

Accounting Principles and Concepts

J11/12/ (11/13 same)

- 2(e) (i) Name the accounting principle which requires that the same accounting treatment should be applied to similar items at all times.
.....[1]
- (ii) Name the accounting policy which states that accounting information should represent actual events and be free from error and bias.
.....[1]

J12/12

- 6(a) State what is meant by a business being a going concern.
.....
.....[2]

J12/13

- 2(e) (i) Name the accounting principle which states that transactions must be expressed in terms of money.
.....[1]
- (ii) Which accounting policy requires that financial information should be included only if it affects business decisions?
.....[1]
- (h) Explain the business entity principle.
.....
.....
.....[2]

N12/12

- 2(d) Janni has been told that he must use the same method of providing depreciation from one year to the next.

Name the accounting principle which is being applied.
..... [1]

N12/22

- 1(c) (i) State the basis on which Zabeel should value his inventories.
.....
.....[1]
- (ii) Name the accounting principle Zabeel is applying by valuing the inventories on this basis.
.....[1]

J13/12

3(a) Complete the table below giving the name of each accounting principle described.

	Principle
The same accounting treatment should be applied to similar items at all times.	
Every transaction has a two-fold aspect.	
Transactions must be expressed in money terms.	
Profit should not be overstated by ignoring foreseeable losses.	
Financial statements assume that a business will continue to operate indefinitely.	

[5]

J13/21

2(f) Ashraf Zayed forgot to enter the motor insurance in the profit and loss section of his income statement for the year ended 28 February 2013.

Complete the following table to indicate how this error would affect the profit for the year.

	Overstated	Understated
Profit for the year ended 28 February 2013		

[2]

(g) Explain why it is important for Ashraf Zayed to keep his personal expenses separate to those of the business.

.....

 [2]

J13/21

3(d) Sanath Jaffer did not reduce the value of his business when his highly experienced manager retired. Name the accounting principle he applied.

..... [1]

(e) Sanath Jaffer records credit sales when the goods are invoiced to customers rather than when the customers order goods. Name the accounting principle he is applying.

..... [1]

N13/11

4 (d) On 30 June 2013 Alan did not include a calculator in his non-current assets. State and explain the accounting principle he applied.

.....

 [3]

N13/22

3(b) Name the accounting principles which Steven Wright applied in **each** of the following.

Maintaining the same percentage of depreciation.

.....

Recording the wages owing and general expenses paid in advance.

.....

Recording goods taken for personal use.

.....[3]

N13/23

3(c)(i) Explain what is meant by the objective of reliability when selecting accounting policies.

.....

.....

.....

.....[2]

(ii) List **three** other objectives which should be considered when selecting accounting policies.

1

2

3[3]

N13/23

5(e) State how each of the following may be regarded as a limitation of financial statements.

Non-financial aspects

.....

.....

.....

.....

Historical cost

.....

.....

.....

.....[4]

J14/22

1 (c) Paul Katanga records credit sales when goods are invoiced and sent to the customer rather than when the customer pays. Name the accounting principle he is applying.

.....[1]

(d) Paul Katanga maintains his accounting records on the basis that the business is going to continue trading. Name the accounting principle he is applying.

.....[1]

N14/12

2(f) Complete the table below, naming the accounting principles being applied in the following situations. The first has been completed as an example.

Applying the same accounting treatment to similar items at all times	Consistency
Assuming a business will continue to operate indefinitely	
Expressing transactions in monetary terms	

[2]

J15/13

2(e) Complete the following table. Enter the word 'true' or 'false' against each statement. The first has been completed as an example.

Every transaction has a two-fold aspect	<i>True</i>
Costs must be matched against related income	
Revenue can be recorded before it is earned	
Staff expertise can be recorded in the financial statements	

[3]

N15/22

2(c) State the meaning of the accruals (matching) principle. Give one example of how this principle was applied in the preparation of the income statement in (a).

Meaning

.....

.....

Example

..... [2]

(d) State the meaning of the business entity principle. Give one example of how this principle was applied in the preparation of the income statement in (a).

Meaning

.....

.....

