

Chp-1. Theoretical Framework

Unit 5: Accounting Policies

→ Accounting Policies refer to specific accounting principles and methods of applying those principles.

→ Eg, Valuation of Inventories, Valuation of Investment, etc.

★ → Selection of Accounting Policies is based on :-

(i) Prudence — judgement about the possible future losses which are to be guarded.

(ii) Substance over form — It is necessary that transactions are recognised/accounted for & presented in ^{accordance} ~~according~~ with their substance & economic reality & not merely their legal form.

(iii) Materiality — Information is material if its misstatement could influence the economic decision of users.

→ Change in Account Policies

(i) If law requires.

(ii) If accounting standard requires.

(iii) For better presentation of financial statements
[true or fair view]

* Disclose the effect of change on financial statement.