

Level 3 Certificate in Bookkeeping and Accounting (RQF)
Study Text Book Model Answers

Lesson 3 – Concepts, Qualitative Characteristics and Standards

Question 3.1

Which **one** of the following statements describes accounting concepts?

	✓
General rules which are applied when preparing and presenting financial statements	✓
Formal rules which give guidance on specific accounting topics and prescribe the methods by which limited companies must prepare and present financial statements	
Characteristics designed to make financial information more useful to those who use financial statements for the purpose of decision making, planning and control	

Question 3.2

Which **one** of the following accounting concepts requires that financial statements are prepared on the assumption that a business will continue to operate for the foreseeable future. That there are no plans to scale-down its operational activities or liquidate the business?

	✓
Realisation	
Objectivity	
Going concern	✓

Question 3.3

A company is of the opinion that it derives the same amount of benefit from using its computers and computer equipment each year over their 'life' to the business. It has therefore chosen to adopt a policy of depreciating computers and computer equipment by equal amounts over the period of their life. The company has been applying this same policy from one accounting period to another for several years.

Which **one** of the following accounting concepts has the business been applying in accounting for the depreciation of its computers and computer equipment by equal amounts each year?

	✓
Accruals	
Materiality	
Consistency	✓

Question 3.4

Which **one** of the following characteristics is referred to as a 'fundamental qualitative characteristic', as it is regarded as being essential to the need to provide useful financial information?

	✓
Timeliness	
Relevance	✓
Comparability	