Accounting principles 9th edition answer key

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Accounting Principles and Concepts**

Definition of Accounting Principles

Accounting principles are guidelines or rules that provide a framework for recording, reporting, and interpreting financial information. They ensure consistency, accuracy, and transparency in financial reporting.

13 Principles of Accounting

There are 13 generally accepted accounting principles (GAAP):

- Accrual accounting
- Consistency
- Cost principle
- Economic entity
- Going concern
- Historical cost
- Industry-specific principles
- Materiality
- Monetary unit
- Regularity
- Revenue recognition

- Timeliness
- Uniformity

5 Basic Accounting Principles with Examples

- **Accrual accounting:** Transactions are recorded when they occur, regardless of cash flow. (e.g., recording rent expense as it is incurred, not when the rent is actually paid)
- **Consistency:** The same accounting methods are used year after year to ensure comparability. (e.g., using the same depreciation method for fixed assets)
- **Cost principle:** Assets are recorded at their acquisition cost. (e.g., recording a building at its purchase price)
- **Economic entity:** The business is separate from its owners. (e.g., the financial statements of a company do not include the personal assets and liabilities of its shareholders)
- **Timeliness:** Financial information is reported regularly and promptly. (e.g., quarterly or annual financial statements)

Discrepancy in Balance Sheet due to Violated Principles

If the balance sheet does not balance, it could indicate that one or more accounting principles have been violated. For example, the cost principle may have been violated if an asset is recorded at a value other than its acquisition cost.

12 GAAP Principles with Examples

- **Disclosure:** Adequate information is provided to users to understand the financial statements. (e.g., notes to financial statements)
- **Consistency:** The same accounting methods are used consistently from period to period. (e.g., using the same depreciation method for fixed assets)
- **Materiality:** Only information that is material to the financial statements is disclosed. (e.g., small errors that do not affect the overall presentation of the financial statements may be omitted)

- **Reliability:** The financial statements are accurate and reliable. (e.g., using verifiable data and documented processes)
- **Timeliness:** Financial information is reported promptly. (e.g., quarterly or annual financial statements)
- **Understandability:** The financial statements are clear and easy to understand. (e.g., using plain language and avoiding technical jargon)
- **Relevance:** The financial statements provide information that is useful to users. (e.g., providing information about a company's operating performance and financial position)
- **Neutrality:** The financial statements are free from bias and presented in an unbiased manner. (e.g., avoiding presentation that favors certain parties or interests)
- **Comparability:** The financial statements are comparable to those of other companies in the same industry. (e.g., using the same accounting methods and reporting formats)
- **Verifiability:** The information in the financial statements can be verified through independent audits or other means. (e.g., using third-party audits or confirmations)
- **Completeness:** The financial statements include all material financial information. (e.g., including all assets, liabilities, revenues, and expenses)
- **Going concern:** The assumption that the company will continue to operate in the foreseeable future. (e.g., not recording an asset as impaired if there is no evidence of impairment)

7 Concept of Accounting

- **Accounting entity:** The business is separate from its owners.
- **Going concern:** The assumption that the company will continue to operate in the foreseeable future.
- **Historical cost:** Assets are recorded at their acquisition cost.
- **Matching:** Expenses are matched to the revenues they generate.
- **Materiality:** Only information that is material to the financial statements is disclosed.

- **Periodicity:** Financial information is reported at regular intervals.
- **Regularity:** The business follows all applicable laws and regulations.

5 Fundamental Accounting Principles

- **Matching:** Expenses are matched to the revenues they generate.
- **Cost principle:** Assets are recorded at their acquisition cost.
- **Going concern:** The assumption that the company will continue to operate in the foreseeable future.
- **Historical cost:** Assets are recorded at their acquisition cost.
- **Materiality:** Only information that is material to the financial statements is disclosed.

Most Common Accounting Principle

The matching principle is the most commonly used accounting principle. It ensures that expenses are recorded in the same period that the related revenues are recognized.

5 Concept in Accounting

- **Accrual accounting:** Transactions are recorded when they occur, not when cash changes hands.
- **Materiality:** Only information that is important enough to affect the decisions of users is included in financial statements.
- **Regularity:** Financial statements are prepared in accordance with established rules and regulations.
- **Timeliness:** Financial information is provided to users when they need it.
- **Understandability:** Financial statements are easy to understand by users.

