

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

Q1. 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.

Q2. Write down six advantage of joint stock company.

Ans 1: Six advantage of joint stock company are given below:

1. Long life
2. Limited liability
3. Large Scale business
4. Low cost of production
5. Separate legal entity
6. Easy transfer of shares

Q3. 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.

Q4. Write any three demerits of single entry system?

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

1. Under this system only partial and in complete record kept.
2. Nominal accounts are not maintained.
3. Real accounts are not maintained,

Q5. What are partners?

Ans 1: All the persons who are agreed to share profit and loss equally by forming a joint company are called partners, They form a company with the consent of all partners,

Q6. Define the term consignee?

Ans 1: Consignee is the person to whom the goods are sent for sale purpose by consigner at the rate of some commission, Example Zahid received goods from Asad for sale purpose at some commission.

Q7. 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The term Obsolescence refers to the process of becoming out of date or obsolete due to inventions or change in habits and taste of the people.

Q8. What is meant by common seal of company?

Ans 1: The common seal is the official signature of company. It is used as substitutes of signature because company is an artificial and cannot sign itself. It is also called official signature of the company.

Example : Stamp of the company etc.

Q9. What is indirect expenses?

Ans 1: Expenses incurred after reaching the goods in the godown of consignee are called indirect expenses.

Example : Godown rent, Salesman, Salary etc.

Q10. For which assets this diminishing balance method is suitable.

Ans 1: this method is most suitable to the fixed assets like plant and machinery etc. Where additions and expansions often take place.

Q11. Define firm.

Ans 1: The partner in a partnership collectively known as firm and the name, under which they carry on the business is called "Firm's name".

Q12. 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.

Q13. What is opening statement of affairs?

Ans 1: The opening statement of affairs is prepared to find out the opening capital under single entry system.

The formula to calculate opening capital is given below

Opening Capital = Closing capital - increase in capital

Q14. What is meant by receipts and payments account?

Ans 1: A receipts and payments account is a summarized cash book for a given period. It is prepared without distinction between capital and revenue items.

Q15. Define subscription.

Ans 1: Subscription is the amount received from the member of the organization monthly or annual as per rule.
Example : Adnan give subscribe Rs 5000/- to club at first january 2016.

Q16. What is registered capital or nominal capital or authorized capital?

Ans 1: Registered or nominal or authorizes capital is the amount of share capital with which a company is registered, The capital is mentioned in memorandum of association.
Example: An amount of Rs 500000 is mentioned in memorandum of association is registered capital.

Q17. 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.

Q18. What rules are followed in absence of partnership deed?

Ans 1: In the absence of agreement in partnership, the following rules are applicable.

1. The partner shall share the profits and losses equally.
2. No partner is entitled to interest on capital
3. No interest on drawing is to be charged by the firm.

Q19. Define the term tangible assets.

Ans 1: Assets which have physical existence and which can be seen, touched and can be felt are called tangible assets.

Q20. What is meant by company limited by Guarantee?

Ans 1: The company in which the liability of the members is limited to such amount as the member may respectively undertake to contribute to the assets of the company in the event of its being wound up.
