

CA BUSINESS SCHOOL

EXECUTIVE DIPLOMA IN IN BUSINESS AND ACCOUNTING STRATEGY

SEMESTER 1 : Financial Accounting and Reporting

KEY

Accounting Concepts | Principles | Policies

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Introduction

Financial accounting function is mostly surrounded by rules/regulations and customs which provide standard framework to compile financial statements. Key accounting concepts/principles and policies are dependent on the respective country's jurisdiction but mostly in line with the IFRS/accounting standards requirements.

Accounting Concepts

Rules and regulations of accounting that should be followed/adhered to when compiling the financial statements. Accrual/Consistency/Going Concern and Prudent concepts being treated as fundamental accounting concepts while below are also used in preparation of financial statements.

Entity/Matching/Materiality/Historical Cost Basis/Accounting Period/Full Disclosure/Money Measurement/Objectivity/Accounting Equation

Accounting Principles

Generally Accepted Accounting Principles (GAAP) are the standard framework of guidelines for financial accounting/preparation of financial statements which has strong tight with the common accounting practices along with the accounting standards.

Accounting principles are same as accounting concepts which discussed earlier.

Accounting Policies

Accounting polices are based on the GAAP and in line with the accounting standards which are tailor-made to the particular organization's requirement.

Accounting policies are required to practice in consistent manner between the financial period except the change/amend is more prudent to provide true and fair view.

❑ Fair presentation

Faithful presentation of the effects of transactions, other events and conditions in accordance with the determinants and recognition criteria for assets, liabilities, income & expenses set out in framework/LKASs.

❑ Going concern

Financial statements should prepare on a going concern basis unless management either intends liquidate the entity or to cease trading or has no realistic alternative but to do so.

❑ Accrual basis

Income and expenses should recorded in the particular financial period irrespective whether they paid/received by cash provided those are relevant to such financial period.

❑ Offsetting

An entity shall not offset assets and liabilities and/or income and expenses unless required or permitted by a standard.

☐ Frequency of reporting

An entity shall prepare/present a complete set of financial statements (including comparatives) at least annually.

☐ Comparative information

An entity shall disclose comparative information with respect to the previous period for all amounts reported in the current period's financial statements.

☐ Consistency of presentation

An entity shall retain the consistency of presentation and classification of items in the financial statements from one period to the next.

☐ Identification of financial statements

An entity shall clearly identify the financial statements and distinguish them from other information in the same published document.

