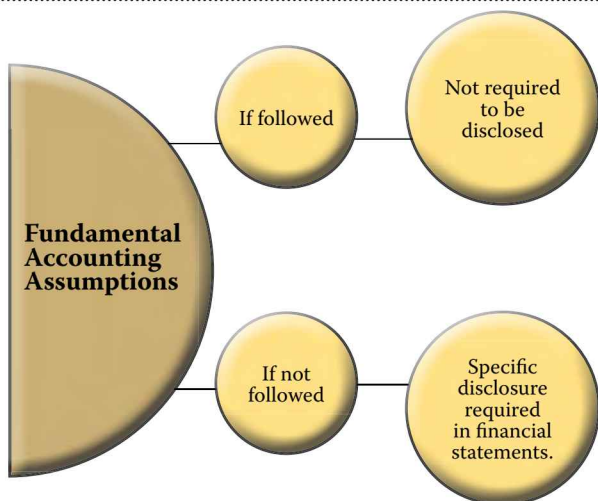
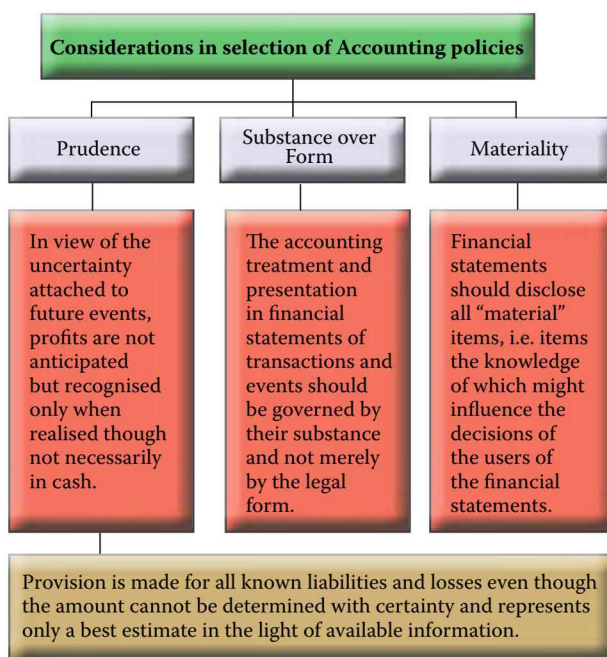
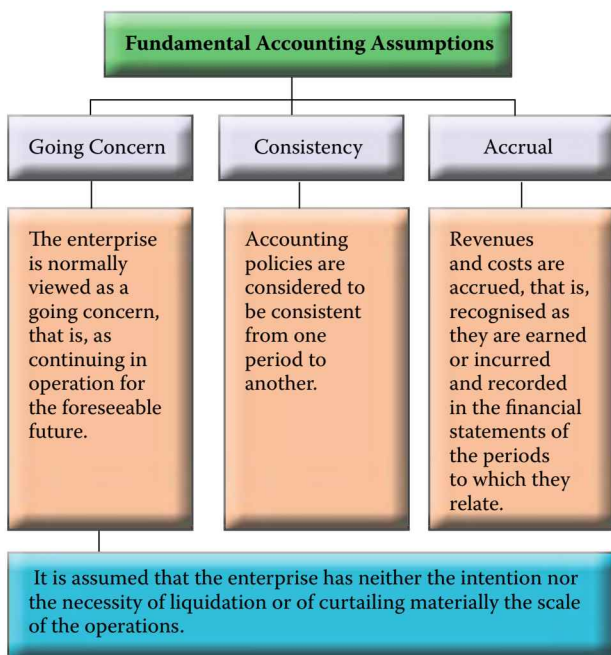
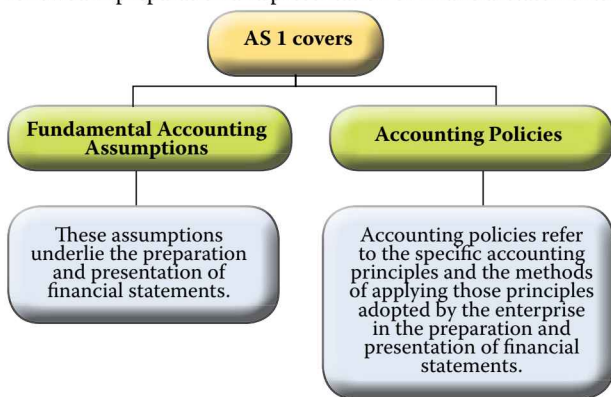


