

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

Q1. What is meant by monetary events?

Ans 1: Events which are related with money or which change the financial position of a person are known as monetary events,.

Q2. Define cost accounting.

Ans 1: Cost accounting is an extended branch of financial accounting that determines the cost of goods manufacturing or produced by the business,It helps the management to get as far as possible the exact cost of goods manufacturing.

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. 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 beat the loss arising these from.

Q5. Explain the difference between expense and expenditure?

Ans 1: The expenditure is incurred for the purchase of an asset for the reduction of a liability,It benefits the business over a long period of time,Conversely an expense is incurred to meet running expenses of the business,.It benefit finish as soon as the payment is made.Purchase of machinery is expenditure whereas electricity charges,salary,rent etc.

Q6. What is sales?

Ans 1: The function of selling the goods or merchandise is called sales,It is also known as turnover e.g Goods sold for cash Rs 1000 are called sales.

Q7. Define merchandise.

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

Q8. Define accounting.

Ans 1: The American institute of Certified Public Accounting once defined accounting as, the art of recording, classifying and summarizing in a significant manner, and in terms of money, transactions and events which are in part at least, of a financial character and interpreting the result thereof.

Q9. Define expenses.

Ans 1: The cost of the goods and services used up in the process of obtaining revenue is known as expenses, Salaries, insurance, rent, electricity charges, publicity, advertisement etc.,.

Q10. 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.
