

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The globe is now an area of interdependent national economies. International trade and cross boarder capital flows have made them dependent on one another. Due to increasing integration of international markets companies around the world are in need of accomplishing their business in a manner to coincide with the international corporate activities (Chen, 2009:4) which results in global stakeholders. Thus a higher degree of comparability and uniformity of the financial statements is required to enable global stakeholders to gain adequate and transparent view of the entity and build up their confidence in the selected entity. However due to a nation's economic, legal and political system, stage of technological development, cultural, traditional and a host of other socio-economic factors exercising a decisive influence in the development and current status of accounting principles a great deal of diversity exists in the accounting and reporting practices adopted by different countries.

Accounting may be defined as the collection, compilation and systematic recording of business transactions in terms of money, preparation of financial report; and analysis and interpretation of those reports and the use of those reports for the information and guidance to the users of the accounts.

Standardization refers to the imposition of a more rigid and narrow set of rules (Rathore, 1998:189). Business are no longer bounded by national frontiers, their economic activities have transcended such boundaries and entered the international arena. They not only buy and sell across national frontiers but also seek capital investment in global market. Consequently there is pressure for standardization of accounting practices not only from those who use the financial statements but also from those who regulate and prepare them. The main pressure for harmonization comes from Multinational Corporation's Investors and Financial Analysts.

After tenth congress of the International congress of Accountants held in Sydney in 1972, the International Accounting Standard Committee (IASC) was formed in 1973 for the development of accounting standards that could have global acceptance. The committee was converted into International Accounting Standard Board (IASB) in March 2001. The International Accounting Standard Board is committed to developing, in the public interest, a single set of high quality global accounting standards that require transparent and comparable information in general purpose financial statements.

Since long time back, there was a concern for implementing accounting standards in Nepal, both in national and international spectrum. A number of seminars and meetings were organized by the international agencies and donor countries, during the nineties, which emphasized the essentiality of developing accounting standards not only for the enhancement of accountability of financial reporting in the corporate sector but also for easing the flow of foreign investments. The focus was on standardization of financial statements in order to augment their effectiveness and to mould them in a unified format.

Financial statements are prepared and presented basically for aiding the economic decision making by the stakeholders, which includes present and potential shareholders, customer, creditors, investors etc. Companies in Nepal traditionally prepare and present their financial statements without following standard financial reporting framework which led to interpretational discrepancies in defining the fundamental elements of financial statements, i.e. assets, liabilities, equities, income, expenses etc. Further numbers of diverse criteria were used for recognition and measurement of the elements of financial statements.

The policy of economic liberalization, incited after the mid eighties, opened up a way for the development and extension of the Nepalese private sector including the financial sector. The re-establishment of democracy in 1990 further contributed to the enlargement of the Nepalese private sector to a large extent. The notion of privatization along with liberal policies promulgated thereafter relayed a message that the government should not be engaged in those sectors that could be operated effectively by the private sector. There

was a significant growth in macro economy due to expansion of the non agricultural sectors such as manufacturing, tourism, service sectors etc. Moreover there was an increasing foreign investment in the Nepalese private sector particularly in the area of banking, aviation and information technology. Similarly international trade and exports grew at around 15 percent in US dollar terms throughout the 1990s and the share of exports and trade in GDP doubled. The converging business environment in Nepal after the nineties, therefore, explicitly demanded for the harmonization of accounting procedures and practices in order to facilitate the operation of the private sector including the financial reporting in a unified manner. Concerns were also made to ensure the rights of different accounting users to receive reliable, relevant and complete information for making economic decision in timely manner. Further there was an increasing demand for making the prevailing accounting procedures and practices compatible with international standards to augment the confidence of foreign investors as well. The standardization of accounting procedures and presentation of financial statements also had endeavored Nepal's effort to enter WTO as a full fledged member. The afore-stated factors have influenced in spurring the demand for imposing accounting standards in Nepalese private sector.

The essentiality of uniform accounting standards is realized in Nepal after the formation of the Institute of Chartered Accountants of Nepal (ICAN) in 1997, under the special Act (The Institute of Chartered Accountants Act, 1997). The institute established Accounting Standard Committee in 2001. After the amendment of Chartered Accountant Act in 2002, a separate fully authorized Accounting Standard Board was formed by the then Government of Nepal with a notification in Nepal Gazette in March, 2003. The Board has formulated and issued framework for preparation and presentation of financial statements and 26 Nepal Accounting Standards out of which 19 are mandatory from 1st Shrawan 2065 and 7 are in voluntary compliance stage. Nepal Accounting Standards (NASs) are formulated by following the International Financial Reporting Standards (IFRSs) however NASs are not revised in line with revision in IFRSs. The objectives of the Nepal Accounting Standards issued for mandatory compliance are as under.

NAS-01 Presentation of Financial Statements

The objective of this standard is to prescribe the basis for presentation of general purpose financial statements, to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities.

NAS-02 Accounting Policies, Changes in Accounting Estimates and Errors

The objective of this standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.

NAS-03 Cash Flow Statements

The objective of this standard is to require the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

NAS-04 Inventories

The objective of this standard is to provide the accounting treatment for inventories.

NAS-05 Events after Balance Sheet Date

The objective of this standard is to prescribe when an entity shall adjust its financial statements for events after balance sheet date; and the disclosure that an entity shall give about the date when the financial statements were authorized for issue and about events after balance sheet date.

NAS-06 Property, Plant and Equipments

The objective of this standard is to prescribe the accounting treatment for property, plant and equipment so that the users of the financial statements can discern information about an entity's investment in the property, plant and equipment and changes in such investment.

NAS-07 Revenue

The objective of this standard is to prescribe accounting treatment of revenue arising from certain types of transactions and events.

NAS-08 Borrowing Cost

The objective of this standard is to prescribe accounting treatment of borrowing cost.

NAS-09 Income Taxes

The objective of this standard is to prescribe accounting treatment for income taxes.

NAS-10 Accounting for Government Grants and Disclosure of Government Assistance

The objective of this standard is to prescribe accounting treatment of Government grants a disclosure requirement of Government assistance.

NAS-11 The Effects of Changes in Foreign Exchange Rates

The objective of this standard is to prescribe how to include foreign currency transactions and foreign operations in the financial statements of an entity and how to translate financial statements into a presentation currency.

NAS-12 Provisions, Contingent Liabilities and Contingent Assets

The objective of this standard is to ensure that an appropriate recognition criteria and measurement bases are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to the financial statements to enable users to understand their nature timing and amount.

NAS-13 Construction Contracts

The objective of this standard is to prescribe accounting treatment of revenue and cost associated with construction contracts.

NAS-15 Leases

The objective of this standard is to prescribe, for lessees and lessors, the appropriate accounting policies and disclosure to apply in relation to leases.

NAS-16 Related Party Disclosures

The objective of this standard is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

NAS-17 Interim Financial Reporting

The objective of this standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period.

NAS-18 Impairment of Assets

The objective of this standard is to prescribe the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount.

NAS-19 Investment Property

The objective of this standard is to prescribe accounting treatment for investment property and related disclosure requirements.

NAS-20 Non- Current Assets held for sale and Discontinued Operations

The objective of this standard is to specify the accounting for assets held for sale, and the presentation and disclosures of discontinued operations.

Though seven years has already passed after the establishment of Accounting Standard Board of Nepal and twenty six NSAs have been issued so far including six NSAs for voluntary compliance corporate firms of Nepal seem unaware about the policies and principles prescribed by the Accounting Standard Board. The intent of this study is to

measure and evaluate, to what extent the Nepalese corporate firms are aware of accounting standards. The study will be an effort to pursue whether only the formulation of standards is sufficient to raise awareness in the Nepalese corporate sector for their implementation and to provide feedback to those responsible for effective implementation of the accounting standards.

1.2 Statement of the Problem

There are several laws and regulations governing different organizations and have different requirements for maintenance of accounts and preparation and presentation of financial statements. Most of which have emphasized on maintenance of accounts and financial reporting as per Generally Accepted Accounting Principles however failed to prescribe the generally accepted accounting principles. Despite of accounts related provisions contained in various laws and regulations NASs are formulated and issued for bringing about uniformity in accounting and financial reporting.

Even after the issuance of NASs by ASB, for compliance in preparation and presentation of financial statements, Nepalese corporate entities seemed lagging behind to follow the accounting principles and practices as prescribed by NASs. The reasons behind such non compliance might be the following.

- University education is the major source of gaining accounting knowledge but the course designed by universities is traditional and theoretical based.
- The limited number of Chartered Accountants who are the experts in accounting profession and slow growth in their number. Further most of them are qualified from Institute of Chartered Accountants of India (ICAI).
- Lack of awareness in accountants about accounting standards & consequences of inappropriate application
- Lack of training programs and inability to properly understand the essence of specific accounting standards.
- Resistance to change and deemed convenience with the traditional accounting practices and principles.

The research was mainly focused on to what extent the Nepalese corporate sectors and the accountants engaged therein are aware of NASs and to identify the causes of unawareness found. Thus the study had addressed the following research questions.

- Do the educational institutions, the course they have designed and their manpower for delivering the course are sufficient and appropriate for raising awareness of NASs?
- Are the accountants working in Nepalese corporate sector getting proper training on NASs?
- How the awareness of NASs can be raised in order to replace existing traditional accounting practices?

1.3 Research Objectives

The fundamental objective of this study was to identify the awareness of accounting standards in listed corporate entities of Nepal. To achieve the fundamental objective the study was endeavor to meet the following definite objectives.

- To identify the number of accountants having gained training on NASs.
- To evaluate sufficiency and appropriateness of the courses offered by Nepalese universities in raising awareness of accounting standards.
- To identify the core causes for unawareness of accounting standards
- To make constructive recommendation for promoting awareness of accounting standards in Nepal.

1.4 Scope of the Research

Accounting standards are authoritative statements of how particular transactions should be recognized and reported in the financial statements. Compliance with accounting standards will normally result in fair presentation of financial statements which is the most important quality of general purpose financial statements. The basic objective of general purpose financial statement is to provide reliable and relevant information to the use of the accounts both inside and outside the organization for taking economic

decisions. Compliance with accounting standards results in transparency, comparability and full disclosure for understandability which enhances greater investor confidence.

Along with the establishment of the Institute of Chartered Accountants of Nepal, demand for Nepal's own accounting standards was increased and the Government also started realizing the significance of accounting standards. Currently Nepal has 26 accounting standards crystallized so far.

The study was focused on current level awareness status of NASs in Nepal. The study had analyzed the awareness of NASs and a little bit of IASs among accounting practitioners and accounting experts of Nepalese corporate entities. It was endeavored to disclose the major constraints for awareness of NASs. It had also strived to disclose the professional status of accounting practitioners of the corporate firms. The study was also aimed at finding how much attempt has been made by the regulating authorities to spread the awareness of NASs. Regarding this only public company listed on NEPSE and members of ACAN has been considered for sampling purposes.

1.5 Rationale of the Research

Users of financial statements include present and potential investors, lenders, suppliers, governments and its agencies, donors etc. They use financial statements to satisfy their various information needs. Different users have need for different information. Though all the information needs of all the users cannot be met by the financial statements, most of the common financial information needs are satisfied by the general purpose financial statements prepared and presented in compliance with applicable standard financial reporting framework. Though there are various regulating bodies like: Company Registrar's Office, Nepal Rastra Bank and Securities Board of Nepal etc. These may enforce entities to use specific form of accounting and reporting. However, the entities themselves seek easy ways in their favor in maintaining accounts and for financial reporting. All these incongruity necessitated to formulate and implement a standard set of

accounting standards. At present Nepal have 26 accounting standards out of which 19 of them are mandatory for compliance and 7 of them are to be complied voluntarily.

It has been just seven years of formation of Accounting Standard Board. Recent development of most of the NASs and low level of regulatory oversight by the implementing authority Nepalese corporate sector are found reluctant to comply with NASs for financial reporting. Due to aforementioned state of compliance with NASs by Nepalese corporate sector and necessity for adoption of IFRS after 2011, finding the state of awareness about the accounting standards in the corporate sector is a new and interesting subject for research.

This research will contribute in identifying and analyzing the real causes of; unawareness of accounting standards, reluctance to apply accounting standards and consequences of failure to apply and inappropriate application. Thus the result of this research will be useful to the government, accounting professionals, educational institutions and regulating bodies and those having interest and stake in accounting.

1.6 Chapter Design

The whole study was designed as divided in five chapters. The idea will be generated to fulfill some aspect of the general objective of the study from each chapter. The rationale behind such designation was to follow simple research methodology. The contents of the research are as under

Chapter one:	Introduction
Chapter Two:	Review of Literature
Chapter Three:	Research Methodology
Chapter Four:	Presentation & Analysis of Data
Chapter Five:	Summary, Conclusions &
Recommendations	

The First Chapter, Introduction, will cover general background; statement of the problem; objective of the study; limitation of the study and organization of the study.

The second chapter, Review of literature, deals with the review of available literature. It takes in review of related books, journals, articles and previous unpublished Master Degree Dissertation etc. This chapter will mainly cover three parts: Conceptual framework, Review on related literature and Research gap. Conceptual framework part will deal with accounting standard, its origin and development, its nature, introduction of IASs and IFRSs, need for of accounting standards in Nepal, origin and growth of NASs, nature of NASs, accounting standard setting in Nepal and purpose of NASs. Review of literature part will deal with the reviews of different literature, which are closely related to this study. After a detail of related literature, the uncovered research gap will be highlighted.

The third Chapter, Research methodology, deals with the research methodology employed in this study. It includes research design, population and sample, data collection procedure and sources of data, data analysis techniques etc.

The fourth chapter Analysis and Presentation of Data is the important chapter of the study which implies the presentation and analysis of data as well as major findings of the study

The fifth chapter, Summary, Conclusions and Recommendations covers the summary of the study, the main conclusion that flows from the study and offers some recommendations as well as suggestions for further improvement.

1.7 Limitations of the Study

The study will be bounded by the following limitations

- The study will be based on NASs only other accounting standards will not included in the study
- The study will be oriented within selected accounting practitioners of listed companies, which will be selected by random sampling technique.

CHAPTER II

REVIEW OF LITERATURE

This chapter attempts to establish a conceptual framework and make a review of the relevant studies that have already been done on the research topic so that some new contribution could be given to the established body of knowledge. In this regard, various books, journals and articles concerned to this topic have been reviewed. This chapter has been divided into three main parts. The first part of the chapter deals with the conceptual framework of the study and the second part is concerned with the review of previous articles, journals and dissertation. The final part discusses the research gap.

2.1 Conceptual Framework

2.1.1 Origin and Development of Accounting Standards

The history of accounting is as old as civilization, among the most important professions in economic and cultural development, and fascinating. Accounting has evolved through time, changing with the needs of the users of accounting information. These accounting practices were standardized and materialized as Generally Accepted Accounting Principles (GAAP). GAAP consist of rules, practices and procedures, the authority of which stems from their general acceptance and use by the accounting professionals and the business community. They have evolved from the experiences and thinking of the member of the accounting profession and influential business people (Hogget & Edwards, 1990:12). Accounting principles differ from natural laws like the law of gravity. Accounting principles draw their authority from their acceptance in the business community rather than from their ability to explain physical phenomena. Thus they really are generally accepted by those people and organizations that need guiding principle and standard procedures in accounting of business transactions and reporting thereof.

