

Section - 4

Ques

Ans: 2A)

Some of the advantages of accounting are maintenance of Business records preparation of financial statement Comparison of result, Decision making evidence in legal matters provides information to related parties let us discuss of advantages and disadvantages of accounting in greater detail.

Advantages:-

- * Maintenance of Business records
- * Preparation of financial statement
- * Comparison of result
- * Evidence in legal matter
- * Provides information to related parties
- * Helps in taxation matters
- * ~~provides information~~
- * Valuation of business
- * Refreshment of memory.

(ii) Accounting often uses historical costs to measure the value.

This fails to take in consideration factor such as inflation price changes etc.

This seems the relevance of such accounting records and information that one of major limitations of accounting.

Q. What are limitations of Accounting principles?

9 practical limitations of accounting principles

→ Recording only monetary items

→ Time value of money

→ Recommendation of alternative methods

→ Recording of past events

→ Restraint of accounting principles

→ Allocation of the problem

→ Maintaining secrecy

→ The tendency of secret reserves.