CONCEPTS:

Accrual Concept:
The concept that profit is the difference between revenue and the expenses incurred in generating that revenue.

Going Concern Concept:
The assumption that a business is to continue for the foreseeable future.

Consistency Concept:
This concept aims to ensure that business stick with the same techniques over a long period of time.

Historical Cost Concept:
Assets are shown at cost price.

Money measurement Concept:
The concept that accounting is concerned only with facts measurable in monetary terms.

Materiality Concept:
It should be in the financial statement if it would of interest to stakeholders.

Prudence Concept:
The concept that the financial statements are neutral. It should give a fair view of costs, expenses income and profit.

Business Entity Concept:
The concept states that the business and the owner are two different entity.

Realisation concept:
Only profits and gains at the balance sheet date should be included in the profit and loss account. For a gain to be realised it must be possible to be reasonably certain that it exists and it can be measured with sufficient reliability.

COSTS

Direct cost:
Cost that can be traced to the item being manufactures.

Indirect Cost/ Factory overhead expenses:
Costs related to manufacturing that cannot be economically traced to item being manufactured.

Fixed cost:
Expenses which remain constant whether activity rises or fall, within a given range of activity.

Variable Cost:
Cost that varies with the level of activity.