Accounting constitutes a significant area of core competence for chartered accountancy students. The significance of this subject can be judged from the fact that we have a paper on accounting at every level of CA Course. Accounting papers at Intermediate Level under Chartered Accountancy curriculum concentrate on conceptual understanding of the crucial aspects of accounting and acquaint students with the basic concepts, theories and accounting techniques followed by different entities. The objective of Paper 1 “Accounting” at intermediate level is to acquire the ability to apply specific accounting standards and legislations to different transactions and events and in preparation and presentation of financial statements of various business entities. It has always been the endeavour of Board of Studies to provide quality academic inputs to the students. Keeping in mind this objective, it has been decided to bring forth a crisp and concise capsule for the topic on Accounting Standards covered in Intermediate Paper 1 “Accounting”. The significant provisions of AS 1, AS 2, AS 3, AS 4, AS 5, AS 10, AS 11 and AS 12 have been gathered and presented through pictorial presentations in this capsule which will help the students in grasping the intricate practical aspects of each Accounting Standard. Although, the capsule has been prepared keeping in view the new and revised scheme of Education and Training of ICAI, the students of earlier scheme may also be benefitted from it. This capsule, though, facilitates the students in undergoing quick revision, under no circumstances, such revisions can substitute the detailed study of the material provided by the Board of Studies.

AS 1 “DISCLOSURE OF ACCOUNTING POLICIES”

Introduction

AS 1 deals with the disclosure of significant accounting policies followed in preparation and presentation of financial statements.

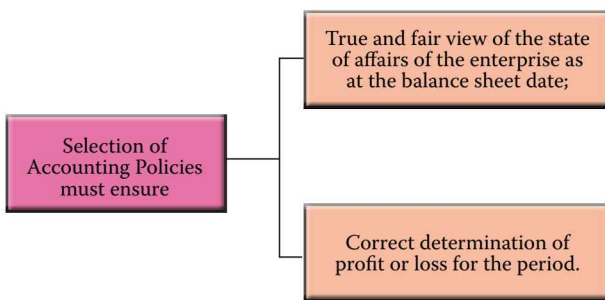


Accountant has to make decisions from various permitted alternative methods for recording or disclosing various items in the books of accounts for example:

Items to be disclosed	Method of disclosure or valuation
Inventories	FIFO, Weighted Average etc.
Cash Flow Statement	Direct Method, Indirect Method
Depreciation	Straight Line Method, Reducing Balance Method, Units of Production Method etc.

This list is not exhaustive.

Considerations in Selection of Accounting Policies



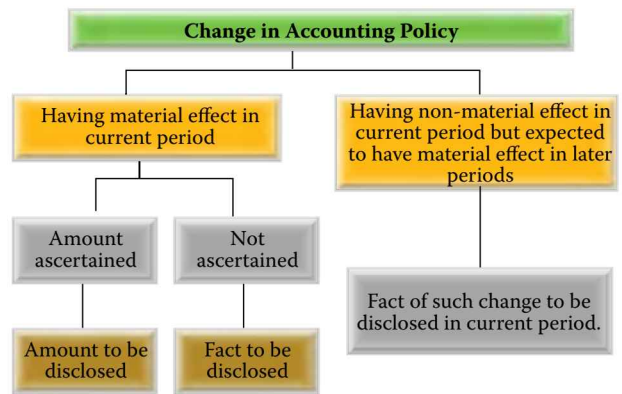
Disclosure of Accounting Policies

All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.

Disclosure should form part of the financial statements.

Disclosure of accounting policies or of changes therein cannot remedy a wrong or inappropriate treatment of the item in the accounts.

