

IGCSE Accounting Short Answer Questions



1 Explain the meaning of the following terms.

Bad debts

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Bad debts recovered

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Provision for doubtful debts

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2 Suggest two ways in which the risk of bad debts may be reduced.

1

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2

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3 Explain why maintaining a provision for doubtful debts is an application of the principle of prudence.

.....

.....

.....

4 Complete the following sentences, using these phrases:

- assets and liabilities
- at a particular date
- for a period of time
- incomes and expenses

An income statement shows and is prepared

A statement of financial position shows and is prepared

5 Complete the following table indicating with a tick (✓) whether each item is an asset, liability, income or expense.

	asset	liability	income	expense
bank loan				
insurance				
equipment				
depreciation charge				

6 On 1 March 2017, Arundhati paid rent, \$6000, for the four-month period ending 30 June 2017. She prepared her financial statements on 31 March 2017.

REQUIRED

State the amounts for rent which were included in the financial statements.

Income statement \$.....

Statement of financial position \$.....

7 Arundhati maintains a sales ledger, a purchases ledger and a nominal (general) ledger.

REQUIRED

State **one** reason why Arundhati maintains these three divisions of her ledger.

.....
.....

8 (i) State which type of accounts are maintained in the sales ledger and purchases ledger.

Sales ledger.....

Purchases ledger

(ii) Give **one** example of an account which might be found in the nominal (general) ledger.

.....

9 Name **two** books of prime (original) entry which Arundhati may keep.

1.....

2.....

10 State whether the following sentence is true or false.

	true or false
The recording of financial transactions is called accounting.

11 Pich sold goods, \$5000, on credit to Roger.

REQUIRED

(a) State the double entry needed to record this transaction

(i) in the books of Pich

debit account	\$	credit account	\$
.....

(ii) in the books of Roger.

debit account	\$	credit account	\$
.....

(b) Name the document issued when this transaction took place and the person who issued it.

Document

Roger paid by credit transfer, taking 2½% cash discount, on 1 April 2017.

REQUIRED

(c) State the double entry needed to record the transaction on 1 April 2017 in Pich's books of account.

debit account(s)	\$	credit account(s)	\$

(d) (i) Name the account in which this discount was recorded in Roger's books.

.....

(ii) Name the financial statement in which Roger would record this discount.

.....

12 Complete the following sentences.

A is issued by the supplier when goods are returned.

A may be issued by the customer when goods are returned.

13 G Limited is a manufacturing business.

REQUIRED

Complete the following table, indicating with a tick (✓) in which section of G Limited's financial statements **each** item is included. The first has been completed as an example.

	factory overheads	distribution costs	administrative expenses
factory rent	✓		
carriage outwards			
depreciation of office equipment			
factory supervisor's salary			
repairs of delivery vehicles			

- 14 Shiromi is hoping to increase her working capital and is considering four courses of action.

REQUIRED

Complete the table by placing a tick (✓) in the correct column to show how **each** course of action would affect Shiromi's working capital.

	Increase	Decrease	No effect
Take out a short-term bank loan			
Repay a long-term bank loan			
Sell goods on credit terms instead of for cash			
Obtain a higher rate of cash discount			

- 15 Waheed's financial year ends on 31 March. He provided the following information.

All goods are bought and sold on credit terms. A cash discount is received from credit suppliers if payment is made within 45 days. A cash discount is allowed to credit customers if payment is made within 30 days.

	At 31 March 2016	At 31 March 2017
Trade receivables collection period	33 days	29 days
Trade payables payment period	44 days	46 days

REQUIRED

State whether Waheed would be satisfied with the change in the collection period for trade receivables. Give a reason for your answer.

Satisfied?

Reason

.....

16 State one advantage to Waheed's suppliers of the change in the payment period.

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.....
.....

State one disadvantage to Waheed's suppliers of the change in the payment period.

.....
.....
.....

Comment on how a collection period of 29 days and a payment period of 46 days may affect Waheed's liquidity position.

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.....
.....
.....

17 Amitav sells goods on credit to Barry. An invoice is issued.

REQUIRED

(a) Name the person who issues the invoice and the person who receives it.

Person issuing

Person receiving

(b) State why a credit note may later be issued.

.....
.....

(c) Name the book of prime entry in which Barry would record a credit note from Amitav.

.....

(d) State **one** reason why both Amitav and Barry would keep books of account.

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.....

(e) State the meaning of the accounting principle of duality.

.....
.....

