

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

Q1. Define commercial bank.

Ans 1: An institution which accepts deposits ,make business loans and offer related services is called commercial bank.

Q2. Define discount.

Ans 1: Any deduction allowed by the seller to the purchases of the goods or merchandise is called discount,There are two types of discount viz trade discount and cash discount,.

Q3. What is meant by errors of casting?

Ans 1: An error due to which total of an account is more or less recorded is known as error of casting.

Q4. What is meant by accounting period?

Ans 1: The time or period covered by a financial account or statement is termed as accounting period.

Q5. Define the term cost concept.

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

Q6. What is meant by validity date?

Ans 1: Validity date is period for which a financial instrument remains effective and during which its beneficiary must need all its requirements.

Q7. What is revenue profit?

Ans 1: Revenue profit is that amount of profit which has been earned during an ordinary course of a business.

Q8. Define double entry keeping?

Ans 1: The system under which both the changes in transactions are recorded one change is debited ,while the other changes is credit with an equal amount is called double entry book keeping system.

Q9. What is real account?

Ans 1: Accounts which keep records of properties or things owned by the business are called real accounts or proper accounts. Land accounts, Machinery accounts, Furniture accounts are the examples of real accounts.

Q10. Define Creditors.

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

Q11. What is balance?

Ans 1: The difference between the two sides of an account is called balance.

Q12. What are contingent liabilities?

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

Q13. Define promissory note.

Ans 1: A promissory note is an unconditional promise in writing made by one individual to another, signed by the maker, promising to pay on demand or after a fixed future date a certain sum of money to the order of the person specified therein or to the bearer.

Q14. Define accounting.

Ans 1: The American Institute of Certified Public Accountants once defined accounting as the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are in part at least, of a financial character and interpreting the results thereof.

Q15. Define accounting equation.

Ans 1: The expression of the equality of a business asset with the claims against it is referred to as the accounting equation. It can be expressed in terms of the following equation:
$$\text{Assets} = \text{Liabilities} + \text{Owner Equity}$$

Q16. What is meant by monetary events?

Ans 1: Events which are related with money or which change the financial position of a person are known as monetary events.

Q17. Describe the main objective of preparing a trial balance.

Ans 1: The main objectives of preparing a trial balance are following:

1. The first objective of trail balance is to prove the equality of the debit and credit balance.
2. It helps in locating errors within a specified period if it is prepared periodically and this it makes easy to discover error make correction.
3. It serves as a convenient basis for the preparation of final accounts trading and profit and loss account and Balance Sheet.

Q18. 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.

Q19. What is meant by posting?

Ans 1: The process of transferring information ,debits and credits from journal to ledger is known as posting.

Q20. Define capital payment.

Ans 1: The amount which is actually paid on account of capital expenditure is known as capital payment.
