

INCOMPLETE RECORDS

PAST QUESTIONS

STATE EXAMS

Type A

100 Marks

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

INCOMPLETE RECORDS

PAST QUESTIONS

DEB

Type A

100 Marks

QUESTIONS

1. Explain the term 'Accounting Concept' (2)
2. State and explain two fundamental accounting concepts. (6) 2015
3. Outline what is meant by the 'Net Worth' method for incomplete records . (4)
4. State two disadvantages of using the net worth method when preparing accounts. (4) 2011

ANSWERS

2015

Explain the term 'Accounting Concept'. (2)

– the accounting practices or rules (1) that are applied in the preparation of financial statements (1)

(ii) State and explain two fundamental accounting concepts. (6) Any 2: (2 × 3)

Going Concern Concept (1)

- the business for which the accounts are prepared is seen as continuing in its present form (1) for the foreseeable future (1)

Accruals Concept (1)

- all revenue and costs are included in the accounts when earned or incurred (1) and not when received or paid (1)

Consistency Concept (1)

- similar items are treated in the accounts in the same way from one period to another (1) to allow comparisons (1)

Prudence Concept (1)

- revenues are only included in the accounts when realised or certain (1). Costs are included when incurred or anticipated (1).
- This ensures that revenues are not overstated or costs understated

2011

Outline what is meant by the 'Net Worth' method for incomplete records. (2 × 2) (4)

- the net worth of a business is equal to the total assets less outside liabilities
- taking capital introduced and drawings into account, changes in net worth from one date to another can be associated with the profit or loss for that period

State two disadvantages of using the net worth method when preparing accounts. (4)

Any 2: (2 × 2)

- a full trading. Profit and loss account is not prepared
- detailed figures for analysis purposes are not provided
- unreliable as it uses a lot of estimates
- revenue earned and expenses incurred are not shown

INCOMPLETE RECORDS

PAST QUESTIONS

DEB

Type A

100 Mark

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INCOMPLETE RECORDS

PAST QUESTIONS

DEB

Type B

100 Marks

Questions

1. Explain what is meant by an Accounting Concept. (4)
2. Illustrate how the 'Accruals Concept' applies to the accounts of C. Clay (4)
3. Name two other fundamental accounting concepts (2)
4. Summarise the advice you would give to Fay in relation to the information given above. (10)

2015

2009

Answers

2015

Explain what is meant by an Accounting Concept. (4)

– an accounting practice or rule (2) that is applied in the preparation of financial statements/ final accounts / accounts (2)

Illustrate how the 'Accruals Concept' applies to the accounts of C. Clay (4)

Explanation (2)

- all expenses/income relating to a particular period must be included in the accounts of that period (1) whether paid/ received or not (1)

Examples (2)

- rates prepaid
- wages due
- electricity due
- Loan interest due
- investment interest due

Name two other fundamental accounting concepts (2)

- going concern concept
- consistency concept
- prudence concept

Note Other concepts such as 'entity', 'money measurement', 'materiality', 'realisation', 'double-entry', 'period of account convention' and 'objectivity' are minor concepts and should not be accepted.

2009

Summarise the advice you would give to Fay in relation to the information given above. (10)

- keep a detailed cash book and general ledger supported by appropriate subsidiary day books (4)
- would enable Jones to prepare an accurate Trading, Profit and Loss Account and Balance Sheet(4)
- avoid reliance on estimates (2)