

FY BAF

FA - AS 1

# What is Accounts?



- Accounting is the process of recording financial transactions pertaining to a business.
- The accounting process includes summarising, analysing and reporting these transactions to oversight agencies, regulators and tax collection entities.

FINANCIAL ACCOUNTING	COST ACCOUNTING	MANAGEMENT ACCOUNTING
NATURE		
It records, reports & analyses financial transactions.	It records, reports & analyses costs.	It records data which is helpful for future.
USE		
It is used by insiders as well as outsiders.	It is used by internal management.	It is used to assist the management in in decision making & policy formation.
SCOPE		
It covers all items of income & expenses.	It covers only income & expenses related to cost.	It covers all items of income & expenses related to finance and cost
PRINCIPLES FOLLOWED		
Governed by GAAP	Certain principles are followed related to costing	No set of principles are followed.

An illustration on a dark grey background with faint mathematical formulas. In the center, two hands in white-cuffed sleeves hold a tablet displaying a pie chart and a bar chart. To the left is a calculator, and above it are several green banknotes and gold coins. A red paperclip is attached to the top of the tablet. The text 'ACCOUNTING STANDARDS' is written in white, bold, uppercase letters across a dark brown horizontal bar in the middle of the illustration.

# ACCOUNTING STANDARDS

# What are Accounting Standards?

'Standard' means a generally accepted model or idea, whereas 'Accounting Standards' means generally accepted model accounting principles.

# What are Accounting Standards?

Accounting Standards are written documents containing the 'Generally Accepted Accounting Principles (GAAP)'.

These standards are issued in India by the Institute of Chartered Accountants of India (ICAI).



# Factors for setting Accounting Standards

1. Indian Laws, Customs and Business environment.
2. International Accounting Standards issued by International Accounting Standards Board.
3. Purposes and limitations of published Final accounts
4. Role of Auditors.

# Benefits of Accounting Standards

1. Reduce Differences in Treatment
2. Additional Disclosures
3. Helps Comparison
4. Assists Auditors

# Accounting Standard 1: Discloser of Accounting Policies

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AS 1: Discloser of Accounting Policies, are issued by the Institute of Chartered Accountants of India deals with the discloser of significant policies followed in preparing and presenting final accounts.

# Why to Discloser of Accounting Policies?

The Final accounts of a concern presents a view of Financial position (Balance sheet/ Profit & Loss account).

Principles for presenting these statements may differ from company to company.

Thus, discloser of accounting policies helps to study, compare and judge the figure in the final accounts.

# Fundamentals of Accounting Assumptions

(A) Going Concern

(B) Consistency

(C) Accrual

# Accounting Policies

Accounting policies refer to the specific accounting principles and the methods of applying those principles adopted by the concern in the preparation and presentation of Final Accounts.

# Where are Accounting Policies used?

1. Methods of Depreciation.
2. Valuation of Stock
3. Treatment of Goodwill
4. Valuation of Investments
5. Recognition of profit on long term contracts.

# Rules for Disclosure of Accounting Policies

1. All significant accounting policies adopted in the preparation and presentation of Final Accounts should be disclosed.
2. Such disclosure should form part of Final Accounts.
3. All policies should be disclosed at one place instead of being scattered at many places in several schedules and notes to accounts.

## ACCOUNTING POLICIES

## ACCOUNTING ASSUMPTIONS

### NATURE

They are different for different assets, liabilities, income and expenses. These are item specific.

They are not item specific and does not differ item to item.

### USE

An organisation has choice regarding an accounting policies.  
Eg: SLM or WDV

An organisation has no choice regarding an accounting assumptions.

### SCOPE

Different concerns adopt different accounting policies

All concerns adopt the same fundamental accounting assumptions.

### DISCLOSURE

AS-1 requires disclosure of significant accounting policies as part of financial statements.

Disclosure is required only if fundamental accounting assumptions are not followed.

# Illustration

1. Which different policies may be adopted in the areas of method of Depreciation?

- Straight Line Method (SLM)
- Written Down Value Method (WDV)

# Illustration

2. Which different policies may be adopted in the areas of valuation of stock?

- Cost

- Cost or Market Value whichever is lower.

# Illustration

3. Which different policies may be adopted in the areas of valuation of stock?

- First In First Out (FIFO)
- Weighted Average Method