



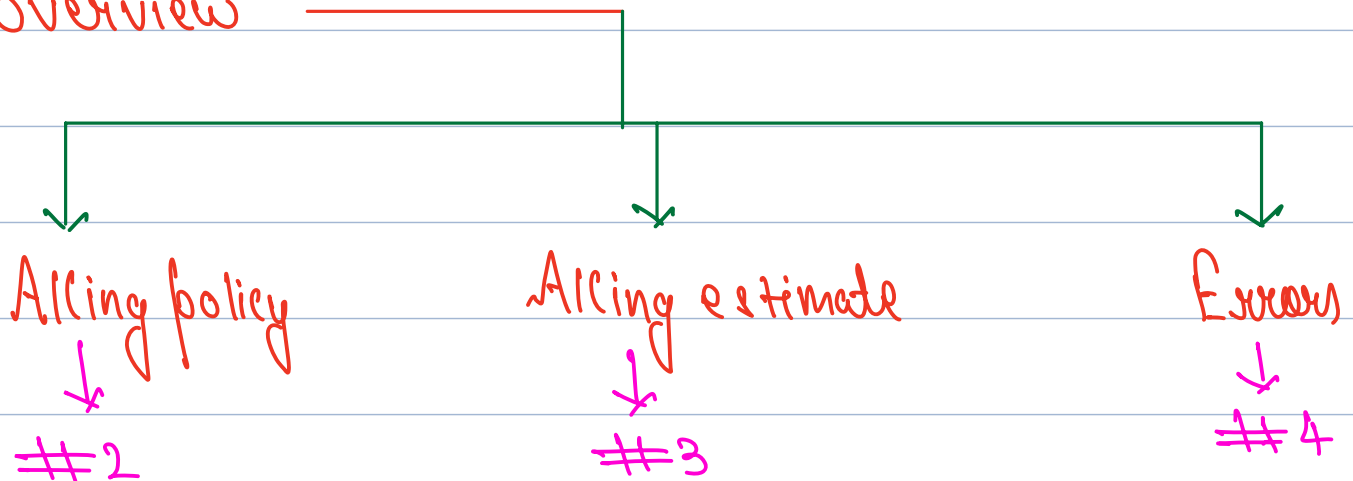
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IND AS 8

Accounting policies, Accounting estimates & Errors.

#1 Overview



#2 Accounting policy

Meaning

There are specific principles, Basics, Conventions and practices applied in the preparation of A/c.

eg → a) method of determination of cost of



inventories  $\Rightarrow$  FIFO / WAM  
b) measurement basis for PPE  
 $\Rightarrow$  Cost Model or Revaluation Model.

### Selection of Accounting policy

i) if specific IND AS is available for particular transaction, then entity shall apply accounting policy as determined by that IND AS.

otherwise entity shall refer following sources in priority order.

↳ Any other IND AS on similar Transaction

↳ Framework of IND AS.

↳ Pronouncement of IASB

↳ Pronouncement of other standard setting Board (US GAAP)

↳ Accepted Industry practices

ii) Entity shall select & apply its accounting policy consistently for similar transactions.

### Changes in accounting policies.

a) Yes, entity can change an accounting policy only



if.  $\rightarrow$  Required by IIND As.  
 $\rightarrow$  Results in providing more relevant & reliable information  
(Voluntary change)

b) Following are not considered as  $\Delta$  in accounting policy.

$\rightarrow$  Application of A.P. for transactions that differ in substance from previous.

eg  $\rightarrow$  Reclassification of PPE (Rev. model) to invt property (cost model),  
Reclassification from Equity to F.L.

$\rightarrow$  Application of A.P. for transactions that not occur previously.

eg  $\rightarrow$  measuring New purchased PPE @ cost model

c) Applying  $\Delta$  in A.P.

$\rightarrow$  change in A.P. should be done Retrospectively

i.e. apply change on the transaction from the very first day of accing that transaction.



it is as follows:



Adjust Comparative amount of P.Y.

Adjusting the op. of P.Y.

→ if retrospective restatement is not possible or impracticable, then entity should apply it prospectively.  
refer fundamentals of IND AS Q. ...

d) Disclosure in FIs regarding  $\Delta$  in Accounting policy.

→ Nature of  $\Delta$

→ amt of  $\Delta$

→ if Retrospective application is impracticable, disclose.

Amount of adjustment for each affected item on C.Y. & P.Y.

#3 Accounting Estimates.

Meaning :-

→ many items in FIs cannot be measured but can only be estimated



→ Estimation is based on Judgement on the basis of latent available information.



eg → Prov. for D.D., prov. for warranty obligation, prov. for DSR, useful life, Residual value etc.

## Change in A.E.

- i) Entity shall revise an A.E., if circumstances  $\Delta$  as a result of new information or more experience.
- ii) entity shall acc for such  $\Delta$  prospectively.
- iii) Disclosure regarding  $\Delta$  in accing estimates  
↳ same as in A.P.
- iv)  $\Delta$  in A.E. Cannot be treated as rectification of prior period error.
- v) if difficult to distinguish b/w  $\Delta$  in A.P &  $\Delta$  in A.E., then treat it as  $\Delta$  in A.E.

## #4 Errors

- i) means Omissions & Misstatements (mistake)



in FIS of P.Y.

eg wrong amount.  
wrong account  
wrong side  
not recorded.



ii) Treatment of Errors.

↳ same as pricing policy.

Refer → Fundamentals of IND AS Q.