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Research Paper

"A Study on Global Accounting Standards of Bonds with Special Reference to Listed Bonds"

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Abstract
Debt market plays a significant role in Indian capital market. Now a days many of the corporate firms and government sectors are majorly raise their funds through the issue of debts especially bonds. The concept of debt is not new to Indian economy and also to the world; even though it has such a wider scope only limited focus is given in the area of accounting of it. As bonds are considered as a loan, it is recorded in the liability side of balance sheet at its face value with coupon rate and once it is redeemed it will be removed from the balance sheet. Coupon payments are recorded in Statement of Profit and Loss Account and also tax benefits on coupon payment of bonds is enjoyed by the issuers. Investors who are investing in bonds will get regular coupon payment and at the time of redemption only its face value can be received. But now bonds are listed in the stock exchanges for trading purpose to protect the investors from fall in the prices of bonds due to increase in Interest rate, in this case the value of bonds does not remain the same. Hence in this regard an attempt was made to address the importance of accounting standards in the area of bonds and issues associated with the existing accounting standards used to accounting and reporting of bonds. Major focus of the study is to identify those changes in the accounting treatment of bonds in various accounting and reporting standards and challenges faced by the accountant while accounting financial instruments like bonds. The study is conceptual and descriptive in nature and for the purpose of analysis both primary and secondary data have been used.
Keywords: *Accounting Standards, Perpetual bonds, Coupon rate, Face Value, Listed Bonds.*

I. Introduction

Modern economies rely on cross-border transactions and the free flow of capital across the country. More than a one third of all financial transactions occur across borders, and that number is expected to grow day by day.

Investors seek diversification and variety of investment opportunities across the world, while companies raise capital through equity and debt especially bonds, undertake transactions or have international operations and subsidiaries in different countries.

In the past, such cross-border activities were complicated by multiple countries maintaining their own sets of national accounting standards. This patchwork of accounting need often added cost, complexity and risk for both the companies for preparing financial statements and investors and others using those financial statements to make economic decisions.

Applying national accounting standards for amounts reported in financial statements might be calculated on a different basis according the accounting standards what they adopt. Unpicking this complexity involved studying the minutiae of national accounting standards, because even a small difference in requirements could have a major impact on a company's reported financial performance and financial position—for example, a company may recognise profits under one set of national accounting standards and losses under another.

At present we have Indian Accounting Standards (Ind AS), International Accounting Standard (IAS) and International Financial Reporting Standards (IFRS). For accounting the financial transactions of relevant countries the accounting professionals has to follow the respective Countries accounting standards. In this aspect if we see both equity and debt will be accounted in the financial statements by considering the accounting standard for financial instruments. In case of equity the standards allows to the market conditions into considerations but debt especially bonds interest and face value is considered. But recently SEBI took an initiative to list the bonds in stock market to protect investors from price volatility of bond due to interest rate.

This is one of the major moves in financial markets the question how we considered that into books of account. If that is considered which accounting standard should be adopted.

Need and Importance of Study

It is important to understand the existing rules and guidelines provided by Ind AS, IAS and IFRS for accounting of financial instruments in order to check that existing standards are feasible to account listed bonds and also the challenges faced by the accounting professionals in respect to this issue. Comparative statement is also required, to check whether all standards are means the same. This will help to identify the accounting gaps in-between the standards and also the areas need to be covered in existing accounting systems. It will be helpful for the accounting bodies to take appropriate decisions and also this decision might reduce the challenges faced by accounting professionals while accounting and reporting of different aspects under different standards.

Statement of Problem

India is one of the fast growing developing country in the field of debt market significantly bonds, recently the new move was taken by SEBI to list the bonds in the stock exchanges. Though the move is good for the investors, the accounting, reporting and valuation component of those bonds are still questionable. One of the major challenges of accounting professionals is which standard should be adopted whether Ind AS, IAS or IFRS and those standards are revised according to the recent market changes. Hence an attempt is made to study the existing problems in order to provide relevant suggestions.

