

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

Q1. What are wasting assets?

Ans 1: Assets whose value gradually reduces on account of use and finally exhausts completely are called wasting assets.
Example : Mine ,Forest.

Q2. What are intangible assets?

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

Q3. What is meant by double entry system?

Ans 1: A system in which two sides of every transactions are recorded is called double entry system.

Q4. Define the Scrap value or residual value.

Ans 1: The Scrap value means price at which it will be sold after the end of the working life.

Q5. Why any particular method of providing depreciation is not suitable for all the assets.

Ans 1: Fixed assets differ from each other in their nature so widely that the same method of providing depreciation cannot be applied to each asset.

Q6. Define fixed assets.

Ans 1: Fixed assets are those assets, which have been purchased for permanent use in the business and have long life.

Q7. Define the term Sacrifice Ratio.

Ans 1: Sacrifice ratio is calculated on the admission of new member in partnership for distribution of goodwill among the old partner, if goodwill brought in is cash by new partner.
It is calculated with help of following equation
$$\text{Sacrifice ratio} = \text{old share} - \text{new share}.$$

Q8. What are Tangible assets.

Ans 1: Tangible assets are those assets, which have their physical existence which can be seen and easily valued.

Q9. What is difference between balance sheet and statement of affairs?

Ans 1: Balance Sheet: Balance Sheet is prepared to find out the financial position of business under double entry system.

Ans 2: Statement of affairs: Statement of affairs is prepared to calculate capital at the end or the start of the year under single entry system.

Q10. What is Drawing?

Ans 1: Cash or goods taken away by the owner from the business to personal is called Drawing.

Example : Salman withdraw cash for his personal use from business.

Q11. What are different kinds of shares?

Ans 1: There are three main kinds of shares.

1. Ordinary Shares
 2. Preference Shares
 3. Deferred ordinary shares/
-

Q12. Define the term fluctuation.

Ans 1: Fluctuation is decrease or increase in the market value of an asset not due to use in business. In fluctuation the price of things may decrease or increase in the market.

Example: Increase in value of land or building not due to use in business.

Q13. What is holding company or subsidiary company?

Ans 1: Holding or subsidiary company is a company which holds more than 50% shares of another company. This company has the power to appoint more than 50% directors of another company.

Q14. What is meant by single entry system?

Ans 1: Under single entry system sometimes both aspects of transactions are recorded sometimes only one aspect of transaction is recorded and sometimes no aspect of transaction is recorded.

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. Define issue of shares at premium.

Ans 1: Issues of share at premium means the issue of share at the higher price than the face value of share.
Example: When a share having face value of Rs 10 but issued on Rs 18 is called as share issued at premium.

Q17. Define pure entry system.

Ans 1: Under pure entry system ,only person accounts are kept,Real and nominal accounts recorded are not maintained.
Example Mr Ali opened his account with Rs 500

Q18. Define fixed assets?

Ans 1: Assets which have long life and which are brought for use for a long period of time are called fixed assets ,These are not bought for selling purpose.
Example: Land,building m,machinery ,Furniture etc.

Q19. 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.

Q20. Write different method of calculating goodwill.

Ans 1: 1.Average profit method
2.Super Profit method
3.Capitalization method.
