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NET, IAS, State-SET (KSET, WBSET, MPSET, etc.), GATE, CUET, Olympiads etc. Accountancy Basic Concept

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Definition of Accounting Concept

Concepts are the different thoughts given by expert in respective field. Now we come on accounting concept topic. Accounting concepts are also given by different accounts professional for development of scientific accounting. There are following accounting Concepts:

1. **Accounting Period Concept** According to this concept, every business discloses their result after certain period. That period is called accounting period. The time of this accounting period is one year which started from 1 Jan to 31st Dec. But some companies prefer to adopt the accounting period according to income tax financial period which starts from 1st April and close to next year 31st march. The main motive of making accounting period is that it tells us whether business has given good result or not.
2. **Business Entity Concept** According to this concept, every business is separate from his owner of business. If businessman takes some money from business. Then it is just loan given by business to businessman. So, it is very necessary to record all transactions between business and businessman. This concept is very useful in partnership type or company type business because in that type of business we can charge interest on all drawing by partner and get earning from drawing.
3. **Cost Concept** According to this concept, every businessman or accountant will enter all assets on cost basis in their books. He has no right to record the assets on their market value because market value is changing day by day. So showing correct position of business, it is very necessary to show all assets on their original cost at which we purchase it but we can deduct depreciation if it is not new asset.
4. **Matching Concept**

According to this concept, an accountant can get net profit or loss for business after comparison of all incomes and expenses of that business. Without doing this he can not get real profit or loss. So it is duty of accountant to make profit and loss account and show expenses in debit side and incomes in credit side. After this he must compare both side if incomes are more than expenses, it will be net profit or if expenses are more than income then it will be net loss