II. Review of Literature

1. Bheemanagowda, Sam Stanly (2023), the study titled that "Impact of Indian Accounting Standards on Non-Banking Financial Companies Critical Study" this article tries to find out if there has been any significant change in the disclosures represented in the financial statements i.e. the balance sheet and the income statement while converging from the Indian Generally Accepted Accounting Practices (IGAAP) to Ind AS. The impact was calculated on the percentage and categorized into 5 types which are: Relatively positive impact, relatively negative impact, positive impact, the negative impact and no impact. After analysis, it was understood that there has been a figurative change in the disclosures and the impact was mainly relatively positive and relatively negative. The impact would have been created due to the various changes such as a change in measurement recognition and de-recognition of various items in Ind AS.
2. Quian li (2021), This paper named as "Analysis of the Impact of the Implementation of Accounting Standards for New Financial Instruments on Corporate Financial Performance -- Based on the Empirical Study of Listed Companies in the Domestic Financial Industry". This paper takes 2018-2019 Shanghai and Shenzhen listed financial companies as research samples to study the impact of the implementation of accounting standards for new financial instruments on the financial performance of enterprises. The results show that :(1) the implementation of accounting standards for new financial instruments is positively correlated with the financial performance of listed financial companies. (2) The implementation of accounting standards for new financial instruments has a more significant impact on the operating performance of non-bank financial institutions than that of bank financial institutions.
3. Ighian(2012), a study titled as "A Study on Accounting Standards with Regards to Financial Instruments", The need to establish international accounting standards with regards to financial instruments is due to their spectacular evolution on global financial markets, which took place over the last couple of decades. Thus, the accounting practices used for financial instruments have been revolutionized themselves, and the standards established with regards to such practices attempt to keep the pace with the latest evolutions of the global financial markets. The main aim of this paper is to identify aspects that are specific to the accounting treatment of financial instruments, starting from the provisions of international accounting norms, considering the field of financial instruments as one of the most controversial areas of financial reporting.
4. Marry E barth, wayne r (2008), paper named with "International Accounting Standards and Accounting Quality", whether application of International Accounting Standards (IAS) is associated with higher accounting quality. The application of IAS reflects combined effects of features of the financial reporting system, including standards, their interpretation, enforcement, and litigation. We find that firms applying IAS from 21 countries generally evidence less earnings management, more timely loss recognition, and more value relevance of accounting amounts than do matched sample firms applying non-U.S. domestic standards. Differences in accounting quality between the two groups of firms in the period before the IAS firms adopt IAS do not account for the post adoption differences. Firms applying IAS generally evidence an improvement in accounting quality between the pre- and post-adoption periods. Although we cannot be sure

our findings are attributable to the change in the financial reporting system rather than to changes in firms' incentives and the economic environment, we include research design features to mitigate effects of both.

5. Geoff meeks (2009), study titles as "Accounting standards and the economics of standards", The paper draws on the economics of standards to inform current debates on international accounting standards. It traces the benefits claimed for standards – their contribution to the division of labour, innovation, trust, etc.; and the costs, including entry barriers and compliance costs. It illustrates these benefits and costs with cases from accounting regulation. It adopts two approaches to the question whether accounting regulation is best achieved by a single set of standards for the world, or by competing systems. The first approach focuses on contributions in economics, including the theory of standards races and of optimal variety. In these analyses, only in special circumstances has a single standard emerged as the superior outcome. The second approach introduces evidence from accounting and finance on the problems of translation with globalised financial markets, and on the relative costs and benefits of multiple standard-setters or a single global scheme.

   More than 25 articles were reviewed, but few important articles are listed based on its relevance to the present study and all other remaining articles are similar in nature.

Research Gap

Through the review of literature done so far, no studies had been taken up in the area of bond accounting and also the challenges faced by the accounting professionals while accounting and reporting of bonds. Hence the present study made an attempt to fill the existing research gap.

Scope of the Study

This study mainly focuses the accounting and reporting of financial instruments as per different standards. For the purpose of study only accounting standard related to bonds and listed bonds are considered.

Research questions

1. Are all the Accounting Standards states the same rules for accounting and reporting of bonds?
2. Is there any challenges faced by the accounting professionals while accounting bonds?

Objectives of the Study

1. To study the major challenges faced by the accountants at the time of accounting of bonds.
2. To understand the existing accounting standards applicable for accounting of Listed bonds.
3. To identify the differences among the various accounting standards for the treatment of bonds.
4. To provide appropriate suggestions to overcome the problem.

