower. It has provided structured guidelines for the borrowers to follow to avoid failure of business or take corrective steps in time. MUDRA has helped in laying down guidelines or acceptable procedures to be followed by the lenders to recover money in cases of default. It has developed the standardised covenants that will form the backbone of the last-mile business in future.

Conclusion: To conclude the changes in banking sector has made a tremendous impact on the Indian economy. With the help of other financial reforms it is expected that India can be a leader in the world economy. The changes made in the banking sector by the government of India will have a long term impact on the Indian economy converting the developing nation status of India to a developed one in coming years. It is also expected that the growth of Indian economy will increase day by day due to these healthy changes.

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Islamic Banking- A Boon To The Indian Economy

Prof. Rupesh A. Dhruvanshi
Research Scholar
Shri. J.J.T. University

Introduction:

Islamic banking is banking or banking activity that complies with the principles of sharia (Islamic law) and its practical application through the development of Islamic economics. As such, a more correct term for Islamic banking is sharia-compliant finance.

Sharia law prohibits the acceptance of specific interest or fees for loans of money (known as riba, or usury), even if the payment is fixed or floating. Investments in businesses that provide goods or services are inconsistent to Islamic principles (e.g. pork or alcohol) is also haraam ("sinful and prohibited"). Although from generations these prohibitions have been applied in varying degrees in Muslim countries/communities to prevent practices which are un-Islamic, only in the late 20th century were a number of Islamic banks formed to apply these principles to private or semi-private commercial institutions within the Muslim community.

As of 2014, sharia-compliant financial institutions represented approximately 1% of total world assets. By 2009, there were over 300 banks and 250 mutual funds around the world complying with Islamic principles and as of 2014 total assets of around $2 trillion were sharia-compliant. According to Ernst & Young, Islamic banking assets grew annually by 17.6% from 2009-2013, when the global economy was still in recession and experiencing the after affects. It is also been expected to grow at 19.7% annually till 2018.

Initially in India, a few simple products which are similar to conventional banking products may be considered for introduction through Islamic window of the conventional banks after necessary notification by the government.

Deposits are invested in asset- based, relatively secure commodities such as property or metals. They are never invested in any activity not in keeping with the values of Islam, such as any activity connected to gambling, alcohol, pornography, arms& ammunitions, tobacco or any interest-bearing activity – or any speculative activity.It is not just Muslim customers but Non-Muslim customers are also attracted to Islamic finance because of their ethical way of conducting business and also their approach towards customer service.

Islamic banking is a boon to the economy as it relates with the offering of contemporary financial services in conformity with Islamic Shariah, economic development, facilitate efficient allocation of resources & achieving stability in the economy.

Besides meeting financial targets there is a need to meet social and economic targets also which requires improvisations in financial products which will fulfill economic needs, social responsibilities with allowing financial advantages as well.

Objectives of the Project

1. To know about the various principles of Islamic Banking.
2. To know the Islamic Banking products.
3. To study the impact to be created by Islamic Banking on Indian economy.

Limitations of the project

The topic is so vast but due to certain limitations couldn't express in depth. Due to certain situations could not collect primary data.

Research Methodology

Primary data was not collected for the research paper. The research is basically based on secondary data collected from various websites, books and journals.

Basic Principles & Products of Islamic Banking

Interest free or Usury

The principles of Islamic Banking in relation to finance can be narrowed down to four individual concepts.The first and most important concept is that both the charging and the receiving of interest are strictly prohibited. This is commonly known as Riba or Usury. Money, on its own, may not generate profits. When Riba infects an entire economy, it jeopardizes the well-being of everyone living in that society. When investors are more concerned with rates of interest and guaranteed returns than they are with the uses to which money is put, the results can only be negative.

Ethical Standards

The second guiding principle concerns the ethical standards. When Muslims invest their money in something, it is their religious duty to ensure that whatevertheir investment is it should be in good and wholesome. It is for this particular reason that Islamic banking investment includes serious consideration of the business to be invested in, their policies, the products they produce, the services they provide, and the impact that they have on society and the environment. In other words, Muslims must take a close look at the business they are about to become involved in.

