Responses dq1 assumption abot economic entity, and dq2 : internal control

DQ1 The going concern assumption assumes that the company will continue in operations long enough to carry outs its objectives (Weygandt & Kieso & Kimmel, 2003). The application of the going concern assumption is very important for the functionality of an accounting system. Perpetual accounting systems assume that the life of a corporation is indefinite. If the going concern assumption was not used the plant assets would have to be stated at liquidation value. The reason a liquidation value would be used without going concern is because without this assumption a business would have a set date when it would end. When companies close down operations the best way to get rid of used asset is by selling them at liquidation values. Without the going concern assumption the current-noncurrent classifications of assets and liabilities would not matter. There would be no reason to classify anything as long term since the life of the business is limited. DQ2 Accounting is a profession that depends on the integrity of its members. Business people assume that the accounting records of corporations are free of errors. The financial system in the United States depends on the reliability of financial information. Back at the beginning of the 21st century there were some major accounting scandals, including the Enron and WorldCom debacles, which hurt the reputation of the profession as a whole. The government had to intervene and Congress passed the Sarbanes and Oxley Act (SOX) in 2002 in order to raise the confidence of the financial community (Soxlaw, 2006). SOX among other things improve the internal controls mechanism utilized by corporations. In order to raise the bar the Sarbanes Oxley Act increased accountability by creating harsher penalties for fraudulent behavior among corporate executives. A control mechanism that ensured the honesty of CEOs was making them sign the financial statements. References Soxlaw. com (2006). The Sarbanes Oxley Act. Retrieved May 3, 2011 from http://www. soxlaw. com/ Weygandt, J,. Kieso, D., Kimmel, P. (2002). Accounting Principles (6th ed.). New York: John Wiley & Sons.