The need for GAAP had its beginning with the growth of industrialized society in the nineteenth century. During that time, the limited companies were in existence. In those organizations management was appointed as agent of the owners (shareholders) of the company to conduct the day to day operations with a view to earning profits for the owners. Management used to report to the owners regarding the operating result of the business.

As industrialization took the pace and new transactions started to occur business organization become more complex, different levels of management came in to existence. Consequently, financial reporting became important, so that the management could report in the entity's progress to the owners as well as other stakeholders.

In particular, external users of information have to rely in the honesty and integrity of management in the use of their money; but for various reasons corporate secrecy was considered to be acceptable behavior. Consequently share investment gained the reputation of being risky investments, and shareholders were to some extent, at the mercy of potentially unscrupulous management. If corporate sector entities do not follow the policy of complete and objective disclosure while preparing their financial statements, the users of this information do not receive early warning signals about deteriorating financial conditions and are therefore unable to make timely adjustments. Suddenly an event may unveil previously undetected risk exposure of the corporate sector and trigger panic among the investor community.

To provide some protection for investors, government began to legislate for the preparation of financial statements by companies in order to monitor the behavior of managers as stewards of the investors' funds. However, such efforts only could not improve the overall condition of business environment. Therefore, in more recent decade, the GAAP are being formulized gradually by accounting standards issued by the professional accounting bodies and the Accounting Standards Boards.

The existence of accounting standards that have the force of law is a recent development in the history of accounting. The GAAP may not be adequate to provide sufficient guidance and rules to deal with the increasing complexity of financial activity. Therefore, accounting standards have been developed.

Financial reporting system as required by law varies significantly from country to country and from organization to organization. Differences in accounting practices reflect the factors that shape business activities in the country, the legal environment in which the business operates and the primary providers of capital for the business. For example, in the United Kingdom and United States, reporting requirements are based primarily on the need to provide useful information for investors and creditors. This need results from those countries having many companies that raise capital by selling their securities in well developed capital markets. In Europe and Japan, on the other hand, banks provide much of capital for business. In those countries, accounting requirements are more legalistic and are intended to satisfy government reporting requirements, including income tax reporting. In South America, financial reporting is oriented toward the needs of governmental planning and follows practices stated by the government. These differences in accounting practices create problems in trying to analyze and compare accounting information

Accordingly a higher level of comparability and quality of financial statements is required because of an increased international audience and their unfamiliarity with different national domestic accounting standards that the financial statements are produced under (Chen, 2009:4) If the investors and stakeholders are not able to obtain an adequate and transparent view on the selected companies, extra costs in form of lost potential capital or investment opportunities will occur as a result of lack of confidence in the companies (Chen, 2009:4).

As long as an enterprise operates solely within its own borders, differences in financial reporting practices between countries will not be a significant problem as they will if business activities are extended across the border. Similarly, cross border financing, in

which a company sells its securities in the capital markets of another country, has become increasingly popular. Business activities that cross borders create the need for more comparable information between companies that reside in different countries. This, in turn, has led to an interest in the harmonization of accounting methods and principles used in different countries throughout the world.

The demand of universally accepted accounting standards prevailed before the 50's of 20th century. The American Institute of Certified Public Accountants, in cooperation with governmental, business and educational groups, made important contribution to the development of universally accepted principles of accounting. At present, the globalization of business enterprises and capital markets has created much interest in establishing common, worldwide accounting standards.

The general users of accounts need to be sure that reliance can be placed by them on results of operation and financial position presented by the management and the standards employed in the preparation of financial statements. In the late 1960s there was a general outcry that the standards used by different businesses were showing vastly different picture from the similar data. In the UK a controversy had arisen following the takeover of AEI Ltd. by GEC Ltd. In fighting the takeover bid made by GEC, the AEI directors had produced a forecast, in the 10th month of their financial year, that the profit before tax for the year would be \$10 million. After the takeover the accounts of AEI for the same year showed a loss of 4 1/2 million. The difference was attributing to being 5 million as matters of fact and 9 1/2 million to adjustment which was matters substantial difference in the judgment used. There was a general outcry in the financial pages of the national press against the failure of the accounting profession to lay down consistence principles for business to follow (Wood, 1993:201).

In December 1969, the institute of chartered accountants of England and Wales issued a statement of intent in accounting standards. The council of the institute and other main accountancy bodies having joined with the institute in helping to produce standards formed the committee known as the accounting standards committee

Because of the International Accounting Standards Committee (IASC) having to obtain approval from its six professional accountancy body members, it did not appear to be as decisive and independent as was desired, and in 1990 a new body; the accounting standards board took over the functions of the IASC. The International Accounting Standard Board (IASB) is more independent of the accounting bodies and can issue its recommendations, known as IFRS, without approval from any other body

2.1.2 Meaning and Nature of Accounting Standards

Accounting may best be defined by describing the three essential characteristics of accounting: i.e. identification, measurement, and communication of financial information about economic entities to interested persons. Financial accounting is the process that culminates in the preparation of financial reports on the enterprise as a whole for use by parties both internal and external to the enterprise. Accounting has been called the language of business. That analogy is accurate, since accounting is a form of communication. As with all types of communication misunderstanding can arise unless meanings are reasonably clear. Accounting standards are created to neutralize the possibility of misunderstanding in communication of financial information.

Accounting standards can be understood as Generally Accepted Accounting Principles (GAAP). These are generalized statements of accounting principles. Accounting standards are the rules for preparation and presentation of financial statements; that is the "generally accepted accounting principles" (GAAP) that specify the type of information that financial statements are supposed to contain and how that information are required to be presented. Accounting standards define what are acceptable and unacceptable financial accounting practices? (Mueller, et al, 1994:35) Accounting standards are specific rules formulated to provide a framework for the preparation and presentation of general purpose financial statements. They should be viewed in particular constitutional, legal and other circumstances.

Accounting standards are authoritative statements of how particular transaction and other events should be reflected in financial statements. Accordingly, compliance with

accounting standard will normally be necessary for the fair presentation of the financial statements (Neupane, 2003:14).

Accounting standards are set by professionals accounting body consisting representatives from various professions of accounting. They are set with a great effort of investigation and interpretation. Prior to issuing of any standards a great deal of preparatory work was done which culminated in the publication of an Exposure Drafts(ED). Copies of the exposure draft were then sent to those with a special interest in the topic. The accountancy journals also give full details of the exposure drafts. After full and proper consultation, when it is seem to be desirable, an accounting standard in the topic may then be issued and the standards issued by the ASB were called Statements of Standard Accounting Practice (SSAPs). However, presently standards are set by the Accounting Standard Board (ASB), an independent accounting body. The ASB issues draft, known as Financial Reporting Exposure Drafts, these drafts are developed in a similar fashion to before (Wood, 1993:201). There are no general laws compelling people to observe the standard. The main method ensuring compliance with the standards is through the professional bodies using their own disciplinary procedure on their members. The ASB has, however set up a Review Panel that has power to prosecute companies under civil law where their accountants contain a major breach of the standard

The scope of application of standards is wide and it encompasses not only accountants but also all prepares of financial statements for externals users. Such financial statements are directed towards the common information needs of wide range of users for example: shareholders, creditors, employees and the public at large. Different users of financial statements may have information needs for different purpose. They may like to compare financial statements of different entities. If the accounting practices followed by one entity differ from another than certain adjustments need to be done to make the financial statements of various entities comparable. The purpose of financial statement is to provide fair, real and clear information regarding the result of operation and financial position of business to the general users of accounts. Users of financial statements may not have technical knowledge of accounting so the information provided by the financial

statement must be understandable. To achieve this objective, the system must comply with the standard.

Accounting standards provide practical and handy rules to the accountants to execute their work in effective way. They are generally accepted as firm rules, backed by sanction for nonconformity. They usually contain concepts and principles to guide professional's application of accounting standards requiring strong professional judgments (Xiao, J.Z., et al, 2004). Accounting standards usually consists of three parts.

- A description of the problem to be dealt with.
- A reasoned discussion of alternatives for solving the problem.
- Practical solution for the identified problem in with theory.

The special requirements needed for the accounting standards can be divided in four parts.

- Type 1 states that accountants must tell people what they are doing by disclosing the accounting methods and policies they have adopted.
- Type 2 emphasizes to achieve uniformity on accounting statement presentation.
- Type 3 calls for the disclosure of specific matters in which the users may be called to exercise their own judgment.
- Type 4 requires implicit or explicit decisions to be made about approved asset valuation and income determination.

Standards are set to obtain somewhat benefits from them. The underlying principles behind the establishment of accounting standards are:

- Standards reduce to a reasonable extent or eliminate altogether confusing variations in the accounting treatments used in the preparation of financial statements.
- Standards may call for disclosure beyond that required by law.
- They provide the professional accountants in public practice guidelines and rules of action to enable them to exercise due care and maintain integrity and objectivity in rendering professional services.

- They facilitate comparison of financial statements of companies situated in different parts of the world and also of different companies situated in the same country.
- They provide users of accounting information with information about the financial position, performance, and conduct of firm. This information is assumed to be clear, consistent, reliable and comparable.
- They provide government with database on various variables that are deemed essential in the matter of taxation, regulation of enterprises, planning and regulation of the economy and enhancement of economic efficiency in the achievement of social goals.
- They generate interests on principles and theories interested in the accounting disciplines. The mere promulgation of a standard generated a lot of controversy and debate in practice and in academic circles, which are better than apathy, ate(Riahi-Belkaoui,2000:82)

However, there are some arguments against setting accounting standards

- Alternative solutions to certain accounting problems may each have arguments to recommend them. A standard which insists on one particular solution may be unduly restrictive. This can some times are avoided either by allowing a permitted choice between different accounting treatments, or by defining closely the circumstances where different treatment may be appropriate.
- There may be a trend towards rigidity in applying the accounting standards. Michale Alexander said" the demand for standards comes largely from an insatiable appetite for rules. The reliance on judgment in technical accounting matters seems to have gone".
- Accounting standards can not override the statute. The standards are required to be framed within the ambit of prevailing statutes.

2.1.3 International Accounting Standards

As the business grew beyond the geographical boundary of industrialized countries, a need was felt to harmonize, as far as possible, the diverse accounting standards and accounting policies of different countries. As a result, the professional accounting organization of different countries had been concerned with establishing some degree of uniformity between diverse accounting practices adopted by different companies in different countries. Their efforts got formality, when IASC was formed after the Tenth Congress of the Accounting held in Sydney in 1972 (Henderson & Graham, 1980:110). Consequently, the ISAC was formed in 1973 through the cooperation of the Accounting bodies in numerous countries. They were representatives of the accounting bodies of Australia, Canada, France, Germany, Japan, Mexico, Netherlands, United Kingdom, Ireland and the USA. There were also more than thirty members of the IASC. Until October 1997, when a revised Agreement and Constitution was signed by the founder members the business of the IASC was conducted by a board composed of representatives of founder members (Henderson & Graham, 1980:110). The role of IASC was to develop accounting application. The major objective of issuing IASs is to harmonize financial reporting system around the world to improve the comparability of the financial reports prepared by reporting entities in different countries.

The objectives of IASC as stated in its constitution are:

- To formulate and publish Accounting Standards to be observed in the presentation of financial statements and to promote their world wide acceptance,
- To work generally for the improvement and harmonization of regulations, accounting standards and procedures relating to the presentation of financial statements.

After a long process of the promulgation for many standards a number of benefits are expected to result. First harmonization would allow investors in international markets to make more reliable comparison and international investment would be encouraged so forth. In other words, by reducing the differences in financial reporting requirements in

different countries, barriers to international capital flows would be reduced. A further benefit of international harmonization would be a reduction in the financial reporting costs for multinational companies. At present, for each stock exchange in which a multinational company is listed, it is likely to face the cost of reporting under a different set of accounting standards, stock exchange listing requirements and corporation's legislation. Harmonization of accounting standards and financial reporting practices would simplify the reporting requirements for multinational companies and reduce the cost of complying with US financial reporting requirements (Henderson & Pierson, 2000:863).

Global harmonization of accounting standards will improve the comparability of accounting information around the world and thereby eliminate misunderstanding in transactional financial reporting. More comparability will better the analysis of financial statements; this will, in turn, lower interest rates and improve resource allocation. A single set of financial accounting standards will also save corporations time and money, since they will no longer have to prepare multiple sets of financial statements. Finally, establishing international standards will raise the quality of accounting in many countries (Mueller, et al, 1994:50)

The main reasons for the need of an IASC are:

- The considerable growth in international investment. This means that it is desirable to have similar methods the world over so that investment decisions are more compatible.
- For poor countries which cannot afford to have standards setting bodies, the IASC can help them by letting them use the provisions of International Standards instead of setting their own standards (Wood, 1993:202).
- The growth in multinational companies. These companies have to produce accountants covering a large number of countries. Standardization between countries makes the accounting work that much easier and reduces costs.
- As quite a few countries now have their own standard setting bodies it is desirable that their efforts should be harmonized.

A major problem faced by the IASC is enforcement of its accounting standards. The IASC relies upon its member bodies to ensure compliance with IASs. This was an ineffective mechanism, because the member bodies usually only enforce compliance with their own standards. In only a few cases compliance with national accounting standards ensure compliance with international standards. In most cases, there are differences (often significant) between national accounting standards and IASs. To a large extent, the IASs have been irrelevant. While there was general support for the idea of IASs and international harmonization of accounting standards and financial reporting practices, most member bodies were unwilling to surrender sovereignty over their accounting standards and reporting practices. This was largely because IASs were insufficiently perspective, allowing greater choice than member bodies could accept. The IASC was on the horns of a dilemma. The IASs contained choices to meet the acceptance than at the national level. In those circumstances, it was unlikely that IASs would be the basis for world wide comparability of accounting practices.

The International Accounting Standards Board (IASB) is an autonomous body in developing a single set of high quality global accounting standards for use throughout the world. More than 90 countries have agreed to use or permit to use of international Financial Reporting Standards (IFRS), enacted by the ISAB, beginning in 2005. The expansion of Japanese economy, the emergence of multinational companies along with a growing trend of joint ventures and international investments primarily promoted the concept of developing a united format and procedure for financial reporting.

Consequently, the accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, Netherlands, UK and the United States reached to an agreement to establish an independent committee, which could develop international accounting standards. These countries, therefore, constituted the board of the 'International Accounting standards committee (IASC), established in accordance with the aforementioned agreement in June 1973. Six more countries, Belgium, India, New Zealand, Pakistan and Zimbabwe were admitted in the committee as associate members in 1974. In the same year, the first

international accounting standard, i.e. IAS 1, dealing with the Presentation & Preparation of Financial Statements' was enhanced.

Another significant initiative in the standardization of accounting rules and procedures was the formation of the International Federation of Accountants (IFAC) in 1977. After inception, the international professional activities of the accountancy bodies were organized under the umbrella of the IFAC. The IASC continued to be an autonomous committee but, at the same time, maintained a close link with the IFAC in setting international accounting standards. However an agreement reached between the IASC and the IAFC in 1981, provided the IASC full and complete autonomy in setting international accounting standards and in publishing discussion documents on international accounting issues. As a result of this agreement, all members of the IAFC turned out to the members of the IASC.

