

Q5. Complete the following work sheet: (i) If a firm believes that some of its debtors may "2default"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.
<ul><li>(iii) Everything a firm owns, it also owns out to somebody. This coincidence is explained by the concept.</li><li>(iv) The concept states that if straight line method</li></ul>
of depreciation is used in one year, then it should also be used in th 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 "2default"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 coincidence 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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