Accounting principles 7th edition weygt

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The Importance of Accounting Principles**

Accounting principles provide a framework for recording, reporting, and interpreting financial information. Adhering to these principles ensures consistency, accuracy, and transparency in financial reporting.

The 13 Principles of Accounting

- **Objectivity:** Financial information should be free from bias and personal opinions.
- **Sincerity:** Financial statements should fairly and accurately represent the financial position and results of the business.
- **Regularity:** Records should be kept in accordance with statutory and regulatory requirements.
- **Prudence:** Assets and income should not be overstated, while liabilities and expenses should not be understated.
- **Consistency:** Methods used for recording and reporting financial information should be consistent from period to period.
- **Non-Compensation:** Assets and liabilities should not be offset against each other.
- **Materiality:** Transactions that are immaterial to the financial statements as a whole should not be recorded.
- **Continuity:** A business entity is assumed to continue operating in the foreseeable future unless there is evidence to the contrary.

- **Good Faith:** Management is assumed to be honest and trustworthy in preparing financial information.
- **Periodicity:** Financial statements should be prepared at regular intervals.
- **Monetary Unit:** Transactions should be recorded and reported in a specific currency.
- **Going Concern:** A business entity is assumed to continue operating in the foreseeable future unless there is evidence to the contrary.
- **Accrual Accounting:** Revenues and expenses should be recorded in the period they are incurred, regardless of when cash is received or paid.

The 5 Basic Accounting Principles with Examples

- **Objectivity:** Transactions should be recorded based on evidence, such as invoices or receipts.
- **Sincerity:** The financial position and results should be fairly represented, even if it results in an unfavorable outcome for the business.
- **Regularity:** All financial transactions should be properly recorded in accordance with accounting standards.
- **Prudence:** Assets should be valued at the lower of cost or market, while liabilities should be recorded at their full amount.
- **Consistency:** The same accounting methods should be used consistently from period to period.

The 5 Fundamentals of Accounting

- **Assets = Liabilities + Equity**
- **Revenue - Expenses = Net Income**
- **Debit = Credit**
- **Cash = Assets - Liabilities**
- **Profit = Revenue - Cost of Goods Sold - Expenses**

The 7 Concept of Accounting

- **Entity:** Transactions should be recorded from the perspective of the specific entity being audited.
- **Materiality:** Only material transactions should be recorded.
- **Prudence:** Transactions should be valued at the lower of cost or market.
- **Regularity:** Transactions should be recorded in accordance with accounting standards.
- **Consistency:** The same accounting methods should be used consistently from period to period.
- **Sincerity:** Transactions should be recorded fairly and accurately.
- **Objectivity:** Financial information should be free from bias and personal opinions.

The 5 Key of Accounting

- **Accuracy:** Financial statements should be free from errors.
- **Clarity:** Financial information should be easy to understand and interpret.
- **Transparency:** Financial information should be easily accessible to all stakeholders.
- **Reliability:** Financial information should be reliable and credible.
- **Comparability:** Financial information should be comparable across different entities and time periods.

The 4 Basic of Accounting

- **Assets:** Resources owned or controlled by a business.
- **Liabilities:** Obligations owed by a business.
- **Equity:** The residual interest in the assets of a business.
- **Income:** Revenues minus expenses.

The Most Fundamental Principle of Accounting Ethics

- **Integrity:** Accountants should maintain ethical behavior and avoid conflicts of interest.

The Golden Rules of Accounting

- **Debit the receiver and credit the giver.**
- **Assets increase with debits and decrease with credits.**
- **Liabilities increase with credits and decrease with debits.**
- **Equity increases with credits and decreases with debits.**
- **Income increases with credits and decreases with debits.**
- **Expenses increase with debits and decrease with credits.**

The Difference Between Accounting Principles and Concepts

- Accounting principles are specific rules that guide the recording and reporting of financial information.
- Accounting concepts are broader ideas that underlie the principles.

Correcting Errors of Principle in Accounting

- Recast the financial statements retroactively.
- Adjust the financial statements for the current period.
- Make a cumulative adjustment to retained earnings.

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