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

Q1. What is meant by capital fund?

Ans 1: Capital fund is an excess of total assets over total external liabilities of a non profit seeking organization ,Capital fund is also knows as General Fund or accumulated fund or surplus fund,
We use the formula to calculate fund is given as below
Capital fund=assets-liabilities

Q2. Define non profit making organization.

Ans 1: Non-Profit making organization or non trading concern because which do not buy or manufacture and sell goods,Their primary objects is not to earn profit,Their object is to do good to society through welfare activities,
Example : Clubs,Hospitals ,Schools,Libraries etc.

Q3. Define legacy?

Ans 1: Legacy refer to the property received by the virtue of will of a person after his death,Acquisition of such property by an institution is regarded as capital receipt.
Example: Sufyan left his property for edhi foundation.

Q4. Define subscription.

Ans 1: Subscription is the amount received from the member of the organization monthly or annual as per rule.
Example : Adnan give subscribe Rs 5000/- to club at first january 2016.

Q5. 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.

Q6. 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.

Q7. Define admission fee.

Ans 1: Admission is the amount which is paid by the new member at the time of admission to subscription,Only a new member pays to become a new member of the organization.
Example : Asad paid subscription at the time of admission.

Q8. What is meant by donation in reference to non trading company?

Ans 1: Donation is the amount,which is received from member and general public by way of gift,Itis to be treated as capital of revenue depends upon the purpose for which the donation is collected.

Q9. 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
Surplus=Income-Expenditure.

Ans 2:

Q10. What is economic and expenditure account?

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