

Lesson 6: Accounting Principles — The Rules Behind the Numbers

Part A: Match the Principle

Draw a line — or write the letter — matching each principle to its correct definition.

Principle	Definition
A. Going Concern	1. Record revenue when earned, expenses when incurred
B. Consistency	2. Use the same methods from period to period
C. Accrual Basis	3. Assume the business will continue operating indefinitely
D. Materiality	4. Only report information significant enough to influence decisions
E. Conservatism	5. When uncertain, choose the option that understates assets/income

Part B: True or False

Statement	True / False
Cash-basis accounting records revenue when cash is received	
The Historical Cost principle means assets are recorded at market value	
The Matching Principle links expenses to the revenue they helped generate	
A business can change accounting methods every year for best results	

Part C: Apply the Principle

A company sells \$10,000 of services in December but receives payment in January. Under the accrual basis, in which month is revenue recorded? Explain which principle applies.
