**Accounting Standard: 1**

**Disclosure of Accounting Policies**

**1.1: All significant accounting policies adopted in the preparation and presentation of financial statements should be disclosed.**

**1.2: The disclosure of the significant accounting policies as such should form part of financial statements and the significant accounting policies should normally be disclosed at one place.**

**1.3: Any change in the accounting policies which has a material effect in the current period or which is reasonably expected to have material effect in later periods should be disclosed. Where such amount is ascertainable for the current year, effect thereof on financial statements should be disclosed. Where such amount is not ascertainable, wholly or in part, the fact should be indicated.**

**1.4: If a fundamental accounting assumption is not followed, the fact should be disclosed.**

**Accounting Standard: 2**

**Valuation of inventories**

**1.1: Inventories is valued at cost or net realizable value whichever is lower.**

**1.2: The method of calculating cost of inventory requires disclosure in accounts.**

**1.3: Under AS-2, only two methods are recognized for the valuation of inventories – FIFO (First in First Out) and Weighted Average Cost Method (WACC).**

**1.4: If there is any change in method of valuation of inventories which has material Profit & Loss Account for the current year and subsequent year, proper disclosure is required to be made in term of its effects.**

**1.5: Generally inventories are classified in to three categories:**

**(a). Raw-Material**

**(b). Semi finished goods**

**(c). finished goods**

**1.6: As-2 is not applicable to certain categories of enterprises.**

**1.7: For valuation of inventories in AS-2, certain items such as abnormal losses are ignored.**

**Accounting Standard: 6**

**Depreciation Accounting**

**The depreciable amount of depreciable asset should be allocated on systematic basis to each accounting year/period during the useful life of the asset.**

**1.1: Depreciation is charged only on depreciable asset. Therefore, there is no charge on depreciation of land.**

**1.2: Depreciation charge should be calculated systematically.**

**1.3: The amount of depreciation to be charged for year/period is calculated on the basis of useful life of the asset.**

**1.4: Generally method of depreciation once followed for calculating depreciation is required to be followed consistently in subsequent year.**

**1.5: Any change in method of calculating depreciation requires disclosure in the financial statements of the year in which change is made if change in method of calculating depreciation has material effect in the financial statements of the current year/period or in subsequent year/period.**

**1.6: Where there is change in method of calculating depreciation, depreciation is required to be calculated from the previous year in which change is made. Any surplus/deficit arising from such change is to be adjusted in the accounts of the current year in which such change is made.**

**1.7: If there is revaluation of asset, depreciation is required to be worked out from the date on which revaluation of asset is made and required to be adjusted in accounts as per AS-10.**

**Accounting Standard 9**

**Income Recognition and Accrual Income**

**1.1: This statement deals with recognition of revenue arising from sales and/or services.**

**1.2: To recognize sales under AS-9, there is requirement that effective ownership of goods passes from Seller to buyer.**

**1.3: Service providers can recognize revenue from sale of services on proportionate method or completion method as per their needs.**

**1.4: When there is uncertainty of realising proceeds of sales, AS-9 requires that revenue recognition should be deferred.**

**1.5: When revenue recognition is deferred on account of uncertainty, disclosure is required explaining rationale for the deferment.**

**1.6: Disclosure of revenue in financial statements under AS-9 is to be made in the format given below:**

**Sales**

**Less: Excise Duty/GST**

**Net Sales**

**1.7: Excise Duty/GST included in opening and closing stock is not required to be disclosed separately. However, difference of Excise Duty/GST included in opening and closing stock requires disclosure in financial statements.**

**Accounting Standard 10**

**Fixed Assets**

**1.1: The definition of fixed assets is given in AS-10.**

**1.2: According to this definition, fixed assets are those assets which are purchased/installed/constructed for operations of the company to generate revenue. Fixed Assets are not purchased for re-sale.**

**1.3: Fixed Assets cover Land & Buildings, Plant & Machinery, Vehicles, and Furniture & Fixture etc.**

**1.4: Fixed Assets are required to be disclosed category-wise for each individual asset in the financial statements as follows:**

**Gross Block**

**Less: Accumulated Depreciation**

**Net Block**

**1.5: Depreciation on each category of individual asset is to be provided on useful life of the asset at the rates determined or prescribed under relevant laws.**

**1.6: When fixed asset is purchased/installed/constructed, it should be taken in to relevant category of fixed asset classified individually.**

**1.7: Upon revaluation of fixed asset, such revalue amount should be debited to individual asset account and credit should be given to revaluation reserve account.**

**1.8: Upon revaluation fixed asset, depreciation on such revalue figure should not be debited to profit &loss account but adjusted to revaluation reserve account.**

**1.9: When any fixed asset is sold/discarded (if cease to become useful), the asset account should be credited with its carrying value (written down value).**

**1.10: Any profit or loss arising on such fixed asset sold/discarded (being difference between sale value and its written down value) should be taken to credit or debit side of profit &loss account respectively.**

**Accounting Standard: 13**

**Accounting for Investments**

**1.1: An enterprise should disclose current investments and long term investments distinctly in the financial statements.**

**1.2: Further classification current investments and long term investments will be as follows:**

**(a). Government or Trust Securities.**

**(b). Shares, debentures or bonds**

**(c). Investment Properties.**

**(d), Others-specifying the nature.**

**1.3: The cost of an Investment should include acquisition charges such as fees, brokerage, and duties.**

**1.4: If investments are held in exchange of securities then Investments are to be valued at Fair Market Value of such securities.**

**1.5: Current Investments should be taken to financial statements at lower of cost or fair market value determined on each individual investment basis or by category of investment.**

**1.6: Long term investments should be taken to financial statements at cost. But provision for non temporary reduction in value of such investments should be made. Any reduction or reversal of reduction should be made in profit &loss account.**

**1.7: If investments are sold/disposed off, difference between sale value and carrying amount of investments should be taken to profit & loss account.**

**1.8: Interest/Dividend/Rental Income of current investment and long term investment should be shown separately in profit &loss account.**

**1.9: Restrictive conditions on investments need to be disclosed.**

**1.10: Quoted and Unquoted Investments (of shares and securities) need to be disclosed separately.**