

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

Q1. Define Balance Sheet.

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

Q2. 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.

Q3. 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.

Q4. 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.

Q5. What is Drawing?

Ans 1: Cash or goods taken away by the owner from the business to personal is called Drawing.
Example : Salman withdraw cash for his personal use from business.

Q6. Write any three demerits of single entry system?

Ans 1: Three demerits or disadvantages of single entry system as under:
1. Under this system only partial and incomplete record kept.
2. Nominal accounts are not maintained.
3. Real accounts are not maintained.

Q7. 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

Q8. 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.

Q9. Write down the basic equation of Balance Sheet.

Ans 1: Balance Sheet is used to calculate Capital or Money.
Equation: The basic equation of balance sheet is given below
 $\text{Assets} = \text{Liabilities \& Capital}$

Q10. What is opening statement of affairs?

Ans 1: The opening statement of affairs is prepared to find out the opening capital under single entry system.
The formula to calculate opening capital is given below
 $\text{Opening Capital} = \text{Closing capital} - \text{increase in capital}$
