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Laws Relating to Financial Reporting of Companies: A Comparative Study Between India and U.S.A

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ABSTRACT
World is a global village post the implication of Liberalisation, Privatisation and globalisation. With the aim of having common global business language, International Financial Reporting system (IFRS) got crafted. The Ind AS got revised by the Ministry of Corporate Affairs in line with IFRS. Generally Accepted Accounting Principles (GAAP) and IFRS, are adhered by the U.S companies. To enforce compliance and accountability, the Securities and Exchange Commission enforces compliance to the rules. Long term success is attracted by the companies that prioritize financial reporting and compliance. These compliances in addition to mitigate risk also promotes corporate governance. This Paper analyses the concept of financial reporting of the companies. The future development in financial reporting through implication of integrated reporting is also dealt. As this paper involves a comparative study it draws the differences and similarities in financial reporting practices of India and U.S.A. The financial reports beside fulfilling regulatory obligation also encourage various stakeholders to make informed decision based on the report.

Keywords: International Financial Reporting Standards (IFRS), Generally Accepted Accounting Principles (GAAP), financial reporting, Indian Accounting Standards (Ind AS)

1. INTRODUCTION

Economic development in an economy where, private company are dominating requires capital allocation. It's an inventor's choice to invest in a company. The pooling of resources happens through investors after using the financial reporting as a guide. For the advantage of the investors to pool resources disclosures in the nature of voluntary and mandatory disclosure is ensured through various compliance mechanism.[1] Companies financial reporting developments took place in India with the establishment of Securities Exchange Board of India (SEBI). Preceding to the establishment of the regulatory body SEBI, Professional regulators i.e., Institute of Chartered Accountants of India (ICAI), and the 1956, CA,2013, were governing the reporting standards. By way of amending and mandating the compliance in 1999 it ensures to depict the financial position of the company which is true at the same time fair enough.[2] Prior to this mandate

[1] B. Banerjee, *Corporate Financial Reporting Practices in India*, 32 Indian J. Acct. 1, 1-17 (Dec. 2001).
[2] Asish K. Bhattacharyya, *Corporate Financial Reporting*, in *Corporate Governance, Economic Reforms, and Development - Indian Experience* 97 (Oxford Univ. Press 2004).

ICAI imposed only professional duty on the auditor which mandated them to report the non- compliance on standards of accounting and there was no legal compliance on companies to follow the accounting standards. Being recognised as a global language of reporting, (IFRS) got drafted that it can be comparable across international boundaries.

Financial accounting and reporting are made in line with International Accounting Standard (IAS) by ICAI in 2002. Ind AS is made in line with the IFRS for Indian companies in the year 2015 by Ministry of Corporate Affairs (MCA). In adopting accounting standard there may be either positive or negative impact in the indicators of financial position of company. Equity position, solvency position, profitability position, total assets valuation and liquidity position are few examples of financial indicators. Adopting the IFRS has resulted in changes in the financial indicators is a view of particular group of researchers. Whereas others are opposing the above view by stating that there is, no change. All these are in connection with the earning quality of the company which indicates the amount yield that arises out of the core earnings. There are Discretionary accrual (DA) and Non- discretionary Accruals (NDA). Adoption of IFRS has both advantage and disadvantage. The challenging factor in implication of IFRS is lack in training, the cost involved.[3] Out of the researches that has been conducted on the IFRS adoption, there are two views. One view is that it has improved earning quality whereas other's research outcome says earning quality has not changed. Advantages of implication of IFRS is it opens access to global capital market and the value of the financial reporting increases.[4] The only difference between IFRS and GAAP financial statement is that the liquidity position of the company gets varied. The concept of financial reporting, various legal framework, the authorities that govern the financial reporting of companies in India, will be discussed. Along with the comparison of the financial reporting of India where Ind AS is followed and U.S.A where GAAP is followed in making the financial reports, it also gives insight on the future development and implications in the financial reporting of companies.

