

APPENDICES

APPENDIX A

"THE BASIC POSTULATES OF ACCOUNTING"

The following list of proposed postulates is taken from MAURICE MOONITZ, THE BASIC POSTULATES OF ACCOUNTING 52-53 (AICPA Accounting Research Study No. 1, 1961):

Postulate A-1. Quantification. Quantitative data are helpful in making rational economic decisions, i.e., in making choices among alternatives so that actions are correctly related to consequences.

Postulate A-2. Exchange. Most of the goods and services that are produced are distributed through exchange, and are not directly consumed by the producers.

Postulate A-3. Entities (including identification of the entity). Economic activity is carried on through specific units or entities. Any report on the activity must identify clearly the particular unit or entity involved.

Postulate A-4. Time period (including specification of the time period). Economic activity is carried on during specifiable periods of time. Any report on that activity must identify clearly the period of time involved.

Postulate A-5. Unit of measure (including identification of the monetary unit). Money is the common denominator in terms of which goods and services, including labor, natural resources, and capital are measured. Any report must clearly indicate which money (e.g., dollars, francs, pounds) is being used.

Postulate B-1. Financial statements. (Related to A-1.) The results of the accounting process are expressed in a set of fundamentally related financial statements which articulate with each other and rest upon the same underlying data.

Postulate B-2. Market prices. (Related to A-2.) Accounting data are based on prices generated by past, present or future exchanges

which have actually taken place or are expected to.

Postulate B-3. Entities. (Related to A-3.) The results of the accounting process are expressed in terms of specific units or entities.

Postulate B-4. Tentativeness. (Related to A-4.) The results of operations for relatively short periods of time are tentative whenever allocations between past, present, and future periods are required.

Postulate C-1. Continuity (including the correlative concept of limited life). In the absence of evidence to the contrary, the entity should be viewed as remaining in operation indefinitely. In the presence of evidence that the entity has a limited life, it should not be viewed as remaining in operation indefinitely.

Postulate C-2. Objectivity. Changes in assets and liabilities, and the related effects (if any) on revenues, expenses, retained earnings, and the like, should not be given formal recognition in the accounts earlier than the point of time at which they can be measured in objective terms.

Postulate C-3. Consistency. The procedures used in accounting for a given entity should be appropriate for the measurement of its position and its activities and should be followed consistently from period to period.

Postulate C-4. Stable unit. Accounting reports should be based on a stable measuring unit.

Postulate C-5. Disclosure. Accounting reports should disclose that which is necessary to make them not misleading.

APPENDIX B

"A TENTATIVE SET OF BROAD ACCOUNTING PRINCIPLES FOR BUSINESS ENTERPRISES"

The following summary of proposed principles is taken from ROBERT T. SPROUSE & MAURICE MOONITZ, A TENTATIVE SET OF BROAD ACCOUNTING PRINCIPLES FOR BUSINESS ENTERPRISES 55-59 (AICPA Accounting Research Study No. 3, 1962). It should