III. Research Methodology

Research Methods: The study is Conceptual and Descriptive in Nature.
Research Tool: Questionnaire is circulated among the Chartered Accountants and Accountants in organisations.
Sampling Technique: Judgemental Sampling technique is used to collect data.
Sample Size: 50 Respondents.
Sources of Data Collection
Primary data is collected from chartered accountants and accounting professionals. Secondary were collected through websites, Journals, books etc.

IV. Data Analysis and Interpretation

Primary Data Analysis and Interpretation

a. Respondents Profile

Table 1: Showing the Profile of Respondents

Sl. No	**Question**	**Parameters**	**Analysis**	
			No.	**Percentage**
1.	Gender	Male	28	56%
		Female	22	44%
		Transgender	0	0%
Total			50	100%
2.	Age	Below 30	02	4%
		30-40	20	40%
		40-50	23	46%
		50-60	03	6%

		Above 60	02	4%
Total			50	100%
3.	Qualification	CA	25	50%
		Cost Accountant	10	20%
		Others	15	30%
Total			50	100%
4.	Annual Income	Less Than 20000	10	20%
		20000 to 40000	09	18%
		40000 to 60000	13	26%
		60000 to 80000	07	14%
		Above 80000	11	22%
Total			50	100%

(Source: Primary Data)

Table 1 represents the demographic profile of respondents, through this it can be analysed that majority of 56% of the respondents are male compare to female of 44%. Majority of age group of respondents of 46% are between 40 to 50, nearest to that is 40% are between the age group of 30 to 40 and least of 4% is shared between age group of below 30 and above 60. Highest of 50% respondents are belongs to Chartered Accountant , 30% of respondents belongs to others which includes accountants, auditors, company secretaries etc., and least of 20% is belongs to Cost Accountants. Through this it can be inferred that profile of respondents suits well for collection of main data for research and field work validation is also good.

b. Main Data Analysis

Table 2: Showing the Opinion about Accounting Standards

Sl. No	**Question**	**Analysis**	**Parameters**		**Total**
			Yes	**No**	
1.	Are you facing any difficulties in accounting of debt instruments especially bonds?	No.	22	28	50
		%	44%	56%	100%
2.	Do you think separate accounting standard is required for accounting listed bonds?	No.	35	15	50
		%	70%	30%	100%

(Source: Primary Data)

From the above table, it can be analysed that highest of 56% are says that they are not facing any difficulties while accounting bond instruments and only 44% are agreed the statement. For second statement majority of 70% respondents are agreed that special standard is required for accounting of listed bonds and only 30% are disagreed the statement . Through this it can be inferred that accounting for debt instruments is not difficult but accounting for listed bonds is little difficult hence guidance notes on this direction is required.

Table 3: Showing the awareness level and arguments about the challenges of accounting of bonds

Sl. No	Question	Analysis	Likert Scale					Total
			HA	A	N	NA	NAA	
1.	Are you aware of listing of bonds in Stock market?	No.	02	26	10	08	04	50
		%	4%	52%	20%	16%	8%	100%
Sl. No	Question	Analysis	Likert Scale					Total
			SA	A	N	DA	SDA	
2.	Do you agree changing norms of SEBI and RBI will increase of accounting and reporting of bonds?	No.	01	35	02	12	00	50
		%	2%	70%	4%	24%	0%	100%
3.	Major challenges are you facing while accounting securities? a. Regulatory Measures.	No.	16	10	16	00	08	50
		%	32%	20%	32%	2%	2%	100%
	b. Changes in Accounting	No.	04	32	12	01	01	50

	standards	%	8%	64%	24%	2%	2%	100%
	c. Difficulty in Auditing and Reporting	No.	14	27	09	00	00	50
		%	28%	54%	18%	0%	0%	100%
4.	Do you agree listing of bonds will have a positive impact on its Trading?	No.	15	15	10	10	00	50
		%	30%	30%	20%	20%	0%	100%

(Source: Primary Data)

