ACCOUNTANCY ONE MARK QUESTIONS

LESSION – 1

I. Choose the correct answer:

1. The amount which the proprietor has invested in the business is_____.
   a). Capital b). Cash c). Bank
2. Book-keeping is an art of recording _____ in the book of accounts.
   a). Summary b). Business transaction c). Accounting
3. _____ is a written document in support of a transaction.
   a). Receipt b). Voucher c). Cheque
4. Accounting begins where _____ ends.
   a). Book keeping b). Summary c). Business transaction
5. Liabilities refer to the _____ obligations of a business.
   a). Capital b). Accounting c). Financial
6. Owner of the business is called _____.
   a). Proprietor b). Book keeper c). Cashier
7. An account is a _____ of relevant business transactions at one place relating to a person, assets, expense or revenue named in the heading.
   a). Accounting b). Cash c). Summary
8. Receipt is an acknowledgement for _____.
   a). Cash Paid b). Cash Received c). Cash Withdraw
9. Income is the difference between revenue and _____.
   a). Gains b). Loss c). Expenses
10. The debts owing to others by the business is known as
   a) Liabilities b) expenses c) debtors
11. Assets minus liabilities is
   a) Drawings b) capital c) credit
12. A written document in support of a transaction is called
   a) Receipt b) credit note c) voucher
13. Business transactions may be classified into
   a) Three b) two c) one
14. Purchases return means goods returned to the supplier due to
   a) Good quality b) defective quality c) super quality
15. Amount spent in order to produce and sell the goods and services is called
   a) Expense b) income c) revenue

LESSON – 2

1. Stock in trade are to be recorded at cost or market price whichever is less is based on _____principle.
   a). Prudence b). Consistency c). Materiality
2. The assets are recorded in books of accounts in the cost of acquisition is based on _____ concept.
   a). Full Disclosure b). Matching c). Historical
3. The benefits to be derived from the accounting information should exceed its cost is based on ____ principle.
   a). Prudence b). Materiality c). Cost benefit

4. Transactions between owner and business are recorded separately due to_____ assumption.

a). Going concern b). Money measurement c). Business entity

5. Business concern must prepare financial statements at least once in a year is based on ____ assumption.

a). Money measurement b). Accounting Period c). Going concern

6. _____principle requires that the same accounting methods should be followed from one accounting period to the next.

a). Consistency b). Prudence c). Materiality

7. As per the business entity assumption, the business is different from the

a) owners b) banker c) government

8. Going concern assumption tell us the life of the business is

a) very short b) very long c) none

9. Cost incurred should be matched with the revenues of the particular period is based on

a) matching concept b) historical cost concept c) full disclosure concept

10. As per dual aspect concept, every business transaction has

a) three aspects b) one aspect c) two aspects

LESSON - 3

1. The author of the famous book "Arthasastra" is _____.

a). Kaudilya b). J.R.Batliboi c). R.N.Carter

2. Every business transaction reveals _____ aspects.

a). Three b). One c). Two

3. The incoming aspect of a transaction is called _____ and the outgoing aspect of a transaction is called _____.

a). Debit , credit b). Credit, credit c). Debit, Debit

4. Traditional approach of accounting is also called as _____ approach

a). Indian b). American c). British

5. The American approach is otherwise known as _____ approach.

a). Cash book b). Jounal c). Accounting equation

6. Impersonal accounts are classified into _____ types.

a). Four b). Six c). Two

7. Plant and machinery is an example of _____ account.

a). Personal b). Real c). Nominal

8. Capital account is an example of _____ account.

a). Impersonal b). Personal c). Nominal

9. Commission received will be classified under _____ account.

a). Nominal b). Real c). Personal

10. The receiving aspect in a transaction is called as

a) debit aspect b) credit aspect c) neither of the two

11. The giving aspect in a transaction is called as

a) debit aspect b) credit aspect c) neither of the two

12. Murali account is an example for

a) personal A/c b) real A/c c) nominal A/c

13. Capital account is classified under

a) personal A/c b) real A/c c) nominal A/c

14. Goodwill is an example of

a) tangible real A/c b) intangible real A/c c) nominal A/c

15. Commission received is an example of

a) real A/c b) personal A/c c) nominal A/c

16. Outstanding rent A/c is an example for

a) nominal account b) personal account c) representative personal account

17. Nominal Account is classified under

a) personal A/c b) impersonal A/c c) neither of the two

18. Drawings account is classified under

a) real A/c. b) personal A/c. c) nominal A/c.

