SHS LEARNING ACTIVITY

Name: _____ **Score/Mark:** _____
Grade and Section: _____ **Date:** _____
Strand: ☐ STEM ☐ ABM ☐ HUMSS ☐ ICT (*TVL Track*)
Subject: *Fundamentals of ABM 1*
Type of Activity ☐ Concept Notes ☐ Skills: Exercise / Drill ☐ Illustration ☐ Laboratory Report ☐ Essay/Task Report ☐ Others: _____

Activity Title: LA-06. Generally Accepted Accounting Principles
Learning Target: To describe generally accepted accounting principles
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, pp. 23-28
2) Q. J. Abcede, CVIF Learning Activities

As the "language of business," accounting uses financial information to help users in making better decisions. This financial information is best presented and understood using **financial statements**. When accountants prepare and present financial statements, they have to be governed by a set of accounting principles, prescribed processes, underlying assumptions and standards known as the **generally accepted accounting principles or GAAP**.

The GAAP, though termed "principles," are not fixed or unchanging. They *continue to evolve and develop* as the financial information needs of the different users also continue to change.

The *Philippine Financial Reporting Standards Council (PFRSC)* is the official accounting standard setting body in the Philippines. It sets standards, called the *Philippine Financial Reporting Standards (PFRS)*, which constitute the Philippine GAAP. The PFRS are adopted from the *International Financial Reporting Standards (IFRS)* issued by the *International Accounting Standards Board (IASB)*.

The development of Philippine GAAP is based on accounting concepts (which will be further discussed in the succeeding activities), and the Framework for the Preparation and Presentation of Financial Statements.

Short Discussions:

1. In your understanding, why should the PFRS be adopted from the IFRS?
2. Why should accountants follow these accounting concepts and principles, especially when preparing financial statements of a business? Share your opinion.