Net Profit or Loss for period, Prior Period Items & Changes in Accounting Policies (AS-5)

Net Profit or Loss for the period

Principle Revenue producing & generating activities

Exceptional Items:

Items of such size, nature or incidence for which disclosure is relevant

Extraordinary Items

Clearly distinct from ordinary activities & not expected to recur frequently

Prior Period Items

Income / expense in current year due to error / omissions in prior periods

Nature & Amount to be separately disclosed to perceive impact on current profit / loss

Change in Accounting Estimates

Meaning: Uncertainities inherent in business activities, many items can only be estimated

When change occur: New information, more experience, Subsequent development, etc.

Note: Not a prior period or extraordinary item
Effect of change classified using same classification as used for estimate

Disclosure: If Material Effect (Current / Subsequent period)

- Quantifiable → Disclose nature & amount
- Not Quantifiable → Disclose Fact

Change in Accounting Policy

Rule: Accounting policy once adopted should be followed consistently

When change Recommended:

- Required by Statute / Law
- For compliance with AS
- More appropriate presentation of financial statements

Disclosure: Material Effect

- Current
  - Amt. ✓ → Disclose amount
  - Amt. ✗ → Disclose Fact
- Later → Disclose Fact