

# Financial and Accounting in India

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**Abstract – Accounting and Finance (JAF) is devoted to the headway and scattering of research over all the main fields of budgetary request by distributing, through a visually impaired, refereed process, continuous aftereffects of research as per international logical or academic principles. theory are composed by business pioneers, approach examiners and dynamic analysts for a group of people of experts, professionals and understudies in all regions identified with money related and accounting in business and training. Concentrates reflecting issues concerning budgeting, taxation, process, ventures, administrative methodology, and business money related examination are appropriate subjects. JAF additionally covers hypothetical and exact investigation identifying with money related announcing, resource estimating, budgetary markets and institutions, corporate finance, and corporate administration. Postulation of territorial intrigue are welcome, particularly those managing exercises that might be applied in different districts far and wide.**

**Keywords: Accounting, Finance, Taxation, International**

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## INTRODUCTION

Right now arranged economy, banks and money related institutions become the most significant piece of the economy. The financial advancement of any piece of the world generally relies upon the working of these banks and money related institutions and accessibility of their administrations, particularly the credit offices. Without these banks and budgetary institutions which handle the matter of cash it is beyond the realm of imagination to expect to bring modern and business advancement of a general public which is eventually liable for the financial improvement of the general public.

The budgetary framework in India includes different institutions occupied with the money related market of the economy. These institutions incorporate (a) the all India level improvement money related institutions like Industrial Finance Corporation of India (IFCI), Industrial Development Bank Of India (IDBI), Industrial Credit And Investment Corporation Of India (ICICI), National Bank For Agriculture And Rural Development (NABARD) ; the speculation foundation like Life Insurance Corporation Of India (LIC) and Unit Trust Of India (UTI), the state level budgetary institutions like State Financial Corporations (SFCs), Small Industry Development Corporation (SIDCs), and the co-employable banks, common assets and such; (b) business/banking area contains Public Sector Banks (PSBs), Old Private Sector Banks, New Generation Private Sector Banks (NPSBs), Foreign Banks and Regional Rural Banks (RRBs) and (c) Non-Banking Financial

Companies (NBFCs) like renting and contract buy organizations, shared advantage organizations, Petty Finance Corporations (known as Unincorporated Bodies for example UIBs) in the private division.

Cash moneylenders and indigenous investors have additionally been assuming a significant job in the general public since days of yore. Hence, the monetary framework in India is intently interlaced with its different budgetary sub-frameworks in which NBFCs, UIBs and cash moneylenders do assume a significant job and establish critical components in the association of the monetary framework.

## FINANCIAL SERVICES IN INDIA: AN OVERVIEW

The job being played by the Private Financial Institutions in the financial improvement of the state is through their financial services. To have a superior thought and comprehension about the working and services of these Private Financial Institutions it would be increasingly useful to make a more extensive watch towards the Financial Services in India.

Financial services are a significant part of the financial framework. Financial Services satisfy the requirements of financial institutions, financial markets and financial instruments. The smooth working of financial framework will rely on the

scope of financial services reached out by the suppliers. Financial services contribute a ton to the endeavors of accelerating the procedure of monetary development and improvement. The financial services industry is developing at a quick rate. "Financial services in India have seen exceptional changes in the ongoing past after the usage of Liberalization, Privatization and Globalization (LPG) Policy in the economy. Arrangements of the administration, quick advancement in the Information and Communication Technology in the financial services part made radical changes in regard of firms, age of imaginative financial items and financial markets."

"Truth be told, the productivity of the rising financial framework principally relies on the quality and scope of the bundle of financial services to a great extent gave by the non-banking financial organizations. Albeit a portion of these services in India are at the incipient stage, they speak to advancements of extensive hugeness for the financial frameworks."

### Organization of the Financial Service Industry:

Today the significance of financial services is picking up force everywhere throughout the world. In nowadays of complex finance, individuals expect a Financial Service Company to assume a powerful job as a supplier of finance as well as a departmental store of finance. With the infusion of the financial progression strategy into our economy and the opening up of the economy to multinationals, the free market idea has expected a lot of essentialness. Therefore, the customers both corporate and people are presented to the marvels of unpredictability and vulnerability and henceforth they expect the financial assistance organization to advance new items and services in order to meet their shifted prerequisites.

