

Module 1: Accounting Theory, Recording and Control Systems

1.1.1 Accounting Fundamentals

Nature and scope of financial accounting

- 1 Financial accounting is best defined as
- (A) recording economic events of entities (A)
 - (B) examining future events for economic decisions (B)
 - (C) generally accepted accounting principles of a country (C)
 - (D) recording, summarising and communicating economic events of entities. (D)

Limitations

- 2 Though financial statements are useful, they are limited because
- (A) reports are based on current market value (A)
 - (B) they do not use estimates (B)
 - (C) non-financial success factors cannot be measured and reported monetarily (C)
 - (D) there are no standards for reporting the economic events of a business. (D)

Users

- 3 Which user is matched correctly with its major need?
- | User | Major Need | |
|---------------------|---|-----|
| (A) Shareholders | Assess managers' stewardship | (A) |
| (B) Trade union | Potential equity investment | (B) |
| (C) Government | Analyse company's performance in relation to others | (C) |
| (D) Trade creditors | Assess securities to provide loans | (D) |
- 4 Which user has the need of financial reporting to assess the company's ability to pay its employees increased salaries?
- (A) Government (A)
 - (B) Trade unions (B)
 - (C) Trade creditors (C)
 - (D) Shareholders (D)

The accounting cycle

Figure 1.1 refers to items 5–7.

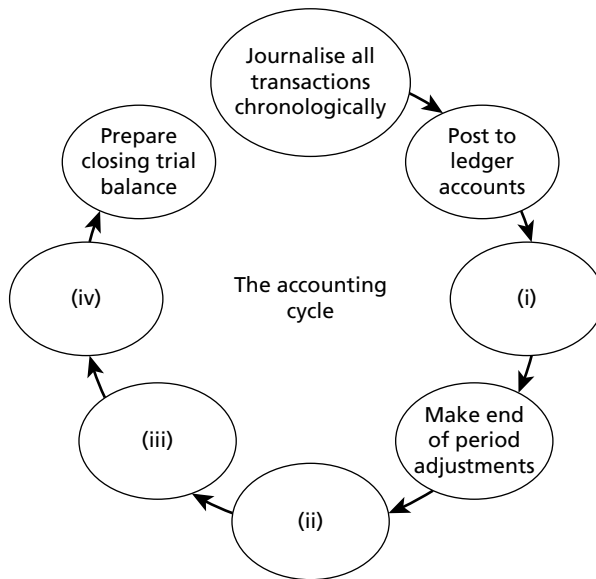


Figure 1.1

- 5** In Figure 1.1 above (i) represents
- (A) journalising closing entries (A)
 - (B) preparing an adjusted trial balance (B)
 - (C) preparing a trial balance (C)
 - (D) preparing financial statements. (D)
- 6** In Figure 1.1 above (ii) represents
- (A) journalising closing entries (A)
 - (B) preparing an adjusted trial balance (B)
 - (C) preparing a trial balance (C)
 - (D) preparing financial statements. (D)
- 7** In Figure 1.1 above (iii) represents
- (A) journalising closing entries (A)
 - (B) preparing an adjusted trial balance (B)
 - (C) preparing a trial balance (C)
 - (D) preparing financial statements. (D)

1.1.1 Accounting Fundamentals (cont.)

- 8 Which basis of accounting is required for the preparation of general purpose financial statements?
- (A) Cash basis (A)
 - (B) Accrual basis (B)
 - (C) Depreciation basis (C)
 - (D) LIFO basis (D)
- 9 Which of the following groups are represented on the IASB?
- I Academia
 - II Auditing professionals
 - III Users of financial statements
- (A) I and II (A)
 - (B) I and III (B)
 - (C) II and III (C)
 - (D) I, II and III (D)
- 10 Which steps are included in “Due Process”?
- I Steering Committee appointed by the IASB
 - II Steering Committee collects IASs and IFRSs for the IASB
 - III The Steering Committee prepares and presents a Point Outline to the IASB
- (A) I and II (A)
 - (B) I and III (B)
 - (C) II and III (C)
 - (D) I, II and III (D)

- 11 Which Institute of Chartered Accountants belong to ICAC?
- (A) Institute of Chartered Accountants of Cuba (A)
 - (B) Bahamas Institute of Chartered Accountants (B)
 - (C) Dominican Republic Institute of Chartered Accountants (C)
 - (D) Institute of Chartered Accountants of French Guyana (D)

- 12 Which are the reasons for adopting the IFRS for SMEs?
- I It makes it simpler for SMEs to comply.
 - II It means that all businesses can have consistent reporting.
 - III It reduces the cost associated with meeting the requirements of IASs and IFRSs.
- (A) I and II (A)
 - (B) I and III (B)
 - (C) II and III (C)
 - (D) I, II and III (D)

Conceptual Framework of Accounting

- 13 Which of the following statements are included in the purposes of the Conceptual Framework of Accounting?
- I Promote harmonisation of regulations, accounting standards and procedures.
 - II Assist auditors in forming an opinion to whether financial statements conform to IASs.
 - III Provide information about the enterprise's resources, claims on resources and use of resources.
- (A) I and II (A)
 - (B) I and III (B)
 - (C) II and III (C)
 - (D) I, II and III (D)