2. CONCEPT OF FINANCIAL REPORTING

Where series of transactions of a company is recorded it's called as accounting. And when the results of the accounting are communicated to the relevant stakeholders it is called as financial reporting. Report is usually turn out to be an answer for a question or that as an information determines the demand**.** This reporting is always organised in a graphical representation, tabular form or in a narrative manner. And the report has to be presented for interpretation within the prescribed period of time to assess the financial position and business performance at a given point of time. [5]Financial reporting acts as a guide to the decision-making authorities in the company in shaping the plans and strategic decision. And it helps the shareholders to track their value of shares and to take decision accordingly viewing of improving the value of the company. The following are the features of financial reporting and it includes picturization of true nature regarding the situation of the company, the process by which the test is conducted to determine the

[3] Pawan Jain & Manish Valechha, *Impact of IFRS Adoption on Financial Reporting Quality: Evidence from India*, 45 J. CORP. FIN. & ACCT. 123, 125–130 (2020).

[4] D.S. Rawat, *Financial Reporting and Standards in India: A Study of Ind AS and IFRS Convergence* 56–78 (2d ed., Taxmann Publ'ns 2022).

[5] R.K. Mishra & Shital Jhunjhunwala, *Corporate Governance and Financial Reporting: A Comparative Study of India and Global Practices*, 52 J. CORP. GOVERNANCE 89, 92–98 (2019).

company's status, it shall also have to state what it concludes from the report.[6] There are several stakeholders who are benefitted out of, the financial reporting. It helps the board and the decision-making authority of the company by helping them analyse their moves by analysing the financial position and profitability of the company.[7] Thereby they can strategize their future plans. It also ensures all the legal requirements are being complied with. Financial reporting helps the existing shareholders understand the position with regard to the company's finance as there are not into the day-to-day company's organization. Despite it helps the potential investors, who are willing to invest after having careful overlook, the financial report submitted along with the annual report by the company.[8] Few companies give expected profit in the upcoming quarter along with the financial report. Competitors use this financial reporting to find out their stand in the field. Based on these mergers and acquisitions opportunities can also be made. One of the important aspects of reporting is that it acts as an evaluating tool as the performance of all units are evaluated. It helps to track on the multi- dimensional activities of a company. Management's mistake and department that works weaker also gets notified by the financial reporting. Thus, to achieve the desired objective and to judge working of the organisation the information communicated in the report is used. The cost that is involved in the making of the report and continued evaluation by companies are the challenges faced by the company in the report making.

The American Accounting Association, has defined disclosure in line with the financial reporting. It says where the information moves to the public domain from private domain. Information is reported through various forms where it is easily understandable by the beneficiaries. The mode of disclosure varies from nation to nation. In India, reporting form includes balance sheet; Income statement; cash flow statement. Balance sheet exhibits the balance between assets and liabilities of the company on a specific date. It helps to understand the company's position in financial terms. Income statement also known as Trading and Profit and Loss account, which shows the earned profit and company's loss for that period. Cash flow statement gives detail on the cash flow from operational activity, cash flow from investment activity, cash flow from financial activity.[9] Beside we have auditor's report which relates to the independent report made by the auditor after the examination of company's financial documents. Companies account to depict true and fair value as per the CA,2013. Company's corporate governance policy, the committees that got constituted that relates to the company management is made in a corporate governance report.[10] Various committee includes remuneration committee, audit committee, their constitution. Report of Cadbury Committee (1992), the Hampel Committee on Corporate Governance (1998), the OECD Code on Corporate Governance (2001) revised in 2004, the Combined Code of the London Stock Exchange (2003) are the various codes on corporate governance published internationally.

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[6] Kazi Ahmed, *Corporate Financial Reporting in Emerging Countries: A Study of Bangladesh* (S. Asian Publishers Pvt. Ltd. 2004).

[7] P.K. Jain, *Financial Reporting and Disclosure Practices in India: Compliance with Ind AS and SEBI Regulations* 34–56 (3d ed., Wolters Kluwer India 2021).

[8] N.R. Narayana Murthy, *Report on Corporate Governance: SEBI Committee Recommendations* 12–25 (Securities and Exchange Board of India 2003).

[9] https://www.icsi.edu/media/webmodules/CMA_Book_010820.pdf

[10] Asish K. Bhattacharyya, *Financial Accounting and Reporting: Principles and Practices under CA,2013* 78–102 (2d ed., Taxmann Publ'ns 2020).

