

Chapter - 2

Theory Base of Accounting

Section-A: One Mark Questions:

I: Fill in the blanks:-

01. In order to maintain uniformity and consistency in Accounting records, certain _____ have been developed which are generally accepted by the Accounting profession.
02. The accounting records are made in the books of accounts from the point of view of the _____ and not that of the owner.
03. The concept of money measurement states that the records of the transactions are to be kept not in the _____ but in the monetary unit.
04. The Concept of going concern assumes that a business firm would continue to carry out its _____ indefinitely.
05. _____ concept refers to the span of time at the end of which the financial statements of enterprise are prepared.
06. The Companies Act 1956 and _____ Act require that the income statements should be prepared annually.
07. The cost concept requires that all assets are recorded in the books of accounts at their _____ price.
08. Adoption of historical cost brings in _____ in recording as the cost of acquisition is easily verifiable from the purchase documents.
09. $\text{Assets} = \text{Liabilities} + \text{_____}$
10. Accounting equation states that the _____ of a business are always equal to the claims of owners and the outsiders.
11. The concept of revenue recognition requires that the revenue for a business transaction should be included in the accounting records only when it is _____.
12. Matching Concept states that expenses incurred in an accounting period should be matched with _____ during that period.
13. _____ Concept requires that all material and relevant facts of an enterprise must be fully and completely disclosed in the financial statements.
14. The comparison between the financial results of two enterprises would be meaningful only if same kind of _____ are adopted in the preparation of financial statements.
15. The concept of conservatism requires that profits should not be recorded until _____.
16. The receipt for the amount paid for purchase of machinery becomes the documentary _____ for the cost of machine.

17. Double entry system is a _____ system as both the aspects of transactions are recorded in the books of accounts.
18. _____ system is not a complete system of maintaining records of financial transactions.
19. Under _____ basis entries in the books of accounts are made when cash is received or paid and not when the receipt or payment becomes due.
20. The regulatory body for Standardization of accounting policies in the country is _____
21. GST is a destination based tax on ____ of goods and services.
22. GST has a dual aspect with the ____ and ____ simultaneously levying on a common tax base.

II: Multiple Choice Questions:-

1. According to which concept the owner of the business is considered creditor of the business:
 - a. Money measurement concept
 - b. Dual Aspect concept
 - c. Separate entity concept
 - d. Going concern concept
2. A concept that a business enterprise will not be sold or liquidated in near future is known as,
 - a. Going concern
 - b. Economic entity
 - c. Monetary unit
 - d. None of the above
3. According to the Going concern concept the time period of Business is,
 - a. For certain life time
 - b. For un- certain life time
 - c. Going to wind-up shortly
 - d. None of the above
4. Accounts are regularly made after a fixed period usually a year, this concept is based on,
 - a. Accounting Period
 - b. Dual Aspect
 - c. Cost
 - d. Business entity
5. Assets acquired are recorded in the books,
 - a. At historical cost
 - b. At market value
 - c. Both a. and b.
 - d. None of the above
6. Accounting equation is based on ,
 - a. Cost concept
 - b. Separate entity concept
 - c. Dual aspect concept
 - d. Accrual concept

7. The basis of accounting in which revenue and expenses are recognized in period in which they are earned or incurred and not when money is received or paid,
- a. Cash basis
 - b. Accrual basis
 - c. Mixed basis
 - d. All of the above
8. By the misuse of which convention 'Secret Reserve' is created.
- a. Conservatism
 - b. Materiality
 - c. Consistency
 - d. Full Disclosure
9. Provision for bad & doubtful debts is created in anticipation of actual bad debts on the basis of,
- a. Business entity concept
 - b. Conservatism concept
 - c. Accrual concept
 - d. Full disclosure concept
10. Insignificant events are not recorded in the books of accounts due to,
- a. Materiality concept
 - b. Accrual concept
 - c. Conservatism concept
 - d. Money measurement concept
11. Depreciation is charged on fixed assets due to this concept,
- a. Full disclosure concept
 - b. Materiality concept
 - c. Conservatism concept
 - d. None of above
12. According to which concept all expenses are matched with the revenue of that period:
- a. Realization concept
 - b. Money measurement concept
 - c. Matching concept
 - d. Business entity concept
13. Accounting principles are in,
- a. Written
 - b. Oral
 - c. Both
 - d. All of the above
14. AS-2 Explains
- a. Valuation of inventories
 - b. Earnings per share
 - c. Cash flow Statements
 - d. None of the above

