

Principles of Accounting - ICOM Part 2 Principles of Accounting Full Book Short Questions Preparation

Q1. Define consignment account.

Ans 1: Consignment account show what profit or loss is made out of the dealing of goods sent on consignment, It is the combination of trading and profit and loss account.

Q2. How many parties are involved in consignment? Write their names.

Ans 1: There are two parties involved in consignment:
1. Consignor
2. Consignee

Q3. 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.

Q4. What is meant by life time membership fee in reference to a non trading concern?

Ans 1: Life membership fee is amount which is paid by member lump sum to become a life member of organization. It is paid only one time in life of organization to become life member.
Example: Amir pay lump sum amount to become life member of organization.

Q5. What is meant by profit or loss statement?

Ans 1: Profit or loss statement is prepared to find out the profit or loss of the year under single entry system.

Q6. Define Deficit.

Ans 1: Deficit is the excess of expenditure over income in case of non trading concern. It is also known as deficit balance. We use formula to calculate deficits is given as below:
 $\text{Deficit} = \text{Expenditure} - \text{income}$

Q7. Define the term partnership agreement?

Ans 1: The agreement among the partners which sets out the term on which they have agreed to form a partnership is called "Partnership agreement". It is also called as partnership Deed.

Q8. Define depletion.

Ans 1: The term depletion is used for decrease in the value of wasting assets such as mines, oil wells, forest etc. Or the decrease in the value proportionate to the quantum of production such as mines, oil wells, forest etc.

Q9. What are irredeemable debentures?

Ans 1: Those debentures which are payable after a long period of a time when the company goes into liquidation. These debentures are never repayable during the existence of the company, These are generally issued by railway and such other companies.

Q10. What are external cause of depreciation?

Ans 1: Depreciation which occurs for certain external cause are known as external cause of depreciation.
Example: Obsolescence and efflux of time and accident.

Q11. What is meant by Additional Capital?

Ans 1: The amount of capital which is introduced during the year in the business is called additional capital or fresh capital.

Q12. 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.

Q13. 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.
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Q14. What is a prospectus?

Ans 1: Prospectus is a valuable document issued by the company of raising of the capital. The main object of prospectus is to arouse the interest of the investors in proposed company. Prospectus has different information about company such as name of directors, promoters, auditors etc.

Q15. 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.

Q16. What is fluctuation?

Ans 1: The decrease or increase in the market value of an asset is called fluctuation.

Q17. Write any three demerits of single entry system?

Ans 1: Three demerits or disadvantages of single entry system are as under:

1. Under this system only partial and incomplete records are kept.
 2. Nominal accounts are not maintained.
 3. Real accounts are not maintained.
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Q18. What are intangible assets?

Ans 1: Assets which have no physical existence and which cannot be seen or touched but can be felt are called intangible assets.
Example: Goodwill, trade mark, etc.

Q19. Write names of different names 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
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Q20. Define the term Obsolescence.

Ans 1:

The term Obsolescence refers to the process of becoming out of date or obsolete due to inventions or change in habits and taste of the people.