LEESON -4

I. Choose the best answer :

1. The source document gives information about the nature of the _____.

a). Transaction b). Voucher c). Receipt

2. The accounting equation is a statement of _____ between the debits and credits.

a). Difference b). Equality c). None

3. In double entry book-keeping, every transaction affects at least two _____.

a). Transaction b). Aspects c). Accounts

4. Assets are always equal to liabilities plus _____.

a). Asset b). Capital c). Liabilities

5. A transaction which increases the capital is called _____.

a). Revenue b). Expenses c). Losses

6. The journal is a book of _____.

a). Book keeping b). Original Entry c). Accounting

7. Recording of transaction in the journal is called _____.

a). Journalising b). Ledger c). Final account

8. The _____ column of journal represents the place of posting of an entry in the ledger account.

a). J.F b). L.F c). V.N

9. _____ account is debited for the amount not recovered from the customer.

a). Sundry Debtors b). Bad Debts c). Sundry Creditors

10. The assets of a business on 31st December, 2002 were worth Rs.50,000 and its capital was Rs.35,000. Its liabilities on that date were Rs. _____.

a). 85000 b). 15000 c). 35000

11. The origin of a transaction is derived from the

a) Source document b) Journal c) Accounting equation

12. Which of the following is correct?

a) Capital = Assets + Liabilities b) Capital = Assets – Liabilities c) Assets = Liabilities – Capital

13. Amount owned by the proprietor is called

a) Assets b) Liabilities c) Capital

14. The Accounting Equation is connected with

a) Assets only b) Liabilities only c) Assets, Liabilities and capital

15. Goods sold to Srinivasan should be debited to

a) Cash A/c b) Srinivasan A/c. c) Sales A/c.

16. Purchased goods from Venkat for cash should be credited to

a) Venkat A/c b) Cash A/c c) Purchases A/c

17. Withdrawals of cash from bank by the proprietor for office use should be credited to

a) Drawings A/c b) Bank A/c c) Cash A/c

18. Purchased goods from Murthy on credit should be credited to

a) Murthy A/c b) Cash A/c c) Purchases A/c

19. An entry is passed in the beginning of each current year is called

a) Original entry b) Final entry c) Opening entry

20. The liabilities of a business are Rs.30,000; the capital of the proprietor is Rs.70,000. The total assets are:

a) Rs.70,000 b) Rs.1,00,000 c) Rs.40,000

LESSON – 5

a) Choose the correct answer:

1. Ledger is the _____ book of account.

a). Journal b). Principal c). Book keeping

2. The process of transferring entries from Journal to the Ledger is called _____.

a). Posting b). Transaction c). Accounting

3. c/d means _____ and b/d means _____.

a). carried down; brought down b). Debit, Credit c). Journal, Ledger

4. c/f means _____ and b/f means _____.

a). debit side; credit side, b). Carried forward; brought forward c). None

5. Debiting an account signifies recording the transactions on the _____ side.

a). Debit side b). Credit Side c). Both Debit and Credit

6. The left hand side of an account is known as _____and the right hand side as _____.

a). Credit side, Debit Side b). debit side; credit side c). None

7. Credit Balance means _____ is heavier than _____.

a). Credit total; Debit total b). Debit total; Credit total c). None

8. Real accounts cannot have _____ balance.

a). Debit side b). Credit Side c). Both Debit and Credit 9. Account having debit balance is closed by writing _____.

a). By Balance b/d b). By Balance c/d c). Ledger

10. L.F. column in the journal is filled at the time of _____ .

a). Transferring b). Accounting c). Posting

11. Ledger is a book of :

a. original entry b. final entry c. all cash transactions.

12. Personal and real accounts are:

a. closed b. balanced c. closed and transferred

13. The column of ledger which links the entry with journal is

a. L.F column b. J.F column c. Particulars column

14. Posting on the credit side of an account is written as

a. To b. By c. Being

15. Nominal account having credit balance represents

a. income / gain b. expenses / losses c. assets

16. Nominal account having debit balance represents

a. income / gain b. expenses / losses c. liability

17. Real accounts always show

a. debit balances b. credit balances c. nil balance.

18. Account having credit balance is closed by writing

a. To Balance b/d b. By Balance c/d c. To Balance c/d

19. When the total of debits and credits are equal, it represents

a. debit balance b. credit balance c. nil balance

20. The balances of personal and real accounts are shown in the

a. profit and loss account b. balance sheet c. both.

LESSON -6

I. Choose the correct answer:

1. Sub division of the journals into various books for recording transactions of similar nature are called

a). Purchase Book b). Sales book c). Subsidiary book

2. The total of the _____ book is posted to the debit of purchases account.

a). Sales b). Cash book c). Purchase

3. The person who prepares a bill is called the _____.

a). Drawee b). Payee c). Drawer

4. Days of grace are _____ in number.

a). Three b). Two c). One

5. Purchase of machinery is recorded in

a) sales book b) journal proper c) purchases book

6. Purchases book is kept to record

a) all purchases b) only cash purchases c) only credit purchases

7. Credit sales are recorded in

a) sales book b) cash book c) journal proper

8. Goods returned by customers are recorded in

a) sales book b) sales return book c) purchases return book

9. On 1st January 2003, Chandran draws a bill on Sundar for 3 months, its due date is _____

a) 31st March 2003 b) 1st April 2003 c) 4th April 2003

LESSON – 7

I. Choose the correct answer:

1. Discount allowed column appears in _____ side of the cash book.

a). Credit b). Debit c). None of these

2. In the triple column cash book, when a cheque is received the amount is entered in the _____ column.

a). Bank b). Cash c). Both Bank and Cash

3. Discount received column appears in _____ side of the cash book.

a). Profit and Loss Account b). Debit c). Credit

4. A cheque received and paid into the bank on the same day is recorded in the _____ column of the three column cash book.

