

## Section-4

Ans 3 (i) Advantages of Accounting:

- Maintenance of business records.
- Preparation of financial statements
- Comparison of results
- Decision making
- Evidence in legal matters
- Provides information to related parties
- Helps in taxation matters.
- Valuation of business.

The advantages of accounting standards became obvious to small business owners when they clearly see the health and performance of their company through simple financial data. When recording procedures are followed on a regular basis, data can be gathered into reports that easily summarize information within specific categories, in turn, that information can be analyzed and used to make strategic decisions concerning company growth.

(ii) Limitations of accounting = Accounting often uses historical costs to measure the values. The fails to take into consideration factors such as

Inflation, Price changes, etc. This skews the relevance of such accounting records and information. This is one of the major limitations of accounting.

### Nine Limitations of accounting

- Recording only monetary items -
- Time value of money.
- Recommendation of alternative methods
- Restrain of accounting principles
- Recording of Part events
- Allocation of the Problems
- Maintaining secrecy
- The tendency for secret reserves
- Importance of form over substance