

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 1 Short Questions Preparation

Q1. What is closing capital?

Ans 1: The money or capital which is net at the ending or closing of the year or opening of the year.

Q2. What is a net worth method?

Ans 1: Net worth method is a way which is used to measure the profit in single entry system. The formula of calculating profit under the net worth method is
Profit of year-Increase in capital -Legacy

Q3. Define pure entry system.

Ans 1: Under pure entry system, only personal accounts are kept, Real and nominal accounts recorded are not maintained.
Example Mr Ali opened his account with Rs 500

Q4. What is meant by single entry system?

Ans 1: Under single entry system sometimes both aspects of transactions are recorded sometimes only one aspect of transaction is recorded and sometimes no aspect of transaction is recorded.

Q5. What is meant by profit or loss statement?

Ans 1: Profit or loss statement is prepared to find out the profit or loss of the year under single entry system.

Q6. Define Balance Sheet.

Ans 1: Balance Sheet is prepared to find out the financial position of business under double entry system.

Q7. What is meant by double entry system?

Ans 1: A system in which two sides of every transaction are recorded is called double entry system.

Q8. What is Ending Statement of affairs?

Ans 1: The ending statement of affairs is prepared to find out the ending capital under single entry system.

Q9. What is meant by Additional Capital?

Ans 1: The amount of capital which is introduced during the year in the business is called additional capital or fresh capital.

Q10. What is meant by statement of affairs?

Ans 1:

Statement of affair is a sort of balance sheet. It have assets on left side and liabilities and capital on the right side under single entry system.