a). Bank b). Cash c). Ledger

5. When a cheque received from a customer is dishonoured, his account is _____.

a). Credited b). Debited c). None of these

6. Cash Book is one of the _____ books.

a). Journal b). Ledger c). Subsidiary

7. The cash book records

a) all cash payments b) all cash receipts c) all cash receipts & payments

8. When goods are purchased for cash, the entry will be recorded in the

a) cash book b) purchases book c) journal

9. The balance of cash book indicates

a) net income b) cash in hand c) difference between debtors and creditors

10. In triple column cash book, cash withdrawn from bank for office use will appear in

a) debit side of the cash book only b) both sides of the cash book.

c) credit side of the cash book only.

11. If a cheque sent for collection is dishonoured, the debit is given to

a) suppliers A/c b) bank A/c c) customers A/c

12. If a cheque issued by us is dishonoured the credit is given to

a) supplier's A/c b) customer's A/c c) bank A/c

LESSON – 8

I. Choose the correct answer:

1. The book that records all small payments is called _____.

a). Petty cash book b). Single Column Cash Book c). Double Column Cash Book

2. The person who maintains petty cash book is known as _____.

a). Owner b). Accountant c). Petty Cashier

3. Analytical petty cash book is just like the _____.

a). Subsidiary Book b). Purchase book c). Cash Book

4. The periodic total of each column in the analytical petty cash book is posted to the concerned____accounts.

a). Personal b). Real c). Nominal

5. The petty cashier generally works on _____ system.

a). Imprest b). Barter c). None

6. Petty cash may be used to pay

a) Salaries to staff b) Purchase of furniture and fittings

c) Expenses relating to post and telegrams

7. The balance in the petty cash book is

a) an asset b) a liability c) an income

8. On Jan 1st 2002, Rs.1,000 given to petty cashier. He has spent Rs.860 during the month of January. On Feb 1st to make the imprest he will receive cheque for Rs._____.

a) Rs. 1,000 b) Rs. 860 c) Rs. 1,860

LESSON – 9

I. Choose the correct answer:

1. The bank statement is sent by _____ to the customer.
   a). Bank b). Cash c). Both Cash and Bank
2. Overdraft means credit balance as per _____ book.
   a). Cash b). Journal c). Ledger
3. When cash is withdrawn from the bank, the bank _____ the customer's account.
   a). Debits b). Credit c). None of these
4. _____ balance in pass book shows bank overdraft.
   a). Cash b).Bank c). None of these
5. For the purposes of reconciliation only the _____ column of the cash book are to be considered.
   a). Cash b). Bank c).
6. A bank reconciliation statement is prepared by the _____.
   a). Owner b). Banker c). Customer
7. Bank Reconciliation statement is prepared by the
   a) Bank b) creditor of a business c) customer of a bank
8. Debit balance in the Cash Book means
   a) Overdraft as per Pass Book b) credit balance as per Pass Book
   c) Overdraft as per Cash Book
9. When balance as per Cash Book is the starting point, to ascertain balance as per pass book interest allowed by Bank is
   a) Subtracted b) added c) not adjusted
10. When balance as per Cash Book is the starting point, to ascertain the balance as per pass book interest Charged by Bank is:
    a) added b) subtracted c) not adjusted
11. When the balance as per Cash Book is the starting point to ascertain balance as per pass book, direct deposits by customers are:
    a) added b) subtracted c) not adjusted
12. When the balance as per Cash Book is the starting point to ascertain balance as per pass book, direct payment by bank are:
    a) added b) subtracted c) not adjusted
13. A bank pass book is a copy of
    a) the cash column of a customer's cash book. b) the bank column of a customer's cash book.
    c) the customer's account in the bank's ledger.
14. The bank statement shows an overdrawn balance of Rs.2,000. A cheque for Rs.500 drawn in favour of a creditor has not yet been presented for payment. When the creditor presents the cheque for payment, the bank balance will be
    a) Rs. 1,500 b) Rs. 2,500 (overdrawn) c) Rs.2,500

LESSON – 10

I. Choose the correct answer:

1. Trial Balance should be tallied by following the rules of _____.
   a). Double entry system b). Single Entry System c). Journal Entry