Presently, IFRS is used in many countries in the world including Hong Kong, Russia, Certain European countries and Australia to name a few. The European commission has legitimized a regulation in 2001 that requires all listed companies in Europe to adopt IFRS by 2005 for their consolidated accounts. Many EU members have, however, moved a step forward by promulgating the accounting regulations demanding private companies to comply with IFRS. Concerning the accounting standards in the United States, the Financial Accounting Standards Board (FASB) has traditionally been assigned to promulgate the United States Generally Accepted Accounting Principles (US-GAAP). The IASB and the FASB have, however, agreed upon working towards convergence of two standards in late 2002. The IASB-FASB convergence effort basically comprises two kinds of projects (Schipper, 2005; 85). The first type embeds short-term projects aimed at removing many of the numerous individual differences between IFRS, which include IAS, and US GAAP. Examples of current and proposed short-term convergence efforts include the accounting treatments of non-monitory exchanges, discontinued operations, income taxes and interim reporting. The second type of convergence projects on revenue recognition and purchase method procedures, shared based payments and so on.

International Accounting Standards currently in use include IFRS 5 and IAS 1 to IAS 41, excluding IAS 9, 13, 15 and 35. Additionally, the IASB has a conceptual framework underlying its financial reporting standards and interpretations, i.e. the framework for the Preparation and Presentation of Financial Statements. The IASB has also published a series of interpretations of International Accounting Standards developed by the International Financial Reporting Interpretation Committee (IFRIC) and approved by the IASB. Apart from this, the IASB is cooperating with national accounting standard-setters to achieve convergence in accounting standards around the world. In recent years, the IASB has established its image as an independent accounting standard-setter for the private sector. Nepal as a member of WTO is expected to comply with the IASBs framework as well standards in order to comply with some of the initial requirements imposed by the WTO (Adhikari, 2005:150).

2.1.4 Accounting Standards in Nepal

2.1.4.1 Need of Accounting Standards in Nepal

Accounting standards are the measuring rods of the accounting regarding their usefulness. These standards become not only yardsticks against which current practice can be judged and recommendations for improvement can be made but also assist in establishing the scope of accounting. Accounting standards serve two purposes: first, helping in evaluating the adequacy of any accounting method and; second, providing a mechanism for determining the degree of compliance required for information related to a particular use. As there is importance of a standard language for communication in human life, there is need of accounting standards in corporate sectors for business communication via financial reporting system. They help in interpretation of the financial information presented in the financial statements for the purpose of making decisions regarding financial activities by the stakeholders like investors, creditors, employees, stock exchanges, government units, customers and others. It aids to the members of accounting profession too in satisfying its norms of competence.

The globalization of economies poses challenges both for the developed and developing world. Nepal got membership of WTO on 12 September 2003 and has become a part of a global trade regime. Nepal itself confronts a multitude of global challenges (internal and external). Now, the time has come to keep the economic system sound and perfect to cope up with global challenges. To be competitive, Nepalese corporate sector must acquire resources at competitive prices. The availability as well as the cost of resources depends on how well the companies disclose financial information to the suppliers of resources. Only the financial statements prepared and presented on the basis of specific standard can give investors valuable insights into 'real' performance of a firm comparable with other similar firm. This emphasizes the need to practice accounting standard in Nepal.

The need for highly quality accounting standards has been felt transparency and comparability in financial reporting practice in Nepal. With the globalization of financial and capital markets, the internationalization of accounting standards has inevitably become a trend. Over time Nepalese accounting standards have been harmonized and converged towards IFRSs. This apprehension has been fuelled in recent years by a startling increase in cross border activities. Another major reason for the need of standards is condition imposed by World Bank, ADB, OECD and development agencies and agencies for foreign aid and technical assistance.

The practice of accounting standards improves the quality of financial reporting. The benefits envisaged for the Accounting Standards are as follows:

- Reporting requirements becomes more consistent and logical because they will stem from an orderly set of concepts.
- There will not be avoidance of reporting requirements because of the existence of all embracing provisions.
- Practitioners and auditors are better able to understand the financial reporting requirements they face. Job of accountants becomes much easier. Choosing an accounting procedure is, for many accountants, time consuming, difficult and contentious. It may lead to conflict between management, which wants creative

accounting, and accountants who believe that another method is more appropriate. With uniformity, the chance of conflict over accounting method would be reduced.

- The uniformity of accounting procedures or use of accounting standards allows comparisons of accounting reports. Similar situations will be reported in a similar way and results will be directly comparable. Any differences in reported results will be due to differences in the circumstances and not in the accounting method.
- With uniformity accountants would be better able to defend their procedures in court. Because their choices would be limited, they could not be accused of choosing an accounting method to meet the needs of any particular group. This is an important consideration for accountants, particularly in Nepal where they are increasingly involved in litigation.
- Practice of accounting standards may lead to more rational resource allocation if the performance and financial position of all companies in an economy could be meaningfully compared.
- Stock exchange should be standardized to attract more investors. This is critical for market development. For this practice of accounting standards is a must. If the listed companies adopt accounting standards, it helps bring more companies into the stock market.

In Nepal, there are several laws and regulations requiring maintenance of proper accounts and preparation of financial statements by corporate sector organizations. For instance, the accounting related provisions in the Company Act, 2063; Income Tax Act, 2058 etc. requires the compliance with Nepal Accounting Standards. However, despite all these accounting related provisions in these Acts, there had not been any nationally mandated accounting standard in Nepal until the formation of Accounting Board in 2002 through a notification in the gazette. It should be noted that NASs are based on the IASs with least modifications to suit local practices (ASB/Nepal, 2003.)

HMG, donors and other regulating agencies for the past few years have put their utmost effort to educate and motivate the investors but with little visible impact. The

shareholders and potential investors are confused and apprehensive and, as a result, the distance between promoters and capital market investors is growing. Some of the major issues which gave rise to the need for NASs, are:

- Despite the existence of Nepal Stock Exchange Ltd. (NEPSE) for quite some time, its performance has not been up to the expected level and people generally shy away from stock trading. One of the major factors contributing to this downtrend has been the lack of confidence in the financial statements of the companies.
- There is a sheer absence of a mechanism, which could win the confidence of investors and convince them of investment security and adequate returns. This situation can only be improved by providing the investor with timely and reliable information as to result of operation and financial position which can be helpful in making correct analysis of financial prospects and providing proper guidance for sensible investment.
- There is no uniformity of standard followed in preparation and presentation of financial statements. The contents and the style of presentation are not comparable between entities to entity; be it within the industry or outside. The investors and other stakeholders have the information produced by all companies, which cannot be said to be transparent enough to confirm whether the interest of investor are adequately protected and promoted by the management. When the financial statements cannot be easily compared inside of Nepal, it will be unrealistic to expect foreigners to invest in Nepal based on such financial statements, which is neither based on any standards nor any guidelines
- Though Under the Companies act and securities exchange act, companies are required to produce annual financial statements. However companies adopt different accounting policies and ways of producing statements, which are not easily comprehensible and comparable. The other reason has been the need of complete disclosures for better decision-making. Most of the organization in Nepal are compatibly lacking on this front.

- With the entry into the WTO, it becomes all the more important that financial reporting be done as per the international accounting standards. We have to create a conducive, transparent, reliable and exemplary financial environment.

The application of accounting standards renders high quality financial information that satisfies the “qualitative characteristics” of understandability, relevance, reliability and comparability. Application of accounting standard would there-by benefit Nepalese organization by providing large pools of foreign capital at lesser cost.

As a signatory to the WTO document, Nepal Government may be required to provide market access to the financial and professional service sectors. Hence the country’s corporate sector and professional (accounting) service need to be adequately strengthened to maintain their competitive edge in facing the emerging challenges of global competition and utilize the opportunities beneficially for the economic development of the Nation.

2.1.4.2 Origin and Growth of Nepal Accounting Standards

Accounting practices as a language of trade and commerce should be common as the country moves towards globalization and open economy. The development of accounting standards in Nepal has greatly influenced by development overseas.

Nepal attained modern business environment a few decade ago. In the early age of industrialized era of Nepal, the need of modern accounting system was not felt. When business transactions started to increase, the need of systematic accounting procedure was felt. In the early days organizations and accounting professionals used GAAP in practice of accounting system. Later on high growth of multinational organizations and consciousness on professional accountants pushed the professional accountants to solve their common problems collectively. As a result, The Institute of Chartered Accountants of Nepal (ICAN) came into existence in 1997 by a special act of the Parliament, The Chartered Accountant Act, 1997 with the objective of regulating the financial reporting and accounting professions. To build up awareness of accounting standards the Institute

attempted to establish a set of accounting standards. Consequently in 2001, the institute established two internal committee called Accounting Standards Committee and Auditing standard Committee. The Accounting Standard Committee became instrumental in doing all the groundwork for the preparation of Accounting Standards. Within a short period this committee developed exposure drafts of various standards need instantly for the betterment of accounting profession and financial environment in the country.

Government also supported the committee. After a year, the committee was formally converted into the Accounting Standards Board (ASB) in 2002 through a notification in the gazette by the then Government of Nepal under Chartered Accountants Acts, 1997, section 15 (a) sub section (5). The role of Accounting Standard Boards is to develop accounting standards that will contribute to the improvement of financial reports. Thus, ASB/Nepal deigns and prepares accounting standards in Nepal.

As prescribed by the framework, the ASB has already developed and have made effective nineteen Nepal Accounting Standards by 16th July 2008

Eight more accounting standards, i.e. NAS 13, have already been issued for voluntary compliance effective from 16th July 2008. These eight standards will be made mandatory based on the need felt by the Board. The following are the standards pronounced by Accounting Standards Board Nepal.

Table 2.1
Voluntary Standards

NAS	Name	Initially Approved Date	Effective Date
14	Employee Benefits	22.07.2007	17.07.2007
21	Business Combination	22.07.2007	17.07.2007
23	Segment Reporting	22.07.2007	17.07.2007
24	Accounting and Reporting by Retirement benefit Plans	07.02.2008	07.02.2008
25	Investment in Associates	22.07.2007	17.07.2007
26	Earning Per Share	22.07.2007	17.07.2007
27	Intangible Assets	22.07.2007	17.07.2007

Table 2.2
Mandatory Standards

NAS	Name	Initial Effective Date	Revised Effective Date
1	Presentation of Financial Statements	16.07.2004	16.07.2008
2	Accounting Policies, Changes in Accounting Estimates and Errors	16.07.2004	16.07.2008
3	Cash Flow Statements	16.07.2004	16.07.2008
4	Inventories	16.07.2004	16.07.2008
5	Events after Balance Sheet Date	16.07.2004	16.07.2008
6	Property, Plant and Equipments	16.07.2004	16.07.2008
7	Revenue	16.07.2004	16.07.2008
8	Borrowing Cost	16.07.2005	16.07.2008
9	Income Taxes	16.07.2005	16.07.2008
10	Accounting for Government Grants and Disclosure of Government Assistance	17.07.2007	16.07.2008
11	The Effects of Changes in Foreign Exchange Rates	15.07.2006	16.07.2008
12	Provisions, Contingent Liabilities and Contingent Assets	15.07.2006	16.07.2008
13	Construction Contracts	15.07.2006	16.07.2008
15	Leases	15.07.2006	16.07.2008
16	Related Party Disclosures	17.07.2007	16.07.2008
17	Interim Financial Reporting	17.07.2007	16.07.2008
18	Impairment of Assets	17.07.2007	16.07.2008
19	Investment Property	17.07.2007	16.07.2008
20	Non- Current Assets held for sale and Discontinued Operations	17.07.2007	16.07.2008

2.1.4.3 Nature of Nepal Accounting Standards

NAS are the benchmarks which have to be complied with to ensure that general purpose financial statements provide the true and fair view of the affairs of the business and the financial position as at the reporting date. These are to be used by companies when they prepare their annual reports to ensure that the users of financial statements get the correct information for economic decision making. The accounting standards play a significant role in the accounting profession and practices with regard to application of accounting treatment to specific element of financial statement or specific commercial activities. At present NASs are enforced only in companies incorporated under the Companies Act. However, NASs are equally applicable in all sorts of companies viz Government owned, private, public, small, large etc.

The objective of the financial statement is to provide information about the financial position, performance and changes in financial position of an entity that is useful to a wide range of users for economic decision making. General purpose financial statements meet the common information needs of most of the users. Financial statements also show the result of the stewardship of management, or the accountability of management for the resources entrusted to it. And NASs provide basis for achieving consistency and uniformity in financial statement. NAS are based on IFRS which are issued by IASB in a way to suit to the local context.

2.1.4.4 Accounting Standards Setting in Nepal

ASB/Nepal is mandated by statute to follow IFRS while formulating Nepal Accounting Standards. Formulation of Accounting Standard constitutes three major processes namely: Preparation of Drafts, Public discussion of Exposure Drafts and Issuance of Standards.

The board forms technical committee, comprising of professional accountants and other experts in the field of accounting, for preparation of drafts of NASs. The proposed

standards in draft form recommended by the technical committee presented to the board. The board after reading the draft so presented and makes comments. The technical committee on the basis of comments from the board revises the drafts and again presents to the board and the board if deems the draft appropriate publishes it in the web site and also circulates to the stakeholders for public discussion.

The secretariat of the board distributes exposure drafts and request allowing period of two months for comments thereon. The board if deems necessary may organize workshops and seminars on such exposure drafts.

After discussion with the stakeholders the board makes necessary revision in the exposure drafts based on the recommendation from the stakeholder and issue as Nepal Accounting Standards (NAS). NASs are first issued for Voluntary Compliance for a minimum of two months period. After the end of voluntary compliance period the board makes decision to issue for mandatory compliance as it deems appropriate. ASB/Nepal assesses the need for revision of NASs considering the changes and developments in the international financial reporting standards and local environment the makes revision on the NASs from time to time on the basis of need assessment.

2.1.4.5 Purpose of Nepal Accounting Standards

As stated by ASB/Nepal the purposes of NASs are:

- Assist the ASB in the development of future NAS and in its review of those IASs that may become the subject of a NAS.
- Assist the ASB in promoting harmonization of regulations, accounting standard and procedures relating to the presentation of financial statements by providing a basis for reducing the number of alternative accounting treatments permitted by NASs.
- Assist prepares of financial statements in applying Nepal Accounting Standard and in dealing with topics that have yet to form the subject of NASs.
- Assist auditors in opinion as to whether financial statements conform to NASs.

- Assist users of financial statement in interpreting the information contained in the financial statements prepared in conformity with NASs.
- Provide those who are interested in the work of ASB with information about its approach to the formulation of Nepal Accounting Standards. (NAS-ASB/Nepal).

2.1.4.6 Scope of Nepal Accounting Standards

The scope of NASs is wide and it encompasses not only the members of ICAN but also all the concerned who prepares the financial statements for external users. Such financial statements are directed toward the common information needs of a wide range of users, for example shareholders, creditors, employees and the public at large.

The designed framework deals with:

- The objective of financial statements
- The qualitative characteristics that determine the usefulness of information in financial statement.
- The definition, recognition, and measurement of the element from which financial statements are constructed and
- Concept of capital and capital maintenance. (NAS-ASB/Nepal).

