

1. Services paid for in advance that have not been received at the end of an accounting year are treated as a cost of the following accounting year and are referred to as

a.
Prepayments (ANS)

b.
accruals

c.
final cost

d.
deferment

2. _____ concept allows the user to look at a reporting entity's financial statements and to know that these represent the performance and financial position of the business unit and do not include any assets, liabilities, income or expenditure that are not related to the business.

a.
matching

b.
accruals

c.
prudence

d.
entity (ans)

3. The _____ 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 they arise.

a.
accrual

b.
prepayment

c.
matching (ans)

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Setting

4. The implication of the going concern assumption is that assets are valued at their _____ not their scrap value.

- a.
final cost
- b.
depreciated cost
- c.
historical cost (ans)
- d.
assets cost

5. The _____ concept assumes that when accounting for transactions the preparer should look at the economic substance of a transaction, not its legal form.

- a.
consistency
- b.
periodical
- c.
substance over form (ans)
- d.
accrual

6. The _____ concept allows the user to have confidence that no profits are included that are not earned and, if not yet received, are reasonably certain to be received.

- a.
prudence (ans)
- b.
matching
- c.
historical cost

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7. A N10,000 machine, which can easily generate output for the next 10 years, would be recognized in the statement of financial position at cost price less _____ if the company is a going concern.

- a.
work in progress
- b.
variable cost
- c.
expenses
- d.
depreciation (ans)

8. Accounting is not an end in itself: it provides information to _____

- a.
shareholders (ans)
- b.
decision makers
- c.
staff alone
- d.
customers alone

9. Accounting confines itself to economic information and is usually expressed in _____

- a.
inventory
- b.
debtors
- c.
money values (ans)
- d.
expenses

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10. _____ of accounting information are all concerned with the raising and spending of money and the control of scarce resources through budgets.

- a.
Auditors (ans)
- b.
Clerical officers
- c.
Users
- d.
Preparers

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