In all phases of the financial system, Islam has certain rules, certain regulations as to how Muslims should go about participating in these activities. For example, in share trading or the securities market, Islam looks after the activities& functions of the companies, to establish whether or not the companies are involved in activities which are in line with Shariah.

Moral and Social Values

The third guiding principle concerns moral and social values. Islamic financial institutions are expected to provide special services to poor and indigent. This is not confined to mere charitable donations but has also been institutionalized in the industry in the form of profit-free loans or Al Quard Al Hasan.

An Islamic bank's business includes certain social projects, as well as charitable donations. Islamic banks provide interest free loans. For example, if an individual needs to go to hospital or wants to go to university, we give what is calledQuard AlHasan. This QuardHasan is normally given for a short period of one year and the Islamic bank does not charge anything for that.

Business risk

Another Islamic principle is that there should be no reward without risk-bearing. This principle is applicable to both labour and capital. As no payment is allowed to labour unless it is applied to work, so no reward for capital should be allowed unless it is exposed to business risks.

Sharing of profits or losses (Mudarbah)

Mudarabah (the Islamic way),in which two persons co-operate with each other on the basis of partnership, where the capital-owner provides the capital and the other party puts his intellectual and management skills into the business. The capital-owner will not be involved in the actual day-to-day operation of the business, but is free to stipulate certain conditions that he may feel necessary to ensure the best use of his funds. After the expiry of the term, which may be the termination of the contract or such time that returns are obtained from the business, the capital-owner gets back his principal amount together with a pre-agreed share of the profit.

The ratio in which the total profits of the enterprise are distributed between the capital-owner and the manager of the enterprise is determined and mutually agreed at the time of entering the contract, before the beginning of the project. In the event of loss, the capital-owner bears all the loss and the principal is reduced by the amount of the loss. It is the risk of loss that entitles the capital-owner to a share in the profits. The manager bears no financial loss, because he has lost his time and his work has been wasted. This is, in essence, the principle of mudarabah.

i. There are at least three reasons for considering the mudarabahrelationship to be more just than the lender-receiver relationship:Both parties agree on the ratio in which profits will be shared between them.
ii. The treatment of both parties is uniform in the event of loss, since if the provider of the capital suffers a reduction of his principal, the manager is deprived of a reward for his labour, time and effort.
iii. Both parties are treated equally if there is any violation of the agreement. If the manager violates anyone of the stipulated conditions, or if he does not work, or is instrumental in causing loss to the business by negligence or bad management, he will have to bear the responsibility for the safe return of the whole amount in question. If, on the other hand, the provider of the capital violates any of the stipulated conditions, for example, by withdrawing his funds before the stipulated time, or by not providing part or full funds at the promised time, etc., he will have to pay the manager a reward equivalent to what he would have earned in similar work.

Mudarabah is the basis of modern Islamic banking works on a two-tier basis.

1st tier:

The depositors put their money into the bank's investment account and agree to share profits with it. In this case, the depositors are the providers of the capital and the bank functions as the manager of funds.

2nd tier:

Entrepreneurs seek finance from the bank for their businesses on the condition that profits accruing from their business will be shared between them and the bank in a mutually agreed proportion, but that any loss will be borne by the bank only. In this case, the bank functions as the provider of capital and the entrepreneur functions as the manager.

Joint Venture (Musharakah)

Musharakah is a joint enterprise or partnership structure with profit or loss sharing implications that is used in Islamic finance instead of interest-bearing loans. Musharakah allows each party involved in a business to share in the profits and risks. Instead of charging interest as a creditor, the capitalist will achieve a return in the form of a portion of the actual profits earned, according to a predetermined ratio. However, unlike a traditional creditor, the capitalist will also share in any losses.

Musharakah plays a vital role in capitalizing business operations based on Islamic principles, which prohibit making a profit on interest from loans.

