

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

Q1. What is economic and expenditure account?

**Ans 1:** The economic and expenditure account is an account through which the surplus or deficit of a non trading organization is ascertained.

Q2. Define Deficit.

**Ans 1:** Deficit is the excess of expenditure over income in case of non trading concern. It is also known as deficit balance. We use formula to calculate deficits is given as below:  
 $\text{Deficit} = \text{Expenditure} - \text{income}$

Q3. What is special subscription ?

**Ans 1:** Special subscription is an additional subscription. It is collected from member over and above the regular subscription. It is used for some special purpose. Example:  
Construction of club building, charities to poor, awarding of prize etc.

Q4. What is difference between cash book, receipts and payment account?

**Ans 1:** Cash Book:

1. It is a book account within double entry system.
2. Each entry is followed by narration.
3. Ledger reference recorded here.

**Ans 2:** Receipts and payments accounts:

1. It is an accounts outside the double entry system.
2. No narration is written here.
3. No ledger reference is recorded here.

Q5. What is meant by receipts and payments account?

**Ans 1:** A receipts and payments accounts is a summarized cash book for a given period. It is prepared without and distinction between capital and revenue items.

Q6. What is meant by surplus?

**Ans 1:** SURplus is the excess of income over expenditure in case of non trading concerns, It is also known as Surplus Balance

We use formula to calculate surplus is given as below  
 $\text{Surplus} = \text{Income} - \text{Expenditure}$ .

**Ans 2:**

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Q7. Write down three features of the receipts and payments accounts.

**Ans 1:** Three features of receipts and payments account is given below:

1. It is closing balance indicates closing cash is hand and closing cash at bank.
2. It is prepared on the last day of the accounting year.
3. Only cash transaction are recorded here.

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Q8. What is difference between trading concern and non trading concern?

**Ans 1:** Trading Concern: Trading concern are that, which buy or manufacture and sells goods their primary objects is to earn profit.  
Example : Fan, Rice mills etc.

**Ans 2:** Non Trading Concern: Non trading concern are those which do not buy, Their objects is to good to the society through welfare activities,  
Example: Schools, Clubs and hospitals etc.

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Q9. What is meant by life time membership fee in reference to a non trading concern?

**Ans 1:** Life membership fee is amount which is paid by member lump sum to become a life member of organization. It is paid only one time in life of organization to become life member.  
Example: Amir pay lump sum amount to become life member of organization.

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Q10. What is difference between receipts and payments accounts and income and expenditure account ?

**Ans 1:** Receipts and payment accounts:

1. Only cash transaction are recorded here.
2. Its balance can never be credit
3. It is outside the double entry system

**Ans 2:** Income and expenditure account:

1. Non Cash transaction are also included in it.
  2. Its balance may either debit or credit.
  3. It is within the double entry system.
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