Disclosure of Changes in Accounting Policies

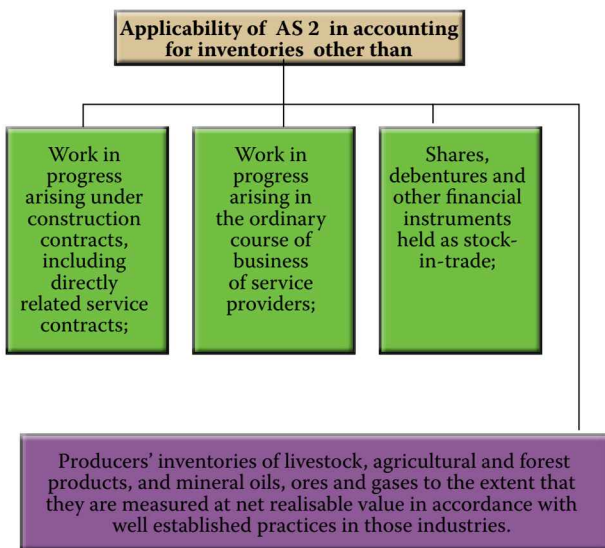


AS 2 "VALUATION OF INVENTORIES"

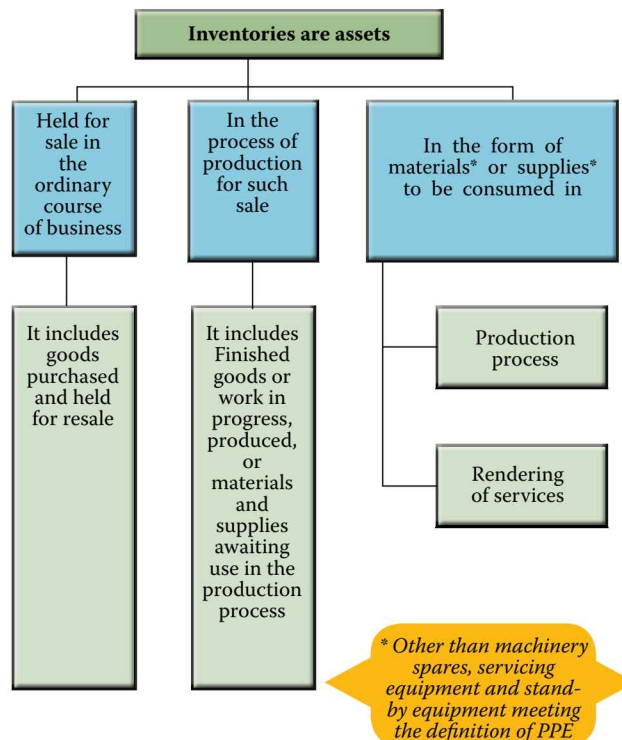
Introduction

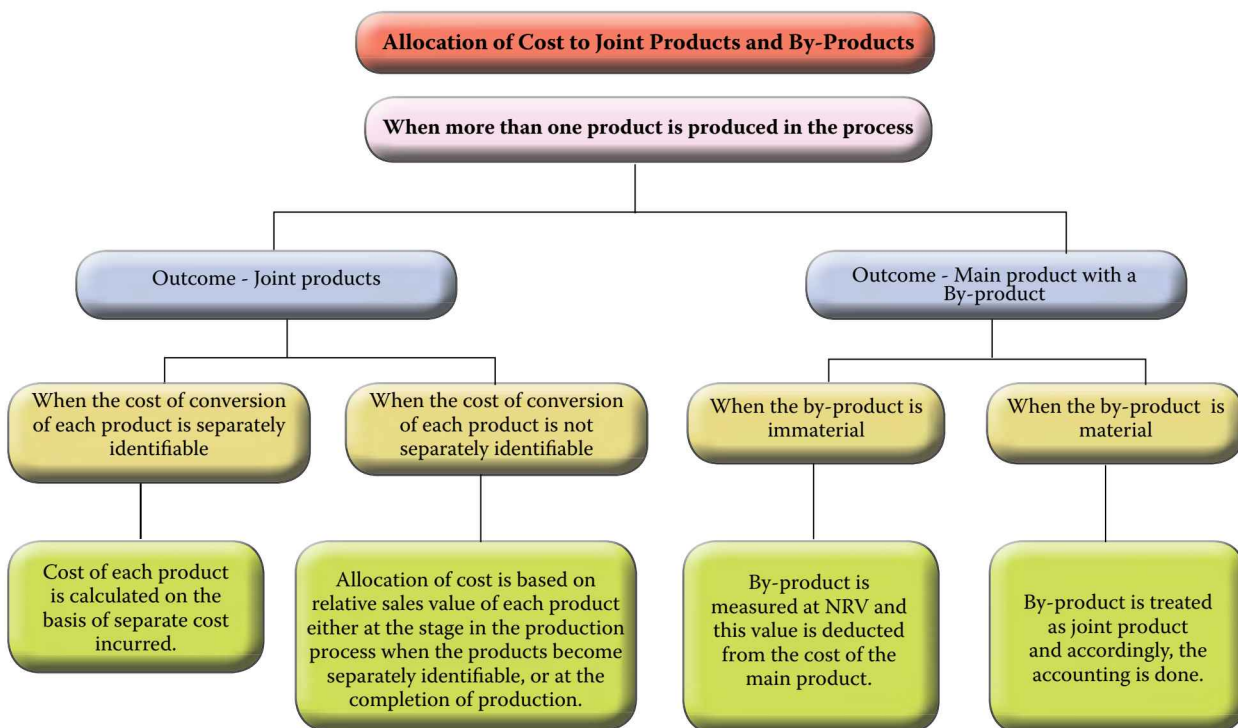
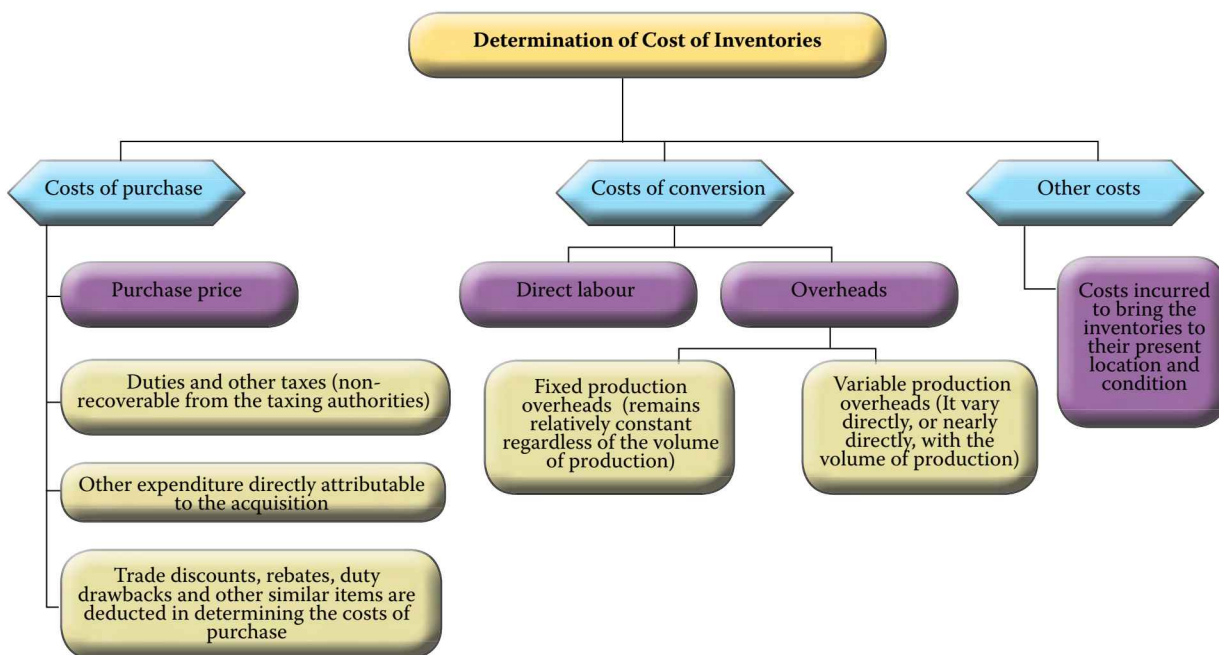
AS 2 (Revised) 'Valuation of Inventories', provides complete guidance for determining the value at which inventories, are carried in the financial statements until related revenues are recognised. It also provides guidance on the cost formulas that are used to assign costs to inventories and any write-down thereof to net realisable value.

