

THE PRUDENCE PRINCIPLE - THE BASIS FOR REASONING OF THE PROFESSIONAL ACCOUNTANT

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Abstract:

In order to emphasize the basic role of the prudence principle in the reasoning of the professional accountant, the paper searches and provides arguments trying to respond at the following questions: can the prudence principle be used in: choosing the FIFO method; using the depreciation - straight - line method with scrap value; cost capitalization; recognizing the profit in the revenue account. Even though the prudence principle requires that the evaluation must avoid the super evaluation of the assets and the under evaluation of the debts, which can be very easily accomplished in theory, the application of this particular rule in uncertain conditions implicates that the professional accountant must use its reasoning at maximum. The answers provided at the questions above, encountered at the most recent exam that allows individuals to become auditors, were extremely interesting, being able to stress a significant number of controversies, finally leading to total denial and even, in some cases, to arguments without any proof.

Keywords: *prudence principle, professional accountant.*

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