

SREERAM COACHING POINT

AS – 1

DISCLOSURE OF ACCOUNTING POLICIES

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Meaning of the term – “Accounting Policy”

- **Specific Accounting Principles and**
- **Methods of applying those principles**
- **Used in preparation and presentation of financial statements**

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Examples

- **Accounting Principle**
- **Charging Depreciation**
- **Valuation of Inventories**

- **Various Methods**
- **a. Straight Line**
- **b. WDV**
- **a. FIFO**
- **b. Weighted Average**

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“One Accounting Policy for all – Is it possible?”

- **It is not possible to have a single list of accounting policies for all**
- **The management should choose accounting policy in such a manner, financial statements shall present a “True and Fair View” picture**

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Consideration while selecting Accounting policies

- **Prudence**
- **Substance over form**
- **Materiality**

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Fundamental Accounting Assumptions

- **Going Concern**
- **Consistency**
- **Accrual**

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Disclosure Requirements of AS - 1

- All significant accounting policies adopted in preparation and presentation of financial statements should be disclosed**
- Such disclosure should form part of financial statements and usually at “One Place”**
- If fundamental accounting assumptions are followed, no disclosure is required. If any of the FAA's is not followed, disclosure is compulsory**

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Changes in Accounting Policy

- If there is material effect in current period, disclose the fact and amount**
- If the amount is not ascertainable [whether wholly or part], disclose the fact**
- If there is material effect in later period, disclose the fact**

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Note

- **Disclosure of accounting policy or of its changes therein cannot remedy a wrong or inappropriate treatment of the item in the accounts**