

**5.3 | Going concern concept**

- **Going concern concept**
- **Application of the concept in preparing financial statements**

**Going concern concept**

- Going concern concept entails that financial statements are prepared on the assumption that the business entity will continue its operations for the foreseeable future.
- It is assumed here that there is no danger of the business closing down or limiting its operational activities.
- Since the business is an independent entity, its transactions can be identified separately from other transactions and therefore, an accounting system required for the business can be selected and implemented on that same basis.

**Application of the concept in preparing financial statements**

- Categorizing assets under the current and non-current categories
- Categorizing liabilities under the current and non-current categories
- Not showing assets at realizable value in the Statement of Financial Position
- Annual depreciation of PP&E



