

## Discussion Questions 1 Conceptual Framework

1. What is the main objective in "Financial Accounting"?
2. to 6. Enumerate the complete set of financial statements.
7. It provides accounting with a theoretical foundation which will guide standard setters, and preparers of financial statements. (Identification)
8. to 10. Financial accounting standards are prepared and issued by the \_\_\_(8)\_\_\_ and are contained in \_\_\_(9)\_\_\_ and \_\_\_(10)\_\_\_ . (Fill in the blanks)
11. This body provides guidance and enlightenment on accounting issues not specifically discussed or gray areas of accounting standards. (Identification)
12. It is the body authorized by law to regulate rules and regulations affecting the practice of the accountancy profession in the Philippines (Identification)
13. An entity considers the point in time at which goods or services are delivered in recognizing revenues and the point in time at which economic resources are consumed in recognizing expenses. (Identification)
14. The life of a business entity is divided into shorter periods of time which are known as accounting periods. At the end of each accounting period, financial statements are prepared. (Identification)
15. The element of financial statements should be measured in terms of a common unit of measure which is the peso in the Philippines. (Identification)
16. In preparing financial statements, it is always assumed that the business entity will continue operating into the future. This is the reason why fixed assets are recorded at cost rather than current value. (Identification)
17. When the owner invests additional cash in the business, it is recorded as additional capital; while when the owner takes cash from the business, it is recorded as a withdrawal. (Identification)
18. to 22. are based on the following:

A 1,000 sq. m lot was purchased 10 years ago for P1,000,000. Currently, the lot is appraised at P4,000,000 with an estimated net realizable value of P3,500,000. An adjacent 1,000 sq. m lot was recently sold for P3,800,000. If in the balance sheet, the lot is recorded at:
18. to 20. P1,000,000, this means the accounting assumption of \_\_\_(18)\_\_\_, \_\_\_(19)\_\_\_ principle, and the qualitative characteristic of \_\_\_(20)\_\_\_ have been applied.
21. P4,000,000, this means the qualitative characteristic of \_\_\_(21)\_\_\_ has been enhanced.
22. P3,500,000, this means there is already evidence that the business is no longer a \_\_\_(22)\_\_\_.
23. A provision in an instalment sale stipulates that ownership of the goods sold shall be transferred to the buyer only upon full payment. However, the seller recorded a sale and the buyer immediately recorded a purchase. (Identification)
24. Financial statements are prepared in accordance with generally accepted accounting principles because they are intended for all types of users. (Identification)
25. If the FIFO cost method is used for valuation of inventory for the 1<sup>st</sup> year, it should also be applied for the succeeding periods. (Identification)
26. In making an estimate, the preparer of financial statements will use the estimate that will understate rather than overstate assets and income. (Identification)
27. A Corporation discloses in its financial statements its plan of selling one of its divisions. (Identification)
28. A calculator with a cost of P1,000 is expensed immediately rather than being capitalized and depreciated over its useful life. This is an application of \_\_\_\_\_. (Fill in the blank)
29. If two accountants prepare reports separately based on the same set of documents, the report of one will be substantially the same as the report of the other. (Identification)
30. A two-year fire insurance policy is purchased on Oct. 1, 2017. The insurance cost will initially be recorded as an asset and expenses in 2017, 2018, and 2019. (Identification)
31. Salaries paid to employees are expensed in the period they are incurred because they provide no discernable future benefit. (Identification)
32. An item of inventory is recorded in the books as an asset. Once it is sold, it is expensed. (Identification)
33. When is revenue generally recognized?
34. to 38. Enumerate the standard line items under current assets.
39. to 43. Enumerate the standard line items under non-current assets.
44. to 48. Enumerate the standard line items under current liabilities.