Q5. Complete the following work sheet:
(i) If a firm believes that some of its debtors may ”^{2}default”^{2}, it should act on this by making sure that all possible losses are recorded in the books. This is an example of the ___________ concept.
(ii) The fact that a business is separate and distinguishable from its owner is best exemplified by the ___________ concept.
(iii) Everything a firm owns, it also owns out to somebody. This co-incidence is explained by the ___________ concept.
(iv) The ___________ concept states that if straight line method of depreciation is used in one year, then it should also be used in the next year.
(v)A firm may hold stock which is heavily in demand. Consequently, the market value of this stock may be increased. Normal accounting procedure is to ignore this because of the ___________.
(vi) If a firm receives an order for goods, it would not be included in the sales figure owing to the ___________.
(vii) The management of a firm is remarkably incompetent, but the firms accountants can not take this into account while preparing book of accounts because of ________ concept.
Answer :
(i) If a firm believes that some of its debtors may ”^{2}default”^{2}, it should act on this by making sure that all possible losses are recorded in the books. This is an example of the conservatism concept.
(ii) The fact that a business is separate and distinguishable from its owner is best exemplified by the business entity concept.
(iii) Everything a firm owns, it also owns out to somebody. This co-incidence is explained by the dual aspect concept.
(iv) The consistency concept states that if straight line method of depreciation is used in one year, then it should also be used in the next year.
(v) A firm may hold stock which is heavily in demand. Consequently, the market value of this stock may be increased. Normal accounting procedure is to ignore this because of the conservatism.
(vi) If a firm receives an order for goods, it would not be included in the sales figure owing to the revenue recognition.
(vii) The management of a firm is remarkably incompetent, but the firm's accountants cannot take this into account while preparing book of accounts because of money measurement concept.

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