2.2 Review of Previous Research Works

The history on accounting standards is not very old in Nepalese context. It has only been seven years from the establishment of Accounting Standard Board (ASB) in Nepal. Due to delay in establishment of ASB and implementation of NASs very few individuals from the corporate sector are seem to be interested in the compliance and similar is the case with research relating to accounting standards. Only few researches have been conducted in the field of accounting practice in Nepal. It is realized that no attempt has been made to evaluate and analyze the awareness of accounting standards in the accounting practitioner of the Nepalese corporate sector. Though very few researches were made regarding the

accounting standards and accounting practice in Nepal, some of these researches related with this study are attempted to discuss here in the study.

2.2.1 Asian Development Bank (2002): *Nepal Government and Accounting Standard.*

This study pointed many weaknesses in the system of government account and thus, suggests adopting either International Public Sector Accounting Standards (IPAS) or NASs.

The major findings of the survey

- There is no complete reporting of Government cash funds.
- There is no reporting of Government assets, liabilities or equity.
- There is no accounting policies established for financial reporting.
- There is confusion of terminology used in financial reports
- There are deficiencies in reconciliation controls and balance confirmation.
- There are no general ledgers maintained for recording transactions.
- There is no audit opinion issued on the central financial reports.
- There is lack of financial reporting for management purposes.
- The prime records for financial reports are maintained manually.
- There is no complete database of various off budget funds maintained.

2.2.2 Accounting Standards Board, Nepal (2003)

The Major findings of the study

- Many companies are more focused on preparing financial system with the sole purpose of meeting the statutory obligations than making the financial statements comparable and understandable.
- There are cases where management is deceptive and thereby taking advantage of the weak accounting practice and defrauding shareholders and other stakeholders.
- In some cases, there is a complete lack of awareness and understanding of the accounting standards. Many of the accountants and auditors are ignorant of these

standards because accounting standards are not generally taught in schools, colleges of professional institutions of Nepal (ASB/ Nepal, 2003)

Major Recommendation:

Government should issue accounting policies and financial statement instructions on the basis of the accounting standards issued by the Accounting Standard Board (ASB), Nepal

2.2.3 Pandey (2004): *Accounting Standards and Practices of listed Companies in Nepal*

The study was set up as the first quest in the field of Nepalese Accounting Standards. In the present context the study was found as exploring the problem faced by Nepalese companies listed in NEPSE. The main objective of the study was to gain insight into the then reporting practices and compliance with the issued standards.

The study was conducted on the basis of primary and secondary sources of data.

Questionnaires to the accounting practitioners and the experts including the practitioners of the sampled organizations were used for primary sources of data published financial statements in the area of study were used as sources of secondary data.

Major findings of the study

- Poor practices and problems faced by the regulatory authorities in the implementation.
- The practice of preparation and presentation of financial statements was not comprehensive.
- None of the companies had disclosed the tax liabilities and assets as required by the standards.
- Most of the companies were preparing cash flow statement within the alternative treatment of accounting standards
- All the respondent companies were preparing financial statements according to the Company Act and Income Tax Act.

2.2.4 **Gautam, (2005):** *Accounting Standards, Practices, Problems and issues*

This study was a recent attempt initiated in the field of accounting standards on Nepal, after issuance of some mandatory accounting standards by ASB/Nepal. The research seems quite influenced by the questions like: what the problems Nepalese entities and their practitioners were facing? what are the emerging issues on NAS?, does the NASs match with the other standards like IASs and IFRSs? Thus the research is considered very relevant for this study.

His main objectives:

- To analyze the policies and methods of accounting followed by the different companies listed NEPSE.
- To compare the requirements of NASs with the existing accounting policies and methods followed by these companies.
- To identify practical problems in implementation of NASs.
- To observe the effect of accounting standard practice on the functioning of capital market in Nepal.

His major findings:

- Most of the listed companies of Nepal prepared their financial reporting as per both local GAAP and directives of regulating bodies before the existence of NASs.
- Awareness was a major problem for the execution of NASs.
- Auditors of Nepalese listed companies mostly guided by local GAAP.
- Only the mandatory requirements of NASs can inject uniform accounting practice in Nepal.
- Insurance Board and Nepal Rasta Bank are not still ready to execute NASs in the organization under their regulation with mandatory requirements.

The researcher had suggested some emerging issues, as NASs were implemented like diversified regulating rules on accounting practice, unavailability of NASs in local

Languages, lack of competent professional accountants, immature/underdeveloped practice of accounting systems and ethics, NASs for both private and public companies etc. In the context of objective achievement the research seemed very close to it and hence concluded that, most of the requirements of NASs were most similar to existing practice. Thus, there is not /will not be any problems in execution of NASs.

2.3 Research Gap

Since long time back, there was a concern for implementing accounting standards in Nepal, both in national and international spectrum. A number of seminars and meeting organized by international agencies and donor countries, during the nineties, emphasized the essentiality of developing accounting standards not only for the enhancement of financial accountability in the private sector but also for easing the flow of international investments. The focus was on standardization of financial statements in order to augment their effectiveness and to mould them in unified format. In the context of above facts some of the partial or complete researches can be found in the field of accounting standards in Nepal. Among all, research conducted on the topic before were concerned only with the compliance of national and international accounting standards in Nepal. Previous researches had emphasized and confined with management accounting instead of covering overall accounting practice in the corporate sector and awareness of accounting standards among the accounting practioners. Some of the researches have tried to highlight the compliance of accounting standards but were confined to IAS only. So far, 26 accounting standards have been issued, nineteen of them have been issued for compulsory compliance and 7 are issued for voluntary compliance as on first of Shrawan 2065. Even after the issue and implementation, the follow up has not been made neither from government sectors nor private sectors to observe the outcomes or impact of the accounting standards implementation. Some of the research works carried out were concerned with practice of preparation and presentation of financial statements and problems faced by regulatory authorities however, an empirical research on the practice of accounting standards, its awareness, effectiveness and impacts have not been measured though it was needed to explore the deviations of NASs, degree of its awareness in

Nepalese corporate sector and requirements in order to get aware about accounting standards. Thus, there was a massive gap on the topic. This research has uncovered this research gap. The study is aimed at exploring the degree of awareness of NASs in Nepal and making broad recommendations on the successful execution of NASs in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research questions. It refers to the steps to be adopted by a researcher in studying a problem with certain objectives in view. It is important to select appropriate research methodologies that facilitate the research to carry great weight and to be scientific. Therefore, here upon appropriate research methodology or research strategy has been followed to meet the proposed objectives of the study. This chapter is devoted to the research methodologies of this research which includes the research design, selection of population and sample, sampling procedure, sources of data, data collection procedure, method of analysis and presentation, tools and techniques of analysis.

3.1 Research Design

Research design is a proposal to guide researcher in the process of collection, analysis and interpretation observations. It is a logical model to prove that the researcher has drawn inferences concerning casual relations among the variables under the research study. The research design also defines” the domain of generalized ability, that is, weather the attained understanding can be generalized to a large population or under different situations” (Nachmis, 1987:103). A research plan prescribes the boundaries of research activities that enable to channelize the energies in the right work in the research. The research design is the task of defining a research problem. It is a plan, structure and strategy of research conceived so as to obtain answer to research questions and control variance (Wolf & Pant, 2003:74). In fact, the research design is the conceptual structure within the research conducted. It constitutes the blueprint for the collection, measurement and analysis of data (Kothari, 1990:39).

This research has been carried out to probe into the state awareness of Accounting Standards in the Nepalese corporate sector. The study has also made an effort to find out

causes hindering the awareness of accounting standards. This research study attempted to analyze the primary data (i.e. responses and opinions of accounting practitioners) as well as secondary data (i.e. syllabus covered by the courses offered by Nepalese Universities). Both types of data were used. Therefore, this was a comprehensive research. Hence, a survey research designed with descriptive and exploratory approach was followed for primary data collection and exploratory research design was used for secondary data.

3.2 Populations and Sample

All the practitioners (i.e. Chief Finance/ Account Officers of corporate firms) were considered as the total population of the study. Out of them, for convenience, the practitioners within Kathmandu Valley were considered as target population for the study.

Out of target population, 42 corporate firms were sampled as shown in the Table 3.1.

Table: 3.1
Groups of Respondents and their Sample Size

<i>S.N.</i>	<i>Denomination of the Respondents</i>	<i>Sample Size</i>
1	Accounting Practitioners	39
2	Accounting Experts	36
	Total	75

3.3 Sampling Procedure

The total population has been concentrated into two strata i.e. accounting practitioners and accounting experts.

Practitioners include the Chief Finance/ Account Officers of the corporate firms. The Name list of the listed companies was obtained from office of Nepal Stock Exchange. As per the nature of the study, the samples of practitioners had been taken using convenient sampling procedure by taking 39 corporate firms out of 194 listed companies. Experts

include chartered accountants members of the Institute of Chartered Accountants of Nepal

3.4 Sources of Data

According to the nature of study, the study requires primary as well as secondary data.

Primary data were collected through a schedule of self constructed questionnaires, informal and formal dialogues, discussions and interviews with concerned persons. Separate sets of questionnaires were used to have opinion/information from the sample population.

Secondary data needed for the study were collected from the published and unpublished syllabus the courses offered by concerned universities. The framework of Nepal Accounting Standards and International Accounting Standards/International Financial Reporting Standards were also used as secondary source of data. Further, relevant journals, magazines and other publications as well as internet sites of international journal and concerned organizations were used.

3.5 Data Collection –Procedure

Primary data required for the study were collected by using a schedule of self administered questionnaires and distributing them to practitioners and experts within Kathmandu valley.

Every practitioner was asked a total of nine question, comprising of one general question, five multiple choices closed questions, one multiple choices open end questions and two open questions. In the same way every experts was asked with a total of eight questions.

Secondary data required for the study were obtained through the courses of respective universities. Courses were collected visiting the respective universities. The other sources of secondary data were accessed through websites, journals and newspapers.

3.6 Method Of Data Collection and Analysis

Analysis is a careful study of available facts so that one can understand and draw conclusions from one of them on the basis of established principles and sound logic. This is an important part in research work. Therefore, collected data from secondary and primary sources were presented in appropriate forms like tables, diagrams and figures.

Research is an observance while analysis was simply descriptive. In research, firstly the collected questionnaires were classified according to sample population. They were then edited to ensure their accuracy and completeness. The edited data were then presented by using tables and charts as per their appropriateness. Comparative tables were prepared on the basis of existing practices. Charts were prepared to show the relation between variables.

3.7 Tools and Technique of Analysis

The collected information was tabulated in a frequency distribution separately for the purpose of data presentation, analysis and extract findings. The descriptive analysis tools such as frequencies, percentages and weighted index were applied on arithmetical tool to analyze and interpret data. The appropriate diagrams were also used to 'show the information collected and results obtained. In order to test the significance of association amongst the views of accounting practitioners and accounting experts, inferential tools such as Spearman's Rank Correlation Coefficient, Karl Pearsons coefficient of correlation were used. A brief description of them has been appended below.

3.7.1 Weighted Index:

Weighted index is an important tool on analyzing ranking question. The respondents in the survey were asked to place alternatives in order of relative importance with the most important 1, the next 2 and so on. The most important alternative was given the highest weight. For example, in a question with 5 alternatives, the most important alternative was given 5 as weight, the next 4 and so on. The weighted index of each alternative was obtained by summing the product of weight and number of frequencies.

3.7.2 Spearman's Rank Correlation Coefficient:

Spearman's Rank Correlation Coefficient is used when observation deals with qualitative attributes. Here the researcher has made an effort to find if two attributes i.e. constraints for awareness of NASs given by accounting practitioners and accounting experts, were correlated or not.

It is assumed that,

- R1 denotes the ranks of accounting experts view on constraints for awareness of NASs
- R2 denotes the ranks of accounting practitioners view constraints for awareness of NASs

Spearman's Rank Correlation Coefficient, usually denoted by P (Rho) is given by the formula:

$$p=1-\frac{\sum d^2}{N(N^2-1)}$$

Where,

$\sum d^2$ = Sum of the squared of the difference between the pair of ranks

N= Number of the pair of ranks.

Decision: Value of p ranges between +1 and -1. If the result obtained is positive, the view given both practitioners and experts are correlated and if it is negative, their views are not correlated to each other.

3.7.3 Karl Pearson's Coefficient of Correlation

Karl Pearson's Coefficient of Correlation is mathematical method for measuring the intensity or the magnitude of linear relationship between two variable series. It is known as Pearson's Correlation Coefficient between two variables X and Y, usually denoted by $r(X, Y)$ or r_{xy} or simply r , is a numerical measure of linear relationship between them and is defined as the ratio of covariance between X and Y, written as $Cov(X, Y)$ to the product of the standard of X and Y. Symbolically;

$$r = \frac{Cov(X, Y)}{\sigma_x \sigma_y}$$

Where, X denotes the practitioners' response on NASs

Y denotes the experts' response on NASs.

$$Cov(X, Y) = \frac{1}{N} \sum XY - \bar{X}\bar{Y}$$

$$SD_x = \sqrt{\frac{1}{N} \sum X^2 - \bar{X}^2}$$

$$SD_y = \sqrt{\frac{1}{N} \sum Y^2 - \bar{Y}^2}$$

Where,

N= No. of options provided

$\sum XY$ = Sum of the product of X and Y

\bar{X} = Average value of X

\bar{Y} = Average Value of Y

$\bar{X}\bar{Y}$ =Product of \bar{X} and \bar{Y}

$\sum X^2$ = Sum of the Square of X

$\sum XY^2$ = Sum of the Square of Y

\bar{X}^2 = Square of \bar{X}

\bar{Y}^2 = Square of \bar{Y}

Decision: If the result is positive, the view given by both the practitioners and the experts are correlated and if it is negative, their views are not correlated to each other.