(f) Complete the following sentences using the words and phrases 'credit', 'debit', 'income statement' and 'statement of financial position'.

An expense account usually has a..... balance.

At the end of the financial year the expense for the year is transferred to the..... This transfer is recorded with an entry on the..... side of the expense account. Any balance remaining on the account is included in the

(g) State what is meant by the accounting objective of understandability.

.....
.....

(h) State how International Accounting Standards help to achieve understandability.

.....
.....

- (i) Name **two** interested parties who might wish to look at the financial statements of a business. Give a reason in **each** case.

	Interested party	Reason
1		
2		

- 18** Vinita's accountant prepared a set of financial statements at the end of her first year of trading on 31 December 2016.

Vinita was not familiar with some of the terms used in these statements.

REQUIRED

- (a) State the meaning of **each** of the following terms.

- (i) Income statement

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.....

- (ii) Statement of financial position

.....
.....

(iii) Non-current assets

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.....
.....

(iv) Non-current liabilities

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.....

(v) Capital

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.....

(b) Give **one** example of an intangible asset.

.....

19 (a) State the meaning of owner's equity.

.....
.....

(b) Name the accounting principle applied in **each** of the following situations.

	Principle
A trader withdraws goods for his own use and records this in the drawings account.	
A book-keeper writes off debts which will not be paid to the business.	
An accountant does not include staff morale as an asset in the statement of financial position.	
A business uses the double entry system of book-keeping to record transactions.	

(c) Name the ledger in which the purchases account is found.

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(d) Name the type of organisation which would prepare a statement of changes in equity.

.....

(e) Complete the following sentence.

Items which a business owns or which are owed to the business are known as

.....

20 Jake manufactures CD players. He has a credit customer, Rashida. They have exchanged an invoice, a debit note, a credit note and a statement of account.

REQUIRED

Complete the following table for the documents exchanged between Jake and Rashida. The first item has been completed as an example.

document	reason for issue	name of person issuing document
invoice	<i>to record goods sold on credit</i>	<i>Jake</i>
debit note		
credit note		
statement of account		

21 Complete the following table by writing True or False against **each** statement.

	True or False
Work in progress may appear in Jake's manufacturing account.	
Prime cost appears in Jake's income statement.	
Jake's business is a service business.	

22 (a) Name the accounting principle applied when using the double entry system of book-keeping.

.....

(b) Complete the following table by writing **either** True or False against **each** statement.

	True or False
Carriage inwards appears on the debit side of a trial balance.	
Inventory is included in current assets.	
A suspense account represents the difference between the cash book balance and the balance on the bank statement.	
A sole trader has limited liability.	
The sales account appears in the nominal (general) ledger.	

(c) Complete the following sentence using the words 'increases' and 'reduces'.

An adjustment for a prepaid cost expenses and profit.

(d) State **one** purpose of accounting.

.....
.....

(e) Complete the following table. State **one** type of organisation to which **each** of the accounting terms relates. The first has been completed as an example.

term	organisation
prime cost	<i>manufacturing business</i>
accumulated fund	
dividend paid	
interest on capital	
work in progress	
drawings	

(f) Name the financial statement where discount received is recorded. State how it is shown there.

.....
.....

(g) State **one** difference between an income statement and a statement of financial position.

.....
.....
.....
.....

(h) Name **one** user who might be interested in the financial statements of a club or society.

.....

(i) Name **one** factor which might limit the usefulness of the financial statements.

.....
.....

23 (a) State **one** reason why a trader maintains books of prime entry.

.....
.....

(b) Name the book of prime entry which also functions as a ledger account.

.....

24 Mahendra's financial year ends on 31 August. He buys and sells on both cash and credit terms and maintains a full set of accounting records.

Mahendra prepares control accounts at the end of each month.

REQUIRED

(a) Complete the following table. Use a tick (✓) to show where **each** of the following items would appear in Mahendra's sales ledger control account. If the item does **not** appear place a tick in the "no entry" column.

	debit	credit	no entry
opening balance owed by credit customers			
credit sales			
cash sales			
provision for doubtful debts			
bad debts written off			
cash discount allowed to credit customers			
trade discount allowed to credit customers			
contra between sales and purchases ledgers			
cash received from credit customers			

(b) Name the book of prime (original) entry which Mahendra would use to obtain the following information when preparing his purchases ledger control account.

	book of prime (original) entry
returns to credit suppliers	
discount received	
interest charged by credit supplier	
contra entry to sales ledger control account	

(c) (i) State the meaning of a contra entry in connection with control accounts.

