

BASIC ACCOUNTING PRINCIPLES – QUESTIONS

QUESTION 1 (CHOOSE THE CORRECT CONCEPT)

Accounting	IFRS	Expenses	Assets	Equity
Current assets	Current liabilities	Liabilities	Capital	Drawings
Non-current liabilities	Double entry system	Non-current assets	Financial assets	Income

Use the above terminology to choose the correct word in the sentence. The same word can be used more than once.

- _____ consist of capital plus profit less drawings.
- _____ consist of land and buildings and equipment.
- The _____ consist of mortgage loan.
- _____ was created to present financial statements in such a manner as to enhance the decision-making.
- The _____ was developed according to which a debit entry is completed for each credit entry.
- _____ is used for the collection of financial information to prepare financial statements for decision-making.
- _____ is the money or assets the owner the owner contributed to the business to finance the business.
- The _____ is the assets the owner takes for his own use.
- _____ refer to the possessions of the business that will cause an inflow of money in the future.
- _____ refers to the debt of the business that the business must pay.
- Bank and inventory are called _____.
- Creditors and bank overdraft are called _____.
- _____ increase the profit of the business.
- _____ decrease the profit of the business.
- _____ consist of fixed deposits and investments in other businesses.

QUESTION 2 (CHOOSE THE CORRECT CONCEPT)

Match Column B with Column A. Write the correct letter of the alphabet on the answer sheet of the source document used for the transaction.

1.	Financial statements	A.	Indicate how the financial statements must be prepared.
2.	Statement of comprehensive income	B.	Possessions of the business divided in three categories: fixed or tangible assets, financial assets and current assets.
3.	Statement of financial position	C.	The interest that the owner has in the business. It consist of money provided by the owner less goods or money taken for the personal use of the owner.

4.	IFRS	D.	Expense
5.	Luca Pacioli	E.	Income
6.	Accounting	F.	Refers to the debt of the business that causes an outflow of money.
7.	Equity	G.	Non-current liabilities
8.	Drawing	H.	Current assets
9.	Assets	I.	Financial assets
10.	Liabilities	J.	Current liability
11.	Stationery	K.	It is the same as the balance sheet, but the name was changed internationally according to IFRS.
12.	Sales	L.	Used for decision making.
13.	Loan repayable over a period of five years.	M.	It is the same as the income statement, but the name was changed internationally according to IFRS.
14.	Trading stock	N.	Developed double entry principle.
15.	Equipment and vehicles.	O.	Uses the source documents to record the transactions in the accounting records so that financial statements can be presented.
16.	Accounting cycle	P.	Money or assets belonging to the business that the owner took for his personal use.
17.	Bank overdraft	Q.	Non-current asset
18.	Fixed deposit	R.	Steps used to record transactions.

QUESTION 3 (CHOOSE THE CORRECT CONCEPT)

Current assets	Income	Expenses	Assets	Equity
Statement of comprehensive income/income statement	Statement of financial position/balance sheet	International Financial Reporting Standards	Double entry principle	Drawings
Financial result	Non-current assets	Financial position	Non-current liabilities	Current liabilities
Liabilities	Own capital	Borrowed capital	Loan	Fixed deposit

Use the above terminology to choose the correct word in the sentence.

1. What is the meaning of IFRS? _____
2. The _____ was developed according to which a debit entry is completed for each credit entry.
3. _____ is prepared on the last day of the financial year to record the balances on the last day of the year to determine the financial position of the business.
4. The _____ is prepared to determine the profit or loss for the year.
5. Stationery, telephone and insurance is examples of _____.

6. Sales and services rendered is examples of _____.
7. The elements that measure the _____ is assets, liabilities and equity and is disclosed in the balance sheet.
8. The elements that measure the _____ and profitability. Income and expenses are disclosed in the income statement.
9. _____ value will change longer than 12 months in the future.
10. _____ value within the next 12 months.
11. _____ will be paid over a period longer than 12 months in the future.
12. _____ will be paid within the next 12 months.
13. _____ belongs to the business and will cause an inflow of money in the future.
14. _____ will result in an outflow of money in the future.
15. _____ consist of the money the owner has in the business.
16. _____ is the money or assets the owner takes for his personal use.
17. _____ is financed by the owner.
18. _____ is borrowed to finance the business.
19. A _____ is obtained from the bank to purchase equipment.
20. A _____ is invested at the bank to earn an income.

QUESTION 4 (MATCHING)

Match Column B with Column A. Write the correct letter of the alphabet on the answer sheet of the source document used for the transaction.