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3. LEGAL FRAMEWORK ON FINANCIAL REPORTING IN INDIA

Beside professional regulations, financial reporting in India is mainly administered by the CA,2013 and (SEBI) Act, 1992. Where CA,2013, suggests all companies that is incorporated in India to give the report on financial position of the company. SEBI Act, 1992 prescribes further regulation for companies listed in the stock exchange of India regarding the corporate reporting.[11] The CA,2013 in India is influenced by the English CA,2013,1948. Post independence while the bill of CA,2013 got presented before the parliament, the then finance minister Shri C.D. Deshmukh, among many things notifies the importance of financial reporting which is true and fair in relation to the matters of the company.[12]

3.1 Indian CA,2013

For making the financial report there is, a need to maintain the record of the day-to-day transaction of the company. And that implies the proper maintenance of books of accounts. Section 128 of the CA,2013, mandates preparation and maintenance of the books of accounts and financial statement by company[13]. And it has to be placed where the company is registered and it shall revel the position of the company which is true and fair in nature. The company can also keep such records in an electronic form. Few companies that are registered in India may have a branch office in foreign country. In such case, the law requires the books of accounts of the foreign branch shall be kept in the registered office of the company along with its report[14]. The company has to keep the books in the registered office for inspection during business hours. In case of foreign branch, the copies of the same shall be kept open in the registered office. And can be inspected upon satisfying the company's conditions. During the investigation, company's officers shall extend full cooperation.[15] Company's accounts has to be maintained by for preceding 8 years. And the person who fails to comply with the above requirement is fined with minimum of 50,000 rupees but which may extend to 5,00,000. The financial reporting consists of another important element which is the financial statement. And it should give a fair& true view of the affairs of the company. Prior to the CA,2013,1956 it was "true and correct" later changed to "true and fair". This was because auditors cannot take the onerous and assure that, it is of absolute correctness but can only state that the real representation has been publicized in the financial statement.

The Central Government felt the need that even certain classes of unlisted companies shall be entitled to produce financial reporting. And the auditor has to approve that they represent true and fair value of company status. And the financial report has to be submitted before the Registrar of the companies within such period and fees as set by Central government. And the above has been articulated under section 129-A of the act. The financial reporting among other things includes the balance sheet, profit and loss account, board's report, auditor's report etc. The balance sheet has to be in accordance with part- 1 schedule III of the CA, 2013.The company's balance sheet consists of assets and liabilities. Assets include current as well

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[11] A. Ramaiya, *Guide to the CA,2013: With Notes on Financial Reporting and Corporate Governance* 145–167 (19th ed., LexisNexis India 2022).

[12] Vinod Kothari, *Evolution of Financial Reporting in India: From CA,2013, 1956 to SEBI Regulations*, 38 CORP. L. ADVISOR 56, 58–62 (2020).

[13] Section 128(1) of CA,2013 2013, Every company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year which give a true and fair view of the state affairs of the company, including that of its branch office or offices if any, and explain the transactions effected both at the registered office and its branches and such books shall be kept on accrual basis and according to the double entry system of accounting.

[14] Section 128(2) CA,2013 2013

[15] Vinod Kothari & Shikha Sethia, *Financial Reporting under CA,2013: Compliance and Disclosure Requirements*, 40 CORP. L. ADVISOR 78, 80–85 (2021).

as the non- current assets. The equity and liability side includes equity share capital and other kinds of equity, current as well non- current liability. The part -II of schedule III consist of the framework of P&L account which reveals true and fair value of the company. In the notes which is followed by the format provides the general instructions for the preparation of profit and loss account. It is also called as the income and expenditure account.[16] It includes the profit or loss for the period and other comprehensive income for the period, and the sum of both of the above becomes the "Total comprehensive Income". There is always a danger that company's account may get manipulated and it may not reveal the true and fair view of the affairs of the company. The reason is because there is ownership and management of the company lies in different hands. So, the legal frame worker's felt the need of an outsider to give a compliance report of the accounting standards which is an auditor's report. And here financial audit is carried out by an external auditor. Every auditor shall follow the prescribed accounting standards. And in the making process of the report the auditor has given all the rights to inspect the books of company's account and vouchers and the officers shall give the necessary documents. The law mandates to include in the audit report a statement regarding the obtainment of all necessary documents. Auditor's not being complied with the provisions mentioned in section 143 of the CA,2013, he will be levied with a fine as mentioned in the act. As the board take care of the management of the company, the law prescribes under 2013 Company's Act, section 134 to make a report. And the same shall be presented before the company's general meeting. The board's report shall include the number of board's meeting held and director's responsibility statement. And in case of OPC and small company, an abridged report for the purpose of verifying the compliance is enough upon the Central government decision. And as per section 131 of the act, the act gives the scope whereby revision of financial statement or report of the board can be done voluntarily. And it can be revised by the company's director if they felt that either the statement on financial position or the report of the board is not in compliance with the provisions of the CA,2013 after the approval of the tribunal.