"Generally there are four classes of financial assistance firms: 1) Deposit-taking firms; 2) Insurance type firms; 3) Investment Companies and 4) Securities Firms. This arrangement depends essentially on the sorts of liabilities these organizations issue and the administrative foundations in most created nations."

"Inside every one of the four essential classes of firms there are an assortment of considerably progressively particular sorts of financial assistance firms. The worldwide insurgency and development of the financial services industry to some degree comprises of the arrangement of half breed firms, consolidating elements of at least two particular kinds of firms, and making of totally different items and sorts of firms."

#### A) Deposit-Taking Firms:

Store taking firms raise assets by giving store liabilities. These liabilities must be reclaimed upon request or upon development. Store taking

institutions in many nations are divided, with various institutions concentrating to shifting degrees in the discount or retail showcases. Business banks in many nations do both retail and discount business. Some deposit-taking institutions, called "frugalities", focus on a retail business. In certain nations, there are store taking firms that work in business financing.

Following are the instances of store taking firms-

- I) Commercial Banks
- II) Credit Unions
- III) Finance Companies, and so on.

#### B) Investment Companies:

Pooling reserve funds and contributing them is another antiquated social and financial movement. The objective of savers is to gain better yields than those on stores and to take an interest in the improvement of the economy straightforwardly by the choice of protections specifically firms. Following are the instances of Investment organizations

- i) Mutual Funds and Real Estate Trusts
- ii) Professional Asset Management and Institutional Investors, and so on.

#### C) Insurance Type Firms:

It incorporates property and loss Insurance Companies which enter contracts promising to repay safeguarded parties for misfortunes because of mishap or robbery and Pension Funds which are overseen to help annuity finance members by proficient resource administrators.

#### D) Securities Firms:

Protections are financial cases that can be purchased and sold. About all protections are a stock or bond. They are given by partnership and government to raise reserves. A portion of these organizations are –

- 1- Investment Banks: They are the pros to help corporate and government borrowers requiring assets in going to protections markets.
- 2- Brokers and vendors: Brokers discover purchasers for merchants or merchants for purchasers where as a seller or market creator offers to purchase or sell security promptly so vendors must hold inventories of protections.

- 3- Mortgage Banks: Mortgage financiers start contracts, for the most part home loans, and offer them to speculators.

## **MICRO FINANCE**

Small-scale finance mediations are well-perceived world over as a successful device for neediness mitigation and improving financial status of country poor. In India as well, small scale finance is putting forth progress in its attempt for diminishing neediness and enabling provincial ladies. Miniaturized scale finance through the system of cooperatives, business banks, provincial rustic banks, NABARD and NGO's has been to a great extent supply-driven and an ongoing methodology. Miniaturized scale finance institutions are, other than banks, are occupied with the arrangement of financial services to poor people. Smaller scale finance (MF) in the ongoing past has developed as a potential instrument for neediness mitigation and ladies strengthening.

## **ACCOUNTING: A LANGUAGE OF BUSINESS CENTRE**

The finish of the nineteenth century was set apart by the most exceptional extension of the business, organization type of association, a marvel regular in business world, developed at an extraordinary speed. Books about business exchanges were composed, shows were followed and accounting was perceived as an arrangement of dissecting and keeping up record about the business exchanges. To a limited extent, the new essentialness of accounting picked up acknowledgment as a result of partition among proprietorship and control and furthermore because of expansion in possession. The expanded dependence on capital as a factor of creation required broad record keeping yet, at last, in the nineteenth century, a hypothetical structure started to create. This structure gave a specialized way to quantify, assess, and convey data of a monetary and financial nature.

The word 'accounting' alludes to revealing. The lexicon significance of the term is 'keeping composed statements of cash got and paid'. Accounting likewise infers numerical 'tally' or calculation of financial exchanges. Accounting is the efficient recorded introduction of the financial exercises of the business. Human exercises might be delegated monetary and non-financial exercises. Our accounting is worried about the monetary exercises of the business. Each business has profit thought process. The specialist make a solid effort to acquire most extreme profit. For this, it is basic that he should keep in his memory the whole business exchanges. It is unthinkable for the specialists to keep a memory of whole different, shifted and complex exchange of the business, memory isn't sufficient. There must be narrative proof of each

business exchange. It required efficient and logical record of the considerable number of exchanges of the financial nature. Financial exchange affect the advantage and liabilities and capital of the business. The best possible accounting of these exchanges will empower the business to gauge genuine execution of the business Comparison of real execution with past execution and powerful designs for future is made.

