AS-5
Net Profit for the period, Prior period item & Change in Accounting policy

Ordinary Item

Extra Ordinary Item (EOI)

Prior Period Item (PPI)

Change in Accounting Estimate

Change in Accounting Policy

Net Profit for the period, Prior period item & Change in Accounting policy
1) This standard is applicable for all entities
2) This standard deals with
- --> Net profit/loss from operating/ ordinary items
- --> Extraordinary items
- --> Prior period items
- --> Change in Accounting Estimate
- --> Change in Accounting Policy

Net Profit for the period **ordinary item** means all incomes and expenses from ordinary principal revenue generating activities and incidental items.
There are no disclosure requirement regarding operating items except that following item should be separately disclosed in P&L
1) Decline in the value of Inventory
2) Profit/ loss on sale of FA
3) Profit/ loss on sale of Investment
4) Litigation Expenses
5) Litigation settlement expenses

Extra ordinary item means: those items of income & expense, which are not ordinary. For e.g.
i) Loss by earth quake
i) Loss by earth attachment of property

Treatment of Extra ordinary item (EOI):
EOI should be disclosed in statement of income in such way that impact of EOI on Profits can be seen.
<u>Specimen:</u>

Sales	***
- Exp.	***
PBEOI	***
- EOI/ PPI	***
PBEOI/ PBT	***
- Tax	***
PAT	***

As per IAS-8, Tax on extra ordinary items should also be shown separately.

Prior Period Items (PPI): means income & expense of earlier year not recorded in earlier year due to errors or omissions which can be intentional or not.
PPI should be shown in P&L in such way that its impact on Profit can be seen.

Change in Accounting Estimates: when ever provision amount or useful life of asset is altered, then such change is considered as change in accounting estimate. Such affect can be:

i) Material or

ii) Immaterial

When ever change is considered as material, it disclosure as separate item is required.

Change in Accounting Policy: Accounting policy can be changed by any entity and following disclosures are required on such change.

i) Old Policy

ii) New Policy

iii) Reason of change

iv) Effect if change