The CA,2013, under section 135 lays down the compliance under the Corporate Social Responsibility (CSR).[17] It mandates the constitution of CSR committee where the net worth is 5,00,00,000 or more, or turnover is 1000 crore rupees or more, or 5 crore rupees or more is a net worth. And the committee shall consist of directors which is 3 or more in number and one being an independent director. And the report made by the board shall intimate regarding the CSR composition committee. Indian Government on October 1, 2018 under section 132 of the act constituted National Financial Reporting Authority (NFRA). Being an independent supervisory authority that oversees the auditing profession and Indian Accounting Standards.[18] The head office of NFRA is situated at New Delhi and it can meet at any place as it deems fit. The books of accounts and other books of NFRA have to be maintained as per the direction of the CG in consultation with the CAG of India. The accounts of NFRA will be audited by the CAG of India. NFRA has to forward the audited accounts to the CG annually.[19] The report that is submitted annually and audit

[16] Institute of Chartered Accountants of India, *Accounting Standards and Compliance under CA,2013* 67–89 (ICAI Publ'n 2022)

[17] Poonam Puri, *Corporate Social Responsibility and Financial Reporting: An Analysis of Section 135 of CA,2013*, 15 J. CORP. L. STUD. 45, 48–52 (2020)

[18] Asish K. Bhattacharyya, *Financial Statements and Auditing Standards under CA,2013* 112–135 (3d ed., Taxmann Publ'ns 2023).

[19] Securities and Exchange Board of India, *Guidelines on Financial Reporting and Role of National Financial Reporting Authority* 22–30 (NFRA Publ'n 2019).

has to submitted before two houses of the Parliament. Accounting Standards are prescribed by the (ICAI) constituted under section 3 of the CA Act,1949. Additionally, the CG may also prescribe addendum Standards for accounting under section 133 of the 2013 act after the recommendation of the NFRA. The statement that relates to the financial status and the report by the board forms part of financial reporting. Directors have to approve and chairperson signs representing all directors. Any non- adherence invites an imposition of rupees of three lakhs and each officer in default is to pay a penalty of rupees of 50,000.

3.2 Securities and Exchange Board of India

There was a sudden boom in the stock exchange and there was scam started happening in the eighties as there was development in the stock market in India. Back then there was no particular law that took control of the stock market.[20] It was regulated by the CA,2013, 1956, SCRA, 1956. And there was no independent body to abolish the malpractice, insider trading and uncontrolled market pricing. And in 1988, the Indian government establishes an independent body named as SEBI by the department of Economics under the Finance Ministry. The purpose of SEBI's establishment includes promotion of fair dealings of securities by the issuers of securities and to create a platform to raise funds at a lower cost. To provide protection to the investors so there will more flow of money in the market. To establish code of conduct for the brokers, intermediaries to make them professional. Prior to the passing of the Securities Exchange Board of India Act,1992 there was no independent body regulating the stock exchange. It was then regulated by the Capital Issues Control act, 1947.[21] The preamble to the SEBI Act, 1992 provides for the development of the board, to promote and develop securities market, investors etc. During the initial days after enactment SEBI was monitoring the activities of stock exchange, merchant bankers, mutual funds etc. Subsequently, SEBI taken initiative on improving the corporate financial reporting practices that helps various stakeholders to take decide on the economic matters.

3.3 SEBI Listing Obligation and Disclosure Requirement Regulation

SEBI through Listing Obligation and Disclosure Requirement (LODR) Regulations. It ensures financial reporting of companies that got listed in the stock exchanges. It also applies to companies on the basis of market capitalisation determined by SEBI. This ensures transparency, timely disclosure of financial information.[22] Under LODR regulation, the company shall prepare financial results in the accrual accounting policy. The companies have to adopt an accounting practice which has to practiced uniformly during all the periods. Accounting practices ensure a common/well accepted practice for the better understanding of various companies.[23] As per LODR regulation 33, the financial results submitted by the company shall be either as per GAAP or as per the IFRS notified by the IASB. To ensure validity of audit report, auditor who is a member of the ICAI has to issue report. And the same has to be approved by the board before submission. As per regulation 52 of LODR, quarterly financial results either audited/

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[20] G. Sabarinathan, *Evolution of Securities Market Regulation in India: From Capital Issues Control to SEBI Act, 1992*, 42 J. FIN. & SEC. REG. 101, 104–110 (2020).