Example

..... [2]

J16/11

- 4 (a) Complete the following table. Fill in the gaps so that the name of **each** accounting principle or policy is paired with an explanation. The first has been completed as an example.

Name of accounting principle or policy	Explanation
Duality	Every transaction has a two-fold aspect.
	Profits should not be overstated.
	Financial statements only include items which can be expressed in monetary terms.
Going concern	
Business entity	
	Accounting information should be free from error and bias.
Consistency	

[6]

N15/23

- 3 After the trial balance was corrected, Sally Rickard attempted to prepare an income statement to calculate her profit for the year, but made some errors.

REQUIRED

- (c) Complete the table, by placing a tick (✓) in the appropriate column, to show how **correcting each** of the following errors would affect the profit for the year.

Name the accounting principle being applied. The first one has been completed as an example.

	Effect on profit		Accounting principle
	Increase	Decrease	
The depreciation charge had been calculated at a lower rate than in previous years.		✓	Consistency
An amount owing by a credit customer should have been written off.			
General expenses included rates which were prepaid until 31 December 2015.			
Goods invoiced and despatched to a customer were not recorded as the customer did not receive them until 3 November 2015.			
No record had been made of goods taken for personal use.			

[8]

J16/12

2(j) Name the accounting principle applied when the double entry system of book-keeping is used.
[1]

N16/12

2 (a) Name the accounting principle which assumes that a business will continue to operate indefinitely.
[1]

N16/12

2 Karen is a retailer of car parts. She took goods for her own use. She also transferred her computer to the business.

REQUIRED

(i) State how these transactions were recorded in Karen’s books of account of the business.

	debit entry	credit entry
Goods taken		
Computer transferred		

[4]

(j) Name the accounting principle Karen applied in recording these transactions.

.....[1]

(k) Name **two** interested parties who might wish to look at Karen’s business financial statements. In **each** case give a reason why they might be interested.

	Interested party	Reason
1		
2		

[4]

(l) State the meaning of the accounting objective of relevance.

.....[1]

N16/13

2 (h) Complete the following table, naming **each** accounting principle being described.

	principle
the same accounting treatment should be applied to similar items at all times	
transactions should be expressed in monetary terms	
financial statements should assume that a business will continue to operate indefinitely	

[3]

J17/21

2 Harum knows that he should consider four objectives when selecting accounting policies.

REQUIRED

(f) Name **four** objectives Harum should apply. The first one has been completed as an example.

- 1 *Relevance*
- 2
- 3
- 4

[3]

J17/22

5 Heng is a wholesaler. He maintains a full set of double entry accounting records.

REQUIRED

(a) Name the accounting principle Heng is applying in his accounting records.

..... [1]

N17/11

2(b) Name the accounting principle applied in **each** of the following situations.

	Principle
A trader withdraws goods for his own use and records this in the drawings account.	
A book-keeper writes off debts which will not be paid to the business.	
An accountant does not include staff morale as an asset in the statement of financial position.	
A business uses the double entry system of book-keeping to record transactions.	

[4]

J18/11

2 (f) Name **one** accounting objective.

.....[1]

(g) Name the accounting principle described by **each** of the following statements.

	Accounting Principle
The same accounting treatment is applied to similar items at all times.	
Accounting assumes that a business will continue to operate indefinitely.	
Transactions are expressed in monetary terms.	
Revenue is recognised as earned when ownership of goods passes to the customer.	

[4]

N18/21

1 (f) Name the accounting principle which Thato did **not** apply in **each** of the following.

	Principle
Thato debited the wages account with \$400 withdrawn from the bank for personal use.	
Thato revalued his premises by \$20 000 when the premises next door were offered for sale for \$20 000 more than Thato paid for his.	
Thato credited the sales account with \$1000 after a customer promised to purchase shoes, selling price, \$1000, next month.	

[3]

N18/21

2 Sara understands that certain objectives must be considered when selecting accounting policies.

REQUIRED

(g) State what is meant by the objective of 'reliability'.

.....

 [2]

(h) Name **three other** objectives which should be considered when selecting accounting policies.

- 1
- 2
- 3

[3]

Ahsan Zarif, TCS, PAF Chapter