

Introduction to Accounting Principles

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1. Definition

- Accounting principles are the standardized rules and guidelines that govern how financial transactions are recorded and reported.

2. Why Standardization Matters

- Ensures financial statements are comparable across companies and time periods, and trustworthy to external users.

3. Major Standard-Setting Bodies

- **IFRS** (International Financial Reporting Standards) - used in most of the world, including Kenya.
- **GAAP** (Generally Accepted Accounting Principles) - primarily used in the US.

4. Core Principles Overview

- Going concern, accrual basis, consistency, prudence, materiality, and the matching principle all underpin how transactions are recorded.

5. Relevance for Preparers and Users

- Preparers apply these principles when recording transactions; users (investors, lenders) rely on them to interpret statements correctly.