4 Types of Errors in Accounting

- **Errors of principle:** Violations of accounting principles. (e.g., expensing an asset that should be capitalized)

- **Errors of omission:** Failure to record or disclose information. (e.g., omitting a significant liability)
- **Errors of commission:** Recording incorrect information. (e.g., recording a transaction in the wrong amount)
- **Computational errors:** Mathematical mistakes in calculations. (e.g., error in addition or subtraction)

Correcting Error of Principle

Errors of principle cannot be corrected with adjusting entries. They require the financial statements to be restated for the period in which the error occurred and all subsequent periods.

Examples of Error of Principle

- Capitalizing an expense instead of expensing it
- Deleting a liability instead of recording it

Difference between Accounting Principles and Accounting Concepts

- Accounting principles are specific rules or guidelines.
- Accounting concepts are broader, underlying assumptions about financial reporting.

4 GAAP Rules

- **Cost principle:** Assets are recorded at their acquisition cost.
- **Revenue recognition principle:** Revenues are recognized when earned.
- **Expense recognition principle:** Expenses are recognized when incurred.
- **Matching principle:** Expenses are matched to the revenues they generate.

4 Principles of IFRS

- **Accrual accounting:** Transactions are recorded when they occur, not when cash changes hands.

- **Materiality:** Only information that is important enough to affect the decisions of users is included in financial statements.
- **Regularity:** Financial statements are prepared in accordance with established rules and regulations.
- **Timeliness:** Financial information is provided to users when they need it.

Golden Rules of Accounting

- **Debit the receiver:** The person or account receiving something is debited.
- **Credit the giver:** The person or account giving something is credited.

Defining Materiality

Materiality is a threshold that determines whether financial information is important enough to be disclosed. It is determined based on the nature and size of the item and its potential impact on users' decisions.

Difference between IFRS and GAAP

- IFRS is the International Financial Reporting Standard, a set of accounting standards used by companies in many countries around the world.
- GAAP is the Generally Accepted Accounting Principles, a set of accounting standards used by companies in the United States.

Accounting Principle for Depreciation

The matching principle requires companies to depreciate long-term assets over their useful lives instead of expensing their total cost in the year of purchase. This matches the expense of the asset to the revenues it generates over its useful life.

3 Principles of Accounting

- **Cost principle:** Assets are recorded at their acquisition cost.
- **Matching principle:** Expenses are matched to the revenues they generate.
- **Going concern:** The assumption that the company will continue to operate in the foreseeable future.

Accounting Principles Dictionary

Accounting Principles Dictionary: A dictionary of accounting terms and concepts published by the AICPA (American Institute of Certified Public Accountants).

Answer to Furniture Sale

On June 30, the retailer records a sale of furniture for $200. The journal entry is:

Debit: Cash $200 Credit: Sales Revenue $200

600haynesmanual marinenetcorporalscourse answersiwsun aplacein francean indiansummer swarmevolutionary andmemetic computingsecondinternational conferencesemcco2011 visakhapatnamindia december19 212011 proceedingscomputerscience andgeneralissues diniso 1081662015 07ethe biophysicalchemistry ofnucleicacids andproteins paperback2010author thomase creightonreconstructive andreproductivesurgery ingynecology yamahayxr660fasfull servicerepairmanual 2004onwards introductiontothe musicalartof stagelighting designthirdedition thirdeditionprinciples ofeconomicsml sethaurora junotdiazairframe andpowerplant generalstudyguide holdencommodoreservice manualforbidden keysto persuasionby blairwarren free2002yamaha sx225txraoutboardservice repairmaintenance manualfactory 2003elantra repairmanualhonda cbr600f119871990 cbr1000fsc21 19871996 servicemanual1001 albumsyou musthearbefore youdierevised andupdated editionmercuryoutboard repairmanual 125hp superhumanby habita guidetobecoming thebest possibleversion ofyourself onetinyat timekindle editiontynanbizhub c360c280 c220securityfunction physicalmetallurgyprinciples 3rdedition mhrmathematicsof datamanagementstudy guidecomputeraided electromyographyprogress inclinicalneurophysiology vol10 chemicalreaction engineeringlevenspielsolution manualscribd handbookofcritical andindigenousmethodologies mcqsin regionalanaesthesiaand paintherapymasterpass sapsd videolectures gurjeetsinghof otherkx100 maintenancemanual engineeringcircuitanalysis 10theditionsolution manualcalifornia mftexam studyguide