3.8 Respondent's Profile

For primary data purpose, two types of questionnaires were distributed to accounting practitioners and accounting experts differently. 39 questionnaires were distributed to the practitioners and 36 questionnaires to accounting experts. Out of them, 35 practitioners and 33 experts replied the questionnaires. Different number and percentages of responses received from the respondents are presented in the table 3.2 and 3.3 and their respective figures in figure 3.1 and 3.2 below

Table 3.2
Questionnaires Collected from Accounting Practitioners

Stratums	<i>No. of Questionnaires Distributed</i>	<i>No. of Questionnaires Collected</i>	<i>Percentage of response</i>
Commercial Banks	7	7	19
Finance Companies	7	7	19
Insurance Companies	5	5	14
Trading Organization	6	6	17
Manufacturing and Processing Organization	6	6	17
Development Bank	1	1	3
Hotels	4	1	3
Others	3	2	8
Total	39	35	100

Source: Opinion Survey/2010

Figure 3.1
Questionnaires Collected from Accounting Practitioners

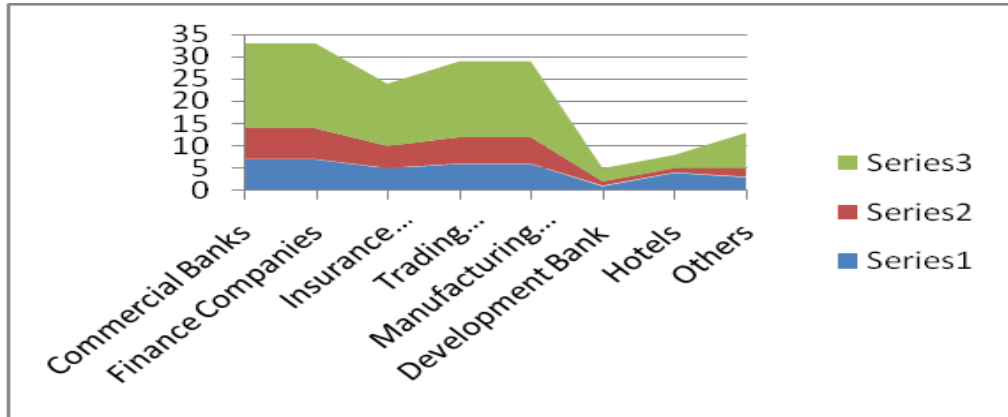
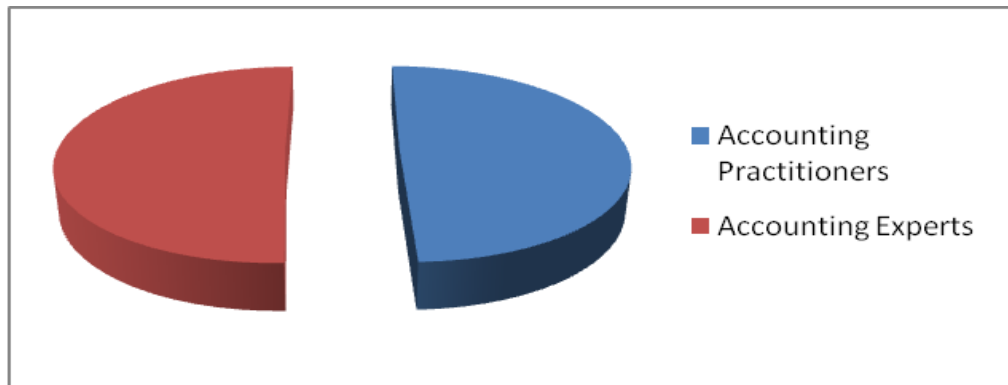


Table 3.3
No of Questionnaires Distributed and Collected

Stratums	<i>No. of Questionnaires Distributed</i>	<i>No. of Questionnaires Collected</i>	<i>Percentage of response</i>
Accounting Practitioners	39	35	89.74
Accounting Experts	36	33	91.67

Source: Opinion Survey/2010

Figure 3.2
No of Questionnaires Distributed and Collected



CHAPTER IV

DATA PRESENTATION AND ANALYSIS

Raw data do not have any significance unless they are systematically presented and analyzed. This study also may not remain isolated from the reality. So, this chapter presents and analyzes information collected from primary sources and analyzes information collected from primary sources i.e. through questionnaires, informal discussion and interview method as well as secondary sources i.e. published courses of concerned universities. For the sake of convenience, this chapter has been classified into five sections. They are;

- Analysis of practitioners' opinion.
- Analysis of experts' opinion.
- Analysis of published courses of concerned universities.
- Comparative analysis of respondents' opinion.
- Major findings of the study.

For primary data collection, the total population was classified into two strata; accounting practitioners and accounting experts. The accounting experts include Chief Finance/Account Officer of the corporate firms, while the accounting experts include chartered accountant members of the Institute of Chartered Accountants of Nepal (ICAN). The accounting practitioners and the accounting experts within Kathmandu valley were considered as target population. The respondents were requested to response on questionnaires by four ways.

- They were requested to provide their personal details/general information.
- They were requested to respond by selecting one or more options.
- They were requested to respond by assigning the rank starting from 1 to 5 according to their acquaintance with the statement provided from most important to least important respectively.

- They were also requested to put their views on any concerned issue, comment and suggestions wherever necessary.

The responses from various respondents have been collected, arranged, tabulated and analyzed in order to facilitate the descriptive analysis of the study. The format of the questionnaires and the list of respondents have been placed in annex 1 and annex2 respectively.

4.1 Analysis of Practitioners Opinion Survey

Analysis of practitioners' opinion survey includes the opinions of the accounting practitioners i.e. Chief Accountant Officers (CAO) of the corporate Firms of Nepal listed in the Nepal Stock Exchange (NEPSE), regarding the awareness of NASs. All the data were collected through primary sources i.e. questionnaires and interview methods. The total number of questionnaires distributed was 39 and the response obtained was 35. In the study, self administered questionnaires mainly the list, category, ranking and commenting questions were used. Both open and close end questions of questionnaires response have been analyzed. Out of 10 questions asked, one was related to respondents' personal detail, 8 questions were closed end type including ranking questions and the rest one was opinion question.

4.1.1 Practitioners' View on Awareness With IASs

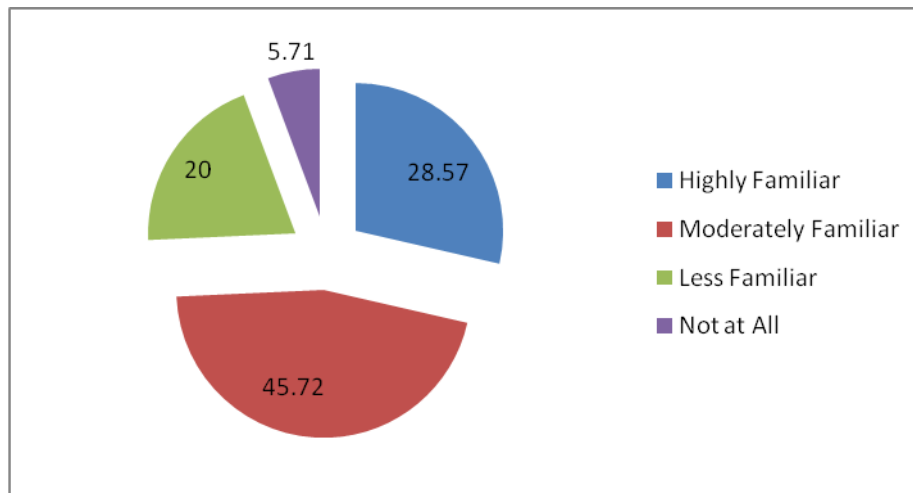
In the harmonization with the international accounting standards/international financial reporting system accounting standards, NASs are formulated. It has been assumed in this question that the practitioner were aware with IAS/IFRS might be more or less aware about NAS also. The responses have been presented in Table 4.1 and Figure 4.1:

Table 4.1
Practitioners Response on Awareness with IASs

Options	Frequency	(%)
Highly Familiar	10	28.57
Moderately Familiar	16	45.72
Less Familiar	7	20
Not at All	2	5.71
Total	35	100

Source: Questionnaire survey 2010

Figure 4.1
Practitioners Response on Awareness with IASs



From the table 4.1 and figure 4.1 above, it is clear that only 28.57% of Nepalese corporate firms are highly aware with IASs. Almost half of the corporate Firms are moderately aware about IASs as depicted by 45.72%. About 20% are found to be less aware and 5.71% of the corporate firms are found as totally ignorant about IASs.

4.1.2 Practitioners Response on Awareness with the terms of NASs

The practitioner who is well known with the terms of NASs must be somewhat aware about its objectives, scope and accounting treatment provided by it. The question aimed at polling the respondents to the main objective of the study. The responses obtained were as follows;

Table 4.2

Practitioners Familiarity with the Term NASs

Options	Frequency	(%)
Highly Familiar	14	40
Moderately Familiar	16	45.71
Less Familiar	4	11.43
Not at All	1	2.86
Total	35	100

Source: Questionnaire survey 2010

Figure 4.2

Practitioners Familiarity with the Term NASs

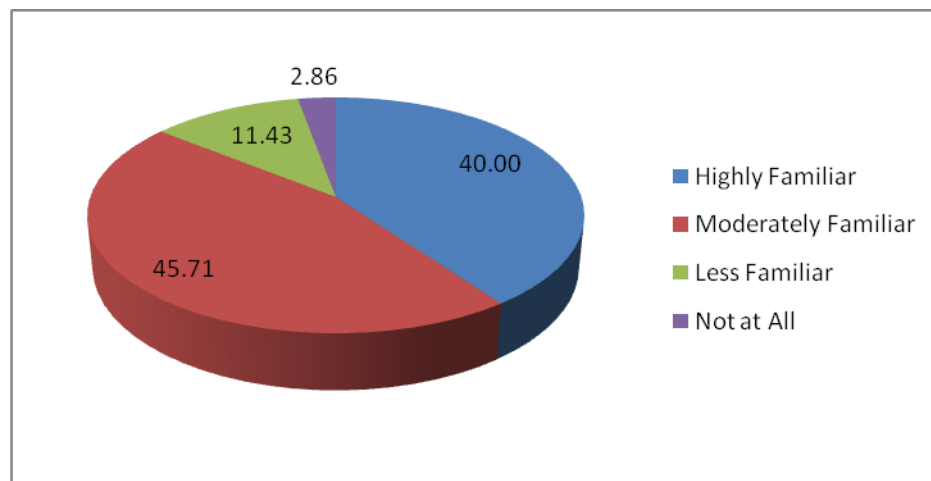


Table 4.2 and Figure 4.2 depicts that 40% of the practitioners in the Nepalese corporate sector are highly familiar with the term NAS. 45.71% of the respondents are found

moderately familiar. 11.43% are found less familiar with the term NAS while only 2.86% are totally unaware of the term.

4.1.3 Awareness on Mandatory issued NASs

It was aimed in the question that the practitioner who does not know how many NASs are mandatory issued till the date of survey, he is not aware about the NASs and who can answer he must have some knowledge about NASs. The responses are obtained as follows.

Table 4.3
Awareness on Mandatorily Issued NASs

Options	Frequency	%
13	10	28.57
14	4	11.43
19	8	22.86
26	13	37.14
Total	35	100

Source: Questionnaire survey 2010

It is depicted in the Table 4.3 that Most of the accounting practitioners in the Nepalese corporate sector are not aware of mandatorily issued NASs as only 22.86% respondent are correct. Maximum responses are on behalf of 26 NASs (which is the total number of NASs issued till date including NASs for voluntary compliance). For that 37.14% respondents have responded

4.1.4 Practitioners' Professional Status

The professional status plays a significant role in the awareness of accounting standards. From the prior studies it is found that, the professional course of CA has included the accounting standards on its syllabus. But in most of the universities syllabus, the accounting standards have not been found included, although this is subject matter of the

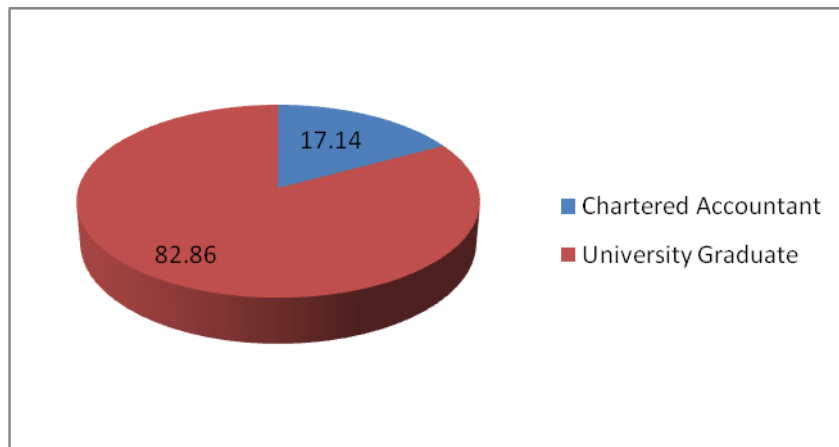
study. Assuming CAs are more aware on NASs than the university graduates, the question aimed to measure the awareness situation of NASs in the corporate firms from the practitioners' professional status. The responses obtained are presented in the following table and figure

Table 4.4
Practitioners' Professional Status

Options	Frequency	Percentage
Chartered Accountant	6	17.14
University Graduate	29	82.86
Total	35	100

Source: Questionnaire survey 2010

Figure 4.3
Practitioners' Professional Status



The above Table 4.4 and Figure 4.3 depicts clearly that the accounting practitioner of Nepalese corporate firm are mostly from university graduation. 82.86% of the practitioners are found as university graduate. Only 17.14% of the practitioners are CA or ACCA member.

4.1.5 NASs Training to Employees

Education and training are essential for learning and implementation NASs. Only the formulation of NASs cannot achieve its desired objectives. To obtain desired objectives, relevant programs should be initiated to the concerned sectors. For that, accounting practitioners of different corporate firms should be trained on NASs. With this fact, the question was to obtain about the NASs training taken or not by the practitioner or his/her employee. The response given by those are shown in the following table and figure

Table 4.5
Training to Employees on NASs

Options	Frequency	Percentage
Number of Staff trained with NASs	65	25.38
Number of Staff not trained with NASs	140	74.62
Total number of Staff in Account section	205	100

Source: Questionnaire survey 2010

Figure 4.4
Training to Employees on NASs

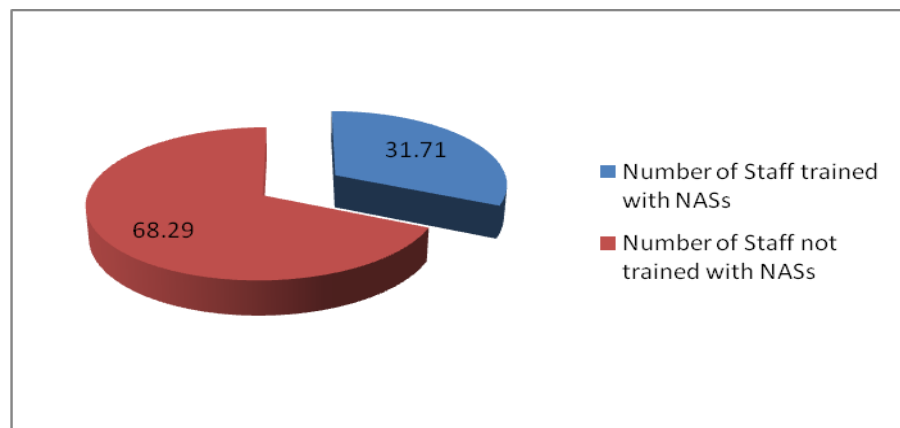


Table 4.5 and Figure 4.4 reveals that, out of 205 practitioners and their assistants in account section under study, only 65 had taken training on NASs i.e. only 31.71 % are trained. It shows that almost 1/3th of the total accounting practitioners are far from the NASs trainings. That may be the major reason for being unaware about NASs.

4.1.6 Major Constraints for Awareness of NASs

Accounting Standard Board/Nepal has already been executed 26 NASs (including those issued for voluntary compliance as well). From the preliminary study it was found that, awareness of NASs has not been widespread. There may be some constraints for unawareness of accounting standards. In order to know what the major constraints are for such unawareness of NASs in Nepalese corporate firms, opinions from accounting practitioners were collected. The responses are presented in the following table

Table 4.6
Major Constraints for awareness of NASs

Options	No. of Respondents Ranking as						Total	Weighted Index	Rank
	1	2	3	4	5	Not Responded			
Unavailability of Training	1	2	6	12	14	4	39	141	1 st
Expensive Training Costs	7	8	4	12	4	4	39	103	4 th
Language Problem	6	10	8	9	2	4	39	96	5 th
Inactive Role of Regulatory body	3	6	7	11	8	4	39	120	3 rd
Lack of Management Awareness	5	3	4	5	18	4	39	133	2 nd

Source: Questionnaire survey 2010

As depicted in the Table 4.6, unavailability of NASs training programs is found as the major constraint in awareness of NASs. Management of the corporate firms' unawareness towards the NASs is the second major constraint. Third major constraint is inactive role of regulatory body. Expensive NASs training cost is found as the fourth constraint and NASs available only in English language i.e. not available in Nepali is the fifth constraints respectively.