2. If the total debits exceeds the total credits of trial balance, suspense account will show _____ balance.
   a). Debit b). Credit c). Nil
3. Suspense account having debit balance will be shown on the _____ side of balance sheet.
   a). Liability b). Asset c). Credit
4. If the total debit balances of the trial balance exceeds the total credit balances, the difference is transferred to the _____ side of the suspense account.
   a). Debit b). Credit c). Asset
5. Suspense account having credit balance will be shown on the _____ side of the balance sheet.
   a). Asset b). Liability c). Capital
6. Short credit of an account decreases the _____ column of the trial balance.
   a). Credit b). Asset c). Debit
7. When errors are located and rectified, _____ automatically gets closed.
   a). Purchase b). Sales c). Subsidiary book
8. Journal entries passed to correct the errors are called _____.
   a). Journal proper b). Rectifying Errors c). None of these
9. Excess debit of an account can be rectified by _____ the same account.
   a). Credit (the excess amount in) b). Debit (the low amount in) c). Nil
10. Short debit of an account can be rectified by _____ of the same account.
   a). Further Credit (the high amount) b). further debit (the short amount)] c). None of these
11. Trial balance is prepared to find out the
   a) profit or loss b) financial position c) arithmetical accuracy of the accounts
12. Suspense account in the trial balance is entered in the
   a) Trading A/c b) Profit and loss A/c c) Balance sheet
13. Suspense account having credit balance will be shown on the
   a) Credit side of the profit and loss A/c b) Liabilities side of the balance sheet
   c) Assets side of the balance sheet
14. State which of the following errors will not be revealed by the Trial Balance.
   a) Errors of complete omission. b) Error of carrying forward.
   c) Wrong totalling of the purchases book.
15. Errors which affect one side of an account are called
   a) Single sided errors b) Double sided errors c) None of the above.
16. Amount spent on servicing office Typewriter should be debited to:
   a) Miscellaneous Expenses Account b) Typewriter Account. c) Repairs Account.
17. Wages paid to workers for the installation of a new Machinery should be debited to:
   a) Wages Account b) Machinery Account c) Factory Expenses Account
18. Salary paid to Manager must be debited to
   a) Manager's Account b) Office Expenses Account c) Salary Account.
19. Goods taken by the proprietor for domestic use should be credited to
   a) Proprietor's Drawings Account. b) Sales Account. c) Purchases Account.
20. Cash received from Mani whose account was previously written off as a Bad Debt should be credited to:
   a) Mani's Account. b) Miscellaneous Income Account. c) Bad Debts Recovered Account.

LESSON – 11

I. Choose the correct answer:

1. Amount spent on acquiring a copy right is an example for _____.
   a). Capital Expenditure b). Capital Revenue c). Capital Income
2. Capital expenditure is _____ in nature.
   a). Recurring b). Non-recurring c). None of these
3. Revenue transactions can be _____ or _____.
   a). Revenue Expenses, Revenue Losses b). Revenue Income, Revenue Losses
   c). Revenue expenditure, revenue receipt
4. Depreciation on fixed asset is a _____ expenditure.
   a). Capital Expenditure b). Capital Revenue c). Revenue Expenditure
5. Expenses on research and development will be classified under _____.
   a). Deferred revenue expenditure b). Deferred Revenue income c). None
6. Transaction which provide benefit to the business for more than one year is called as
   a) capital transaction b) revenue transaction c) neither of the two.
7. Amount spent on remodelling an old car is example of
   a) deferred revenue expenditure b) revenue expenditure c) capital expenditure
8. Shankar introduces Rs.50,000 as additional capital in the business. This amount will be considered as
   a) capital receipt b) revenue receipt c) both
9. Revenue receipts are _____ in the business.
   a) non-recurring b) recurring c) neither of the above.
10. Venkatesh purchases goods worth Rs.80,000 for the purpose of selling. This amount will be treated as
   a) capital expenditure b) revenue expenditure c) deferred revenue expenditure
11. Expenses on advertisement will be classified under
   a) capital expenditure b) revenue expenditure c) deferred revenue expenditure
12. An plant worth Rs.8,000 is sold for 8,500 the capital receipt amounts to
   a) Rs. 8,000 b) Rs. 8,500 c) Rs. 500
13. Revenue expenditure is intended to benefit.
   a) subsequent year b) previous year c) current year
14. An asset worth Rs.1,00,000 is sold for Rs.85,000 the capital loss amounts to
   a) Rs. 85,000 b) Rs. 1,00,000 c) Rs. 15,000
15. The net loss which arises in a business is an example of
   a) revenue loss b) capital loss c) neither of the two

LESSON -12

I. Choose the correct answer:

1. _____ account enables the trader to find out gross profit or loss.
   a). P&L a/c b). Trading c). Both Trading
2. By preparing profit and loss account _____ can be find out.
   a). Net profit or Loss b). Gross Profit or Loss c). Operating profit or Lsos
3. Closing stock is _____ in the trading account.
   a). Debited b). Credited c). Asset side

4. Direct expenses appears in the debit side of the _____ account.

a). P & L a/c b). Trading c). Balance sheet

5. Indirect expenses appears in the_____ side of the profit and loss account.

a). Credit b). debit c). Liability

6. All incomes are_____ in the profit and loss account.

a). Debited b). Credited c). None of these

7. Bad debt is a_____ expense.

a). Operating b). Non-operating c). Selling

8. 'Salaries and wages' appear on the _____ account.