1.	International financial reporting standards	A.	Inventory, debtors and money will change within the next year.
2.	Double entry principle	B.	Assets, equity and liabilities are disclosed in the balance sheet to disclose the financial position.
3.	Statement of financial position	C.	Land and buildings, equipment and vehicles are purchased to use for more than a year in the future.
4.	Statement of comprehensive income	D.	The profitability, that is the profit or loss, is disclosed in the income statement.
5.	Expenses	E.	Bank overdraft and creditors will change within the next 12 months.
6.	Income	F.	Cash used to pay small amounts.
7.	Financial position	G.	Money is the cash register to give as change.
8.	Financial result	H.	The order in which transactions are recorded in the accounting records.
9.	Non-current assets	I.	Suppliers money is owed too.
10.	Current assets	J.	All the income and expenses are recorded to determine the profit for the year.

11.	Non-current liabilities	K.	EFT
12.	Current liabilities	L.	People who owe money to the business.
13.	Cash float	M.	Indicate how the financial statements must be prepared.
14.	Petty cash	N.	Income increases the profit.
15.	Debtors	O.	The balances in the asset, liability and equity accounts are used on the last day of the year to determine whether $A = E + L$.
16.	Creditors	P.	Expenses decrease the profits.
17.	Accounting cycle	Q.	Part of the mortgage loan or loan not paid within the next 12 months.
18.	Electronic fund transfer	R.	Debit entry in one account for every credit entry in another account.

QUESTION 5 (CHOOSE THE CORRECT CONCEPT)

Enter the correct word in the column in the question to complete the sentence. The same word can be used more than once.

Electronic fund transfer	Receipt	Expense	Bank statement	Cash invoice
Cash payments journal	Bank deposit slip	Cash register roll	Petty cash	Cash float
Cash receipts journal	Credit invoice issued	Income	Credit invoice received	Credit note

1. A duplicate _____ is used when a debtor pays his outstanding debt to record the transaction in the journals.
2. A _____ is used when services are rendered for cash.
3. An _____ is done to pay a creditor.
4. A _____ is used to compare the transaction in the cash journals with the transactions in the account of the business in the books of the bank.
5. A _____ is used to pay the money received into the bank.
6. Smaller business doesn't possess a cash register will issue a _____ for cash sales.
7. Cash transactions for money received, is recorded in the _____.
8. Cash transactions for money paid, is recorded in the _____.
9. Stationery, insurance and electricity are examples of _____.
10. Sales and services rendered is examples of _____.
11. Money kept in the business to pay small amounts, is called _____.
12. Money kept in the cash register to give change to clients, is called _____.

13. An _____ is used when goods are sold on credit.
14. An _____ is used when goods are purchased on credit.
15. A _____ is used when goods are returned to the supplier.

QUESTION 6 (MATCHING)

Match Column B with Column A. Write the correct letter of the alphabet on the answer sheet of the source document used for the transaction.

1.	Receipt	A.	Is used for cash sales as proof that the goods were paid.
2.	Cash register roll	B.	Is used when money is deposited as proof that the money was deposited in the bank.
3.	Electronic fund transfer	C.	Money received is recorded in this journal.
4.	Bank statement	D.	Money paid out is recorded in this journal.
5.	Bank deposit slip	E.	Money in business to pay for certain small expenses.
6.	Cash invoice	F.	Money paid for services received and reduces the profit.
7.	Cash receipts journal	G.	Money received for services rendered or sales will increase the profit.
8.	Cash payments journal	H.	Cash in the cash register to have enough cash to give change.
9.	Expenses	I.	Used to pay people or other businesses electronically.
10.	Income	J.	Summary of all the transactions of the business in the books of the bank.
11.	Petty cash	K.	Used as proof that the account was paid.
12.	Cash float	L.	Used for cash sales or services rendered for cash.

QUESTION 7 (MATCHING)

Match Column B with Column A. Write the correct letter of the alphabet.

DESCRIPTION	ANSWER	CONCEPT
1. Expenses decrease the profit of the business. It has a negative effect on the		A. Service undertaking
2. Summary of the bank transactions that the bank sent to you.		B. Cash receipts journal

3. Money the bank pays to the client because the client invested money at the bank. Money paid to the bank on the money borrowed from the bank.		C.	Double entry principle. For each debit entry there must be a credit entry.
4. Used to pay for goods and services (plastic) card. The money is taken immediately from the bank account of the client.		D.	Profit mark-up
5. These accounts increase on the debit side.		E.	Drawings
6. Money taken to the bank for safe-keeping and convenience.		F.	Mortgage loan
7. Money withdrawn from the business to pay the school fees of the owner's children.		G.	Asset and expenses accounts
8. The client withdrew more money from the bank account than was in the bank account. The client owes money to the bank.		H.	Equity
9. The percentage that is added to the cost price of the goods sold by the business to make a profit.		I.	Debit card
10. A business that renders a service to his clients.		J.	Deposit
11. All cash receipts are recorded in the		K.	Bank statement
12. Each transaction is recorded in such a way that the accounting equation is in balance.		L.	Bank overdraft
13. The business obtains a loan to purchase property.		M.	Interest