[21] S. K. Barua & Jayanth R. Varma, *Securities Exchange Board of India: Role in Enhancing Corporate Financial Reporting* 78–95 (1st ed., Vikas Publ'g House 2021).

[22] Vinod Kothari, *SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: A Commentary on Financial Reporting and Corporate Governance* 123–145 (2d ed., LexisNexis India 2022).

[23] Asish K. Bhattacharyya, *Corporate Governance and Financial Reporting: Compliance with SEBI LODR Regulations* 89–110 (3d ed., Taxmann Publ'ns 2023).

unaudited has to be submitted before the completion of 45 days from the completion of a quarter.[24] The annual financial statement has to audited and before the completion of 60 days from the end of the financial year it has to be submitted. Related party transaction (RPT) affects the financial statements. RPT is when the transaction happens between person who have preexisting business relation.[25] To regulate this under LODR regulation 23 & 52(4), listed companies must disclose RPT's every 6 months and the audit committee shall approve it and disclose in the financial statements. Board composition, Audit committee reports and related part disclosures form a part of Corporate Governance Reporting whereby the investors interests are protected. And this mandated under regulation 27 & 34 of LODR.

3.4 Employment Stock Option Scheme

Employment Stock Option Scheme (ESOP) is a scheme where the companies offer shares/securities at a discounted price. IFRS and GAAP govern the ESOP accounting treatment in India. Balance sheet, Income statement and Cash flow statement has to be maintained properly in relation ESOP. As per IFRS 2, the company has to recognise compensation expenses on ESOP on the fair value of the shares granted. Companies engaging in the ESOP scheme has to comply with the disclosure requirements, reporting dilution effects and it has to state clearly the earnings per share (EPS) earned by the shareholder.[26]

4. ACCOUNTING STANDARD V. INTERNATIONAL FINANCIAL REPORTING SYSTEM

Accounting standards are the accounting methods that company follows in the preparation of the company's account. One of the prime purposes of the financial accounts is to make the stakeholders & the new investors to know about the status of the company. To harmonise the companies accounting practices in India ICAI has prescribed Accounting Standards (AS). Different users of accounting information can compare with other companies' financial statements and reports. It is because it ensures uniform and consistent accounting standards as it is mandatory. IFRS is the financial standard/guidelines issues by International Accounting Standard Board of London (IASB).[27] There are 29 AS in India. The principle used in the financial reporting has to be included as per AS-1. Those principles include Going concern principle, Prudent concept. AS-3 delas with the cash flow statement that describes the inflow and outflow of cash from the company through investment, financing & operating activities. AS-9 recognises the revenue generation through selling of goods and services and the amount to be paid to the companies with respect to royalty, commission, dividend. AS- 21 is about the consolidated financial statement which mandates the compilation of the accounts of holding and subsidiary companies to let understand the stakeholder how the resources are utilised. International Financial Reporting Standards (IFRS), is a financial reporting standard that got recognised internationally and guiding on how financial activities have to be recorded. IFRS are the set of guidelines set by the IASB (International Accounting Standard

[24] Securities and Exchange Board of India, *Guidelines on Financial Reporting and Disclosure under LODR Regulations* 34–42 (SEBI Publ'n 2020).

[25] Shyam S. Lodha, *Impact of LODR Regulations on Financial Transparency and Related Party Transactions in Listed Companies*, 46 J. CORP. & SEC. L. 67, 70–75 (2021).

[26] International Accounting Standards Board, *IFRS 2: Share-based Payment* (2004), https://www.ifrs.org/issued-standards/list-of-standards/ifrs-2-share-based-payment/.

[27] Int'l Acct. Standards Bd., *International Financial Reporting Standards (IFRS)* (2025), https://www.ifrs.org/issued-standards/list-of-standards/ (providing an overview of IFRS guidelines and their application in financial reporting).

Board of London).[28] IFRS instead of historical cost use current cost for the valuation. IFRS helps the companies to participate internationally.[29] It helps in internal communication and taking group decision as standard accounting principles prescribed by IFRS are followed. IASC has issued 41 standards. Until 2001, it was IAS committee. Later it got made as IASB.