a). Trading a/c b). P&L A/c c). Balance sheet

9. Balance sheet shows the _____ of a business

a). Profit and Loss b). Financial position c). None of these

10. Trading account is prepared to find out

a) gross profit or loss b) net profit or loss c) financial position

11. Wages is an example of

a) capital expenses b) indirect expenses c) direct expenses

12. Opening stock is

a) debited in trading account b) credited in trading account c) credit in profit and loss account

13. Balance sheet is a

a) statement b) account c) ledger

14. Fixed assets have

a) short life b) long life c) no life

15. Cash in hand is an example of

a) current assets b) fixed assets c) current liability

16. Capital is a _____

a) income b) assets c) liability

17. Drawing must be deducted from

a) net profit b) capital c) gross profit

18. Current liabilities are recorded in the balance sheet on

a) not recorded b) liability side c) assets side

19. Net profit is added to

a) gross profit b) drawings c) capital

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ACCOUNTANCY CHAPTER WISE ONE MARK ANSWERS

LESSON- 1

1. Capital 2. Business transactions 3. Voucher 4.Bookkeeping
5. Financial 6. Proprietor 7. Summary 8. Cash received
9. Expense 10. Liability 11. Capital 12. Voucher
13. Two 14. Defective quality 15. Expenses

LESSON- 2

1. Prudence 2. Historical cost 3. Cost benefit 4. Business entity
5. Accounting period 6. Consistency 7. Owner 8. Very long
9. Matching concept 10. Two aspects

LESSON- 3

1. Kautilya 2. Two 3. Debit, Credit 4. British 5. Accounting Equation
6. Two 7. Real 8. Personal 9. Nominal 10. Debit Aspect
11. Credit Aspect 12. Personal 13. Personal 14. Intangible
15. Nominal 16. Nominal 17. Impersonal A/c 18. Personal

LESSON- 4

1. Transactions 2. Equality, 3. Accounts, 4. Capital,
5. Revenue orIncome, 6. Original entry, 7. Journalising, 8. L.F, 9. Bad debts,
10. Rs.15,000 11. Jounal 12). Capital = Assets – Liabilities 13. Liabilities
14. Liabilities only 15. Cash A/c 16. Cash A/c 17. Drawings A/c
18. Purchases A/c 19. Opening entry 20. 100000

LESSON- 5

1. Principal, 2. Posting, 3. Carried down; brought down,
4. Carried forward; brought forward, 5. Debit side, 6. Debit side; credit side,
7. Credit total; debit total, 8. Credit, 9. By Balance c/d,
10. Posting 11. Final entry 12. Balanced 13. J.F column 14. By
15. Income / gain 16. Expenses / losses 17. Debit balances 18. To Balance c/d
19. Nil balance 20. Balance sheet

LESSON- 6

1. Subsidiary books, 2. Purchases, 3. Drawer, 4. Three 5. Journal proper
6. Only credit purchase 7. All purchase 8. Purchase return book 9. 4th April 2003

LESSON- 7

1. Debit, 2. Cash, 3. Credit, 4. Bank, 5. Debited, 6. Subsidiary
7. All cash receipt & payments 8. Cash book 9. difference between debtors and creditors

10. Both sides of the cash book. 11. Customers A/c 12. Supplier's A/c

LESSON- 8

1. Petty cash book, 2. Petty cashier, 3. Cash book, 4. Nominal,
5. Imprest 6. Expenses relating to post and telegrams 7. An Asset 8. Rs. 860

LESSON- 9

1. Bank, 2. Cash, 3. Debits, 4. Debit, 5. Bank, 6. Customers
7. Customer of a bank 8. Credit balance as per Pass Book 9. Added 10. Subtracted
11. Added 12. Subtracted 13. The customer's account in the bank's ledger.
14. Rs. 2,500 (overdrawn)

LESSON- 10

1. Double entry system, 2. Credit, 3. Assets, 4. Credit, 5. Liabilities,
6. Credit, 7. Suspense account, 8. Rectifying entries,
9. credit (the excess amount in), 10. further debit (the short amount)
11. Arithmetical accuracy of the accounts 12. Balance sheet
13. Liabilities side of the balance sheet 14. Errors of complete omission.
15. Single sided errors 16. Repairs Account 17. Machinery Account
18. Salary Account 19. Purchases Account. 20. Bad Debts Recovered Account.

LESSON- 11

1. Capital expenditure, 2. Non-recurring,
3. Revenue expenditure, Revenue receipt, 4. Revenue expenditure,
5. Deferred revenue expenditure. 6. Capital transaction 7. Capital expenditure
8. Capital receipt 9. Recurring 10. Revenue expenditure
11. Deferred revenue expenditure 12. Rs. 8,500 13. Current year
14. Rs. 15,000 15. Revenue loss

LESSON- 12

1. Trading, 2. Net profit or loss, 3. Credited, 4. Trading, 5. debit,
6. Credited, 7. Selling, 8. Profit and loss account, 9. financial position
10. Gross profit or loss 11. Direct expenses 12. debited in trading account
13. Statement 14. Long life 15. Current assets 16. liability
17. Capital 18. Liability side 19. capital

*********ALL THE BEST *********

2 MARKS & 3 MARKS QUESTION WITH ANSWER

1. What is Book Keeping?

- Book-keeping is that branch of knowledge which tells us how to keep a record of business transactions.
- Those transactions related to business which can be expressed in terms of money are recorded.

