

Accounting Concepts / Principles/
Conventions

BY

Dr. Prashant Suresh Salve

Assistant Professor

Department of Commerce

Babuji Avhad Mahavidyalaya, Pathardi

Accounting Concepts / Principles/conventions

- ▶ **Accounting Concepts / Principles/conventions** are in the form of guidelines and/or rules which are used as a standard for recording business transactions in the books of accounts.



TYPES OF ACCOUNTING CONCEPTS / PRINCIPLES/CONVENTIONS

1. Separate Business Entity Concept

As per this concept, the business is treated as distinct and separate from the individuals who own or manage it.

2. Going Concern Concept

The basic principles of this concept is that business is assumed to exist/continue for an foreseeable future/time and is not established with the objective of closing it down.

3. Accounting Period Concept

Every organization, according to its needs, chooses a specific period of time to complete an accounting cycle. Generally, the time chosen is a year we call the accounting year. The time period is mentioned in the financial statements.

4. Revenue Recognition/Realization Concept

This concept answers the question as to when and how revenue is recognized (i.e. realized) from business transaction.

5. Dual aspect concept

This concept is the basic principle of accounting, it is the heart and soul. It basically is one of the golden rules of accounting – for every credit, there must be a corresponding debit. So every transaction we record must have a two-fold effect, i.e. it will be recorded in two places. This is the core concept of the double-entry system of accounting

6. Money Measurement Concept

According to this concept accounting records only those transactions which can be expressed in terms of money. It means accounting records only monetary transaction.

7. Accrual system or mercantile system

Accounting transactions are recorded in the period when it is earned, rather than when cash was received from the customer. This also holds true for expenses as they are recorded when they were incurred, rather than when they were paid.

8. Convention of Conservatism

This convention states that business should anticipate no profits and gains but anticipate all expenses and losses and provide for them.

e.g. 1) valuing inventories (stock) at cost or market price whichever is less.

2) making provision for doubtful debts & discount to debtors.



Thank You

