

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

Q1. Define fictitious assets?

Ans 1: Assets which have no market value are called fictitious assets,

Q2. Explain the term matching concept.

Ans 1: The concept of offsetting expenses against revenue is called the matching concept.

Q3. Name the kinds of cash book.

Ans 1: There are four kinds of cash book.

1. Simple Cash book
2. Double column cash book
3. Three column cash book
4. Petty cash book

Q4. 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.

Q5. 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,.

Q6. Define unpresented cheque.

Ans 1: These are the cheque 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.

Q7. Define cash discount.

Ans 1: Cash discount is deduction or allowance given by a creditor to the debtor of the amount is paid by the debtor before the due date.

Q8. What is meant by capital profit?

Ans 1: A profit made on the sale of fixed assets is called capital profit, For example machinery having books value of Rs 50000 is sold for Rs 60000 the profit of Rs 10000 will be capital profit.

Q9. What is credit balance?

Ans 1: If the credit side of an account is greater than its debit side, the difference in amount is known as credit balance.

Q10. 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.

Q11. 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 named in the cheque or to the bearer of the cheque or to the order of a stated person or firm.

Q12. What is revenue profit?

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

Q13. What is capital loss?

Ans 1: Capital loss is a loss which is incurred on the sale of fixed assets or loss made with the rising of the capital funds of the business.

Q14. What is mean by zero balance?

Ans 1: If the two sides of an account are equal that account will show zero balance.

Q15. What are indirect expenses?

Ans 1: All those expenses other than direct expenses are known as indirect expenses. These expenses include salaries, rent, interest etc.

Q16. Define service revenue.

Ans 1: When business renders services, it usually receives cash from its customers. The amount so received during an accounting period is known as services revenue.

Q17. Why journal is called the book of original entry?

Ans 1: Since the transaction is originally recorded first of all in the journal thus journal is also called the book of original entry.

Q18. Define the subsidiary books?

Ans 1: Under double entry accounting system, transactions are first of all recorded in journal and thereafter posted to the ledger. The book which gives additional help to the ledger is called subsidiary book.

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 bank overdraft?

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