Cost Plus (Murabaha)

Murabaha is an Islamic financing structure in which anegotiator buys a property with free and clear title. Murabaha is not an interest-bearing loan, which is considered riba (or excess), and is an acceptable form of credit sale under Sharia (Islamic law). Similar in structure to a rent-to-own arrangement, the intermediary retains ownership of the property until the loan is paid in full. For meeting Islamic standards of a legal sale, murabahaneed to be completed in two stages. In the first stage, the bank purchases a commodity that the client is selling. In the second stage, the client agrees to a payment schedule for repurchasing the good. Because murabaha involves two transactions, two sale contracts are used.

Leasing (Ijarah)

Islamic financial institutions use ijarah contracts either as anowner or a renter. Some jurists define ijarah as ownership of the right to the benefit of using an asset for a period in return for a consideration.

Ijarah is now classified into operating ijarah, which includes non-transfer of legal title of the leased asset into the renter at the end of the lease which is concluded by passing the legal title of the leased asset to the renter.

For the ijarah contract to be valid it must be preceded by acquisition of the asset (or the legal right of the asset) to be leased by the institution (owner). The ijarah contract is a binding contract which neither party may terminate or alter without the other's consent.

The duration of the ijarah contract must be specified in the contract and normally commences on the date of executing the contract unless a future date is agreed by both parties. It is permissible that the Islamic bank requires the lease promisor (customer) to pay to guarantee the customer's commitment to accept a lease on the asset and the subsequent obligations, provided no deduction to be made to this sum except for damages suffered by the bank as a result of the customer's breaching his promise.

Islamic Bankinga push to the growth of Indian Economy

Viewing the feasiblemulti dimensional positive principles of Islamic banking on Indian economy, there are many reasons to smile for Islamic banking in India. It is helping our financial sector in maintaining stability while helping real economic sector attain inclusive growth. The public finance would be much benefited through Islamic banking by generating investment funds on equity basis. Thus Islamic banking should be considered as a core economic need of the economy instead of viewing it as a religious matter for Indian Muslims. By any projections, it is expected that Islamic banking may help us mobilize business up to 5% our GDP with making due corrections in financial and real markets. Therefore it should be considered as a genuine economic need of the nation instead of considering it as religious, social or political issue.

After looking at the current financial crisis in international market and danger to affect our economy, It would be better in interest of the nation to assess the importance of interest-free banking in achieving targets like financial inclusion, inclusive growth, infrastructure finance, Credit-output and labour–capital ratios in unorganized sector industries, Insurance for unorganized sector workers, improvising credit market, exports and future trading and facilitating the agriculture and ignored segments of the economy.

However, the Indian banking laws will have to be amended so as to incorporate the provisions relating to Islamic banking. For example, the Banking Regulation Act requires payment of interest which is against the principles of Islamic Banking. The Act also specifies "banking" to mean accepting deposits of money from public for lending or investment, thus excluding within its ambit the instruments of Islamic banking that promote profit and loss.

An Islamic Banking window will encourage many from the Muslim community to come forward and invest in projects thereby mobilizing huge amount of capital which they may not be willing to put in the banks. This also means that India will be able to attract huge investments from West Asia and from those who invest only in *shariah* compliant projects. For instance, there are majority of companies in the stock exchange of India that are Shariat-compliant (this number is more than the companies in Malaysia), thus this would attract huge funds in the domestic market alone.

With suppressed desire by Indian Muslims to have Islamic Banking in India, and avoidance to cite taboo word 'Islamic Banking' by RaghuramRajan Committee report on financial sector reforms, it has became more important that besides considering the religious, social, political and diplomatic dimensions, we must understand the economics of Islamic banking for Indian economy.

Conclusion

In India a few companies are already dealing big businesses in Shariah Investments funds. Many financial sector players eying upon trillion dollars Islamic investment funds. Eastwind launched Islamic Index; and Reliance Money and Religare have launched Shariah Complaint Portfolio Management Services. As a result Indian Stock market is observing some better trends in Shariah complaint stocks. With increased market of Shariah investments worldwide, if China is going for Islamic banking to attract Islamic Investment Funds, why should India hesitate allowing Islamic banking with 150 millions Muslim who may help us pool around one trillion dollars Islamic investment funds from Gulf countries that too on equity base which may keep our national current account and fiscal deficit under control.

