SUPER SUMMARY OF AS - 1

Accounting Policies	⌗ Specific Accounting Principles. ⌗ Methods of applying those principles adopted by the enterprise. ⌗ In **preparation** & **presentation** of Financial Statements.
Areas Covered (Examples)	⌗ Valuation of Inventories. ⌗ Valuation of Investments. ⌗ Valuation of Fixed Assets. ⌗ Methods of Depreciation etc. ⌗ Treatment of Goodwill. ⌗ Treatment of retirement benefits. ⌗ Treatment of Contingent Liabilities.
Consideration in Selection of Accounting Policies	**Primary Consideration** The financial statements prepared & presented on the basis of such accounting policies should represent a **true and fair** view of the state of affairs of the enterprise. **Secondary Consideration** ⌗ **PRUDENCE**, - The enterprise should not anticipate profits but should provide for all possible losses. Provision should be created for all known liabilities and losses even though the amount cannot be determined with certainty and represents only a best estimate in the light of available information. *E.g. Valuing inventory at lower of cost and net realizable value.* *E.g. Suppose a company is facing a damage suit. No provision for damages should be recognized by a charge against profit, unless the probability of losing the suit is more than the probability of not losing it.* ⌗ **SUBSTANCE OVER FORM**, - The accounting treatment should be governed by their substance and financial reality and not merely by their legal form. *E.g. If the assets are purchased on hire purchase by the hire purchaser, the assets are shown in the books of hire purchaser in spite of the fact that the hire purchaser is not the legal owner of the assets purchased. Therefore, the legal form of the transaction is ignored and the transaction is accounted as per its substance.* ⌗ **MATERIALITY**, - Financial statements should disclose all “material items”. i.e., the items the knowledge of which might influence the decisions of the user of the financial statement.

Fundamental Accounting Assumptions (FAA)-GCA	⌗ **GOING CONCERN** - It is assumed that the enterprise has neither the intention nor the necessary of liquidation or of curtailing materially the scale of the operations. ⌗ **CONSISTENCY** - It is assumed that accounting policies are consistent from one period to another. and ⌗ **ACCRUAL** - Revenues and costs are accrued, i.e., recognized when they are earned or incurred and recorded in the financial statements of the periods to which they relate. *Section 128 of the Companies Act, 2013 makes it mandatory for companies to maintain accounts on accrual basis only*. ***These are not specifically stated in the financial statements. Their acceptance and usage is assumed*.**
Disclosure	⌗ **All significant accounting policies** adopted in the preparation and presentation of financial statements should be **disclosed**. ⌗ The disclosure should **form part of the financial statements** and **usually at "one place"**. ⌗ Any change in the accounting policies which has a **material effect in the current period** should be disclosed along with amount of effect. ⌗ If **the fundamental accounting assumptions are not followed**, the fact should be disclosed.
Changes Accounting Policies	⌗ Any change in the accounting policies which has a **material effect in the current period** should be disclosed along with amount of effect. ⌗ If the **amount is not ascertainable** (whether wholly or in part), the fact should be disclosed. ⌗ If there is any **material effect in later period**, the fact should be disclosed.

Notes: Disclosure of Accounting Policies or of its Changes therein ***cannot be a remedy of a wrong or in appropriate treatment of the item*** in the accounts.

KIND ATTENTION CA/CS/CMA Students

AS-6 HAS BEEN DELETED AND CHANGES IN OTHER AS

The Central Government, in consultation with NACAS, makes Companies (Accounting Standards) Amendments Rules, 2016 in which, there are changes in AS-2, AS-4, AS-10, AS-14, AS-21, AS-29. AS-6 has been deleted. **WAITING FOR OFFICIAL NOTIFICATION.**