STATE EXAMINATIONS

Published Accounts

1. State how a company should deal with a Contingent Liability which is probable (4)
2. Explain the difference between an auditor's qualified and unqualified report. (8)

2011

3. Name the bodies/institutions that regulate the production, content and presentation of company financial statements. (8)
4. What is an Audit? Explain a qualified auditor's report. (7)

2013

5. State three items of information that must be included in a Directors' Report. (3)
6. Explain the term 'Exceptional Item' and use an example to support your answer. (6)

2014

7. Explain why it is important that financial statements are properly regulated (6)
8. How does the European Union regulate the presentation of accounts? (6)

2016

9. Explain how an auditor safeguards the interests of shareholders. (10)

2018

2011

State how a company should deal with a Contingent Liability which is probable (4)

1. When a Contingent Liability is probable, the estimated amount should be provided for in the accounts
2. and a note should show the nature of the loss.

Explain the difference between an auditor's qualified and unqualified report. (8)

An unqualified auditor's report

This is often referred to as a clean report. A report is unqualified when the auditor in his/her opinion is satisfied that the following apply:

1. the financial statements give a true and fair view of the state of affairs of the company at the end of the year and of it's profit and loss account for the year.
2. the financial statements are prepared in accordance with the Companies Acts.
3. all the information necessary for the audit was available
4. the information given by the directors is consistent with the financial statements
5. the net assets are more than 50% of the called up capital

A qualified auditor's report

This is when an auditor in his/her opinion is not satisfied or is unable to conclude that all or any of the above apply: The report will state the elements of the accounts or of the director's report that are unsatisfactory.

2013

Name the bodies/institutions that regulate the production, content and presentation of company financial statements. (4)

1. The Government – Legislation
2. The European Union – Directives
3. Accounting Standards Board – FRS's and SSAP's
4. The Stock Exchange – Listing Rules

What is an Audit? (4)

1. An audit is an examination of the financial statements of an enterprise by an appointed auditor.
2. The Audit is conducted by an auditor who is independent.
3. The auditor expresses an opinion and certifies whether the accounts give a true and fair view of the financial position of the business.
4. The Companies Acts require the auditor to certify that the accounts give a true and fair view of the financial position of the business.

Explain a qualified auditor's report (7)

A qualified auditor's report is when an auditor in his/her opinion is not satisfied or is unable to conclude that all or any of the following apply:

1. The financial statements give a true and fair view of the state of affairs of the company at the end of the year.
2. The financial statements are prepared in accordance with the Companies Acts.
3. All the information necessary for the audit was available.
4. The information given by the directors is consistent with the financial statements.
5. The net assets are more than 50% of the called up capital. The report will state the elements of the accounts that are unsatisfactory

2014

State three items of information that must be included in a Directors' Report. (3)

A Director's Report must include the following:

1. The amount to be transferred to reserves.
2. A report of any changes in the nature of the company's business during the year.
3. A fair review of the development of the business of the company during the year and of the position at the end of the year.
4. The principal activities of the company and any changes therein.
5. Details of any important events affecting the company since the end of the year.
6. Any likely future developments in the business.
7. An indication of activities in the field of research and development.
8. Significant changes in fixed assets.
9. Details of own shares purchased.
10. A list of the company's subsidiaries and affiliates.
11. Evaluation of company's compliance with its safety statement.
12. Details of directors' share holdings and dealings during the year

Explain the term 'Exceptional Item' and use an example to support your answer. (6)

1. This is a material item of significant size.
2. It is a profit or loss that must be shown separately in the profit and loss account because of size.

__Example:__

Profit or loss on sale of fixed asset or large bad debt.

2016

Explain why it is important that financial statements are properly regulated (6)

1. To ensure that financial statements are consistent from year to year.
2. To ensure that financial statements can be easily compared with other businesses.
3. To ensure that financial statements comply with national and international law.
4. To ensure that the required accounting information is available to external users (e.g. banks).
5. Good regulation makes fraud less likely and builds trust among the investing public. (ii) The European Union influences regulation by issuing directives.

How does the European Union regulate the presentation of accounts? (6)

1. The European Union influences regulation by issuing directives.
2. Directives are instructions that are binding on member states.
3. Member states are given a fixed period of time to implement the directive into national law.
4. The purpose of directives is to harmonise accounting practice in member states. An example would be the fourth directive.

2018

Explain how an auditor safeguards the interests of shareholders. (10)

1. By examining the financial statements and giving an assurance that they give a true and fair view.
2. By preparing an audit report and giving an assurance that the financial statements have been prepared in accordance with the Companies Acts and accounting standards and practices.
3. By being able to threaten a qualified audit report thereby discouraging fraud.
4. Being independent of the directors, the auditor is appointed by the shareholders and is responsible to them.