

Conventions Of Accounting

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- Materiality means that only important (material) information should be recorded and reported in accounting records.
 - Example : A company buys a calculator for 450. Instead of showing it as an asset, it is treated as an expense, because the amount is not significant for decision-making.
 - Prudence means being careful while recording income and expenses and not overstating profits or assets.
 - Example : If a customer may not pay a debt, the business records a provision for bad debts, even though the loss has not yet occurred.
 - Consistency means using the same accounting or policies methods every year.
 - Example : If a company uses the straight-line method of depreciation, it should use the same method every year unless there is a valid reason to change.
 - Disclosure means showing all important information clearly in financial statements.
 - In Short nothing is hidden , everything is presented.
 - Example : If a company has taken a large bank loan, it must be clearly shown in the balance sheet or notes to accounts.

Concepts Of Accounting

- 1 Money Measurement Concept
- 2 The Going Concern Concept
- 3 The Business Entity Concept
- 4 The Realization Concept
- 5 Accrual / Matching Concept
- 6 Historical Cost Concept
- 7 Periodicity Concept