3.1 ACCOUNTING PRINCIPLES AND CONVENTIONS

ACCOUNTING ENTITY	The business is a separate entity to the owner(s)	EXAMPLE: All business transactions are recorded from the business point of view and any transactions of the owner(s) are separate
MONETARY	All transactions are recorded in nominal monetary units Transactions which cannot be quantified are not recorded in the financial reports	EXAMPLE: Recording transactions in Australian dollar units
HISTORICAL COST	Assets are recorded at the amount paid or the value of the consideration given when the transaction occurred Liabilities are recorded at the amount received or the amount expected to be paid The monetary value reported for assets and liabilities does not therefore change over time, unless the "fair value" method is used	EXAMPLE: The cost of an asset at the time of its purchase is recorded in the accounts, as that is a verifiable transaction and not a subjective estimate
MATERIALITY	If omission or misstatement of information from the financial report could influence the economic decisions of users, then it is material Depends on size of the item Depends on likely error in the particular circumstances of the omission/misstatement	EXAMPLE: Major losses from fires or natural disasters would be reported
ACCOUNTING PERIOD	Business life is divided into time periods for reporting purposes	EXAMPLE: Financial reports are prepared on a regular basis
GOING CONCERN	Financial reports prepared on the assumption that an entity is a going concern The entity will continue operating for the foreseeable future The entity has no intention to liquidate The entity does not need to downscale its operations	EXAMPLE: The business does not continually revalue assets, as they are not about to liquidate