4.1.7 Practitioner' View on Implementation of NASs

Though, NASs have been issued with mandatory compliance, they are not fully complied with. It is because there is no active role played by regulating authority. On the other hand, there is no any provision in case of non compliance. Thus this question attempted to find the views of practitioners' whether NASs should be practiced as recommendatory requirement (voluntary compliance), mandatory requirement or any other method. The response was as tabulated in the following table and figure

Table 4.7

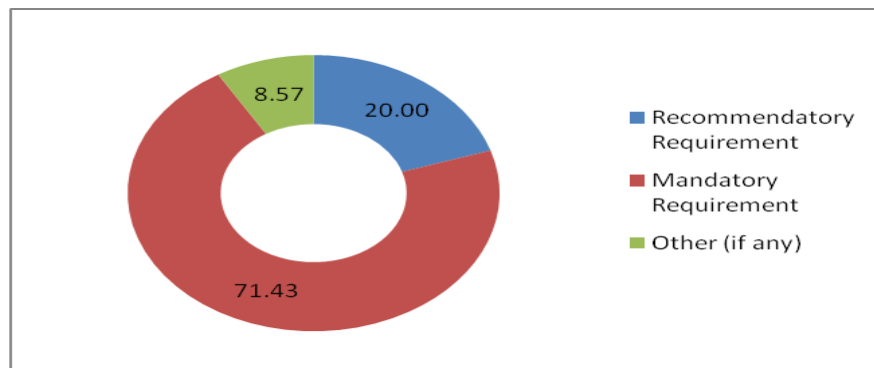
Training to Employees on NASs

Options	Frequency	Percentage
Recommendatory Requirement	7	20
Mandatory Requirement	25	71.43
Other (if any)	3	8.57
Total	36	100

Source: Questionnaire survey 2010

Table 4.5

Training to Employees on NASs



From the above table and figure, it is clear that 71.43% practitioner's have responded in favor of mandatory compliance of NASs. The view of practitioners in favor of

recommendatory requirement of NASs is 20%/ the other methods NASs to be executed specifying practitioners are also 20%. 8.57% of the respondents have specified different methods for implementation of NASs. The major methods NASs to be executed provided by the practitioners are

- For all types of organizations, for initial five years NASs should be issued for voluntary compliance.
- Mandatory form is very difficult and contrabass; so for some years it should be recommendatory and then after only mandatory.
- Some of the NASs should be recommendatory also. So, both recommendatory as well as mandatory should be followed as per their scope and objectives and as per the nature of the organizations.

4.2 Analysis of Experts' Opinion Survey

Analysis of experts' opinion survey includes the opinions of the accounting experts' i.e. chartered accountant members of The Institute of Chartered Accountants of Nepal (ICAN), regarding the awareness of NASs. All the data were collected through primary sources i.e. questionnaires' response have been analyzed. In this study self administered questions were used .Out of 9 questions asked, one was related to general information, 7 questions and the rest one was open question. The total number of experts who have responded was 33 out of 35 to whom questionnaires were distributed.

4.2.1 Experts' Response on the Awareness with IASs

In connection with the harmonization with the international accounting standards NASs are formulated. It has been assumed in this study that the expert who was aware with IASs might be more or less aware with NASs. The responses have been presented in Table 4.1 and Figure 4.6.

Table 4.8

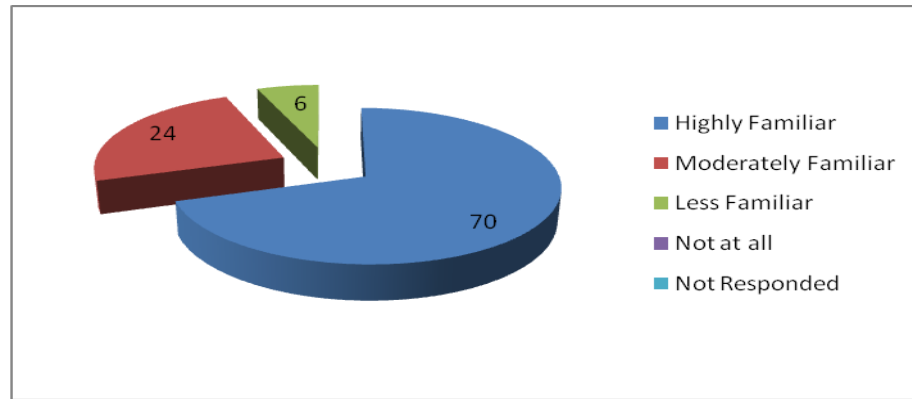
Experts' Response/s on awareness with IASs

Opinions	Frequency	Percentage
Highly Familiar	23	70
Moderately Familiar	8	24
Less Familiar	2	6
Not at all		
Total	33	100

Source: Questionnaire survey 2010

Figure 4.6

Experts' Response/se on awareness with IASs



As shown in the Table 4.8 and Figure 4.6, among 35 accounting experts i.e. CAs 70% are found highly aware with IASs. 24% of CAs are found moderately aware and 6% are appeared to have less awareness of IASs. No CAs is found to be totally unaware about the IASs.

4.2.2 Experts Response on the Awareness with the Term NASs

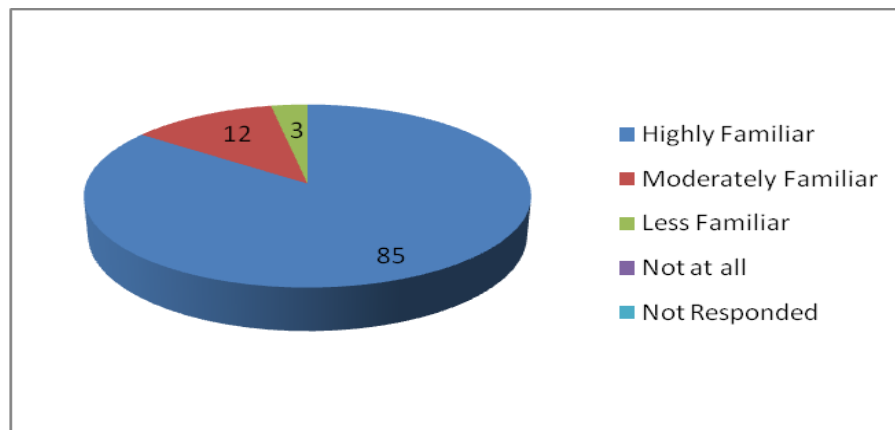
The experts who have knowledge of NASs must be somewhat aware about its objectives, scope and provisions. The question aimed at collecting the respondent's opinion on the main objectives of the study. The obtained responses were as follows.

Table 4.9
Experts' Familiarity with the Term NASs

Options	Frequency	Percentage
Highly Familiar	28	85
Moderately Familiar	4	12
Less Familiar	1	3
Total	33	100

Source: Questionnaire survey 2010

Figure 4.7
Experts' Familiarity with the Term NASs



The Table 4.9 and Figure 4.7 above show that, most of CAs in Nepal i.e. 85% are highly familiar with the term NASs 12% of the CAs are moderately familiar and only 3% of CAs are found less familiar with that term (out of respondents the question).

4.2.3 Awareness on Mandatory NASs

It is aimed in the question that the CA who does not know how many NASs are mandatorily issued till date of survey, he is not aware about the NASs and who can answer he must have somewhat knowledge about NASs. The responses are obtained as follows:

Table 4.10
Awareness of Mandatory NASs

Options	Frequency	%
13	1	3.03
14	0	0
19	27	81.82
26	5	15.15
Total	33	100

It is found in Table 4.10 that, accounting experts' in Nepal are highly aware about the mandatory NASs as 81.82 % of respondent delivered correct responses. All other have given the wrong answer. In the study it is found that, some of the respondents are CAs from ICAI. Others not responding are found to be unaware with mandatory NASs, so they did not respond.

4.2.4 Awareness of NASs in Organizations

The accounting experts are involved in the organization for accounting and auditing work. They are directly concerned with the accounting practices followed by the organizations. Their work experience can show clearly how much the Nepalese organization is aware with the NASs. With this question, it is attempted to find out the situation regarding the awareness of NASs in Nepalese corporate firms. The responses are as shown in Table 4.11 and Figure 4.8.

Table 4.11

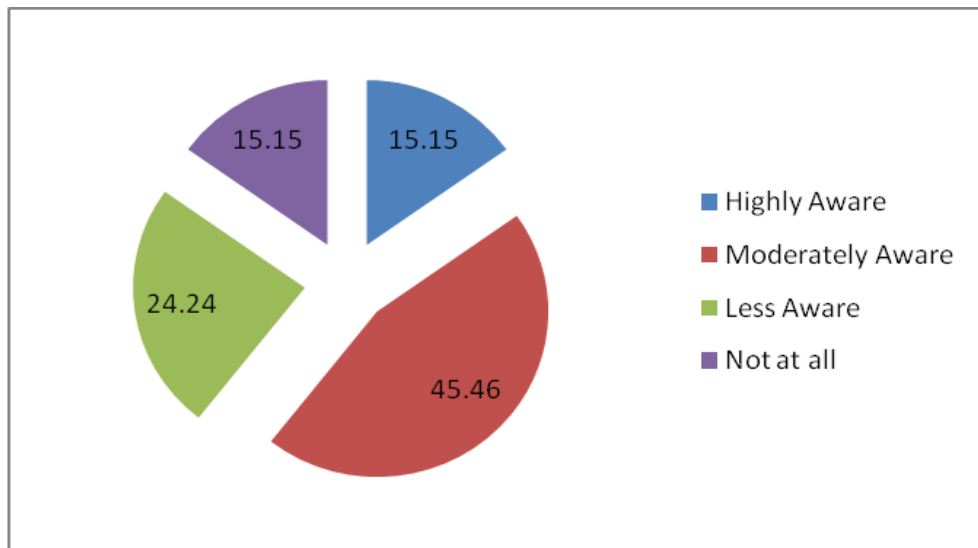
Awareness on Mandatory Implemented NASs

Options	Frequency	%
Highly Aware	5	15.15
Moderately Aware	15	45.46
Less Aware	8	24.24
Not at all	5	15.15
Total	33	100

Source: Questionnaire survey 2010

Figure 4.8

Experts' Opinion on Awareness of NASs in Organizations



As depicted in table 4.11 and figure 4.8 the accounting expert have responded that 45.46% of the organization where they are rendering their services are moderately aware about NASs where as 24.24% are less aware about NASs. In the same way 15.15% of the organization are highly aware and by the same percentage totally unaware about NASs.

4.2.5 Major Constraints for Awareness of NASs

Accounting Standard Board/ Nepal (ASB/N) has already been executed 26 NASs since 16 July 2004. It has been all together 26 standards (i.e. Mandatory Standards, Voluntary Standards, Standards under Consideration and Exposure Drafts). From the preliminary study it has found that, awareness of NASs has not been widespread. There may be some of the constraints which are averting awareness on accounting Standards. In order to know what constraints are causes for such unawareness of NASs in Nepalese corporate firms, opinions from accounting experts are collected. The responses are as presented in Table 4.12.

Table 4.12
Major Constraints for Awareness of NASs

Options	No. of Respondents Ranking as						Total	Weighted Index	Rank
	1	2	3	4	5	Not Responded			
Unavailability of Training	4	2	3	4	15	8	36	128	1 st
Expensive Training Costs	5	5	4	11	4	7	36	104	4 th
Language Problem	6	8	8	7	2	5	36	84	5 th
Inactive Role of Regulatory body	3	6	7	9	6	5	36	115	3 rd
Lack of Management Awareness	0	0	3	12	13	8	36	124	2 nd

Source: Questionnaire survey

As depicted in the Table 4.12, unavailability of NASs training programs is found as the major constraint in awareness of NASs. Management of the corporate firms' unawareness

towards the NASs is the second major constraint. Third major constraint is inactive role of regulatory body. Expensive NASs training cost is found as the fourth constraint and NASs available only in English language i.e. not available in Nepali is fifth constraints respectively.

4.2.6 Experts' View in Execution Method of NASs

Though, NASs have been issued for mandatory compliance, level of compliance is not apprehending It is because of low level of supervision. On the other hand, there is no any provision for penalties in case of non compliance. Thus, this question attempted to find the views of experts whether NASs should be practiced as recommendatory requirement, mandatory requirement or any other method. Also it is expected that, the experts who have responded the question have knowledge of NASs. The responses are as tabulated in Table 4.13 and Figure 4.9.

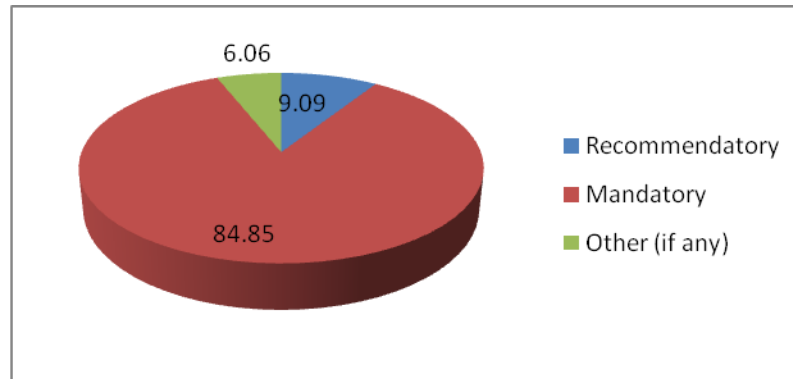
Table 4.13
Experts' Opinion on Execution Method of NASs

Options	Frequency	%
Recommendatory	3	9.09
Mandatory	28	84.85
Other (if any)	2	6.06
Total	33	100

Source: Questionnaire survey 2010

Figure 4.9

Experts' Opinion on Execution Method of NASs



As depicted in the table 4.13 and figure 4.9, 84.85% experts responded in favor of mandatory compliance of NASs. 9.09% of the expert have responded for the recommendatory requirement where as only 6.06% of the expert have suggested other methods. They are

- Mandatory but along with provision for raising awareness.
- Recommendatory upto certain period than mandatory.
- Implementation after broad discussion and training.

4.3 Analysis of Secondary Data

Secondary data are those which are not originated during the course of study but are facts collected from someone else's records. For analytical purpose, syllabuses of courses offered by different universities of Nepal were observed to see their role on awareness of NASs. From the analysis of primary data above, it has been found that majority of the accounting practitioners in Nepalese corporate firms were a university graduate. To implement NASs effectively, the accounting practitioners should have possessed a sound knowledge of accounting standards. The accounting practices of practitioners directly relates with their academic background. What they have learnt in their academic courses, which they apply while doing their jobs practically. Thus, the awareness of NASs largely depends upon the courses of different universities as well. Had there been comprehensive course of study about accounting standards in the syllabus of those universities, the products of those universities must have somewhat knowledge on accounting standards

and that might have been applied in the practical life also. So in the study, it was attempted to find out whether Nepalese universities are providing knowledge sufficient enough to produce a NAS aware practitioner or not.

