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https://www.100test.com/kao_ti2020/128/2021_2022_FECT_E4_B8_AD_E7_BA_A7_c92_128839.htm chapter 4 accounting

principles business entity assumption 1. economic events can be identified with a particular unit of accountability. 2. accounting is mainly concerned with the business organization as a separate entity. 3. the revenues and expenses of a business are regarded as affecting its assets and liabilities but not the individual investor's assets and liabilities. monetary unit assumption 1. only transaction data capable of being expressed in terms of money should be included in the accounting records and the unit of measurement remains constant over a specific period of time. 2. the use of the monetary unit assumption has two major limitations. first, it limits the scope of accounting reports, i.e. goodwill. second, the purchasing power of money continually changes. periodic assumption 1. the economic life of a business can be divided into artificial time periods. 2. we must therefore prepare periodic reports on operations and financial position for decision-makers such as management and other parties. 3. the accounting period concept creates many difficulties. i.e. adjusted entries are needed to report net income for a period of time. the inventory costing, estimating bad debt provisions, and selecting depreciation methods are also directly related to measuring periodic profit. going concern assumption 1. the business will continue in operation long enough to carry out its existing objectives and commitments. 2. the going concern assumption also

supports the recording of prepaid expenses as assets although in most cases the prepayments cannot be sold.3. the assumption justifies our recording fixed assets at cost and depreciating them without reference to their current replacement costs.4. when the ability of a business to continue as a going concern is doubtful, this fact should be disclosed in a note to the financial statement.5. the financial statements should be prepared from the quitting concern or even liquidation point of view instead of a going concern point of view.contingent liabilitiescontingent liabilities are potential obligations that will become liabilities only if certain events happen in the future. if the liabilities are probable and the amount of the liabilities can be reasonably estimated, it should be recorded in the accounts.capital expenditure and revenue expenditurecapita expenditure is the amount of investment by a business in its assets retained for the purpose of earning profits, which are termed fixed assets.revenue expenditure are those costs incurred in running a business on a current or daily basis.guangao 100Test 下载频道开通 , 各类考试题目直接下载。 详细请访问 www.100test.com