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2. Define Book Keeping?

R.N. Carter says, "Book-keeping is the science and art of correctly recording in the books of account all those business transactions that result in the transfer of money or money's worth".

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3. Define Accounting?

American Accounting Association defines accounting as "the process of identifying, measuring and communicating economic information to permit informed judgements and decision by users of the information".

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4. What are the branch of Accounting?

- Financial Accounting
- Cost Accounting
- Management Accounting

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5. Write short note on

a). Debtors

A person who receives a benefit without giving money immediately, but liable to pay in future or in due course of time is a debtor.

b). Creditors

A person who gives a benefit without receiving money immediately but to claim in future, is a creditor.

c). Voucher

It is a written document in support of a transaction. It is a proof that a particular transaction has taken place for the value stated in the voucher.

d). Invoice

Invoice is a business document which is prepared when one sell goods to another. The statement is prepared by the seller of goods.

e). Stock

Stock includes goods unsold on a particular date. Stock may be opening and closing stock.

f). Capital

The amount with which a trader starts the business is known as **Capital**.

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6. What are the basic assumptions of accounting?

- Accounting Entity Assumption
- Money Measurement Assumption
- Accounting Period Assumption
- Going Concern Assumption

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7. Define Money Measurement Assumption?

- In accounting, only those business transactions and events which are of financial nature are recorded.
- *For example, when Sales Manager is not on good terms with Production Manager, the business is bound to suffer. This fact will not be recorded, because it cannot be measured in terms of money.*

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8. What is Double Entry System?

The basic principle of this system is, for every debit, there must be a corresponding credit of equal amount and for every credit, and there must be a corresponding debit of equal amount.

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9. Define Double Entry System?

- "Every business transaction has a two-fold effect and that it affects two accounts in opposite directions.
- And if a complete record were to be made of each such transaction, it would be necessary to debit one account and credit another account.
- It is this recording of the two fold effect of every transaction that has given rise to the term Double Entry System".

- J.R.Batliboi

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10. How to classify the accounts?

★ Transactions relating to individuals and firms – **Personal Account**

★ Transactions relating to properties, goods or cash – **Real Account**

★ Transactions relating to expenses or losses and incomes or gains – **Nominal Account**

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11. What are the Golden Rules of Accounting?

➲ Personal Account → Debit the Receiver
→ Credit the Giver

➲ Real Account → Debit What Comes in
→ Credit What Goes out

➲ Nominal Account → Debit All Expenses and Losses
→ Credit All Incomes and Gains

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12. What is Source Document?

Source documents are the evidences of business transactions which provide information about the nature of the transaction, the date, the amount and the parties involved in it.

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13. What is Journal?

Journal is a date-wise record of all the transactions with details of the accounts debited and credited and the amount of each transaction.

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14. What is Receipt?

When a trader receives cash from a customer, he issues a receipt containing the date, the amount and the name of the customer.

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15. What is Cash Memo?

When a trader sells goods for cash, he gives a cash memo and when he purchases goods for cash, he receives a cash memo. Details regarding the items, quantity, rate and the price are mentioned in the cash memo.

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16. What is Accounting Equation?

✹ Accounting equation is based on dual aspect concept (Debit and Credit).

✹ It emphasizes on the fact that every transaction has a two sided effect.

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17. What is Narration?

After each entry, a brief explanation of the transaction together with necessary details is given in the particulars column with in brackets called **Narration.**

---

18. What is Bad Debts?

When the goods are sold to a customer on credit and if the amount becomes irrecoverable due to his insolvency or for some other reason, the amount not recovered is called **bad debts.**

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19. Define Ledger?

According to **L.C. Cropper,** 'the book which contains a classified and permanent record of all the transactions of a business is called the Ledger'.

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20. What is Posting?

The process of transferring the entries recorded in the journal or subsidiary books to the respective accounts opened in the ledger is called **Posting**.

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21. What is Loose-leaf Ledger?

Whenever necessary additional pages may be inserted, completed accounts can be removed and the accounts may be arranged and rearranged in the desired order. Therefore, this type of ledger is known as **Loose-leaf Ledger.**

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22. What are the kinds of Subsidiary Books?

- **Day Books**
  - Purchase Book
  - Sales Book
  - Purchase Return Book
  - Sales Return Book
- **Bill Books**
  - Bills Receivable
  - Bills Payable
- **Cash Book**
- **Journal proper**

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23. What is Endorsement?

- ★ Endorsement means writing of one's signature on the face or back of a bill for the purpose of transferring the bill to another person.
- ★ The person who endorses is called the **"Endorser".**
- ★ The person to whom a bill is endorsed is called the **"Endorsee"**.

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24. What is Journal Proper?