Four Universities of Nepal having management faculty under study were included to observe their courses. They were Tribhuvan University (T.U), Kathmandu University (K.U), Pokhara University (Po.U) and Purbanchal University (P.U). Under each of these Universities, different educational programs were observed and the findings that were drawn are as below:

4.3.1 Kathmandu University (K.U)

Kathmandu University has designed three courses in the field of management and accounting. They are:-

- a) Bachelors of Business Administration (BBA)
- b) Master of Business Administration (MBA)
- c) Executive Master of Business Administration (EMBA)

K.U has its own assumptions on designing the course structure. It doesn't flash out its overall course contents publicly in detail. It provides a dynamic course structure in every level and every semester.

In the study, only general outline of the course was provided to the researcher and for details, the professors for Financial Accounting was consulted. According to them, its framework on accounting standards was as shown in the Table 4.14, Table 4.15, and 4.16 respectively.

Table 4.14

Provisions of Accounting Standards in the Syllabus of K.U

Program	BBA (8 semesters)
Semester	I
Subject	Financial Accounting-I (ACC.201)
Matter	General Discussion on IASs and GAAP.
Estimated Lecture Hours	2

Source: Kathmandu University

Table 4.15

Provisions of Accounting Standards in the Syllabus of K.U

Program	MBA (4 semesters)
Semester	I
Subject	Financial Accounting (ACC.501)
Matter	General outline on IASs, General outline on NASs, Principles, Philosophy, infrastructures, guidelines and convergence of NASs.
Estimated Lecture Hours	3-4

Source: Kathmandu University

Table 4.16

Provisions of Accounting Standards in the Syllabus of K.U

Program	EMBA (4 semesters)
Semester	I
Subject	Financial Accounting (ACC.501)
Matter	General outline on IASs, General outline on NASs, Principles, Philosophy, infrastructures, guidelines and convergence of NASs.
Estimated Lecture Hours	3-4

Source: Kathmandu University

4.3.2 Pokhara University (PU)

The courses of different academic programs under the Pokhara University were studied. Very little amount on Accounting Standards and Generally Accepted Accounting Principles was found included in the course of study. NASs have not been found included in the syllabus. The inclusions found are shown in Table 4.17 and 4.18 respectively.

Table 4.17
Provision of Accounting Standards in the Syllabus of PU

Program	BBA
Semester	I
Subject	Financial Accounting
Matter	Generally Accepted Accounting Principles (included under introduction course content) Preparation of Financial Statements as per IASs (not included in the syllabus but different colleges and universities are applying as literature review).
Estimated Lecture Hours	About 0.5 LH

Source: Publications of PU

Table 4.18
Provisions of Accounting Standard in the Syllabus of PU

Program	MBA
Semester	I
Subject	Financial Accounting
Matter	Accounting as an Information System (Not included in topic but many of the colleges found as discussing on their other activities in classes as literature on GAAP).

Source: Publications of PU

4.3.3 Purbanchal University

The courses on different college under the affiliation Purbanchal University were studied. Under Purbanchal University, different academic programs related to Accounting are in operation like Bachelor of Business Administration (BBA), Master of Business Administration (MBA), and Executive Master of Business Administration (EMBA) etc. In the study, at least a little inclusion about Accounting Standards was found in the BBA program. Semester-I of BBA program under the subject of Financial Accounting-I, some of the inclusions were found. In unit II i.e. Basic Accounting Concept and Convention is included under Generally Accepted Accounting Principles (GAAP) and Financial Reporting System in point no. c among the three points. Unit II has as three lecture hours so the topic is predicted as equivalent to one lecture hour. Also in the same subject, unit VII, the whole chapter was related to the accounting standard which included Benefits, Types, International Accounting Standards, and Accounting Standards in Nepal. No more content in addition to these were found in the BBA Syllabus. Very little inclusion about Accounting Standard was found in MBA, semester I, recently designed for the 2066 batch. In the subject of Financial Accounting (MGT 521:3) chapter 1, i.e. 'Accounting Concepts and premises' of 10 lecture hours, the term Accounting Standard was included along with many other terms. It could be predicted that the term was subject matter to discuss not for even 1 lecture hour. The Accounting Standard was not found discussed in the other programs of PU.

4.3.4 Tribhuwan University

Tribhuwan University is one of the institutions with large volume of students enrolling and has colleges widespread in Nepal under its affiliation. It is a government sector University. The largest numbers of educational disciplines are being offered by TU. BBS, BBA and MBS are the programs offered under Accounting/Management faculty, products of which are still working in major volume in Nepalese Organizations. In this study, all the accounting related programs of Tribhuwan University were observed. But the term Accounting Standard or NAS were found no-where.

4.4 Comparative Analysis of Opinion Survey

To draw the conclusions of the study, different statistical tools have been used to compare and assess the views of respondents i.e. accounting practitioners and accounting experts. The Statistical tools used under the study were Spearman's rank correlation coefficient and Pearson's Correlation coefficient.

4.4.1 Test of Rank Correlation Coefficient

4.4.1.1 Respondents Observation on the Reason for Unawareness of NASs

Accounting Practitioners' and Accounting Experts' opinion on the major constrains for the awareness of NASs as presented in Table 4.6 and Table 4.14 respectively maybe consistent or inconsistent to each other. There maybe significant correlation between their views or may not be. In this regard, test of rank correlation coefficient between the opinions of accounting experts and accounting practitioners on the reason for unawareness of NASs was considered.

Here, let R_1 be the rank of accounting practitioners' opinion
 R_2 be the ranks of Accounting Expert's opinion.

Table 4.19
Correlation of Accounting Practitioners' and Experts Opinion

Options	R_1	R_2	$D(R_1 - R_2)$	D^2
Unavailability of Training Programs	1	1	0	0
Expensive Training Costs	4	4	0	0
Languages Problem (i.e. NASs available only in English)	5	5	0	0
Inactive Role of ICAN	3	3	0	0
Lack of Management Awareness	2	2	0	0

Rank Correlation Coefficient i.e. (ρ) is obtained by the following formula.

$$\rho \text{ (Rho)} = 1 - \frac{6\sum D^2}{N(N^2-1)} \quad \text{For (n-2) degree of freedom}$$

Where, $\sum D^2$ = Sum of the square of the rank difference
 N = Number of ranks = 5

$$\begin{aligned} \text{Hence, } \rho &= 1 - \frac{6 \times 0}{5(5^2-1)} \\ &= 1 - \frac{0}{120} \\ &= 1 \end{aligned}$$

Decision: $\rho=1$, that is, there is perfect positive correlation between the views given by accounting practitioners and accounting experts on the reason for unawareness of NASs.

4.4.2 Test of Pearsonian Correlation

4.4.2.1 Respondents Observation on the Familiarity with IASs

Accounting practitioners' and accounting experts' opinions on the familiarity with IASs as presented in the Table 4.1 and Table 4.8 respectively may be consistent or not. There may be significant correlation between the views. In this regards, test of Pearsonian correlation coefficient between the opinions of accounting practitioners and accounting experts on the familiarity with IASs was done.

Let, X denotes the Practitioners' view on familiarity with IASs
 Y denotes the Experts' view on familiarity with IASs

Table 4.20

Computation of Pearsonian Correlation Coefficient

Options	X	Y	XY	X ²	Y ²
Highly Familiar	10	23	230	100	529
Moderately Familiar	16	8	128	256	64
Less Familiar	7	2	14	49	4
Not at all	2	0	0	4	0
N=4	ΣX=35	ΣY= 33	ΣXY= 372	Σ X ² =409	Σ Y ² = 597

Correlation coefficient (r) is obtained by the following formula

$$r = \frac{\text{Cov}(X,Y)}{\sigma_x \sigma_y}$$

Where,

$$\text{Cov. (X, Y)} = \frac{1}{N} \sum XY - \bar{X}\bar{Y}$$

$$\sigma_x = \sqrt{\frac{1}{N} \sum X^2 - \bar{X}^2}$$

$$\sigma_y = \sqrt{\frac{1}{N} \sum Y^2 - \bar{Y}^2}$$

Now,

$$\text{Cov. (X, Y)} = \frac{1}{5} \times 372 - 7 \times 6.6 = 28.20$$

$$\sigma_x = \sqrt{\frac{1}{5} \times 409 - 49} = 5.727$$

$$\sigma_y = \sqrt{\frac{1}{5} \times 597 - 43.56} = 8.709$$

Now,

$$r = \frac{342}{5.727 \times 8.709} = 0.57$$

Result: r = 0.57, that is, there is a positive correlation between X and Y.

Decision: Hence, the views given by practitioners and experts were positively correlated on familiarity with IASs.

4.4.2.2 Respondents Observation on the Familiarity with NASs

Accounting practitioners' and accounting experts' opinions on the familiarity with NASs as presented in the Table 4.2 and Table 4.9 respectively may be consistent or not. There may be significant correlation between the views. In this regards, test of Pearsonian correlation coefficient between the opinions of accounting practitioners and accounting experts on the familiarity with NASs was done.

Let, X denotes the Practitioners' view on familiarity with NASs
 Y denotes the Experts' view on familiarity with NASs

Table 4.21
Computations of Pearsonian Correlation Coefficient

Options	X	Y	XY	X ²	Y ²
Highly Familiar	14	28	392	196	784
Moderately Familiar	16	4	64	256	16
Less Familiar	4	1	4	16	1
Not at all	1	0	0	1	0
N=4	ΣX=35	Σy= 33	ΣXY= 460	Σ X ² =469	Σ Y ² = 801

Correlation coefficient (r) is obtained by the following formula

$$r = \frac{\text{Cov}(X,Y)}{\sigma_x \sigma_y}$$

Where,

$$\text{Cov.}(X, Y) = \frac{1}{N} \sum XY - \bar{X}\bar{Y}$$

$$\sigma_x = \sqrt{\frac{1}{N} \sum X^2 - \bar{X}^2}$$

$$\sigma_y = \sqrt{\frac{1}{N} \sum Y^2 - \bar{Y}^2}$$

Now,

$$\text{Cov. (X, Y)} = \frac{1}{5} \times 460 - 46.2 = 45.8$$

$$\sigma_x = \sqrt{\frac{1}{5} \times 469 - 49} = 9.69$$

$$\sigma_y = \sqrt{\frac{1}{5} \times 801 - 43.56} = 10.80$$

Now,

$$r = \frac{45.8}{9.69 \times 10.80} = 0.44$$

Result: $r = 0.44$, that is, there is a positive correlation between X and Y.

Decision: Hence, the views given by practitioners and experts are positively correlated on familiarity with IASs.

4.4.2.3 Respondents Observation on Mandatory NASs

The test was conducted to measure the relationship of the views of accounting practitioners and accounting experts as tabulated in table 4.3 and table 4.10.

Let, X denotes the Practitioners' view on familiarity with NASs

Y denotes the Experts' view on familiarity with NASs

Table 4.22

Computations of Pearsonian Correlation Coefficient

Options	X	Y	XY	X ²	Y ²
13	10	1	10	100	1
14	4	0	0	16	0
19	8	27	216	64	729
26	13	5	65	169	25
N=4	$\sum X=35$	$\sum y= 33$	$\sum XY= 291$	$\sum X^2=349$	$\sum Y^2= 755$

Correlation coefficient (r) is obtained by the following formula

$$r = \frac{\text{Cov}(X,Y)}{\sigma_x \sigma_y}$$

Where,

$$\text{Cov.}(X, Y) = \frac{1}{N} \sum XY - \bar{X}\bar{Y}$$

$$\sigma_x = \sqrt{\frac{1}{N} \sum X^2 - \bar{X}^2}$$

$$\sigma_y = \sqrt{\frac{1}{N} \sum Y^2 - \bar{Y}^2}$$

Now,

$$\text{Cov}(X, Y) = \frac{1}{5} \times 291 - 46.20 = 12$$

$$\sigma_x = \sqrt{\frac{1}{5} \times 349 - 49} = 4.56$$

$$\sigma_y = \sqrt{\frac{1}{5} \times 755 - 43.56} = 10.37$$

Now,

$$r = \frac{12}{4.56 \times 10.37} = 0.25$$

Result: $r = 0.25$, that is, there is a positive correlation between X and Y.

Decision: Hence, the views given by practitioners and experts were positively correlated on familiarity with IASs.

4.5 Major Findings

Findings are the information and facts consequential to the analysis of data during the study. During the study, the researcher tried to obtain the facts or information that is particularly consistent with the research objectives. But, while materializing the main objectives of the study, some of the other findings were realized in connection with the objectives of the study.

- Issuance of NASs is an attempt of ASB/Nepal to implement the harmonized accounting standards in Nepal in line with global practice. It is the process of making financial reporting practice comparable with globally accepted practices in accounting. Thus, it should also be comparable and acceptable over the nation. But practices in Nepal are somewhat deviated with existing practices found in the study. Those deviations are due to various provisions in company act, income tax act, etc. They do not have any interest or they do not allow getting interested on NASs because of their own regulating acts. Due to that reason also the corporate firms are found ignorant of NASs.
- It is also found from the study that, information regarding NASs has not been continuously circulated to the concerned for raising awareness of the NASs to the practitioners discharging the accounting function in the Nepalese corporate sector. As most of the practitioners in Nepalese corporate firms are university graduates, they are found unaware of NASs for non-inclusion of accounting standard in the study material of the Nepalese universities.
- A satisfactory level of accounting practitioners is found aware with IASs. It is found from the study that, accounting experts are more aware about IASs than practitioners as shown by the result of data analysis that 70% of the experts are highly aware about IAS whereas only 28.57% practitioners are found highly aware. Very little number of practitioners and none of the experts are found totally unaware with IASs.
- 40% of accounting practitioners and 85% of experts are found highly familiar with the term NAS. In the same way 81.82% of experts and 22.86% of practitioners are found familiar with the mandatory issued NASs. It shows a very positive indication regarding the increasing awareness of NASs. Totally unaware experts are not found but, 2.86% practitioners are found as totally unaware about NASs. Majority of the practitioners (around 46%) are found moderately familiar with NASs.
- Most of the CAO/Head of Accounts in Nepalese corporate firms are university graduates. Only 17.14% of the respondents are found to be professional accounting practitioners i.e. CAs.

- Very high number of employee in Nepalese corporate firms account section are found not trained on NASs. That also shows that most of are unaware with NASs.
- In the view of accounting Practitioners in Nepalese corporate firms as well as experts the major contributing factors for unawareness of NASs is unavailability of NASs training program. Opinion of the expert as well as accounting practitioner is same regarding the constraints for awareness of NASs.
- Majority of the respondents recommended for the issuance of NASs for mandatory compliance both in the category of accounting practitioners and experts. However the percentage of the expert recommending for mandatory issuance is higher than that of accounting practitioners.
- The major issue found in the study is the discrepancy in accounting treatment prescribed by different regulating laws to different organization. The NASs are not found as the standard prescribed in all the sectors. The NRBs directives, insurance act, income tax act has prescribed different treatment for certain transaction rather than uniformly specifying the compliance with the NASs.
- The largely recommended comments and/or suggestion by the both accounting experts as well accounting practitioners to raise the level of awareness regarding the NASs in the Nepalese corporate firms' culture is providing continuous training on NASs to the accounting practitioners.
- Inadequate enforcement mechanism and weak regulatory oversight by the implementing agency.
- Courses offered by the universities of Nepal are not adequate to provide the insightful knowledge on accounting standards.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter attempts to set down the main theme of the research study in précis form.

