

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. 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.

Q3. 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 in 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.

Q4. 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 known as General Fund or accumulated fund or surplus fund,

We use the formula to calculate fund is given as below

Capital fund = assets - liabilities

Q5. What is difference between trading concern and non trading concern?

Ans 1: Trading Concern: Trading concern are those which buy or manufacture and sell goods their primary object is to earn profit.
Example: Fan, Rice mills etc.

Ans 2: Non Trading Concern: Non trading concern are those which do not buy, their object is to do good to the society through

welfare activities,
Example: Schools, Clubs and hospitals etc.

Q6. 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.

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. Write down the major statement prepared by non trading company/

Ans 1: The major statement prepared by non trading concerns are given as below:

1. Receipts and payments account
 2. income and expenditure account
 3. Balance sheet
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Q9. 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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Q10. What is meant by honorarium?

Ans 1: Honorarium is the amount paid to person who may be invited to deliver lectures or artists may be invited to give their performance by a club,
Example : ALEX club pay Rs 2000000 as honorarium to Taylor swift and zayn malik for song.