Journal proper is used for making the original record of such transactions for which no special journal has been kept in the business.

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25. What is Days of Grace?

In the calculation of the due date three extra days are added to the specified period of the bill are known as **'Days of Grace'**.

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26. Define Bill of Exchange?

According to the Negotiable Instruments Act, 1881, '**Bill of Exchange** is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the bearer of the instrument'.

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27. What are the various kinds of Cash Book?

- ❖ **Single Column Cash Book**
- ❖ **Double Column Cash Book**
  - ✪ Discount and Cash Column
  - ✪ Bank and Cash Column
- ❖ **Triple Column Cash Book**
- ❖ **Petty Cash Book**

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28. What is Contra Entry?

Contra in Latin means opposite. When an entry affects both cash and bank accounts it is called a **contra entry.**

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29. What is Cash Book?

- ✹ **A cash book** is a special journal which is used to record all cash receipts and cash payments.
- ✹ The cash book is a book of original entry or Prime entry.

30. What is Petty Cash Book?

- The petty cash book is a book where small recurring payments like carriage, cartage, postage and telegram, printing and stationery etc., are recorded in a separate cash book called **"Petty Cash Book**
- The person who maintains the petty cash is called the **"Petty Cashier"**.

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31. Explain the Imprest System?

- **Imprest** means 'money advanced on loan'.
- Under this system the amount required to meet out various petty expenses is estimated and given to the petty cashier at the beginning of the specified period.

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32. What is Bank Pass Book?

- Bank Pass Book is merely a copy of the customer's account in the books of a bank.
- It shows all the deposits, withdrawals and the balance available in the customer's account.

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33. Define Bank Reconciliation Statement?

'**Bank reconciliation statement** is a list in which the various items that cause a difference between bank balance as per cash book and pass book on any given date are indicated'.

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34. When can a bank reconciliation be prepared?

After tracing the various items of difference between bank balance as per cash book and pass book a bank reconciliation statement is prepared.

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35. Who prepare a bank statement?

The bank reconciliation statement is prepared by the customer of the bank.

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36. Why is preparation of Bank Reconciliation Statement is necessary?

- The errors that might have taken place in the cash book in connection with bank transactions can be easily found.
- Regular preparation of bank reconciliation statement prevents frauds.
- It indirectly imposes moral check on the accounting staff.
- Uncredited cheque can be detected and steps can be taken for their collection.

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37. What is Bank Over Draft?

Bank overdraft is an amount drawn over and above the actual balance kept in the bank account.

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38. What is Trial Balance?

Trial balance is a statement which shows debit balances and credit balances of all accounts in the ledger.

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39. Define Trial Balance.

"Trial balance is a statement, prepared with the debit and credit balances of ledger accounts to test the arithmetical accuracy of the books" – **J.R. Batliboi.**

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40. What are the objectives of preparing trial balance?

- To check the arithmetical accuracy of the ledger accounts.
- To locate the errors.
- To facilitate the preparation of final accounts.

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41. What are the types of Errors?

1. Error of Principle
2. Clerical Errors
   - **Errors of Omission**
     - Partial Omission
     - Complete Omission
   - **Error of Commission**
     - Error of Recording
     - Error of Posting
     - Error of Casting
     - Error of Carrying Forward
   - **Compensating Errors**

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42. Write a short note on

a). Errors of Principle

Transactions are recorded as per generally accepted accounting principles. If any of these principles is violated or ignored, errors resulting from such violation are known as **errors of principle**.

b). Errors of Omission

This error arises when a transaction is completely or partially omitted to be recorded in the books of accounts.

c). Errors of Posting

This error arises when information recorded in the books of original entry are wrongly entered in the ledger.

d). Errors of Casting (Totalling)

This error arises when a mistake is committed while totalling the subsidiary book.

e). Error of Compensating

The errors arising from excess debits or under debits of accounts being neutralised by the excess credits or under credits to the same extent of some other account is compensating error.

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43. What are the errors disclosed by the trial balance?

- Errors of Omission
- Errors of Casting
- Errors of Carrying Forward
- Errors of posting in the wrong side of the correct account
- Error of posting to account with wrong amount
- Double posting in the same account

---

44. What are the errors not disclosed by the trial balance?

- Errors of Complete Omission
- Errors of Recording
- Errors of Principle
- Errors of posting to wrong account in the right side with the correct amount.
- Compensating Errors

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45. Write a note on Deferred Revenue Expenditure?

A heavy revenue expenditure, the benefit of which may be extended over a number of years, and not for the current year alone is called deferred revenue expenditure.

OTHER IMPORTTANT 2 MARK & 3 MARKS

46. What are the objectives of book keeping?

- To maintain accounting records.
- To calculate the result of operations.
- To ascertain the financial position.
- To communicate the information to users.

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47. What are the advantages of cash book?

- To avoid this all cash transactions are straight away recorded in the cash book which is in the form of a ledger.
- It helps the proprietor to know the cash and bank balance at any point of time.
- The cash book is maintained by business concern, it can avoid frauds. Discrepancies if any can be identified and rectified.
- It provides all information regarding total receipts and payments. So that, effective policy of cash management can be formulated.

