



Worksheet 2: Using accounting terms answers

1

Statement 1

The business has lots of cash

Statement 2

The business has lots of profit

What is the difference between Statement 1 and Statement 2?

Cash is the amount of money in the bank or held by the business whereas profit is the difference between the total revenue and the total costs/expenses of the business.

A business can have cash and not make a profit or make a profit but not have any cash.

2

Statement 1

Soham is a shareholder of a business

Statement 2

Soham is a stakeholder of a business

What is the difference between Statement 1 and Statement 2?

A shareholder owns a part of a company whereas a stakeholder is anyone who is interested in a business.

All shareholders are stakeholders but not all stakeholders are shareholders.

3

Statement 1

The business has prepared the trade receivables ledger control account.

Statement 2

The business has prepared the trade receivables subsidiary ledger account.

What is the difference between Statement 1 and Statement 2?

The trade receivables ledger control account shows the balance of total trade receivables whereas the trade receivables subsidiary ledger account shows the balance of the individual trade receivables.

The ledger control account provides the balance for trade receivables to prepare the financial statements whereas the individual balances of subsidiary ledger accounts are to be added together to get the total figure for trade receivables to prepare the financial statements.

4

Statement 1

The business has prepared the statement of cash flows.

Statement 2

The business has prepared the cash budget.

What is the difference between Statement 1 and Statement 2?

The statement of cash flows is based on historical data, whereas the cash budget is based on future data/estimates.

For most companies the preparation of a statement of cash flows is compulsory but the preparation of a cash budget is optional.