15. AS-40 Explains
- a. Investment property
 - b. Revenue recognition
 - c. Depreciation accounting
 - d. None of the above
16. Benefits to convergence to IFRS is
- a. Easy Preparation of Financial statements
 - b. Easy access to global capital market
 - c. Books of accounts are minimized
 - d. All of the above
17. Out of the following which is not Accounting concept
- a. Realization concept
 - b. Going concern concept
 - c. Cost concept
 - d. Consistency concept
18. IFRS refers to,
- a. Indian Financial reporting standards
 - b. International financial record system
 - c. International financial reporting standards
 - d. None of the above
19. ICAI constituted an Accounting Standards Board (ASB) in,
- a. April 1977
 - b. May 1977
 - c. April 1972
 - d. None of the above
20. According to conservatism concept assessment of the stock of the business done,
- a. On cost value
 - b. On market value
 - c. Cost value or market value whichever is less
 - d. Cost value or market value whichever is more

III: True or False:-

1. A business is a separate entity from its owners of accounting.
2. In accounting all economic events are recorded in the books of accounts.
3. According to going concern concept a business will continue up to certain period.
4. Accounting period must contain 10 months
5. Accounting principles are in written statements.
6. Accounting standards are not creating uniformity in accounting system.
7. Accounting standard Board was constituted in April 1977
8. Basis of Accounting are cash and credit.
9. AS - 33 explains earning per share
10. AS -38 explains Investment property.
11. GST is proposed to be levied at all stages from manufacture upto final consumer.

IV: Very Short Answer Questions:-

1. State any one Basic Accounting Concept.
2. State the basic accounting equation.
3. State any one Basis of Accounting
4. State any one system of Accounting
5. Name any one Accounting Standard
6. Name any one qualitative Character of Accounting Information
7. What is materiality concept?
8. Give the meaning of dual aspect concept
9. What do you mean by going concern?
10. State any one benefit of convergence of IAS with IFRS
11. Expand GAAP
12. Expand AICPA
13. Expand ICAI
14. Expand ASB
15. Expand IFRS
16. Expand NBFC
17. Expand IAS
18. Expand IASB
19. Expand GST
20. Expand CGST
21. Expand SGST
22. Expand IGST
23. State any one component of GST
24. Write any one characteristic of GST
25. Write any one advantages of GST

Section-B: Short Answer Questions for Two Marks:-

1. What is theory base of accounting?
2. What is the meaning of GAAP?
3. What do you mean by Basic Accounting Concepts?
4. State any two Accounting concepts.
5. What do you mean by Business entity concept?
6. What do you mean by matching concept?
7. What do you mean by basic accounting equation?

8. What is Double entry system of accounting?
9. What is single entry system of accounting?
10. State any two features of Single entry system of book keeping.
11. State any two differences between Single entry and Double entry system of book keeping.
12. What is Accounting Standard?
13. What is cash basis of accounting?
14. What is Accrual basis of accounting?
15. State any two differences between cash and accrual basis of accounting.
16. State any two features of Double entry system of accounting
17. What is matching concept?
18. What is IFRS?
19. State any two benefit of convergence IAS with IFRS.
20. Expand IFRS and NBFC.
21. What is GST?
22. What is CGST?
23. What is SGST?
24. What is IGST?