Islamic banking may further help us mobilize capitals on equity base to meet the investment needs for irrigation, dams, roads, electricity, and communication projects along with other infrastructure where public finance is insufficient and debt finance might cause deficit to the government. With Islamic banking raising equity funds would be easier for banks. Islamic banking through promoting equity finance from national and international markets may reduce this burden effectively with keeping public finance well under control and probably we may need not to worry about fiscal deficit as well.

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COMPARATIVE ANALYSIS BETWEEN INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) & INDIAN ACCOUNTING STANDARDS (Ind.AS)

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Abstract

Globalization has laid down a way for all the countries to adopt a single set of accounting standards. Due to the variation in different country's GAAP of an individual country, a threat is always sustain on the harmonization of accounting standards. Economic development of any country requires a sound financial reporting system sustained by good governance, clearly defined quality standards and established regulatory framework. As the accounting standards formulating body in our country, the Institute of Chartered Accountants of India (ICAI), has always formulated accounting standards that have withstood the test of time.

Recent years have seen major changes in financial reporting worldwide under which the most obvious is the continuing adoption of IFRS worldwide. More than 100 countries have converged or recognized the police of convergence with the IFRS. IFRS are the globally accepted accounting standards and interpretations adopted by the IASB. The following paper discusses on the comparison between the accounting standards laid down by International Financial Reporting Standards (IFRS) and accounting standards laid down by Indian Accounting Standards (Ind.AS).

Keywords: Accounting standards, IFRS, Ind.AS

Introduction:

Accounting fraternity of 10 countries formed International Accounting Standards Committee (IASC) in 1973 and it issued International Accounting Standards. In 2001, the responsibility got transferred to IASB whereby standards were restructured and are now known as IFRS. International Accounting Reporting Standards is a provider of information aiding and economic decisions, giving importance to preference and changes in the financial position of an entity. It is mainly based on two concepts - Accrual & Going concern.

Indian Accounting Standards (abbreviated as India AS) are a set of accounting standards notified by the Ministry of Corporate Affairs, which are converged with International Financial Reporting Standards (IFRS). These accounting standards are formulated by the Accounting Standards Board of Institute of Chartered Accountants of India. Now India will have two sets of accounting standards viz. existing accounting standards under Companies (Accounting Standard) Rules, 2006 and IFRS converged Indian Accounting Standards (Indian AS). The Indian AS are named and numbered in the same way as the corresponding IFRS.

Objectives of the Project

1. To understand the concept ofInternational Financial Reporting Standards (IFRS) and Indian Accounting Standards (Ind.AS).

2. To study the majordifference between the accounting standards of IFRS and Ind.AS.

Limitations of the project

The topic is so vast but due to certain limitations couldn't express in depth. Some changes are only considered for the research paper. Due to certain situations could not collect primary data.

Research Methodology

Primary data was not collected for the research paper. The research is basically based on secondary data collected from various websites and journals.

Comparison between IFRS accounting standards and Ind.AS accounting standards:

