5.14 | Consistency concept

- **Consistency concept**
- **Instances when policies can be changed**
- **Application of the concept in preparing financial statements**

Consistency concept

- The bases, traditions, and policies used in the preparation and presentation of financial statements must never be changed, as per the consistency concept.

- As a result of this stereotype, comparisons can be made in the following manner:
  - With the same company's historical statements over a number of years
  - With the financial statements of similar organizations

Instances when policies can be changed

Occassions when the policies that a business has followed consistently can be changed according to the accounting standards:

- Requirement of another accounting standard
- When a change in the policy will result in the financial statements being more truthful and reasonable

Application of the concept

- FIFO method (First-In-First-Out) of stock valuation that was followed in the previous accounting periods should continue to be followed in the other periods as well.

- PP&E initiatlly recognized at cost, later on being recorded at the revalued price contravenes consistency.