



Accountancy

Chapter : 3

Accounting : Principles and Concepts



Meaning and Nature of Accounting Principles

- Accounting Principles, Concepts and Conventions Commonly known as **Generally Accepted Accounting Principles** or **GAAPs** are the basic rules that define the parameters and constraints within which accounting operates. These principles are the theory base of accounting, on the basis of which financial statements are prepared. In other words, they are the guidelines for preparing the financial statements.

According to AICPA

“Principles of Accounting are the general law or rule adopted or proposed as a guide to action, Settled ground or basis of conduct or practice.



AICPA

Anil Kr. Singh

- Accounting principles are the rules adopted by accountants universally while recording accounting transactions they are the norms or rules which are followed in accounting of various items of assets liabilities, expences, incomes, etc.
- For Example, Inventory (Stock) is valued at lower of its cost or net realizable value. These principles are classified into two categories:-
 1. Accounting Concepts.
 2. Accounting Conventions.

Fundamental Accounting Assumptions or Concepts

1. Going Concern Assumption.
2. Consistency Assumption.
3. Accrual Assumption.

Accounting Principles (Others)

1. *Accounting Entity or Business Entity Principle.*
2. *Money Measurement Principle.*
3. *Accounting Period Principle.*
4. *Full Disclosure Principle.*
5. *Materiality Principle.*
6. *Prudence or Conservatism Principle.*
7. *Cost Concept or Historical Cost Principle.*
8. *Matching Concept or Matching Principle.*
9. *Dual Aspect or Duality Principle.*
10. *Revenue Recognition Concept.*
11. *Verifiable Objective Concept.*

Anil Kr. Singh

Thank You