Table 3 depicts that, through that it can be analysed that among 50 respondents highest of 52% of are aware of bond listing in the stock exchanges and least of 8% are not at all aware of it. Statements 2, majority of 70% respondents are agreed that changing norms of RBI and SEBI affects the accounting and reporting but least of 24% dis-agreed this statement. Statement 3, represents that highest of 32% shares the equal opinion of agreeing and neutral for regulatory measures was the major challenge and least of 2% shares the equal opinion of disagree and strongly disagree. Majority of 64% are agreed that changes in accounting standards are the major challenge of accounting and least of 2% dis-agreed the statement. According to accounting perspective majority of 54% agreed that accounting and reporting of bond instruments are risky and least of 0% not agreed this statement. Statement 4, majority of 30% equally agreed that listing of bonds will create positive impact on stock marks and 0% dis-agreed this statement. Through this analysis it can interpreted that accounting professionals are facing lot of challenges while accounting and reporting of bonds especially in the aspect of changing norms of RBI and SEBI and also changes incorporated in new accounting standards.

Table 4: Showing the opinion of Best Accounting Standard

Sl. No	**Accounting Standard**	**No. of Respondents**	**Percentage**
1.	Accounting Standard	20	40%
2.	Indian Accounting Standard	30	60%
3.	International Accounting Standard	00	0%
4	International Financial Reporting Standard.	00	0%
Total		50	100%

(Source: Primary Data)

From the above table 4, it can infer that among 50 respondents, majority of 60% stated that Indian Accounting Standard is best for accounting of Bonds, nearest of 40% agreed that Accounting Standard is best and none of them are said International Accounting Standard and International Financial Reporting Standards. It may be due to lack of knowledge about all the standards or understanding of everything properly.

Secondary Data Analysis

Table 5: Comparative Statement of Global Accounting Standards for Accounting and Reporting of Financial Instruments Especially Bonds

Basis	**Indian Accounting Standards (IND AS)**	**International Accounting Standards (IAS)**	**International Financial Reporting Standards (IFRS)**
Name	Financial Instrument Presentation	Financial Instrument Recognition and Measurement	Financial Instruments
Year of Issue	2015	1998	2009
Issued Authority	Ministry of Corporate Affairs(MCA) With ICAI	International Accounting Standard Council	International Accounting Standard Board

Perspective	Accounting and Reporting Perspective	Accounting Perspective	Accounting and Reporting Perspective
Comparison	Comparison between the counties are possible (because it combines both IAS and IFRS features)	Comparison is possible when both the companies are following the same accounting standard.	It facilitates the cross counties comparison of financial statements
Objective	The objective of this Standard is to establish principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The principles in this Standard complement the principles for recognising and measuring financial assets and financial liabilities in Ind AS 39 Financial Instruments: Recognition and Measurement, and for disclosing information about them in Ind AS 107 Financial Instruments: Disclosures.	Same as IFRS	The objective of this Standard is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.
Scope	Few Entities are excluded based on the nature of transactions and those which are covered under other Ind AS.	Broader Concepts are covered except few entities which are covered under other standards.	Same as Ind AS
Definitions	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.	The terms defined in IFRS 13, IFRS 9 and IAS 32 are used in this Standard with the meanings specified in Appendix A of IFRS 13, Appendix A of IFRS 9 and paragraph 11 of IAS 32. IFRS 13, IFRS 9 and IAS 32 define the following terms: • amortised cost of a financial asset or financial liability • de-recognition • derivative • effective interest method • effective interest rate • equity instrument • fair value • financial asset • financial instrument • financial liability and provide guidance on applying those definitions.	Not defined
Applicability	Indian entities and other entities trading in India.	All over the World earlier.	Only those countries which was adopted or converged. Totally 132 Jurisdiction across the world.
Recognition and De-recognition Criteria	Based on the nature of entities and transaction it will vary.	Based on the nature of entities and transaction it will vary.	Similar for particular group of assets and liabilities.

(Source: Secondary Data)

Table 5, shows the differences between Ind AS, IAS and IFRS, through this it can be inferred that all the standards are not similar in all aspects, based on the economy of its trading the standards are converged. As an accountant it is very difficult to understand the in depth knowledge of all the standards because after the depth analysis we can able to find out that knowing of all the standards are not easy, hence accounting professionals are not able to bring the uniformity among the financial statements across the country and also investors who are trading across the countries are facing the issue of understanding the financial statements while taking a decision to invest, it may mislead the them to invest in a wrong field. All the accounting standards are having few Similarities and dissimilarities in all aspects. In order to bring uniformity these dissimilarities has to be taken into consideration while revising the standards. After reading the standards, it was found that still a specific treatment is not given for accounting and reporting of listed bonds apart from SEBI regulations.