Accounting is the craft of recording, arranging and outlining in a huge way and as far as cash, exchanges and occasions, which are, to some extent at any rate, of a financial character deciphering the outcome thereof. The aftereffects of the procedure are to be deciphered in such a way, that astute choice might be taken dependent on the applicable financial data. So as to get ready financial statements, accounting rule ought to be followed.

The business today is enormous in size and complex in nature. Accounting right now to report and present the reality of the business in such a manner which can meet changed prerequisite of different gatherings. Along these lines, accounting is considered as the language of business. The fundamental capacity of a language is to fill in as a methods for correspondence. It is utilized to convey the financial data of an endeavor to the clients including proprietors and holders who have stake in the business. Since business is a piece of society, it has all obligations and obligations to render accounting revelations appropriately and unmistakably to Fulfill different gatherings.

## **ORIGIN OF ACCOUNTING**

The character and substance of accounting has been changing since the times of yore. Since the time men began living respectively, he kept to recall account from the products given to other if it somehow happened to be returned. Markings and contents on trees and cavern dividers were advanced after some time and trade framework was continued. Confirmations show that images were utilized for recording exchanges between clans as right on time as 5000 B.C. Dirt tablets were utilized for recording the exchanges during the Sumerian progress in Mesopotamia around 3200B.C . Exchanges identified with business, offer of grounds were recorded by around 3000 B.C. Duty, and assortment of assessments in the Babylonian Empire required evidence of individual commitment and instalments. Around 2300 B.C instalments in sanctuaries were recorded through dirt tablets just as stone and wood gadgets.

In 2000 B.C. and Egyptian Governmental fortunes were recorded by a copyist. In British Isles, uniquely scored or checked branches were utilized as proof of obligation and instalment. The unit of estimation presumably was number of things sold

or obtained. Creation of cash changed the unit of estimation. Truth be told, another measurement was given to accounting by the introduction of cash.

In spite of the fact that recording of occasions was across the board among various countries at various purpose of time, the Chinese were viewed as the originators of the accounting framework. Modern types of government accounting existed in China as right on time as 2000 B.C.<sup>3</sup> Banking and other business exercises prompted the upkeep of records in antiquated Greece. The Services of reviewers were utilized as right on time as in 1400 B.C. The slaves were designated as examiners in the Ancient Greece. Around 1000 B.C. formal preparing in accounting was given in schools to the copyists in Babylon and Egypt.<sup>4</sup> Records identifying with Roman development show that records were kept on wax tablets during 700 B.C. In any case, it disappeared with the fall of Roman human progress. The innovation of paper and pen around 400 B.C. in Egypt encouraged chronicle of exchanges on paper.

In the antiquated period, accounting was known to the Greeks and Romans. The Greeks used to keep up records of instalments as far back as in 434-433 B.C. The Romans began to keep the equivalent in 200 B.C.<sup>5</sup> Romans kept their records on wax tablets, which died with the fall of the Roman human advancement (700 B.C to 400 AD). The arrangement of Single Entry, a mix of the first account framework, was likewise in vogue among the Greeks and Romans and the Double Entry framework was grown exceptionally late right now 1300 B.C among a few Italian exchanging focuses. The English law was likewise created right now. The primary known twofold passage in England identify with the year 1522. Fig 1.1 depicts an eye-perspective on the advancement of accounting.

## DEVELOPMENT OF FINANCIAL ACCOUNTING PRACTICE AND THEORY

After this short study of accounting thought and practice as a rule, it will be helpful to depict the advancements in a portion of the European nations during the previous hundreds of years.

