



Department of Education, Sabaragamuwa/weekly school

Subject-Accounting

week- 2

Grade-13

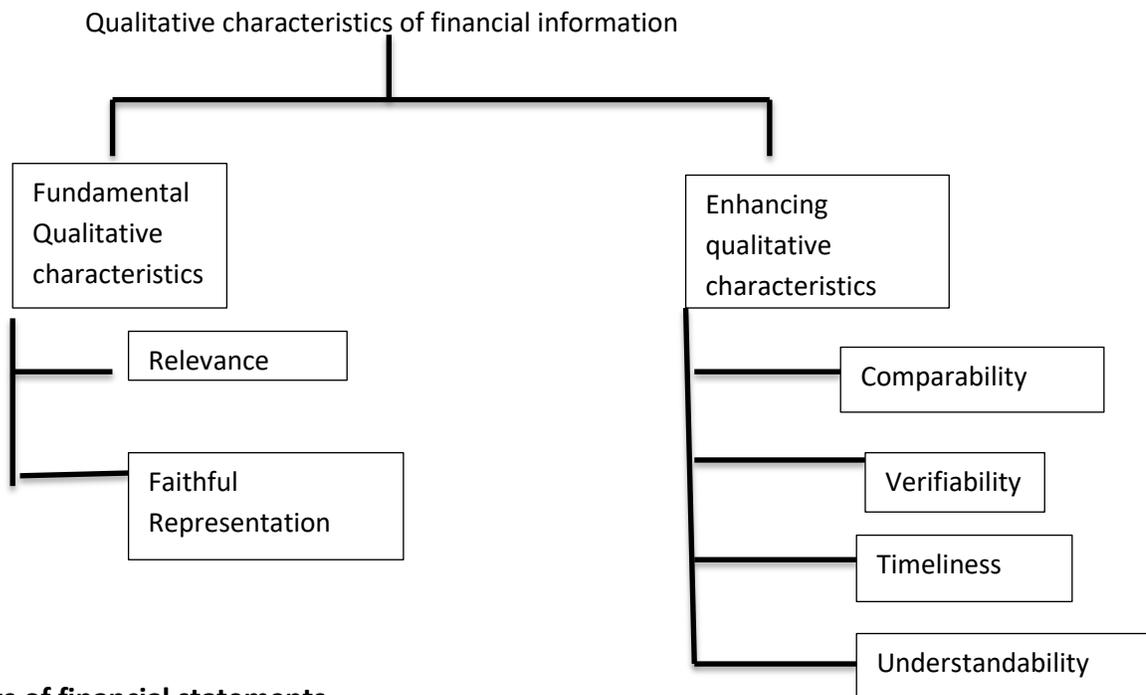
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Competency 11.0 – Uses Sri Lanka Accounting Standards for the preparation and presentation of financial statements.

Competency level 11.2 – Analyses conceptual framework for Financial Reporting.

**Objective of general purpose financial reporting**

- To provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources of the entity.
- The going concern assumption is the underlying assumption in preparing financial statements.



**Elements of financial statements**

- 1.Assets
- 2.Liabilities
- 3.Income
- 4.Expenses
- 5.Equity

## **Recognition of the elements**

Following criteria should be satisfied in order to recognize the elements.

- Elements should be in accordance with the definition.
- Economic benefits embodying should inflow or outflow in future.
- Can be measured reliably.

Measurement of the elements can be done by using following methods.

1. Historical cost
2. Current cost
3. Realizable cost
4. Present value

Assessment

1. Write down the objective of general purpose financial statements.
2. What is the underlying assumption in preparation of financial statements.
3. State the characteristics of assets and liabilities.
4. Write 2 fundamental characteristics and enhancing qualitative characteristics.
5. What are the criteria relevant to recognize elements in financial statements.
6. Name 2 methods of initial measurement in financial statements.