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48. What are the difference between Journal and Ledger? (any 3)

S.No	Basics of Distinction	Journal	Ledger
1	Book	It is the book of primary entry	It is the main book of account.
2	Stage	It is the first stage of recording	It is the second stage of recording
3	Process	The process of recording entries is called Journalizing.	The process of recording entries is called Posting.
4	Next stage	Entries are transferred to ledger.	It is use for preparation of trial balance and final account.
5	Tax authorities	Do not rely upon these books	Rely on the ledger for assessment purpose.

---

49. What are the uses of subsidiary books? (any 3)

- The division of journal, resulting in division of work, ensures more clerks working independently in recording original entries in the subsidiary books.
- The division of labour also helps the reduction in work load, saving in time and stationery.

- It also gives advantages of specialisation leading to efficiency.
- The accounting work can be divided in such a manner that the work of one person is automatically checked by another person.
- The use of internal check, the possibility of occurrence of errors and frauds may be avoided.
- It facilitates easy references to any particular item.
- Posting from the subsidiary books are made at convenient intervals depending upon the nature of the business.

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50. What are the differences between Trade Discount and Cash Discount?

S.No	Basics of Distinction	Trade Discount	Cash Discount
1	Parties	It is a reduction granted by a manufacturer.	It is a reduction granted by a whole- saler
2	Purpose	To help the retailer to earn some profit.	To encourage prompt payment within a stipulated period
3	Disclosure	It is shown by way of deduction in the invoice itself.	It is not shown in the invoice.
4	Time when Allowed	It is allowed on the purchase of goods.	It is allowed when payment is made within the specified period

---

51. What are the difference between Cash Book and Pass Book?

S.No	Basis of Distinction	Cash Book	Pass Book
1	Maintained by	Cashier	Banker
2	Deposits of Cash	Entered on the debit side	Entered on the credited side
3	Withdraw of cash	Entered on the credit side	Entered on the debited side
4	Signature	It is not signed by the cashier	It is signed by the bank official

---

52. What are the difference between Trial Balance and Balance Sheet?

S.No	Basis of Distinction	Trial balance	Balance Sheet
1	Objective	To know the arithmetical accuracy of accounts	To know the financial position of business
2	Format	The column are debit and credit balance	The asset and liabilities side
3	Stage	It is the middle stage	It is the last stage
4	Stock	It show opening stock only	It shows closing stock only

---

53. State the reason for disagreement between the balances shown in the cash book and pass book?

- Cheques paid into bank but not yet collected
- Cheques issued but not presented for payment
- Amount credited by the banker in the pass book without the immediate knowledge of the customer
- Amount debited by the banker in the pass book without the immediate knowledge of the customer.

---

54. In what aspects subsidiary books are more valuable then journals?

For a business having a large number of transactions it is practically impossible to write all transactions in one journal.

- Periodical details of some important business transaction cannot be known.
- The journal becomes bulky and voluminous.
- Such a system does not facilitate the installation of an internal check system. Since the journal can be handled by only one person.

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55. When sales manager is not on goods terms with production manager. Whether the business is bound to suffer. Is this transaction will be recorded in the books? How?

No. This fact will not be recorded, because it cannot be measured in terms of money.

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56. Accountancy begins where book keeping ends – why?

- Book-keeping does not present a clear financial picture of the state of affairs of a business.
- When one has to make a judgement regarding the financial position of the firm, the information contained in these books of accounts has to be analysed and interpreted.
- It is with the purpose of giving such information that accounting came into being.

---

57. Give transaction with imaginary figures involving the following.

i). Increase in asset and capital.

ii). Increase and decrease in assets.

iii). Increase in an asset and a liability

iv). Decrease of an asset and owners capital.

v). Decrease and increase in asset

vi). Decrease in asset and decrease in Capital

vii). Increase in asset and increase in Capital

Solution:

i). Mr. Ram started a business with Rs. 20,000.

ii). Computer purchased for Rs. 50,000

iii). Purchased goods for Rs. 30000 from Mr.Babu

iv). Withdraw cash for personal use Rs.5000.

v). Machinery purchased for Rs. 12000

vi). Salary paid Rs. 3000

vii). Interest Received Rs. 5000.

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58. Mention the five categories of Accounts.

- Asset account
- Capital account
- Liabilities account
- Expenses or losses account
- Revenue or income accounts

NOTE: If any mistakes please rectify it.

THE END

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Prepared by

P.VAHEESWARAN M.COM., M.PHIL., DCA., B.ED.,

PG ASSISTANT OF COMMERCE & ACCOUNTANCY,

VIVEKANANDA VIDYALAYA MATRIC HR SEC SCHOOL,

PANNAIKADU PIRIVU, KODAIKANAL MAIN ROAD,

KODAIKANAL, DINDIGUL DISTRICT.

PHONE: 9791324143

EMAIL: npvasu92@gmail.com