

Principles of Accounting - ICOM Part 1 Principles of Accounting Full Book Preparation

Q1. Define current liabilities?

Ans 1: These are the debts which are payable immediately or in the near future, Sundry creditors, bill payable, expenses payable, loan from bank etc. are the example of liabilities.

Q2. What is Personal Account?

Ans 1: Accounts which are related with a person or institution are known as personal accounts, e.g. Habib Bank, Debtor account, Debtor account, etc.

Q3. What is meant by revenue payment?

Ans 1: The amount which is actually paid on account of revenue expenditure is known as revenue payment. For example, goods purchased for Rs 30,000 is revenue expenditure.

Q4. Define the term cost concept.

Ans 1: According to this concept "an asset is ordinarily entered in the accounting records at the price paid to acquire it".

Q5. Define bad debtors.

Ans 1: The debts which are irrecoverable from the debtors are called bad debts and the concerned debtor is called a bad debtor.

Q6. Define depreciation.

Ans 1: It is the gradual decrease in the value of the fixed assets due to its use in the business.

Q7. Define un-presented cheque.

Ans 1: These are the cheques which have been issued to the creditors or other person and have been recorded in the bank column of the cash book but those cheques have not yet been presented to the bank for payment.

Q8. What are grace days?

Ans 1: It is customary to allow three days to the drawee to pay the amount of the bill in case of a term bill. These three days are known as days of grace. It is the difference between tenor and maturity.

Q9. How many parties are involved in bill of exchange?

Ans 1: There are three parties involve in bill of exchange

Drawer: The person who draws the bill of exchange is known as drawer.

Drawee: The person who signs the bill of exchange and thereby accepts to pay the money on demanded is known as drawee.

Payee: Sometimes the bill of exchange is endorsed or transferred to other person in exchange of a payment.

Q10. Define sight bill.

Ans 1: A sight bill is a payment due on demand ,An sight payment require the party receiving the goods or services to pay a certain sum immediately upon a boll of exchange is presented.

Q11. Define Creditors.

Ans 1: The persons from whom purchases are made on credit basic or the persons to whom money are to paid in near future is called creditors.

Q12. Differentiate between cash book and pass book.

Ans 1: Pas books is a copy of the depositor account in the bank ledger,which is provided to the depositor.

Ans 2: Cash book: A book in which all transactions in involved are recorded is called book or cash journal.

Q13. Write two benefits of bills of exchange.

Ans 1:

1. Bills of exchange is a negotiable instrument and can be transferred for the settlement of one debts without difficulty.
 2. It is an easy means of transmitting money from one place to another.
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Q14. Write two example of capital expenditure.

- Ans 1:**
- 1.Purchased machinery for cash Rs 50000.
 - 2.Bought furniture for business Rs 100000.
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Q15. What are contingent liabilities?

Ans 1: Contingent liability is not a liability at present but may or may not become liability in future ,It depends upon the certain future event to become a contingent liability.

Q16. What is cross cheque?

Ans 1: When two parallel lines are drawn across the face of cheque it is said to be crosses cheque,A crosses cheque cannot be

encashed at the counter but can be collected only by a bank from the "Drawee Bank" Crossing may be general or special.

Q17. What is bank overdraft?

Ans 1: The amount which banks allows to a customer to withdraw in excess of his deposits for the sake of depositor good will is known as bank overdraft.

Q18. What is Cheque?

Ans 1: A cheque is an unconditional order in writing to a bank to pay on demand on certain sum of money to a person names in the cheque or to the bearer of the cheque or to the order of a stated person or firm .

Q19. Define net loss.

Ans 1: If the debit side of profit and loss account is more than the credit side, then the difference will be net loss, Net loss is deducted from capital in balance sheet.

Q20. What is inland bill of exchange?

Ans 1: Inland bill of exchange means drawer of bill and acceptor of bill or drawee of bill same country is called inland bill of exchange.