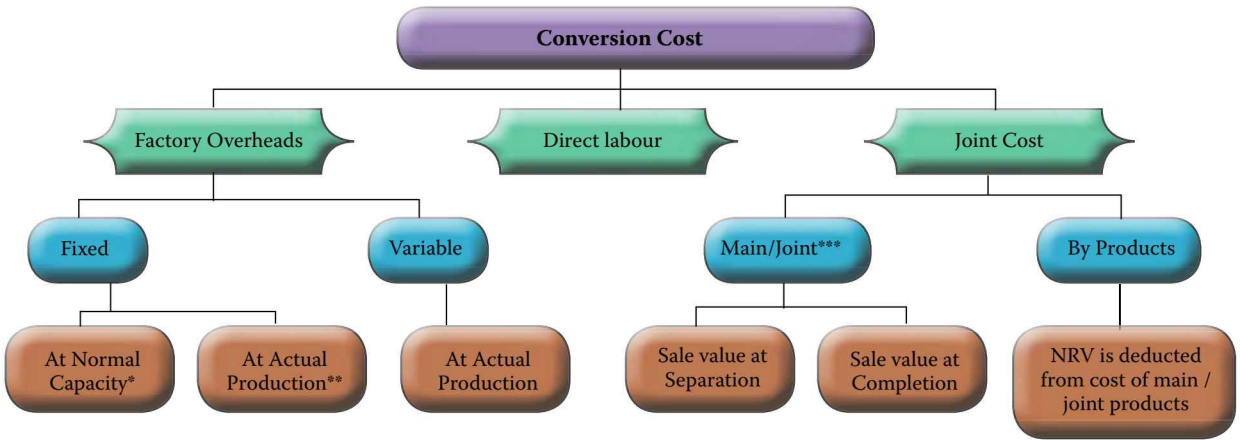
Scope of AS 2



Definition of Inventories







*When actual production is almost equal or lower than normal capacity.

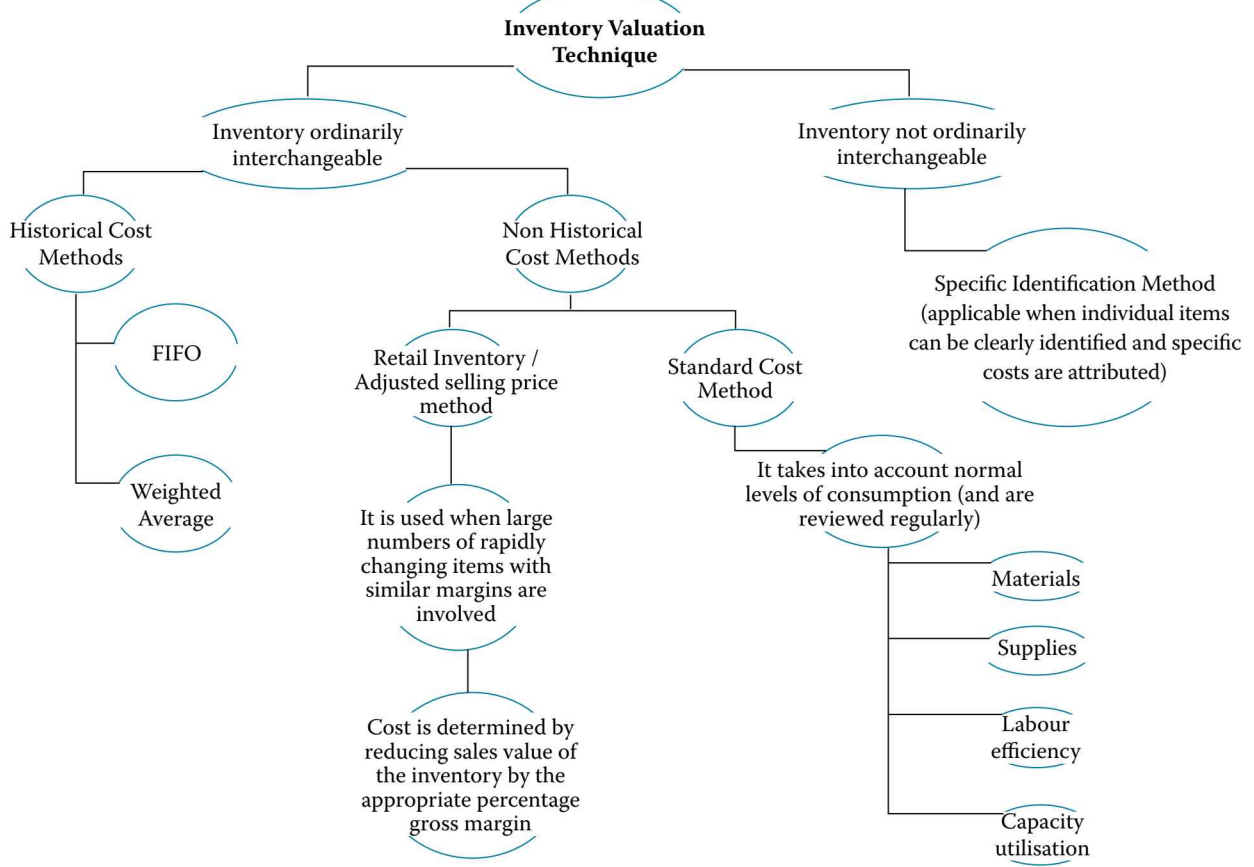
** When actual production is higher than normal capacity.

