

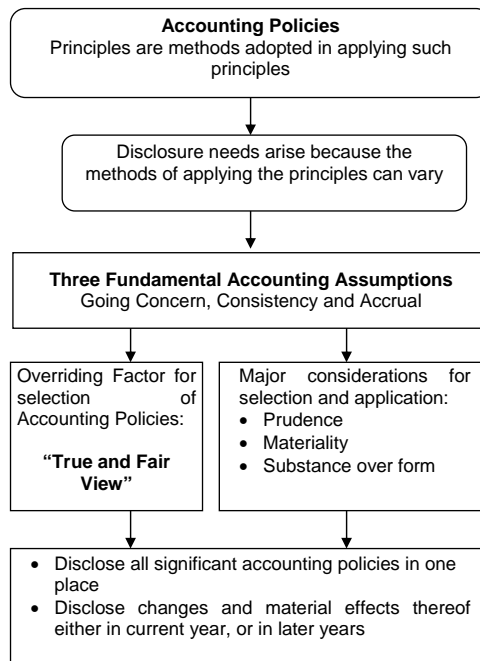
AS-1

**DISCLOSURE OF ACCOUNTING
POLICIES****Definitions**

“Accounting Policies are the specific accounting principles and the methods of applying those principles adopted by an enterprise in the preparation and presentation of financial statements”

Accounting Policy components

<i>Principle</i>	<i>Method of applying principle</i>
Providing depreciation on an asset to account for loss in value.	- WDV - SLM or any other appropriate method

Diagrammatic representation

Synopsis

Financial statements enable the users to appraise the position and performance of an enterprise. They depict all the past transactions. The accounting policies significantly affect the preparation and presentation of past events and ensure Intra firm and Intra period comparison.

The methods of applying the principles may vary from one enterprise to another. Hence a need arises to disclose the accounting policies followed by the enterprise. AS 1 delineates a mandatory requirement as regards to the disclosure aspect which thereby enables meaningful comparison.

The basic touchstone in the selection of accounting policies is "true and fair view". Other major considerations include:

- **Prudence:** Known losses are provided for and profits are recognised only when realised, though not necessarily in cash.
- **Substance over form:** The economic reality of the transaction is to be considered for preparation and presentation of financial statements and not the necessarily the legal form.
- **Materiality:** All items of relative importance and that would influence the minds of the users of financial statements need to be disclosed.

All significant accounting policies adopted in the preparation and presentation of financial statements are to be disclosed normally in one place. Any change in the accounting policy which has a material effect in the current period or is expected to effect in the future is to be disclosed. The amount by which the financial statements are affected due to change in accounting policy is to be disclosed.

Disclosures are not curative. They cannot be considered as remedy for improper or inappropriate treatment.