Comparison between AS and IFRS

ASPECT	AS	IFRS
Scope	It specifies to a particular country. IND AS is limited only to India	It is followed by over 140 countries
Basis	It has rules with detailed explanation	It has only principles and requires professional judgement to understand
Objective	It is designed as per the national, local regulatory compliance	It is designed keeping the whole world in mind. To have consistency in financial reporting globally
Required documents	The financial statement shall comprise of: • Two years balance sheet • Profit &Loss account • Accounting policies &notes • Listed companies to give consolidated financial statement along with standalone financial statement	As per IFRS financial statement shall have • Two years balance sheet • Income statement • Cash flow statement • Changes in Equity • Accounting policies and notes
Mode of Valuation	It requires financial statements to be prepared on basis of historical cost. The exception is given to the fixed assets other than intangible that cab be revalued.	It demands financial statements to be made in modified historical cost with a growing emphasis on basis of fair value.
Compliance	Here, CA,2013 requires the financial statement to represent true and fair value of the status of the company. And the compliance is also in accordance with the provision issued by the ICAI.	IFRS prescribes the compliance to give fair representation (true and fair value), with additional disclosure whenever necessary.

[28] Int'l Acct. Standards Bd., *About the IASB*, https://www.ifrs.org/groups/international-accounting-standards-board/ (last visited Apr. 27, 2025) (describing the history and role of the IASB, including its evolution from the International Accounting Standards Committee).
[29] Robert P. Magee & Thomas R. Dyckman, *Financial Accounting* 135–40 (5th ed. 2020) (discussing IFRS valuation methods, including the use of current cost over historical cost, and their role in international financial reporting).

Representation of profit in currency	CA,2013 demands the representation of profit in the Indian rupees only.	IFRS requires the profit shall be represented in any of the functional currencies.

Table: 1 Comparison between AS and IFRS

5. COMPARISON BETWEEN INDIA AND U.S.A ON FINANCIAL REPORTING

In U.S, financial reporting is viewed not only as a legal obligation but also a tool that ensures the growth and long-term success of the company. In U.S. the goal of financial reporting is seen as to make the report complete, accurate, comparable, verifiable. Publicly traded companies in U.S have to follow Generally Accepted Accounting Principle (GAAP). In U.S the main financial statements include balance sheet, income statement, cash flow statement, statement of changes in equity.[30] In U.S.A the Securities and Exchange Commission (SEC) governs the financial disclosure of publicly traded companies. The accounting standards are prescribed by the American Institute of Certified Public Accountants (AICPA), the Financial Standards Accounting Board (FSAB). Through historical development, historical changes, and the rapid globalisation has shaped the financial reporting of company over years. The history of financial reporting traces back to late 1800 where state and local reporting standards got made. First the Government Accounting Standards Board (GASB) paved a way for the development of reporting standards. The adoption International Financial Reporting System (IFRS) is another milestone in the evolution.

In U.S Financial Accounting Standard Board (FASB) prescribes the reporting standards and ensure compliance by companies. The financial reporting has to be submitted to Securities Exchange Commission (SEC). SEC makes sure that the GAAP is in line with IFRS. With the early development to the adoption of IFRS U.S have played an inevitable role in shaping financial reporting both domestically and internationally. Though GAAP was the oldest financial reporting standard that kept evolving it could not prevent the executive managers misbehaviour. The Enron and WorldCom scam led to the formation of Sarbanes Oxley Act, 2002 which makes the executive of the company responsible for the true and fair value of financial statement.[31] Technological and regulatory failures, failing to uphold the corporate governance result in the creation of environment for the financial scam. Financial scam results in reduced trust with financial institutions, increased inequality and narrows the economy. And Sarbanes Oxley Act, 2002 and Cadbury committee have brought internal control, reporting obligation, corporate governance which is regulating reporting of companies to avoid financial scandal. Enron was the largest energy and commodity producing companies.[32] It became bankrupt in 2001 as a result of accounting loopholes, setting up of Special Purpose Entities (SPE), and fraudulent financial reporting to increase profit and hide debt. Through SEC's investigation the scam got exposed. As an outbreak of this scam the Sarbanes Oxley Act, 2002 got passed. Through falsely inflating profit by classifying expenses as capital investment, the WorldCom, a telecommunication company engaged in accounting fraud of $11 billion U.S. dollar. And persons involved in the fraud were sentenced. And WorldCom got renamed as MCI and in 2006 it was acquired by Verizon. The main difference U.S has stricter compliance when compared to the Indian

[30] William J. Carney, *Corporate Finance: Principles and Practice* 23-45 (3d ed. 2015).

