

PAST QUESTIONS

STATE EXAMS

THEORY

INCOMPLETE

RECORDS

QUESTIONS

1. Explain why Walsh should keep records of the amounts taken out as drawings. (4)
2. Explain the importance of double entry bookkeeping for Walsh. (4) 2018

3. Explain the 'Accruals Concept' and why it is fundamental to Accounting practice. (8) 2015

4. What additional information would be available to Kelly if he used the 'double entry' system to record financial transactions? (8) 2013

5. Explain the term Accounting Concept?
6. Name TWO fundamental accounting concepts.
7. Illustrate an accounting concept applying to the accounts of P. Lynch. (8) 2007

8. What additional information would be available if Connolly's accounts were prepared using the "double entry" system? (8) 2005

SOLUTIONS

2018

Explain why Walsh should keep records of the amounts taken out as drawings. (4)

If drawings are not treated correctly they may be entered in error as a business expense with the result that the profit figure will be reduced/understated. It is also essential to control/monitor how much is taken from the business in the form of drawings.

Explain the importance of double entry bookkeeping for Walsh. (4)

Importance of double entry bookkeeping for Walsh:

1. It provides a more accurate look at the financial position of a business than single entry bookkeeping due to the matching principle which uses accrual accounting rules to record revenue and expenses.
2. It reduces errors by providing checks and balances.
3. It reduces fraud because it allows transactions to be traced/audited.
4. It can be used in the preparation of financial statements

2015

Explain the 'Accruals Concept'

1. The accruals Concept matches expenses and gains to a specific period.
2. All expenses incurred and income gained in a particular period must be included in the accounts of that period regardless of whether they are paid/received or not
3. for example electricity due or income due for the current year must be included in the accounts, although the bill may not be paid or received until the following year as the expense or income refers to the current year.
4. Items sold on credit must be treated as income immediately and not when the money is actually received for example sales [4]

Why it is fundamental to Accounting practice.

1. Financial Statements are prepared on an accruals rather than on a cash basis.
2. If Financial Statements are not prepared on an accruals basis profits and assets will be overstated or understated for the period covered by the statements because expenses and income included or excluded may refer to a past or future period.

2013

What additional information would be available to Kelly if he used the 'double entry' system to record financial transactions?

- | | |
|---|---|
| 1. General/Nominal Ledger Accounts | 5. Trial balance |
| 2. Total sales figure [credit and cash] | 6. Total purchases figure [credit and cash] |
| 3. Bank balance | 7. Capital and drawings |
| 4. Bad debts, Expenses due and prepaid | 8. Discounts allowed or received |

2005

What additional information would be available if Connolly's accounts were prepared using the "double entry" system? (8)

1. Total sales figure
2. Trial balance
3. Capital
4. Bad debts
5. Total purchases figure
6. Bank balance
7. Goodwill
8. Expenses due and prepaid Discounts