Going Concern Concept:

Going concern concept assumes that the business will exist for indefinite period. It is because of this concept a distinction is made between a capital and a revenue expenditure. On the basis of this concept, fixed assets are recorded at their original costs whereas depreciation is charged on these assets, on the expected life of the assets rather ~~that~~ than its market value.

For eg: a machinery purchased is expected to last for 10 years. The cost of the machinery is spread over the next 10 years for ascertaining the profit and loss for each year. The total cost of the machine is not treated as an expense in the year of purchase.

Business Entity Concept:

According to business entity concept, business is considered to be separate from its owners. Therefore, business transactions are recorded in the books of accounts from the business point of view. Owners are the creditors of the business to the extent of their capital.

For eg: When the proprietor introduces his capital, the cash/bank account is debited and the capital account is credited. The amount in the credit of the capital is a liability of the enterprise towards the proprietor.

Money Measurement Concept:

According to money measurement concept only those transactions and events can be recorded in the books of accounts that can be measured in terms of money.

For eg: A firm has ₹ 10,000 cash; 10 tonnes of raw materials and 5 trucks. Unless the value of raw materials and trucks are ascertained in terms of money it cannot be recorded.

Accounting Period Concept:

The users of financial statements are interested to know the performance of the enterprise at a regular interval so that decisions can be taken at the appropriate time. Hence, the life of a business entity is divided into smaller periods. This period is termed as 'accounting period' which is usually of one year.

Cost Concept:

According to the cost concept, an asset is recorded in the books of accounts at the price paid to acquire it.

For eg: an asset is purchased for ₹ 1,00,000 and at the time of preparing final accounts, if the market value of the same asset is ₹ 90,000 or ₹ 1,10,000 yet, the asset shall be recorded at ₹ 1,00,000 i.e., its cost price. On the basis of this principle, goodwill is recorded in the books of accounts only when it is purchased.

Dual Aspect Concept:

According to dual aspect concept, every transactions has two aspects, a debit and a credit. In simple words, for every debit there is a credit of equal amount in one or more accounts. On the bases of this concept only, the Accounting Equation always holds good.

Capital + Liability = Assets

For eg: Mr. A started business with Cash ₹ 1,00,000.

There are two aspects of this transactions On one hand business has an asset of Cash ₹ 1,00,000 and on the other, it also has a liability towards Mr A. of ₹ 1,00,000 (Capital of Mr. A)

Matching Concept:

Matching principle requires companies to use the accrual basis of accounting. According to this principle all expenses incurred during a particular period should be charged to revenue of that period to ascertain the net profit.

For eg: Sales commission expense should be reported in the period when the sales were made. (not when the commissions were paid)

On the basis of this concept, the adjustment entries regarding outstanding, prepaid, accrued and unaccrued incomes and expenses are recorded.

Realisation Concept:

According to realisation concept, profit is recognised only when it is earned. An advance or fee paid is not considered a profit until the goods or services have been delivered to the buyer.

For eg: If goods are sold in Feb. 2019 and the cash is received in May 2019, revenue of this sale should be recognised in Feb 2019 i.e. when the goods are sold. But, suppose a firm has received an ~~a~~ advance in Feb. 2019 for the sale to be made in May 2019 then revenue shall be recognised in May 2019, i.e, when actual sales is made.

Accounting Conventions:

Convention of Conservatism or Prudence: The convention of conservatism can be well understood by the phrase "Do not anticipate a profit, but provide for all possible losses." On the basis of this principle, provision for doubtful debts, depreciation, etc. are created.

Convention of Consistency: It prescribes the use of the same accounting principles from one accounting period to next, so that the same standards are applied to calculate profit and loss.
For eg: Suppose a firm chooses Written Down Value method to charge depreciation on its fixed assets, should be used year after year. However, this does not mean that the practice once adopted cannot be changed. If the firm wants to provide depreciation on Straight Line method after few years, it can do so, by disclosing the change in method and its impact on the profit and loss.

Convention of Full Disclosure:
Convention of full disclosure reveals that all significant informations relating to the economic affairs of the entity should be disclosed to its users. It is because of this convention 'footnotes' are often attached to financial statements.
For eg: Contingent liabilities are shown as footnote in the book of accounts.

Convention of Materiality:
Materiality convention refers to the importance of an item or an event. Only those items should be disclosed that have significant effect or are relevant to the user. However, this convention violates the convention of full disclosure. So, it depends on the intellect of an accountant to make the financial statements useful for its users without violating any of the accounting principles.