### UNITED KINGDOM

The Industrial unrest, which started in the eighteenth century 1760 and it gave a catalyst to the advancement of financial accounting and announcing. The development of huge scale undertakings was a consequence of the innovation of generation apparatus. This necessary amount of capital more prominent than what could be given by an individual were included as investors. This prompted the birth investors. Presently these investors were known as proprietors of an organization didn't partake in the executives, a need was felt to intermittently give them the reports of the riches claimed by them.

This prompted the planning of the asset report. To give insurance to outside financial specialists, the British Government proclaimed the organizations Act. The 1844 Act required the chiefs of an organization to supply the investors with reviewed monetary records toward the finish of each accounting year. The Act of 1865 gave a model type of a balancesheets to guarantee consistency and equivalence. The Companies Act of 1929 had required clearing changes in the financial revealing of constrained organizations, including, just because, the necessity of a profit and loss account.

United realm had indicated its enthusiasm for surrounding its own accounting gauges in 1960 and set up Accounting Standards Steering Committee (ASSC) in 1970 for proposing unmistakable financial and detailing statements for the clients. Last ASSC has been framed as Accounting Standards. In 1998, the ASC was supplanted by the ASB and received the system arranged by the IASC in 1989. It gave an ED-Statement of Principles in July 1991 to setting out targets of financial statements. An incredible commitment to accounting has been made by the main teachers of accounting in U.K, including commitment by G.H. Lawson and T.A. Lee in creating income accounting.

### GERMANY

Various German authors had presented legalistic hypotheses of accounting however the significant impact in the improvement of accounting hypothesis was that of Eugen Schmalenbach, who viewed these speculations as 'static'.<sup>13</sup> He established another order of business financial matters and the primary business look into diary was given in 1906. His hypothesis was on the investigation of the conduct of business organizations, and called it 'Dynamic Accounting'. It was distributed in Germany during 1916, his hypothesis seriously criticised the accentuation on the asset report.

The German Companies Act required financial articulation dependent on verifiable expense. Which demonstrated trivial in light of the fact that Germany endured with outrageous greatness of swelling after the both universal wars. Valuation of fixed resources and new standards for count of devaluation were permitted by the new law. At present the vast majority of accounting changes are conveyed by correction in the Companies Act and the Commercial Code in Germany.

### FRANCE

J.F. Dumarchey was a supporter of the hypothesis of accounting in France. His work was first distributed in 1914. He endeavored to set up a logical establishment for financial accounting. Dumarchey was "keen on the connection among



accounting and financial matters, on the grounds that both managed inquiries of generation, appropriation and utilization of riches." He proposed to the utilization of the images + and — instead of the terms 'charge' and 'credit'.

## INDIA

In India, accounting was presented through the Companies Act 1850 went under British Regime. Accounting as a subject present in the universities by 1889. 17 During 1913, Universities began showing the subject of accounting. A Diploma in Accountancy was offered during the year 1918. In 1932, the Indian Accounting Board was built up. The two head foundations of bookkeepers were set up in 1949 and 1959. The Institute of Chartered Accountants of India has given 29 accounting standards. The Joint Stock Companies Act, 1956 and Income Tax Act, 1961 additionally recommend the standards to be followed while getting ready records. The accounting report arrangement of the organizations is characterized by the Companies Act. The Research Development Association of India conducts yearly gatherings on accounting related issues. It is likewise distributing a semiannual diary of accounting.

In April 1974 the Institute of Chartered Accountant of India turned into a related individual from International Accounting Standard Committee. The Institute of Cost and Work Accountant of India additionally went along with it as its partner individuals. As of now various nations have their own Generally Accepted Accounting Principles. It appears to be hard to think about financial statements of various nations or same organizations having auxiliaries in different nations. As the resultant need, on 21 st April 1977, the committee of the organization begins to coordinate the accounting practices and approaches, at present being used in India with the International norms by setting up the Accounting Standards Board (ASB).

## ORIGIN OF ACCOUNTING STANDARD

The whole arrangement of financial accounting has been founded on certain essential presuppositions, shows, strategies and Generally Accepted Accounting Principles (GAAPs). This procedure produced a great deal of contrasts distinction found in the utilization of these GAAPs if there should arise an occurrence of firms having auxiliaries in various nations, and because of this explanation it was extremely hard to analyze a financial proclamation of one association with another association on the grounds that comparative nature of components are required to make logical correlation of two Organizations. With this way of thinking, after World War II, it was understood that a level of consistency in accounting matter was alluring as well as important. Subsequently the requirement for accounting norms emerges.