Sr. No.	International Financial Reporting Standards (IFRSs)		Indian Accounting Standards (ASs)		Major Differences
	No.	Title of the Standard	No.	Title of the Standard	
1	IAS 1	Presentation of Financial Statements	AS 1	Disclosure of Accounting Policies	IAS 1 requires that if different measurement bases are used for different classes of assets thensuch should be presented separately on the face of the balance sheet but this may result in information overload so the revised AS 1 does not require separate presentation of such assets on the face of the balance sheet; rather, it requires separate presentation of such assets to be made in the schedules and notes.
2	IAS 2	Inventories	AS 2	Valuation of inventories	AS 2 does not include "selling and distribution costs" from the cost of Inventories whereas IAS 2 excludes only "Selling Costs" and not "Distribution Costs". AS 2 provides that the cost of inventories of items assigned for specific projects should be assigned by using the first-in, first-out (FIFO), or weighted average cost formula incurred in bringing the items of inventory to their present location and condition. However IAS 2 does not require the same for the choice of the formula to be used, rather it requires that same cost formula should be used for all inventories having a similar nature and use to the entity.
3	IAS 7	Cash Flow Statements	AS 3	Cash Flow Statements	In case of enterprises other than financial enterprises, unlike IAS 7, AS 3 does not provide any option with regard to classification of interest paid, interest received and dividend received. It requires interest paid to be classified as financing cash flows and interest received and dividend received as investing cash flows.
4	IAS 10	Events After the Balance Sheet Date	AS 4	Contingencies and Events Occurring after the Balance Sheet Date	As per IAS 10, non-adjusting events, which are material, are required to be disclosed in the financial statements. However as per AS 4, such disclosures are required to be made in the report of the approving authority and not in the financial statements.
5	IAS 16	Property, plant & equipment	AS 10	Accounting for fixed assets	As per IAS 16, all servicing equipments, whether major or minor, except servicing equipments which can be used only in connection with an item of property, plant and equipment, are carried as inventory and recognized in the statement of profit and loss, when consumed whereas Servicing equipments that can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.
6	IAS 17	Leases	AS 19	Leases	Keeping in view the peculiar land lease practices in the country, lease agreements to use lands are specifically excluded from the scope of AS 19 whereas IAS 17 does not contain this exclusion. AS 19 specifically prohibits upward revision in estimate of unguaranteed residual value during the lease term. How...

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7	IAS 19	Employee Benefits	AS 15	Employee Benefits	Unlike IAS 19, AS 15 does not provide any option with regard to recognition of actuarial gains and losses. It requires such gains and losses to be recognized immediately in the statement of profit and loss.
8	IAS 24	Related party disclosures	AS 18	Related party disclosures	According to AS 18, as notified by the Government, a non-executive director of a company should not be considered as a key management person unless he has the authority and responsibility for planning, directing and controlling. However, IAS 24 provides for including non-executive director in key management personnel.
9	IAS 27	Consolidated and Separate Financial Statements	AS 21	Consolidated Financial Statements	AS 21 defines control as ownership of more than one-half of the voting power of an enterprise or as control over the composition of the governing body of an enterprise so as to obtain economic benefits. This definition is different from IAS 27, which defines control as "the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities".
10	IAS 33	Earnings per share	AS 20	Earnings per share	As per IAS 33 revised, basic and diluted amounts per share for the discontinued operation are required to be disclosed. However AS 20 does not require such disclosures. IAS 33 revised requires the disclosure of antidilutive instruments also which is not required by AS 20.
11	IAS 34	Interim Financial Reporting	AS 25	Interim Financial Reporting	As per IAS 34 the statement of changes in equity is presented in annual financial statement partly in profit & loss account below the line and partly in balance sheet and schedules but AS 25 does not require presentation of the condensed statement of changes in equity.
12	IAS 37	Provisions, Contingent Liabilities & Contingent Assets	AS 27	Provisions, Contingent Liabilities & Contingent Assets	Unlike IAS 37, as a measure of prudence, AS 29 does not require contingent assets to be disclosed in the financial statements.
13	IAS 38	Intangible Assets	AS 26	Intangible Assets	AS 26 is based on the assumption that the useful life of the intangible asset is always definite. In regard to assets with definite life also there is a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. Whereas IAS 36 recognizes that an intangible asset may have an indefinite life and the standard does not contain rebuttable presumption about their useful life.

onclusion

IFRS is one of the best financial reporting systems, hich does not include any country with variation of counting policies. Now a single set of financial reporting is ial statement to present across the world at a reduced cost and re reliable, transparent and fair reporting of an entity. These nefits are attracting each country to set mandatory for pting IFRS in their country. India has also made several nges pertaining to IFRS so that a common standard can be lowed globally.

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