[31] Roberta Romano, *The Sarbanes-Oxley Act and the Making of Quack Corporate Governance*, 114 Yale L.J. 1521, 1523-1529 (2005).

[32] Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, 116 Stat. 745 (codified as amended in scattered sections of 15 U.S.C.).

Standards. The enforcement of accounting standards is stronger and imposes penalties for non-compliance. In contrast, In India NFRA is still in the evolving phase in relation to its regulatory mechanism.

Aspects	India	U.S. A
Accounting Standards	In India (Ind AS), in line with IFRS are being used as an accounting standard	U.S. follows GAAP issued by FASB which are in line with IFRS is being used as an accounting principle
Regulatory Framework	Financial reporting of companies is overlooked by Ministry of Corporate Affairs (MCA), SEBI and ICAI	In U.S.A, FASB prescribe accounting standards under the prescription of SEC and the same is monitored by SEC
Disclosure and Reporting compliance	CA,2013 prescribe the requirements on financial statement. Listed companies have to submit quarterly report	U.S laws also prescribe quarterly and annual report to be submitted to SEC by the companies as same as India.
Revenue Recognition & Consolidated accounts	Ind AS 115 in line with IFRS 15 deals with Revenue recognition. Ind As 110 mandates & regulates on consolidation of financial statements	ASC 606 deals with revenue recognition ASC 810 deals with guidance on consolidation of accounts
Role of Auditors and their Independence	While performing their duties auditors have to comply with ICAI's Auditing Standards (SA), in line with International Standards on Auditing (ISA). And auditor's quality is overlooked by NFRA	In U.S the auditors of the public companies are overlooked by Public Company Accounting Oversight Board (PCAOB). There are independent rules that auditors of public companies have to adhere to.

Table:2 India and US Accounting Standards

6. RECENT AND FUTURE DEVELOPMENT IN FINANCIAL REPORTIGN OF INDIAN COMPANIES

Integrated Financial reporting is a new concept of reporting. A report contains two types of information. One is financial information and another is non- financial information. Financial reports through income statement, balance sheet, cash flow statement was revealing the monetary information only. Later with the undue effect of global warming, activities measured in non - monetary terms are very much significant. Awareness of human rights have considerably increased and companies are pressurised to be accountable for their social responsibility.[33] Thus, non-financial information is as important as financial information. The reporting that exhibits both financial and non- financial information is known as integrated reporting.

[33] Robert G. Eccles & Michael P. Krzus, *The Integrated Reporting Movement: Meaning, Momentum, Motives, and Materiality* 15-30 (2014).

In integrated reporting the transparency level will be at a higher level. With the high level of transparency, the role and efficiency and role of board, independent and executive directors can be identified resulting in improvement in the reporting of corporate governance. There will be an accountability on top level management of the company as overall management can easily be recognised through the integrated reporting.[34] It gives clear cut understanding on the initiatives taken by the organisation. Despite the size of the company, they have to comply with IFRS. It will be time consuming, cost involved will be high and it is seen as a difficulty in this integrated report. And, this integrated financial reporting is not compulsory there is difficulty in implementing. SEBI recommended top 500 listed companies to follow integrated financial reporting in the year 2017.[35] And many companies adopted this as the corporate governance code.

7. CONCLUSION

Being a financial language, the report needs to be transparent, relevant, Indian legislations have attempted to increase the governance of companies. To have greater reporting, the reporting period frequency shall be higher. To make the reporting more informative and easy reporting innovations are needed. By mentioning each director level of involvement reporting standards can be increased. The rise in the reporting standard positively affects both domestic and international market. The integrated reporting shall be made mandatory to all listed companies. Sustainable reporting centring environmental aspect needs to be made. To sum-up, companies set up in India through the financial reporting meets up the objective of the reporting by letting various shareholders know the status of the company. And thereby uploads the good corporate governance.

[34] Charl de Villiers, Leonardo Rinaldi & Jeffrey Unerman, *Integrated Reporting: Insights, Gaps and an Agenda for Future Research*, 27 Acct., Auditing & Accountability J. 1042, 1045-1050 (2014

[35] Sec. & Exch. Bd. of India, Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/10, *Integrated Reporting by Listed Entities* (Feb. 6, 2017), https://www.sebi.gov.in/legal/circulars/feb-2017/integrated-reporting-by-listed-entities_34136.html.