Subsequent to understanding that a level of consistency in accounting matters isn't attractive yet essential, various standard setting bodies in a few nations have appeared to build up the accounting models. The Accounting Principle Board was shaped "to analyze essential accounting suppositions, recognize, best standard devise, new techniques to control ventures and accounting calling". The Accounting Principle Board distributed 31 sentiments and 4 statements between 1959-1973. In February 1967, an Accountants International examination was performed by Canada, America and the UK. The gathering began distributing papers like clockwork on significant themes. Numerous papers have been distributed by it. Purportedly International Accounting Standards are near them. Inside 5 or 6 years from 1967, various embarrassments and disappointments in various pieces of the world happened, at the hour of the tenth International Congress of Accountants held in 1972 in Sydney. At that point it was proposed to set up an international body which would set down models for international use. On 29th June 1973 the understanding and constitution were marked by the 16 accounting bodies. At that point International Accounting Standards Committee (IASC) appeared with its base camp at London. In 1973 a gathering led by Francis M. Wheat suggested another structure for foundation of accounting gauges, in view of Financial Accounting Standard Board (FASB). The financial Accounting Foundation (FAF) would work the FASB. The Financial Accounting Standard Board gave six idea statements as a major aspect of its applied system venture and gave 110 measures. Numerous different Organizations that have made eminent commitment towards the improvement of accounting hypothesis and practices are:

## OBJECTIVES OF THE STUDY

The goal of the examination consistently chooses an appropriate and positive track to complete the ideal research exercises. From such a point of view, to make the present investigation progressively logical, after destinations were made by scientist which are exhibited here under:-

1. To inspect the advancement of Indian Accounting Standards.
2. To investigation compliances of Accounting Standards in Indian Service Industry.
3. To survey the issues looked by financial institutions in meeting their goals concerning financial consideration.

## REVIEW OF LITERATURE

One of the fundamental starter undertakings when one embraces inquire about examination is to experience the current writing so as to acquaint

oneself with the accessible body of information in one's exploration region. Writing audit is a necessary piece of the whole research procedure and makes important commitment to each operational advance for undertaking research. It gives hypothetical foundation to one's investigation. It helps in recognizing holes in the current assemblage of writing regarding the matter and build up connect between what you propose to examine and what has just been considered. It encourages one to build up his system. At last, it helps contrast one's discoveries and those of others and recommend further headings for look into (Ranjit Kumar, 2005).

**(Wild, Subramanyam, and Halsey, 2006)** Others have held that proportions are helpful in concentrating on key estimations of the financial statements. (Ward, 2008) While some different researchers have concentrated on the reason for financial articulation investigation as separating data for encouraging basic leadership (Minaxi, 2011). Barely any financial specialists have laid accentuation on the idea of cost of capital in financial examination of the firm. (Pandey, 1981) In the expressions of I.M. Pandey, cited from the book 'Capital Structure and Cost of Capital': "The expense of capital idea possesses a critical spot in the theory of financial administration as a standard of apportioning capital. This idea has gotten impressive consideration both from scholars and experts as of late. ....The customary conviction is that cost of capital is a component of capital structure. ...."

**(Kishore, 2009):** "The term accounting proportion' is utilized to depict huge connections which exist between figures appeared in a monetary record, in a profit and loss account, in a budgetary control framework or in some other piece of the accounting association. The accounting proportions demonstrate a quantitative relationship which is utilized for investigation and basic leadership. It gives premise to interfirm, just as, intra-firm correlation. The proportions will be successful just when they are contrasted and proportions of base period or with guidelines or with the business proportions. Proportion investigation is an exceptionally amazing diagnostic device helpful for estimating execution of an association. The proportion investigation focuses on the between relationship among the figures showing up in the financial statements. The proportion examination causes the administration to dissect the past presentation of the firm and to make further projections. Proportion investigation permits invested individuals like Shareholders, Investors, Creditors, Government and experts to make an assessment of specific parts of a company's presentation. Proportion analysis is a procedure of examination of one figure against another, which make a proportion. The evaluation of the proportions will make appropriate investigation about the qualities and shortcomings of the firm's activities." (Ravi M Kishore, 2012).

