

## 1. INTRODUCTION TO BOOK-KEEPING AND ACCOUNTANCY

**Q. 1. Answer in one sentence.**

**1) What is Book-keeping?**

**Ans.** Book-keeping is the science and art of correctly recording in the books of accounts, all those business transactions that results in transfer of money or money's worth.

**2) What is meant by Goods?**

**Ans.** The term Goods refers to merchandise, commodities, articles or things in which a trader trades.

**3) What is Capital?**

**Ans.** The total amount invested into the business by the owner is called Capital. Excess of assets over the liabilities is known as Capital.

**4) What is Drawings?**

**Ans.** The amount of cash or value of goods, assets, etc. withdrawn from the business by the owner for personal use is known as Drawings.

**5) What is Goodwill?**

**Ans.** Goodwill means the aggregate of those intangible attributes of a business which contributes to its superior earning capacity over a normal return on investments.

**Q.2. Give the word, term or phrase which can substitute each of the following statements.**

<b>Statement</b>	<b>Ans.</b>
(1) Recording of business transactions.	<b>Bookkeeping</b>
(2) Amount invested in business by the proprietor.	<b>Capital</b>
(3) A person to whom amount is payable.	<b>Creditor</b>
(4) Exchange between two persons.	<b>Transaction</b>
(5) Excess of expenses over income.	<b>Loss</b>
(6) A person whose assets are sufficient enough to meet business obligation.	<b>Solvent person</b>
(7) Book-Keeping is providing all required financial information to	<b>Decision making</b>

the businessman.	
(8) Property of any description owned by proprietor.	<b>Assets</b>
(9) Assets which remain in the business only for short time and can be converted into cash.	<b>Current assets</b>
Allowance is given on catalogue price of goods.	<b>Trade discount</b>

**Q.3. Select the most appropriate alternative from those given below and rewrite the statement. (Answers)**

- 1) Surplus of income over expense is **profit.**
- 2) In **cash** basis of accounting, actual cash receipts and actual cash payments are recorded.
- 3) Amount which is not recoverable from customer is known as bad **debts.**
- 4) Accounts must be honestly prepared and they must disclose Mal information is known as **Disclosure concept.**
- 5) A commodity in which a trader deals is known as **goods.**
- 6) **Goodwill** means a reputation of a business valued in terms of money.
- 7) Cash flow statement is prepared and presented for the period for which the profit and loss account is prepared as per **AS 3.**
- 8) The immediate recognition of loss is supported by Principle of **Conservatism.**
- 9) Brief explanation of an entry is called as **narration.**
- 10) An act of exchange of things or services between the two parties is termed as **transaction.**

**Q. 4. State whether the following statements are True or False with reasons.**

**1) Book-keeping and accounting are one and the same thing.**

**Ans. This statement is False.**

Bookkeeping and accounting are not one and the same thing. Book-keeping is the art of recording business transactions in a set of books whereas accounting refers to analysis and interpretation of book-keeping records. Book-keeping itself is a part and parcel of accounting.

**2) Conservatism means to follow safe side.**

**Ans. This statement is True.**

As per conservatism concept always consider probable loss and avoid probable profit. Therefore, we can say that conservatism means to follow safe side.

**3) The double entry system is based on “Dual aspect’ concept.**

**Ans. This statement is True.**

As per dual aspect concept, in every transaction. Every debit has its corresponding and equal credit effect, which is always followed in the double entry system.

**4) Bank overdraft is an asset of the business.**

**Ans.** This statement is False. The amount withdrawn by the Current Account holder in excess of balance in his Current Account up to a predetermined limit decided by the bank on the basis of security offered is called Bank Overdraft. It is temporary loan given by the bank to Current Account holder. It is a liability of business.

**5) Solvent person is a person whose assets are more than his liabilities.**

**Ans.** This statement is True.

As per definition of solvent, a person can be a solvent person when person's assets are more than its liabilities.

**6) Cash discount does not appear in the books of accounts.**

**Ans.** This statement is False.

For the encouragement of the prompt payment, seller allows some discount to their buyers and it is an expense for the seller. Therefore, cash discount, as an expense, will appear in the book of account.

**7) A transaction is concerned with money or money's worth.**

**Ans.** This statement is True.

In the business, transaction having monetary value should be recorded in the books of accounts, means a transaction must be concerned with money or money's worth.

**8) Accounting is the language of business.**

**Ans.** This statement is True.

Accounting means how you record, classify or analyse the business transactions which suggest that accounting is the language of business.

**9) In civilization, accounting was done by owners.**

**Ans.** This statement is False.

In ancient time, accounting was done and periodically prepared by the agents of wealthy people, who managed their properties and accounts, for their boss, means accounting was not done by owners.

**10) Book-keeping is useful to find out all tax liabilities.**

**Ans.** This statement is True.

To find out tax liabilities of the business, business transaction classification is useful which is possible only in Book-keeping.

**Q. 5. Do you agree or disagree with the following statements.**

**1) Accounting is useful only to the owner.**

**Ans.** disagree.

**2) Book-keeping is an art, science and profession.**

**Ans.** agree.

**3) Bills payable is an asset of the business.**

**Ans.** disagree.

**4) In Book-keeping and Accountancy, only non-monetary transactions are recorded.**

**Ans.** disagree.

**5) Totaling of Journal or Ledger is called as casting.**

**Ans.** agree.

**Q.6. Complete the following sentences. (Answers)**

1) Revenue arising as a result of business transactions is known as **Income.**

2) Excess of gross profit over Operating expenses is **operating profit.**

3) An expenditure which is basically revenue in nature but benefit of which is not exhausted within one year is called as **deferred revenue expenditure.**

4) The amount deducted by the seller from the list price of goods at the time of sale is **trade discount.**

5) A person to whom business owes money for the goods or services is known as **creditor.**