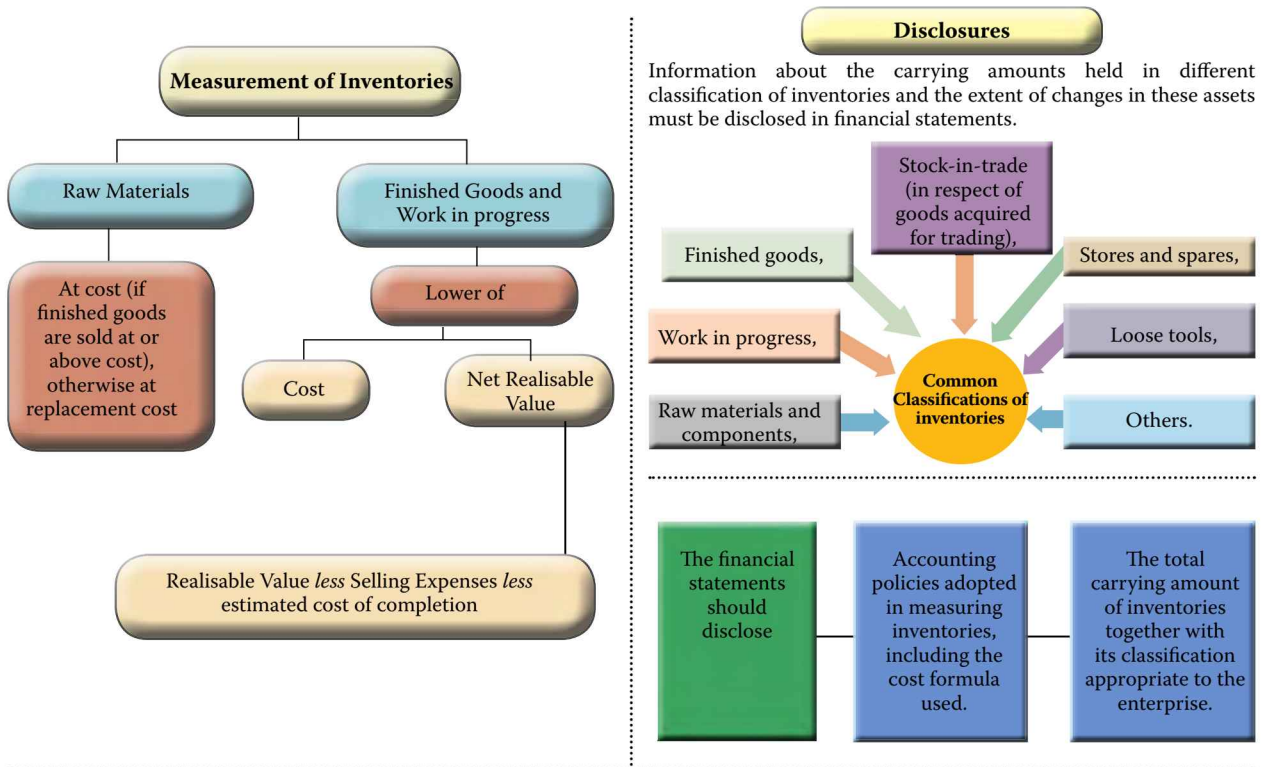
*** Allocation at reasonable and consistent basis.

Costs excluded from the cost of inventories and recognised as expenses

- Abnormal amounts of wasted materials, labour, or other production costs;
- Storage costs, unless the production process requires such storage;
- Administrative overheads that do not contribute to bringing the inventories to their present location and condition;
- Selling and distribution costs.

Cost Formulas





AS 3 "STATEMENT OF CASH FLOWS"

Introduction

AS 3 provides information about historical changes in cash and cash equivalents of an enterprise by mean of a cash flow statement which classifies cash flows during an accounting period into operating, investing and financing activities.