**Manuela W. Armenta (2007)** in their examination "The Financial Sector and Economic Development: Banking on the Role of Human Capital" have featured that Human Resource assume critical job in balancing out the tasks of banks. Along these lines it is critical to keep up fitting number of skilled brokers. Be that as it may, Manuela set forward the sad circumstance of creating nations since pre and post advancement periods in accomplishing sufficient stockpile of experts with wanted degree of aptitudes and capacities. Further, it likewise adversely influences the positive connection between financial progression and monetary development in future. It plainly pinpoints two issues i.e absence of adequate number of able staff and furthermore, nonappearance of wanted arrangement of aptitudes in competitors. The paper attempts to build up the connection between monetary hypothesis and financial segment and how the advancement of financial division is connected with monetary development. It examinations the profundity of financial division, advancement procedure and development procedure of financial segment.

**Isabella Massa and Dirk Willem teVarde (2011)** in their paper "The job of advancement finance institutions in handling worldwide difficulties" have seen that despite the fact that the world is turning out to be more extravagant and more globalized, creating nations specifically are progressively confronting worldwide difficulties that are setting another setting for improvement and development. The dangers that are probably going to have the best effect in the coming decade are environmental change, financial emergencies, monetary difference, worldwide administration disappointments, tempests and twisters, geopolitical clash, defilement, flooding and water security. Late conversations have additionally centered around product value instability.

**Vighneswara Swamy (2014)** basically assesses the need, significance and advantages of Institutional finance changes in India, in his paper titled "Changes in Institutional Finance for Inclusive Growth". It looks at changed parts of institutional changes regarding the development of Indian Economy. The paper tries to prescribe some attainable suggestions from handy point. Country Financial Architecture (RFA) of India is likewise experiencing basic arrangement issues and general institutional deficiencies. The paper expresses that the maintainability of Rural Financial Architecture (RFA) was antagonistically influenced by shortage of opportunity, nonappearance of beneficial administration and absence of responsibility. Every one of these elements have forestalled RFA to think of some productive yield and brought about troublesome outcome.

**Jiri Strouhal (2007),** "International Financial Reporting Standard on SMEs: Opportunity to

Change National Accounting Legislature". - The paper manages the new necessities which will be given on the revealing for SMEs and furthermore contrasts these prerequisites and the national accounting governing body. The fundamental point of the introduced research is to distinguish whether it is conceivable to utilize IFRS for SMEs as accounting structures and furthermore as a national lawmaking body in the European Union nations.

**Dr H.L. Verma, Dr M.C. Garg and Dr K.P. Singh (2004)**, expressed in their examination entitled "Exposure of Accounting Standards Vis-a-vis Company attributes: An investigation of Indian Corporate Sector" that, the nature of revelation of data in the yearly reports isn't a free factor. As indicated by the creators it might be because of record of various way of thinking and watchfulness of administrations in unveiling data to various clients. Their examination is identified with the investigation of relationship between organization qualities (size estimated by resources and deals. Profit and time of organization) and the degree of the exposure estimated concerning Accounting Standard 1 to 10. They secured an example of 100 top organizations drawn from the public and private segments over a time of six years from 1988-89 to 1993-94. The creators have demonstrated that the size of organization (as far as either net substantial resources or net deals) has no impact on the exposure scales determined as far as accounting norms in the corporate segments in India. To look at measurably the conceivable connection between profit, age and revelation scores, the examination were made and made the inference that age, profit and divulgences scores are not critical related factors. It implies that the age and profit of an organization doesn't make a difference to the exposure of accounting guidelines. The creators has likewise referenced a significant consider that the organizations Public Sector s are more worry to the exposure of accounting gauges when contrasted with the private division organizations.