Limitations of the Study

1. Due to lack of time in depth study is not able to proceed.
2. Other aspects financial instruments are not considered except bonds.

V. Findings of the Study

1. Majority of 56% of the respondents are male compare to female of 44%.
2. Majority of 46% of respondents are between age group of 40 to 50, nearest to that is 40% are between the age group of 30 to 40 and least of 4% is shared between the age group of below 30 and above 60.
3. Highest of 50% respondents are belongs to Chartered Accountant , 30% of respondents belongs to others which includes accountants, auditors, company secretaries etc., and least of 20% is belongs to Cost Accountants
4. Among 50 respondents highest of 52% of are aware of bond listing in the stock exchanges and least of 8% are not at all aware of it.
5. Majority of 70% respondents are agreed that changing norms of RBI and SEBI affects the accounting and reporting and least of 24% dis-agreed this statement.
6. Highest of 32% shares the equal opinion of agreeing and neutral for regulatory measures was the major challenge and least of 2% shares the equal opinion of disagree and strongly disagree.
7. Majority of 64% are agreed that changes in accounting standards are the major challenge of accounting and least of 2% dis-agreed this statement.
8. According to accounting perspective majority of 54% of respondents are agreed that accounting and reporting of bond instruments are risky and least of 0% are dis- agreed this statement.
9. Majority of 30% of respondents are equally agreed that listing of bonds will create positive impact on stock marks and 0% of them are dis-agreed this statement.
10. Highest of 60% respondents stated Ind As is the best Standard for accounting bonds and nearest to that 40% stated AS is best and none of them stated IAS and IFRS.
11. It was found that still a specific treatment is not given for accounting and reporting of listed bonds in accounting standards apart from SEBI regulations.
12. Lack of similarities among Ind AS, IAS and IFRS standards except few, this may create confusion among the accountants to account and report of financial instruments for multinational companies.
13. It was found that knowing of all the standards are not easy, hence accounting professionals are not able to bring the uniformity among the financial statements across the country and also investors who are trading across the countries are facing the issue of understanding the financial statements while taking a decision to invest, it may mislead the them to invest in a wrong field.
14. Cross country comparison of financial statements is not possible if the standards are differing from country to country.

VI. Suggestions of the Study

1. Uniform board and review committee for common accounting standard is required to meet global competition.
2. Awareness level of listing of bonds among accounting professionals is required.
3. While revising the norms, authorities should keep accounting standards into consideration in case of financial transactions, that should revised according to the current needs.
4. Accountant should have the knowledge about all the standards; it may lead them to take proper decision while accounting and reporting of bonds.
5. In order to bring uniformity these dissimilarities has to be taken into consideration while revising the standards.
6. Common accounting standards are required in order to facilitate cross country comparison of financial statements which will increase the level of investment.
7. Academic platforms should inculcate Accounting Standard as a curriculum which increase the awareness among the students who will become accounting professionals and Investors in future.

VII. Conclusion

Accounting and Finance are interrelated concepts where both cannot go independently, hence in this study in one angle we made an attempt to understand how accounting standards will differ from one country to another country for accounting and reporting of bond instruments and on the other angle through this changes what are the challenges the accounting professionals are undergoing. With this we also made an attempt to find out whether the accounting standards and accounting professionals are updated as per the requirements of market conditions or not. Listing of bonds are the recent move in stock market, but that was not focused in accounting standards, so here is the question arise whether that should be recorded same as earlier or changes has to take in the respective standard, for this issue an opinion was collected from the respondents, they stated that a separate standard should be included for bond instruments especially listed bonds because bond market itself one of the biggest area to cover, if bond is listed on stock exchanges how the prices are determined and recorded in the books of account and it also important to answer this question because in future the country will be in trading on equity concept. Through this, it can be concluded that the overall study found that both accounting standards and market conditions are not travelling the in the same face, which may lead to reach undesired destination. Hence a proper initiative or steps should be taken to improve the aspects of accounting by considering the current scenarios.

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