

## Principles of Accounting - ICOM Part 1 Principles of Accounting Chapter 1 Short Question Preparation

Q1. Define realization concept.

**Ans 1:** According to this concept revenue should be recognized at the time when goods are sold or services are rendered.

Q2. Define merchandise.

**Ans 1:** The items or things in which enterprise deals are called goods in trade or merchandise.

Q3. Define cash discount.

**Ans 1:** Cash discount is deduction or allowance given by a creditor to the debtor of the amount is paid by the debtor before the due date.

Q4. Explain the term matching concept.

**Ans 1:** The concept of offsetting expenses against revenue is called the matching concept.

Q5. What is meant by purchase returns?

**Ans 1:** When the goods purchase are found defective or unsatisfactory they are returned to the supplier. It is called purchase return. Purchases return is also known return outwards.

Q6. Who is the owner of the business?

**Ans 1:** The person who invest the necessary capital in business and then he gives his time and attention to it, takes the risk and entitled to receive the profit or bear the loss arising there from.

Q7. What is meant by cash purchases?

**Ans 1:** If goods are purchased from a supplier and payment is made to him at the same time such purchases are called cash purchases.

Q8. Define credit purchases.

**Ans 1:** If goods are purchased from supplier and payment is not made to him immediately such purchases are called credit

purchases.

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Q9. Define the term assets.

**Ans 1:** Things of value and properties owned by a business are called assets. Assets can consist of cash, property, equipment, or claims against others, etc.

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Q10. Define book keeping.

**Ans 1:** Book keeping is the art of recording monetary transactions in the books of accounts in a proper manner.

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