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-08. Basic Accounting Concepts and Principles 2
Learning Target: 1) To explain basic accounting concepts and principles
2) To solve exercises on accounting principles as applied in various cases
References: *(Author, Title, Pages)*
1) Hinayon, et al., Fundamentals of Accounting Vol. 1, pp. 23-28
2) Q. J. Abcede, CVIF Learning Activities

4. **Stable monetary unit**. This assumes that the value of peso does not change significantly over time regardless of the effects of inflation. For example, if a company buys a portion of land for 3 million pesos and holds on to it for 5 years, it will continue to be reported on the financial statement for the original price of 3 million pesos.

5. **Time period principle**. To help an enterprise in providing financial information on a timely basis, its operating life may be divided into equal time periods (e.g., monthly, quarterly, or annually) called accounting periods. This allows the users to assess the enterprise's performance across equal time periods (e.g., comparing this month's net income with last month's).

6. **Continuity assumption/Going concern**. This implies that an enterprise is assumed to be a 'going concern' or will remain in business unless available evidence is showing it will or will have to stop its operations in future periods. If an enterprise is a going concern, it must prepare and present financial statements according to GAAP.

7. **Accrual basis**. Whether or not cash has been received, income/revenue is recognized when earned. Also, whether or not cash has been paid out, expense is recognized when incurred. This is very different from the cash basis where income/revenue or expense is recognized only when cash has been received or has been paid out.

Exercise: Assume that on September 8, Elise opened *Flowers Aplenty* (a flower shop) and invested Php50,000 into the business. She received an order for flowers to be delivered to ABCDE Company on September 19. Elise delivered the flowers on that date. ABCDE Company paid Php6,000 on September 25. Under the accrual basis, on what date should the income/revenue of Php6,000 be recognized? Why?