

Principles of Accounting - ICOM Part 2 Principles of Accounting Chapter 4 Short Questions Preparation

Q1. Define preliminary expenses.

Ans 1: The expenses which are incurred in the initial stages of incorporation are called primary expenses or preliminary expenses, It is also known as organization cost.

Example: Legal fees, remuneration of promoters, cost of preparing of various documents etc.

Q2. Define public limited company.

Ans 1: Any company is called public limited if it has some characteristics :

1. It can invite application from investors through advertisement in the newspaper/
2. It can be formed by at least seven member and these are no limit maximum members.

Q3. Write names of different name of company.

Ans 1: Some kinds of company are given below

1. Company limited by shares
2. Company limited by guarantee
3. Unlimited company
4. Association not for profit

Q4. What are shares?

Ans 1: Today large scale operation of a company call for a large amount of capital, The total amount of capital is divided into smaller units. These units are called shares. These shares can be used for transferred to another person.

Q5. Define incorporation of certificate.

Ans 1: A Certificate of incorporation is a legal documents relating to the formatting of a company, It is license to form a corporation issued by state government.

Q6. Define private company limited.

Ans 1: According to companies ordinance 1984, a company is called private limited company which have some characteristics:

1. At least by two persons and its total membership can not exceed 50.
2. The company by its articles restricts the right to transfer its shares.
3. It prohibits any invitation to the public to invest their money in shares or debentures of company.

Example: Zong private limited company etc.

Q7. Define issue of shares at premium.

Ans 1: Issues of share at premium means the issue of share at the higher price than the face value of share.
Example: When a share having face value of Rs 10 but issued on Rs 18 is called as share issued at premium.

Q8. Define issue of shares at discount.

Ans 1: When the share is not issued at the same price but issued at the less price than of the market price is called issue of shares at discount.
Example: When a share of Rs: 10 is issued for an amount less than Rs 10 the share is said to have been issued at a discount.

Q9. Define Joint stock company?

Ans 1: A joint stock company may be defined as an artificial person recognized by law,with a distinctive name.It has common seal,a common capital comprising transferable shares,carrying limited liability and having perpetual succession.

Q10. What is reserve?

Ans 1: Reserve is the portion of profit which is not paid to properties but it is kept apart for meeting some known as unknown loses.
Example Reserve funds ,contingency reserve.