This chapter includes summary and conclusion of the study and the recommendations to the concerned sector.

5.1 Summary

Nothing can be isolated from the changes. The whole world is changing day by day with change in all the factors like economic, social, cultural, political, technological etc.

Globalization is also the outcome of changes. Due to globalization, world has become like a market. All trade barriers are dissolving gradually and all the nations are competing with each other to gain the competitive advantages from liberal economic market.

The process of harmonization of accounting standards has also surfaced as a result of globalization. For comparison financial performance and financial position of two or more organizations within or across the nation need for the harmonization of accounting practices i.e. GAAP has emerged. Gradually, it spread all over the world in the form of IASS or IFRS.

As a part of global economy Nepal has also initiated in the field of harmonization of accounting practices with the formation of ICAN and ASB/Nepal. After that, nineteen mandatory and seven voluntary accounting standards are issued till date. But none of the concerned sectors were found alarmed in the evaluation of implementation effectiveness, identification of the present status of awareness of NASs and related issues thereof. The study was conducted being affected from the reality.

The study has been carried out for examining the awareness status of NASs among listed companies of Nepal. Under study, different literatures in the field of accounting standards

were reviewed to examine the findings prior to this study and to direct the study in a proper manner. Both primary data (i.e. opinions of accounting experts and practitioners) and secondary data (i.e. course of studies of various Nepalese universities) were used. For the sampling process, 36 respondents from ACAN members out of 507 were sampled by using judgmental sampling procedure and 39 companies listed in NEPSE out of 194 were sampled by random sampling procedure. The syllabuses of four Nepalese universities were studied for analysis of secondary data. Data collected from both the sources were analyzed by way of tabulation and diagrammatic presentations.

Through the study, it has been found that, accounting experts were more aware about the term NAS, NASs issued till date as well as objective and scope of the NASs than that of accounting practitioners in Nepalese corporate firms. Majority of the practitioners were found as having moderate awareness of NASs. Among the accountants of Nepalese corporate firms, large proportion was found to be university graduated and not trained on NASs. Also the organizations which were audited by the experts were found having moderate awareness on NASs. Views on the factors causing unawareness regarding NASs were found to be similar in the opinion of practitioners as well as experts.

The major factors for unawareness of NASs were found as unavailability of NASs training programs and lack of awareness in management level of the corporate firms. Expensive training costs and inactive role of regulating authorities were also found as the major factors causing unawareness of NASs.

Courses designed in different universities of Nepal were not found sufficient and appropriate to chase away the unawareness of NASs. The major accountant producing university (i.e. TU) has not incorporated accounting standards in its syllabus. Those which have it were just insufficient to provide the practical and working knowledge of the accounting standards. This has been found as one of the major contributory factor for the unawareness of NASs in the corporate firms of Nepal.

Diversified regulating rules on accounting practice, unavailability of NASs in local language, small number of professional accountants, immature practice of accounting systems and NASs were found as the prevailing issues in the field of NASs.

5.2 Conclusions

The adoption of NASs has become inevitable for the fair presentation of financial position and performance. Furthermore from 2011 onwards Nepal has to adopt IFRSs. It is essential and necessary for Nepalese corporate firms to be along with the procedure to maintain a place as one of the most attractive capital markets for foreign investors. To measure and evaluate the economic activities of various organizations in the same industry, financial reporting practices among the organizations should be homogeneous.

From the study it has been found that, most of the accounting practitioners in Nepalese corporate firms are unaware about the term NAS, its objective, scope etc. Still it is noteworthy that uniform and high quality accounting standards with considerable effects for all adopting companies cannot be accomplished simply with a mutual regulatory framework. Being able to establish a set of appropriate accounting standards applicable for all companies across nations, it is in need to consider other interests' views in terms of the interpretation of the standards and the manner of the approaching procedure. The major reason for being practitioner's unawareness is unavailability of training programs on NASS. The other constraints are lack of management awareness, expensive training costs, inadequate oversight by the regulatory authorities, non inclusion of comprehensive matter of study on accounting standards by Nepalese universities etc. From the comparative analysis, it has been found that, accounting experts are more aware than accounting practitioners

5.3 Recommendations

For the proper implementation of standards, awareness on it is essential to the stakeholders. Study is conducted to measure and evaluate the extent of awareness of

NASs. From the study it is found that the level of awareness about accounting standard was found low among the accounting practitioner as compared to the accounting experts who are found to have sound knowledge of accounting standard. After the statements of findings of the study, the researcher has acknowledged to make following recommendations to raise the awareness of accounting standard and to create the environment conducive for compliance with the accounting standards.

- Different acts and rules regulating different organization and other regulatory laws and regulation should be uniform regarding the accounting transaction as specified by the accounting standard. There should not be conflict in the provisions of different acts and rules for the accounting treatment of any specific transaction.
- Training, workshops or seminar programs on NASs should not be like an earning pot as seen up to now. Training, workshops or seminars should have the power, which could motivate the trainees rather than making them to avoid it. Cost of training or workshop should be affordable and the trainer should be professional and expert having sound knowledge of NASs and IASs.
- Training and workshop should be conducted regularly. Furthermore, such programs should be conducted nationwide instead of being concentrated within the major cities.
- Proper enforcement mechanism should be developed to make sure that the national accounting standards are complied with. And adequate regulatory oversight should be exercised.
- Statutory regulators should exercise their authority to pressure the preparers of financial statements to comply with the accounting standards. Regulatory Authorities in fulfillment of periodic reporting requirements and other disclosure events should be scrutinized carefully to assure compliance with accounting standards. Non-compliance should be dealt with severely.
- In order to cope with global market, Nepal must adopt internationally accepted Accounting standards i.e. IFRSs. NASs also should be dynamic and standardized

as IFRSs. Therefore the ASB/Nepal should be equipped. It should be provided with resources to keep pace with the frequent adjusted IFRSs.

- Terms used and language used in the NASs are also found as one of the contributing factor to the low level of awareness of NASs. Thus, NASs should also be issued in Nepali language as well and the complex terms should be avoided as far as possible so that the NASs could be easily understood by the accounting practitioners.
- Implementing authority should carry out teaching and training programs in cooperation with universities or other educational institute.

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Annex-I

Cover Letter to Accounting Practitioner

Dear Respondent,

This research aims to see the current awareness status of Nepal Accounting Standards (NASs). This study is being carried out to fulfill the partial requirement of MBS degree. I request you to give some of your invaluable time to complete the following questionnaire. I assure you that the information collected will be strictly kept confidential and will be used only for the research purpose.

Thanking you

Prahlad Gautam

Questionnaires to the accounting practitioners

1. Respondents Personal Detail

Gender: Male/ Female..... Formal
Education.....
Designation..... Professional Experience (in
years).....
Age (in years).....

Types of organization:

- | | |
|----------------------------------|----------------------|
| (a) Commercial Banks | (b) Finance Company |
| (c) Insurance Company | (d) Development Bank |
| (e) Manufacturing and Processing | (f) Trading Company |
| (g) Hotel | (h) Others |

2. Are you familiar with International Accounting Standards (IASs)?

- | | |
|-------------------------|----------------------|
| (a) Highly Familiar | <input type="text"/> |
| (b) Moderately Familiar | <input type="text"/> |
| (c) Less Familiar | <input type="text"/> |
| (d) Not at all | <input type="text"/> |

3. Are you familiar with the term Accounting Standards (NASs?)

(a) Highly Familiar

(b) Moderately Familiar

(c) Less Familiar

(d) Not at all

4. Do you know how many Mandatory Accounting Standards in Nepal are issued till date?

(a) 13

(b) 14

(c) 19

(d) 26

5. What is your professional status?

(a) Chartered Accountants

(b) University Graduate

6. Have you or your employee ever taken training on NASs

(a) Number of staff trained	
(b) Number of staffs not trained	
(c) Total Number of staffs in account section	

7. In what form would you like NASs be practiced in Nepal

(e) Recommendatory Requirement

(f) Mandatory Requirement

(g) If other.....(Please Specify)

8. What do you think are the major constraints for awareness of NASs among practitioners?

The following maybe the constraints for awareness of NASs in listed corporate firms in Nepal. Please read each of the following statement and encircle at the appropriate given alternative number	Strongly Disagree	Slightly Disagree	Neither agree nor Disagree	Slightly Agree	Strongly Agree
(a) Unavailability of training programs	1	2	3	4	5
(b) Expensive training cost	1	2	3	4	5
(c) Language Problems	1	2	3	4	5
(d) Inactive role of regulatory body	1	2	3	4	5
(e) Lack of management awareness	1	2	3	4	5

9. Would you please, provide any issue and comments/ suggestions regarding the promotion of awareness of NASs?

(a)

(b)

(c)

Thank you for your kind coopeartion

Annex-II

Cover Letter to Accounting Experts

Dear Respondent,

This research aims to see the current awareness status of Nepal Accounting Standards (NASs). This study is being carried out to fulfill the partial requirement of MBS degree. I request you to give some of your invaluable time to complete the following questionnaire. I assure you that the information collected will be strictly kept confidential and will be used only for the research purpose.

Thanking you
Prahlad Gautam

Questionnaires to the Accounting Experts

1. Respondents Personal Detail

Name..... Formal
Education.....
Profession..... Professional Experience (in
years).....
Name of Organization you are Associated with.....

2. Are you familiar with International Accounting Standards (IASs)?

- (a) Highly Familiar
- (b) Moderately Familiar
- (c) Less Familiar
- (d) Not at all

3. Are you familiar with the term Accounting Standards (NASs?)

- (a) Highly Familiar
- (b) Moderately Familiar
- (c) Less Familiar
- (d) Not at all

4. Do you know how many Mandatory Accounting Standards in Nepal are issued till date?

(a) 13

(b) 14

(c) 19

(d) 26

5. Do you think most of the Organizations which you are Auditing for are Aware of NASs?

(a) Highly Familiar

(b) Moderately Familiar

(c) Less Familiar

(d) Not at all

6. In what form would you like NASs be practiced in Nepal

(e) Recommendatory Requirement

(f) Mandatory Requirement

(g) If other.....(Please Specify)

7. What do you think are the major constraints for awareness of NASs among practitioners?

The following maybe the constraints for awareness of NASs in listed corporate firms in Nepal. Please read each of the following statement and encircle at the appropriate given alternative number	Strongly Disagree	Slightly Disagree	Neither agree nor Disagree	Slightly Agree	Strongly Agree
(f) Unavailability of training programs	1	2	3	4	5
(g) Expensive training cost	1	2	3	4	5
(h) Language Problems	1	2	3	4	5
(i) Inactive role of regulatory body	1	2	3	4	5
(j) Lack of management awareness	1	2	3	4	5

8. Would you please, provide any issue and comments/ suggestions regarding the promotion of awareness of NASs?

(d)

.....

.....

.....

(e)

.....

.....

.....

(f)

.....

.....

Thank you for your kind coopeartion

Annex III

List of Sample Respondents

Accounting Practitioners

<i>S.N.</i>	<i>Name of Organizations</i>	
Group-1	Commercial Banks	
1	1	Bank of Kathmandu Ltd. Kamaladi, Kathmandu.
2	2	Everest Bank Ltd. Lazimpat, Kathmandu.
3	3	Kumari Bank Ltd. Putalisadak, Kathmandu.
4	4	Laxmi Bank Ltd. Hattisar, Kathmandu.
5	5	Nabil Bank Ltd. Kamaladi, Kathmandu
6	6	Nepal SBI Bank Ltd. Hattisar, Kathmandu.
7	7	NCC Bank Ltd. Baghbazar, Kathmandu.
8	8	Prime Commercial Bank Ltd, New Road
9	9	Nepal Bangladesh Bank Ltd., Bijulibajar
10	10	Nepal Investment Bank Ltd, Darbarmarg
11	11	Nepal Bank Limited, New Road
12	12	Krishi Bikash Bank Ltd, Ramshahpath
Group-2	Financial Companies & Development Banks	
13	1	Manjushree Financial Institution Ltd. Baneshwor, Kathmandu
14	2	Lumbini Finance & Leasing Co.Ltd. Tridemi Marg, Thamel, Kathmandu.
15	3	Professional Bikash Bank Ltd., Banepa, Kavre.
16	4	Suryodarshan Finance Co. Ltd, Kathmandu.
17	5	United Finance Ltd, Kathmandu.

Group-3	Insurance Companies	
18	1	Everest Insurance Co. Ltd. Hattisar Kathmandu.
19	2	NB Insurance Co. Ltd. Bagbazar, Kathmandu.
20	3	Prime Life Insurance Co., Kathmandu
21	4	Nepal Life Insurance Co. Heritage Plaza, Kamaladi, Kathmandu
Group-4	Trading Organization	
22	1	Bishal Bazar Co. Ltd. Sukrapath, Newroad, Kathmandu.
23	2	Nepal Trading Ltd. Sanepa, Lalitpur.
24	3	Nepal Welfare Co. Ltd. Maitidevi, Kathmandu.
25	4	Nepal Wool Trading Co. (P) Ltd. Pulchowk, Lalitpur.
26	5	Plastic Trading Co. Ltd. Teku, Kathmandu.
27	6	Salt Trading Corporation, Kalimati, Kathmandu.
Group-5	Manufacturing and Processing Companies	
28	1	Arun Vanaspati Udhog Ltd. Ganabahal, Kathmandu.
29	2	Harisiddi Brick and Tiles Factory Ltd. Kamaladi, Kathmandu.
30	3	Himalayan Distilary Ltd. Pulchowk, Kathmandu.
31	4	Jyoti Spinning Mills Ltd. Jyoti Bhawan, Kantipath, Kathmandu.
32	5	Shree Bhrikuti Pulp and Paper Nepal Ltd. Nayabaneswor, Kathmandu
33	6	Gorakhkali Rubber Udyog Ltd. Kalimati, Kathmandu.
Group-6	Hotels	
34	1	Soltee Hotel Ltd. Kalimati, Kathmandu.
35	2	Taragoun Regency Hotel, Boudha, Kathmandu.
36	3	Yak and Yeti Hotel Ltd. Darbarmarg, Kathmandu.
Group-7	Others	
37	1	Butwal Power Company, Kumaripati, Lalitpur
38	2	National Hydrowpower Company, Kamaladi, Kathmandu.
39	3	Nepal Film Development Co. Ltd. Balaju, Kathmandu.

Accounting Expert

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8	Sudeep Man Shrestha
9	Chetra Gopal Pradhan
10	Ishwor Pokharel
11	Sujan K afle
12	Devendra Gautam
13	Puspendra Singh Shrestha
14	Chandra Kanta Bhandari
15	Sujit Rimal
16	Raju Gauli
17	Roshan Neupane
18	Hem Kafle
19	Shekhar Thapa
20	Shiva Ram Mishra
21	Lok Raj Sharma
22	Surakshit Sharma
23	Janak Raj Kalakheti
24	Rakesh Prajapati
25	Surendra Prasad Kuswha
26	NK Joshi
27	Raju Koirala

28	Keshab Neupane
29	Keshab Kanta Paudel
30	Bir Bhadra Lamichane
31	Prakash Baral
32	Gaurav Rijal
33	Santosh Panta
34	Sushil Raj Khanal
35	Subhash Adhikari
36	Bigyan Shrestha