**1. Practise questions**

1. Which of the following accounting concept states that sales should be recognized when goods or services are passed on to the buyer, and costs should be recognized when goods or services have been received?
   1. Business entity concept
   2. Materiality concept
   3. Duality concept
   4. Accruals concept

ANSWER: D

1. Which of the following statements about accounting concepts are correct?

1 The money measurement concept is that only items capable of being measured in monetary terms can be recognised in financial statements.

2 The going concern concept is the assumption that an entity will continue in operational existence at least for an accounting year.

3 The matching concept refers to the assumption that in the measurement of profit, costs should be set against the revenue that they generate at the time when this arises.

4 The substance over form convention is that, whenever legally possible, the economic substance of a transaction should be reflected in financial statements rather than simply its legal form.

* 1. 1,2 and 3
  2. 1,2 and 4
  3. 1,3 and 4
  4. 2,3 and 4

ANSWER: C

1. Which accounting concept should be considered if the owner of a business takes goods from inventory for his own personal use?
   1. The Prudence concept
   2. The separate entity concept
   3. The duality concept
   4. The money measurement concept

ANSWER: B

1. Sara is a sole trader and had assets of £260,500 and liabilities of £124,800 on 1 January 2018. During the year ended 31 December 2018 she paid £35,000 capital into the business and withdrew £10,000 for personal purposes. At 31 December 2018, Sara had assets of £302,300 and liabilities of £102,700.What is Sara’s profit for the year ended 31 December 2018?
   1. £63,900
   2. £38,900
   3. £88,900
   4. £99,600

ANSWER: B

1. A company receives rent from a large number of properties. The total received in the year ended 31 March 2021 was £240,100. The following were the amounts of rent in advance and in arrears at 31 March 2020 and 2021:

31 March 2020 31 March 2021

Rent received in advance 14,700 15,200

Rent in arrears (all received later) 10,100 9,700

What amount of rental income should appear in the company’s statement of profit or loss for the year ended 31 March 2021?

* 1. £239,200
  2. £240,000
  3. £241,000
  4. £240,200

ANSWER: A

1. A business finalizes its financial statements on 31st of March every year and the rent are paid quarterly on 1st Feb, 1st May, 1st August and 1st November each year. The rent increased to £39,000 from £36,000 with effect from 1st February this year. What amount should be recorded as rent expenses for the year ending 31st March of the current year?
   1. £36,750
   2. £36,500
   3. £37,250
   4. £37,500

ANSWER: B

1. XYZ Ltd. took a bank loan of £6,000 for business development purposes. The interest for the year amounted to £250 and repayment of loan during the year was £1,000. Which among the following is the amount of bank loan to be shown in the statement of financial position at the end of the year?
   1. £6,250
   2. £4,750
   3. £5,250
   4. £6,750

ANSWER: C