

The recognition of an expense usually occurs based on one of the following three intrinsic principles:

- (a) Associating cause and effect
- (b) Systematic and rational allocation
- (c) Immediate recognition

Evaluate the following items and determine the intrinsic principle that establishes the basis by which it is to be recorded as an expense.

- (1) The cost of a building used in the business.
- (2) The cost of merchandise sold to customers.
- (3) Rental costs under a three-year lease agreement.
- (4) The cost of a rebate offered on goods sold to customers.
- (5) An uninsured storm loss.
- (6) Commissions paid to a sales person.
- (7) Cost of land seized as the result of a change in government in a foreign venue.
- (8) The cost of paper used by a publishing company.
- (9) The cost of an unfavorable verdict in a civil lawsuit.