

Accounting Concepts & Conventions

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Concepts

- Accounting concepts are fundamentally the basic ideas holding the theory base of accounting and therefore can be regarded as general working practices for all accounting activities.

Going concern

Managers will come and go but business will continue

Consistency

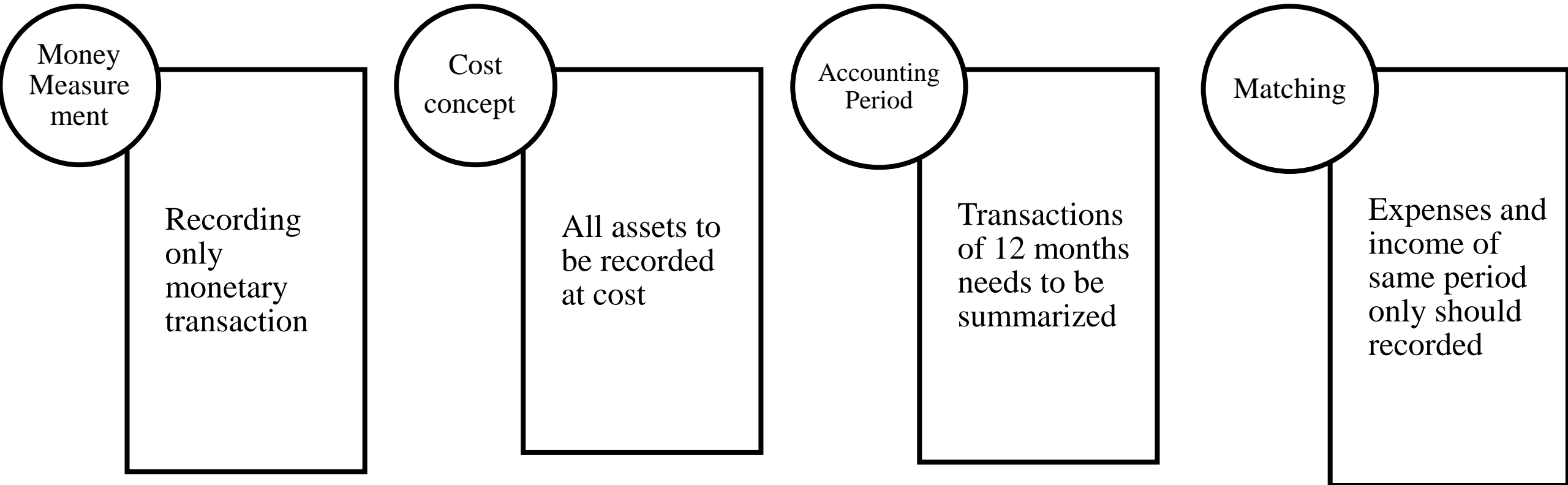
Similar accounting policy to be followed every year

Accrual

Transactions are recorded at the time of happening and not at the time of payment or receipt of cash and bank

Business Entity

Business and Businessmen are distinct legal entity



Money
Measure
ment

Recording
only
monetary
transaction

Cost
concept

All assets to
be recorded
at cost

Accounting
Period

Transactions
of 12 months
needs to be
summarized

Matching

Expenses and
income of
same period
only should
recorded

Dual Aspect

All transactions
will have two
affects Dr. & Cr.

Revenue
Recognition

recognizing the
income and
revenue of the
business in various
accounting stages
and financial
statements

Verifiable
object

All transactions
should have a
supporting
documents

Conventions

- Accounting conventions implies the **customs or practices that are widely accepted by the accounting bodies** and are adopted by the firm to work as a guide in the preparation of final accounts.

Full Disclosure

All the information (both favorable and unfavorable) should be fully disclosed to the users

Materiality

Only material transaction which has some financial effects on the business should be disclosed

‘Something which can affect decision’

Conservatism

All anticipated (expected) profit is **not** recorded. But all anticipated loss should be recorded

References

- <http://www.alinscribe.com/articles/498/accounting-concepts-principles-and-conventions.html>
- <https://byjus.com/commerce/class-11-accountancy-chapter-2-theory-base-of-accounting/>
- <https://keydifferences.com/difference-between-accounting-concept-and-convention.html>

Thank You

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