

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

Q1. Write down two advantage of single entry system?

**Ans 1:** Two advantage or characteristics of single entry system are as follow

- 1.It is useful for small business.
- 2.In this system sole properties is free from danger or frauds.

Q2. What is difference between balance sheet and statement of affairs?

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

**Ans 2:** Statement of affairs:Statement of affairs is prepared to calculate capital at the end or the start of the year under single entry system

Q3. What is meant by statement of affairs?

**Ans 1:**

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

Q4. What is meant by double entry system?

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

Q5. 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

Opening Capital =Closing capital -increase in capital

Q6. Write any three demerits of single entry system?

**Ans 1:** Three demerits or disadvantages of single entry system as as under:

- 1.Under this system only partial and in complete record kept.
- 2.Nominal accounts are not maintained.
- 3.Real accounts are not maintained,

Q7. 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.

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Q8. Define pure entry system.

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

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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  
 $\text{Assets} = \text{Liabilities \& Capital}$

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Q10. 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.

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