

**CHAPTER-1: INTRODUCTION TO ACCOUNTING**

1. "Accounting records, transactions and events can be measured in money terms". Is this in your opinion, a limitation of accounting or an advantage? Support your views with reasons.
2. Which type of accounting information reveals profit earned or loss incurred?
3. Who are the users of accounting? What are their needs?
4. Accounting provides information about the profitability and financial soundness of a concern. In addition, it provides various valuable information also, however accounting has certain limitations. Explain any such of three limitations.

**CHAPTER-2: BASIC ACCOUNTING TERMS**

1. A firm has various types of assets explain them with one example each.
2. Explain the following terms:  
Drawings,sales,purchase,Bad debts,vouchers,capital,business transactions, Depreciation, Trade receivables, trade payables
3. Distinguish between Expense and Expenditure; Profit and Gain.
4. Complete the following sentences.  
A)amount which the firm owes to the outsiders is known as..... .  
B).....is the cost incurred in producing goods and services.  
C)the term 'sales' is used only for the sales of..... And is never used for the sale of..... .  
D)the person to whom money is owing by the firm are termed as..... .  
E)revenue means the income of a ..... Nature.
5. Give two examples of:  
A)trade payables  
B)nominal/fictitious assets  
C)capital expenditure  
D)revenue expenditure

**CHAPTER-3: THEORY BASIS OF ACCOUNTING**

1. Mention the concept on which the following statements are based and also explain their meaning.
  - i) The insignificant items and events having an insignificant economic effect need not be disclosed.
  - ii) "Same accounting method should be used from one accounting period to the Next."
  - iii) Business is treated as an entity separate and distinct from its owner
  - iv) Only those transactions and events are recorded in accounting which can be expressed in terms of money.
  - v) Business will continue to exist for a longer period of time and there is no intention to close it or reduce its size significantly.
  - vi) All anticipated losses should be recorded in the books of accounts but all unanticipated or unrealized gains should be ignored.
2. What is meant by accounting standards? Explain any two objectives of it.
3. Briefly explain your understanding of IFRS.
4. (i) What is the principle of conservation or prudence?  
(ii)What are the objectives of IFRS?
5. 'Closing stock is valued at lower of cost or realisable value'.Which principle of accounting is applied here?
6. State one limitation of historical cost.

## CHAPTER -4: BASES OF ACCOUNTING

1. What is meant by cash basis of accounting? Also explain its advantages and disadvantages.
2. What do you mean by accrual basis of accounting? What are its advantages and disadvantages?
3. Differentiate between cash basis and accrual basis of accounting.
4. Arun , a consultant, during the financial year 2015-2016 earned Rs.7,00,000. Out of which he received Rs.5,50,000.He incurred an expense of Rs.3,50,000 out of which Rs.40,000 are outstanding. He also received consultancy fee relating to previous year Rs. 65,000 and also paid Rs. 40,000 expenses of last year.

## CHAPTER-5: ACCOUNTING EQUATION

1. How will you deal with the following items in the accounting equation?
  - i. Interest due but not received Rs. 800.
  - ii. Rent received in advance Rs.1200.
  - iii. Insurance premium paid in advance Rs.1500.
  - iv. Salaries due but not paid Rs.2000.

2. Prepare accounting equations from the following transactions.

	Rs.
i. Started Business with cash	5,00,000
Purchased a building from am. Paid by raising a loan	10,00,000
ii. Paid interest on loan Rs. 40,000 and instalment of Rs. 2,00,000	
iii. Purchase goods from Rohan on credit	
iv. Sold Goods costing Rs. 60,000 for Rs. 80,000 on credit to Mahesh.	1,50,000
v. Took Goods of Rs. 25,000 from Business for personal use.	
v. Accrued interest	5000
vi. Commission received in advance	20,000

3. Prove that the accounting equation is satisfied in all the following transactions of Rajnath Singh.

- i. Started Business with cash ii.

	Rs.
Paid rent in advance	50,000
iii. Purchase goods for cash Rs. 14,000 and on credit Rs. 3,000	800
iv. Sold Goods for Rs. 12,000 costing Rs. 8,000	
v. Paid salary Rs. 450 and salary outstanding being Rs. 200	
vi. Bought typewriter for personal use.	6,000

4. Create an accounting equation on the basis of following transactions

- i. Pratap Singh commenced a business with cash Rs. 2,00,000, goods Rs.60,000, Machinery Rs. 1,50,000 and furniture Rs. 70,000
- ii. 1/3 rd of the above goods sold at a profit of 10% on cost and half of the payment is received in cash
- iii. Depreciation on machinery is provided at 20 %.
- iv. Cash withdrawn for personal use Rs. 10,000
- v. Interest on drawings charged at 5 %.
- vi. Goods sold to Gupta for Rs. 20,000 and received a Bill Receivable of the same for 2 months.
- vii. Received Rs. 20,000 from Gupta against the Bill Receivable on its maturity.

5. Give an example for each of the following type of transactions.

- i. Increase in one asset, decrease in another asset.
  - ii. Decrease in asset, decrease in another liability.
  - iii. Decrease in liabilities, increase in owner's capital.
  - iv. Increase in one liability, decrease in another liability.
  - v. Increase in capital, decrease in capital
6. Mahesh started a business on 1st April 2015 with a capital of 1,00,000 and borrowed Rs. 30,000 from a friend. He earned a profit of Rs. 5,000 during the year ended 31st Mar 2014 and withdrew Rs. 4,000 for private use. Find out his capital on 31st Mar 2016.

7. On 31st Mar 2015 total assets and external liabilities were Rs. 4,00,000 and Rs. 10,000 respectively. During the year the owner introduced capital of Rs. 40,000 and withdrawn Rs. 12,000 for personal use he made a profit of Rs. 60,000. Calculate the capital on 1st April 2014.