INSTITUTE OF ACTUARIAL & QUANTITATIVE STUDIES

Subject: Business Finance 2

Chapter: Unit 1

Category: Practice Questions

1. Subject CT2 September 2009 Question 8

A company's statement of profit or loss includes the cost of electricity that was consumed during the year, but was not paid for until sometime during the following year. Which of the following accounting concepts requires this treatment of the electricity cost?

A. accruals

B. business entity

C. going concern

D. money measurement

2. Subject CT2 October 2010 Question 5

Which of the following accounting concepts can be used to justify carrying a non-current asset at its historical cost less depreciation even though this is not a particularly relevant figure for most decisions?

A. accruals

B. going concern

C. prudence

D. realization

3. Subject CT2 April 2011 Question 6

Which of the following statements best describes the role of accounting standards in the preparation of financial statements for publication?

A. Accounting standards have little impact on the process of preparing financial statements.

B. Accounting standards provide companies with a broad indication of what the financial statements should contain.

C. Accounting standards reduce variations between companies in the way they prepare accounts.

D. Accounting standards eliminate all scope for disagreement over accounting.

4. Subject CT2 April 2011 Question 7

Which of the following accounting concepts provides justification for the fact that book values of certain assets may not always reflect their true value?

A. business entity

B. going concern

C. money measurement

D. realisation

5. Subject CT2 April 2012 Question 7

Which of the following is most likely to arise as a consequence of the money measurement concept?

A. Assets will be recorded at cost.

B. Some valuable assets will be excluded from the financial statements altogether.

C. Expenses will be accrued regardless of when the associated payment is made.

D. Assets will not be written down to their break-up values.

6. Subject CT2 October 2012 Question 5

Which of the following accounting concepts is breached when a company recognises a gain in the market value of its property?

A. money measurement

B. going concern

C. cost concept

D. business entity

7. Subject CT2 April 2013 Question 7

Which of the following best summarises the dual aspect concept?

A. There are frequently two or more ways to approach any accounting judgement.

B. Every transaction affects two balances and both must be adjusted in the bookkeeping records.

C. There ought to be independent verification of matters of judgement.

D. The bookkeeping records ought to be backed up regularly and the backup copy kept securely.

8. Subject CT2 September 2013 Question 10

Who makes the final decision as to whether International Financial Reporting Standards are used as the basis for accounting in any given country?

A. the International Accounting Standards Board (IASB)

B. the national government

C. professional accountancy bodies

D. the national stock exchange

9. Subject CT2 April 2015 Question 6

Which of the following best describes the need for the consistency concept in financial reporting?

A. All similar transactions should input into the bookkeeping records in the same way throughout the accounting period.

B. Financial statements prepared by an entity should be comparable from year to year.

C. Financial statements prepared by different entities should be comparable.

D. The users of financial statements should use consistent criteria for interpreting accounting information.

10. Subject CT2 September 2015 Question 9

Which of the following best describes the role of International Financial Reporting Standards (IFRS) in the situations in which they are applicable?

A. IFRS eliminates inconsistency in accounting choices.

B. IFRS ensures consistent disclosure across all companies.

C. IFRS prevent misleading financial reporting.

D. IFRS provide guidance on the appropriate treatment of specific matters

11. Subject CT2 April 2008 Question 13

Explain the purpose of accounting standards.

12. Subject CT2 April 2012 Question 17

Explain why accounting information that is relevant may not be reliable and why accounting information that is reliable may not be relevant.

13. Subject CT2 October 2012 Question 18

Explain the difficulties faced by the International Accounting Standards Board (IASB) in setting credible accounting standards.

14. Subject CT2 September 2013 Question 17

A famous accounting scandal involved a company's decision to recognise the premiums from the sale of holiday insurance contracts when the contracts were sold, rather than waiting until after the customer's safe return from holiday (which was the normal practice followed by other companies). There were no specific accounting standards to deal with this matter.

Discuss the issues associated with recognising the profit from the sale of travel insurance in this way in terms of accounting concepts

15. **Subject CT2 April 2014 Question 17**

Discuss the importance of the International Accounting Standards Board (IASB).

16. **Subject CT2 April 2014 Question 18**

Discuss the difficulties associated with deciding whether the going concern concept is appropriate

17. **Subject CT2 April 2015 Question 18**

Describe the importance of the standards set by the International Accounting Standards Board (IASB).

18. State the key responsibilities of SEBI.

19. Why is there a need for competition laws?

20. Define accounting standards. State the need for having accounting standards.