



**Pakistan School**  
**Kingdom of Bahrain**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

# TOPIC

## Important Accounting Terms

**Subject: Introduction of Accounting**

Jun 25, 2020  
Grade 11

# Lesson Objectives:

Students should understand, analyze and communicate the following basic accounting principles and conventions given in book chapter 1:

Book pager # 12 to 16

# Accounting Principles

**The following is a list of the ten main accounting principles and Conventions guidelines together with a highly condensed explanation of each.**

1. Convention of Materiality.
2. Convention of Full disclosure.

# Convention of Materiality

**Materiality** concept (**convention**, principle) of accounting defines and states that “items, transactions or an event which significantly affect a user's understanding of accounts should be separately stated”.

## 4. Convention Of Materiality

*The materiality concept is the principle in accounting that states that all important matters are to be disclosed. Items that are large enough to matter are material items.*

*Materiality refers especially to:*

- *The level of detail appropriate for different financial reports.*
- *The importance of errors such as:*
  - *Reporting expenses, revenues, liabilities, equities, or assets in*

# Convention of Full disclosure

The **full disclosure** principle is a concept that requires a business to report all necessary information about their financial statements and other relevant information to any persons who are accustomed to reading this information.



# **1) CONVENTION OF FULL DISCLOSURE**

- Information relating to the economic affairs of the enterprise should be completely disclosed which are of material interest to the users.
- Proforma & contents of balance sheet & P&L a/c are prescribed by Companies Act.
- It does not mean that leaking out the secrets of the business.





**Thanks for your  
attention!**

Summary Discussion and Questioning Answering