**Dr. Ashok K. Mohanty and Prof. Promod K. Sahu (2017)**, expressed in their investigation titled, "Improvement in Accounting Standards in India under the globalization of Indian economy" that accounting models of Accounting Standard Board are toward ongoing advancements some of them are not liberated from analysis because of certain shortcoming as they are adaptable and there is no authoritative power to guarantee their compliances. The author uncovers a portion of the frail purposes of accounting gauges, which are as per the following:

**Dr. V. Sekhara Rao (2017)**, had plainly characterized the "Holes among Indian and International Accounting Standards". As indicated by finding of the investigation of ASB would give due thought to IAS while defining the AS and attempt to coordinate them in the light of the conditions and works on winning in the nation, as there are bunches

of contrast found in the accounting models gave by ASB and the IASC. Further all the more as indicated by the perceptions made on the distinctions it very well may be infer that the IASC has been made various amendments to improve IASs however in India this activity has not been attempted so far accordingly the distinctions are existing in various circumstances among AS and IAS. The significant contrasts are follows-

**Mrs. Manju Gupta, Dr. Praveen Saxena and Dr. S.P Kaushik (2002)** in their article titled, "An investigation of Accounting Standards versus Accounting Practices in Indian Public Sector " have assessed the compliances of the Indian Accounting Standards (AS), gave by the Institute of Chartered Accountant of India(ICAI),among the Public Sector endeavors of India. As indicated by the creator, an endeavorhas been made to gauge and assess with respect to what degree the Public Sector organizations are following the arrangements of Indian Accounting Standards gave by the ICAI while setting up their financial statements. To accomplish this targets 36 assembling public units have been broke down.

## RESEARCH METHODOLOGY

As researchers want to study the management processes that are embedded in two Islamic organizations in India, qualitative research method is chosen to develop the study. This suits the nature of the study since qualitative research does properly seek answers to questions by examining various social settings and individuals who inhabit these settings (Berg, 2007). This research is a combination of two qualitative research designs i.e. case study and grounded theory. Grounded theory as defined by Glasser and Strauss (1977) as the discovery of theory from data is used to study the accounting *verstehen* of the two State Islamic Religious Council (SRC) in India. The researchers have systematically undertaken three interrelated phase of procedures in the analysis namely, theoretical reflections, coding and theory generation. Each of the stage has been clearly explained in the methodology part. In the coding phase itself there are three stages undertaken using the grounded theory methodology, starting with the open coding, followed by axial coding and ended with selective coding. The coding process is vividly summarized in Table 1 where the 32 provisional categories (open coding) later were grouped into 11 substantive and theoretical categories (axial coding). The final procedure in selective coding process is illustrated in Figure 1 finally develops a theoretical framework of interrelated concepts. This proves that both authors have successfully shows the whole social process discovered in the research.

The authors undertake interview, document exploration or documentary research, participant observation and literature reviews as data collection methods in order to ensure and further enhance the validity of the research. Face-to-face interview gives advantages to the researchers in getting higher response rate and more accurate data (Zainuddin, 2010). However, the interviewees' details in this study are concealed for the purpose of confidentiality. In terms of document exploration, annual reports, proposal papers, newspaper cuttings, minutes of meetings were collected and compiled to be analyzed. On the other hand, observation as defined by Sarantakos (1993) as a data collection method that employs the sense of vision as its main source, was adopted to strengthen the reliability and validity of the data obtained from the earlier tools. Finally, literature reviews of more than 60 sources comprising of journal articles and books were referred in order to develop a robust theoretical framework. Undeniably, the authors have excellently chosen the right methods to be adopted in this qualitative type of research which is in parallel with the objectives aimed.

## RESEARCH FINDINGS

Among the findings found in this study is the sacred/secular divide was not evident in both Islamic organizations. The study also showed that important differences in accounting practices occur between organizations even within the same religious denomination. These differences are owing to the different accounting *verstehen* in each organization which surface from the differences in the complicated contexts of power and other cultural influences within which the organizations located. In the conclusion part, the researchers have suggested a few research areas to be explored using the developed theoretical framework which is beneficial for future studies.

## CONCLUSION

In a nutshell, this study effectively contributes to the construction of a deep theoretical understanding, or grounded theory of the financial management and accounting practices in Islamic organizations. Simultaneously, the researchers successfully provide a model of how a grounded theory is undertaken in practice. The study also fruitfully gives the understanding of Asian management, in the context of religious organizations in Malaysia, in particular financial management and accounting.

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