

3– Measurement is the process of determining the monetary amounts at which the elements of the financial statements are to be recognised and carried in the balance sheet and income statement. Assets are carried at the amount of cash or cash equivalents that would have to be paid if the same or an equivalent asset was acquired currently. Liabilities are recorded at the amount of proceeds received in exchange for the obligation, or in some circumstances (for example, income taxes), at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business. Assets are carried at the amount of cash or cash equivalents that could currently be obtained by selling the asset in an orderly disposal. A number of different measurement bases are employed to different degrees and in varying combinations in financial statements. The measurement basis most commonly adopted by entities in preparing their financial statements is historical cost (b) Current cost.