

# **ACCOUNTING STANDARD - 1**

Disclosure Of Accounting Policies

# **What are Accounting Policies ?**

- It refers to specific accounting principles and the method of applying those principles in preparation of financial statements.

## **Areas where more than one method of accounting treatments :-**

- Method of depreciation :
  - Straight line method.
  - WDV method.

- Treatment of expenditure during construction :
  - Written off .
  - Capitalization .
  
- Conversion or translation of foreign currency item :
  - Average rate .
  - TT buying rate .
  
- Valuation of inventories :
  - FIFO .
  - Weighted average.
  
- Valuation of fixed assets :

## **Needs for disclosure of Accounting Policies.**

- To ensure proper understanding of financial statements.
- Comparing financial statements of different enterprises.
- All significant accounting policies disclosed at one place would be helpful to the reader of financial statements.

# Fundamental Accounting Assumptions

➤ Going concern:

Enterprise intention for continuing the operation in foreseeable future.

➤ Consistency:

Same Accounting policies are followed by one period to another.

➤ Accrual:

Revenues and costs should be recorded in financial statements on accrued basis.

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## **Selection of Accounting Policies.**

- Exhibit true and fair view of state of affairs of balance sheet and profit and loss account.

## **Points considered for the purpose of selection Of Accounting Policies.**

### ➤ Prudence :

It means making of estimates which is required under the condition of uncertainties.

### ➤ Substance over form :

The accounting treatment should be governed by their substance and not merely by legal form.

### ➤ Materiality :

Financial statements should disclose all items which influence the decisions of user of financial statements.

# Changes in Accounting Policies.

Changes in Accounting Policies should be made in the following conditions.

- Adoption of different Accounting Policies is required by statute or for compliance with Accounting standard.
- It is considered that change would result in more appropriate presentation of financial statements.

***THANK YOU.***