.....

(ii) State why such an entry may be necessary.

.....

(d) Suggest **two** reasons why it is possible to have a debit balance on a purchases ledger control account.

- 1
-
- 2
-

25 Kumar supplies goods to Simran on credit. Some documents were exchanged between them during August 2017.

REQUIRED

(a) Complete the table to name the person who issued **each** document. The first item has been completed as an example.

document	name of person issuing the document
invoice	<i>Kumar</i>
debit note	
credit note	
statement of account	
cheque	

(b) State the purpose of a debit note.

-
-

(c) State the book of prime (original) entry in which Kumar would record the credit note.

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(d) Name the ledger in which Kumar maintains Simran's account.

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Simran is a regular customer. Kumar allows Simran a discount for buying in bulk.

REQUIRED

(e) Name the type of discount offered by Kumar.

-

(f) State where Kumar would record this discount.

-

The following are details of the credit notes issued by Kumar in December 2017.

Date	Customer	Credit note number	\$
2017 Dec 3	Sam	C1015	295
12	Saira	C1016	103
31	Total for December		398

REQUIRED

(g) State where Kumar will post

(i) the total of the credit notes for December

.....

(ii) the individual credit notes

.....

Kumar has received positive feedback about his customer service. No entry has been made in the accounting records to reflect this success.

REQUIRED

(h) Name and explain the accounting principle Kumar has applied.

Name.....

Explanation.....

.....

.....

(i) Complete the following to show the accounting equation.

equals assets minus

(j) Complete the table by placing a tick (✓) to indicate how **each** item affects the owner's capital. The first one has been completed as an example.

item	increase	decrease
capital introduced	✓	
drawings		
profit for the year		

26 Kamika is a clothing wholesaler who buys and sells on both cash and credit terms. She maintains a full set of accounting records and prepares monthly control accounts.

REQUIRED

(a) State **two** advantages to Kamika of preparing a monthly sales ledger control account.

- 1.....

 2.....

(b) State **two** reasons why it is possible for Kamika to have a credit balance on her sales ledger control account.

- 1.....

 2.....

(c) Complete the following table. Place a tick (✓) to show where **each** item would appear in Kamika's **purchases ledger control account**. If the item would not appear, place a tick (✓) in the no entry column.

	debit	credit	no entry
opening balance owed to credit suppliers			
credit purchases			
cash purchases			
cash discount received			
trade discount received			
cheques paid to credit suppliers			
interest charged by credit suppliers			
returns to credit suppliers			
contra between sales and purchases ledgers			

Kamika applies all the accounting principles when maintaining accounting records and preparing financial statements.

REQUIRED

(d) Name the accounting principle applied in **each** of the following situations.

	principle
Kamika uses the double entry system of book-keeping when recording transactions in her ledgers.	
Kamika adjusted the charge for insurance in the income statement for an amount prepaid at the year-end.	
Kamika adjusts her provision for doubtful debts at the end of each year so it is always 3% of her trade receivables.	
Kamika intends to trade for several years and values her premises at net book value, not expected sales value, in her statement of financial position.	
Kamika did not make any entry in her accounting records when a competitor reduced his prices even though it may affect her sales.	
Kamika did not make any entry in her accounting records when a customer asked for goods to be put aside for him to collect sometime in the future.	

27 J Smith is a wholesaler. He provided the following incomplete document on 28 February 2018.

J Smith Wholesale Supplier 112 Long Road Westown				
W Jones High Street Eastford			28 February 2018	
Date	Reference	Debit \$	Credit \$	Balance \$
2018 Feb 1	Balance due			700
11	Goods	450		?
19	Returns		115	?
28	Payment		686	?
	Discount		14	?

REQUIRED

(a) (i) State the name of the document.

.....

(ii) Calculate the balance on the document at the end of February 2018.

.....

.....

(iii) Calculate the percentage of the discount on 28 February.

.....

.....

.....

(iv) Name the type of discount on 28 February.

.....

(b) Complete the following table by placing a tick (3) in the correct column to indicate how J Smith would record the issue of this document in his accounting records.

debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made

(c) Complete the following table relating to the transaction of 11 February.

document issued	name of person issuing document	entries made by W Jones	
		account debited	account credited
.....

(d) Name the book of prime (original) entry in which **each** trader would record the transaction of 19 February.

book of prime (original) entry used by J Smith
book of prime (original) entry used by W Jones