

Principles of Accounting - ICOM Part 1 Principles of Accounting Chapter 9 Short Question Preparation

Q1. Define capital.

Ans 1: The amount of cash or goods invested by the owner in a business unit is known as capital.

Q2. Define liabilities.

Ans 1: The debts which are to be paid out of current assets are called liabilities ,The business liabilities are grouped under two heading viz.short or short term liabilities and long term liabilities.

Q3. Define drawings?

Ans 1: The amount of cash or goods taken away by the owner out of the business for his personal use is known as drawing.

Q4. Define depreciation.

Ans 1: It is the gradual decrease in the value of the fixed assets due to its ue in the business.

Q5. Define outstanding assets.

Ans 1: Prepaid expenses and accrued incomes are called outstanding assets.

Q6. What is profit and loss account?

Ans 1: The amount which is prepared to ascertain the net profit earned or net loss suffered by the business is called profit and loss account.

Q7. Define liquid assets.

Ans 1: Assets which can converted immediately into cash or which are already in the form of cash are called liquid or quick assets.

Q8. Define debtors.

Ans 1: Debtors are the persons or customers to whom goods have been sold on credit basic and from whom the business is to receive money in near future,The amounts so receivable are also known as "Accounts Receivable".

Q9. What are fixed assets?

Ans 1: Fixed assets are the assets of permanent or relatively fixed nature, These assets are also called plant assets or tangible assets, These assets include equipment ,machinery,vehicle ,building ,furniture and land etc.

Q10. Define final account.

Ans 1: The term final account mean the statements which are prepared at the end of a financial period to show the profit earned or loss suffered by the business and the financial position of a business at the end of the accounting period.
