Ind AS 8

1. Accounting Policies

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2. Selection & Application of Accounting Policy
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2. Accounting Estimates

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2. Types of Errors
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Eg: __Retrospective effect__

Inventory	2016-17	17-18	18-19	19-20	20-21
	FIFO	FIFO	FIFO	FIFO	~~FIFO~~ WAM } Voluntary

C.Y.FS	C.Y (20-21)	P.Y (19-20) (Restated)	Opn B/s (Day 1 P.Y). 01.04.19
Inventory	WAM	~~FIFO~~ WAM	WAM
O.E (Retained Earnings) (2nd effect)		xx	xx

All prior years effect will be given in this B/s i.e. 16-17, 17-18, 18-19

* **Accounting estimate**

Defn :- Acc. Est are monetary amounts in Fin. Stat that are subject to measurement uncertainty.

PPE < Cost / Reval → Fair value → Acc. Est

The Co. develops Acc. Est to achieve objective set out by Acc. Policy

Acc. Est involves use of judgements based on latest infon available.

Examples

1) loss Allowance for Expected credit losses (Ind AS 109)
2) NRV of Inventory
3) Fair value of Asset or Liab
4) Depr n of PPE
5) Prov for warranty

If error is of classification (classification error)

If classification error is of any P&L item of Prev. Year.

(eg: Finance exp incorrectly shown as other Exp)

There is no mistake in Amt

⇓

Rectify error in P.Y. comparatives of P/L & no need to present opn B/s

If classification error is of any B/s item in Prev. Year.

(eg: Current Asset item incorrectly shown as Non-current asset) → There is no mistake in Amt

⇓

Rectify the error in P.Y comparatives of B/s

BUT, we will HAVE to present opn B/s

Illus 17 (LDR)

OFY

Trading x0-x1	
G.P. ↑ 10m	Cls Stk ↑ 10m

Trading x1-x2	
	Opn Stk ↑ 10m
GP ↑ 5m	Cls Stk ↑ 15m

Trading x2-x3	
	Opn Stk ↑ 15m
G.P ↑ 5m	Cls Stk ↑ 20m

As per New Method (WAM) (Restated)

P/L (Extract)	C.Y. (x2-x3)	P.Y (x1-x2)
Revenue	324	296
(-) COGS (Opn + Purch (-) Cls)		
x1-x2 (164 + 10m (-) 15m)		(159)
x2-x3 (173 + 15m - 20m)	(168)	
Gross Profit	156	137
(-) Expenses	(83)	(74)
Profit	73	63

SOCE Extract → Opn Day of P.Y.

Particulars	(x0-x1)	₹
Retained Earnings for 31.3.x1		423
(+) Effect of change in method (x0-x1)		10 → Refer Trading A/c x0-x1
Restated Profit 01.04.x1		433
(+) Profit x1-x2 (Restated)		63 (58+5)
31.3.x2		496
(+) Profit x2-x3		73
31.3.x3		569

Illus 18 (LDR)

OFY P.Y. (X3-X4) → Cls Stk is inflated

P.Y. Cls Stk ↓ 6500, G.P ↓ 6500, COGS ↑ 6500

Exp. → Exp Badhega tabhi toh profit girega

Opn is also inflated, toh usko bhi girao ← C.Y. Opn Stk ↓ 6500, GP ↑ 6500, COGS ↓ 6500

Eg: Inv 10k 15k S.P.

OFY

C/B 15k To Rev 15k. — Co. recorded this

COGS 10k To Inv 10k. — But forgot this.

P/L Extract	C.Y. (X4-X5)	P.Y. (X3-X4) Restated
Revenue	104000	73500
(-) COGS		
X3-X4 (53500 + 6500)		(60000)
X4-X5 (86500 - 6500)	(80000)	
PBT	24000	13500
(-) Income Tax @ 30%	(7200)	(4050)
PAT	16800	9450
Basic & Diluted EPS	3.36	1.89
(No. of shares = 5000)	(16800 / 5000 shares)	(9450 / 5000)

SOCE (Extract)	ESC	O.E (Ret.Ear)	Total
01.04.x3	50000	20000	70000
(+) Profit (Restated) x3-x4	-	9450	
31.3.x4	50000	29450	79450
(+) Profit (x4-x5)	-	16800	
31.3.x5	50000	46250	96250

Note: Effect on x3-x4 → compare old figures & restated figures → Refer O.B.

Ques 3 (LDR)

WN 1 Error (write 1 line) Error - Retrospective

x1-x2 (P.Y.)	x2-x3 (C.Y)
Clo Stk ↓ 6500	Opn Stk ↓ 6500
GP ↓ 6500	G.P ↑ 6500
COGS ↑ 6500	COGS ↓ 6500

WN 2 Change in Policy (from cost to Revaluation) → Retrospective.

	Opn B/S (x0-x1)	P.Y (x1-x2)	C.Y (x2-x3)
Gain	15k	2k	5k
	(Cost (-) Fair Value) 3k (-) 18k	(18k (-) 20k)	(20 (-) 25k)

WN 3 Acc. Est (Deprn) (write 1 line) concept.

Asset Cost 01.04.x0	6000	(life 4yrs)
(-) Deprn (x0-x1)	(1500)	
31.3.x1	4500	(life 3yrs)
(-) Deprn (x1-x2)	(1500)	
31.3.x2	3000	
(-) Deprn (x2-x3) C.Y.	(600)	(Remaining Revised life = ~~2yrs~~ 5yrs)

Note: ICAI has taken effect of Revised life from x2-x3.

Alternatively, we can also taken the impact from x3-x4.

P/L (Extract)

	(X2-X3) C.Y.	(X1-X2) P.Y.
Sales	104000	73500
(-) COGS	(79100)	(60000)
	(86500 (-) 6500 (-) 1500 + 600)	(53500 + 6500) (WN1)
Gross Profit	24900	13500
(+) Other Income (WN 2)	5000	2000
PBT	29900	15500
Less: tax @ 30%	(8970)	(4650)
PAT	20930	10850

Depn.

WN1 · wrong wala bahar kiya · correct wala record kiya

SOCE (Extract) → Day ① of P.y.

Opn R.E 01.04.X1	20000
(+) Adj of X0-X1 (Net of tax) ~~15000~~	10500
Restated R.E 01.04.X1	30500
(+) Profit P.Y (X1-X2)	10850
	41350
(+) Profit C.Y (X2-X3)	20930
31.3.X3	62280