

INCOMPLETE RECORDS

PAST QUESTIONS

DEB

Type A

100 Mark

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 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)