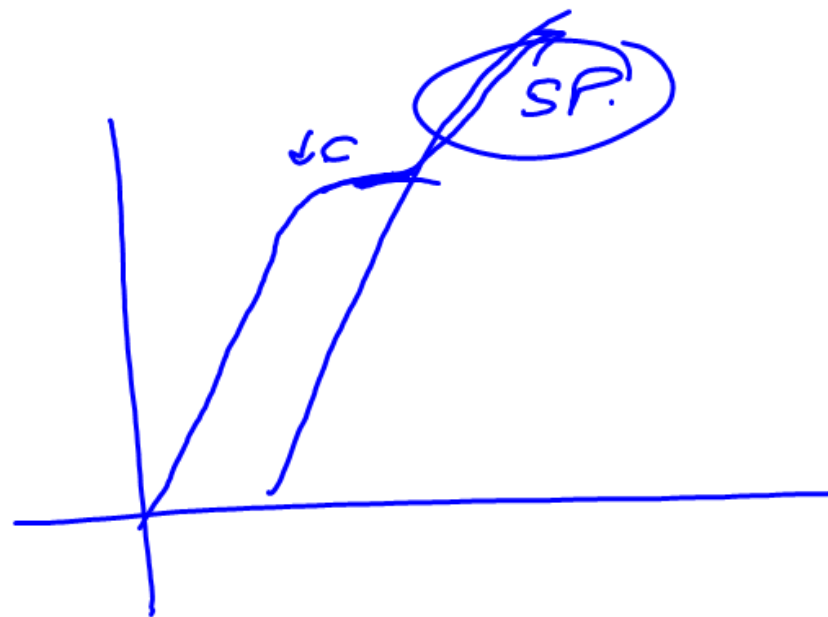


Product
lifecycle .



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NET PROFIT IS AFFECTED BY

ORDINARY ACTIVITIES EXTRA ORDINARY ACTIVITIES

NO SPECIAL DISCLOSURE SPECIAL DISCLOSURE

Simple business activities. Reducing Stock to NRV Restructuring cost P/L on Fixed Assets P/L on LT Investment Legislative change with retrospective effect Litigation Settlements Reversal of provisions

Non recurring Cannot be preestimated Nature & Amount Separately disclosed Earthquake loss Attachment of property Loss of stock by fire.

Normal course of Business

Exception Item

Separate head if 10000 or 1% Turnover higher

Excess Prov w/o

34

Prior Period Items

(Income/Expenses of current period as a result of errors or omissions of prior period).

- Error in recording expenses or incomes
- Mathematical mistakes
- Capitalisation of repairs.

35

Disclosure:

- Nature and amount
- Ensure the impact on P/L of current year through P & L Adj. A/c

36

Changes in Accounting Policies

Click to add notes

SLIDE 33 OF 182 ENGLISH (INDIA) NOTES COMMENTS 70%

- ①. Due to slashes in market prices of competitors or launch of new product.
- ②.
 - a) shifting to new location
 - b) launching/closing of a product
 - c) change in management structure

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<p>Changes in Accounting Estimates</p> <p>Changes in estimates due to change in Circumstances.</p> <p>Example :</p> <ul style="list-style-type: none"> Change in residual value of FA. Change in bad debts. Change in provision of liabilities. 	<p>Changes in Accounting Policies</p> <p>Possible if</p> <ul style="list-style-type: none"> Comply AS Comply Law Better presentation of financial statement <p>Example</p> <ul style="list-style-type: none"> Changing FIFO to average Changing SLM to WDV Changing actuarial assumption. <p>Disclosure</p> <p>Impact on current period Material impact on future period If unascertainable disclose such fact.</p>
--	--

37

ACCOUNTING STANDARD 6

DEPRECIATION ACCOUNTING

38

Not Apply

- Forest, Plantation
- Wasting assets
- Research & Development
- Goodwill
- Livestock
- Land (of unlimited useful life)

Depreciation is due to ← Use, wear out
Effluxions of time
Obsolescence (Technological / Market Change).

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Click to add notes

SLIDE 36 OF 182 ENGLISH (UNITED STATES) NOTES COMMENTS 70%

Changes in Accounting Estimates

Changes in estimates due to change in Circumstances.

Example :

- ✓ Change in residual value of FA.
- ✓ Change in bad debts.
- ✓ Change in provision of liabilities.



Changes in Accounting Policies (AS-1)

Possible if

- Comply AS
- Comply Law
- Better presentation of financial statement

Example

- Changing FIFO to average
- Changing SLM to WDV
- Changing actuarial assumption.

Disclosure

- Impact on current period
- Material impact on future period
- If unascertainable: disclose such fact.

Q1.

Extraordinary item → NO → Not nonrecurring and unestimated

Prior period item → NO → Not an error/omission of last year

It is change in ac Estimates but since this change is happening after 31/3 & before BODM

∴ it is Event occurring after B/s date

So we will prepare the balance provision of 5.5% Debtors

P&L Dr

to prof for DD.

Q2.

Gr is exceptional item ∴ it is legislative changes with retrospective effect

So 80 lakhs are shown in P&L as exceptional item.

But 7 lakhs in change in wages due to event in current yr itself, so it is in normal course of business.

Q6

It is a Prior period item ∴ it is an error done in prior period which is found now
So it is to be adjusted through P&L adj a/c

Stock Dr	20
to P&L adj	20.

AS-5 requires its nature & amount to be disclosed Separately in ~~the~~ NOTES to a/c

Q7

Claim is to be shown as extraordinary
income in the yr ended 2007-08 for
Rs 700000 .

Q8 It is change in a/c estimate on 31/3 .

So the Co. must raise the provision for Staff Welfare by Rs 25000

P&L Dr 25000
to Prov for Staff welfare 25000 .

Q9

The loss of Rs 10000 is disclosed as Exceptional item in P&L for the yr ended 31.3.09. This type of loss is basically a restructuring cost which is due to change in production process.

Q10.

AS-28

$$\text{Impairment loss} = \text{Carrying amount} - \text{Recoverable amt.}$$

Recoverable = Cash generative or NRV whichever
Amount . Capacity is high.

↓
PV of CFAT.

Cost Saved ↗
Earning ↘

CFAT	PVF	PV of CFAT
------	-----	------------

25000	3.791	94775
-------	-------	-------

or NRV	85000	
--------	-------	--

Recoverable
amt = 94775

Carrying amount = 100000

Impairment loss = Rs 5225

