

Chapter 2**Theory Base of accounting previous questions****2019 March**

1. While preparing final accounts outstanding wages is added to wages account identify the accounting principle related with this statement (1)

Ans. Matching principle

2018 March

2. Identify the accounting principles related to the following: (2)
- a) Purchased 10 kg of raw materials for Rs. 5,000 was entered in the books of account as Rs.5, 000.
- b) Assets of business are always equal to the claims of owners and outsiders.

Ans. A) Money Measurement. B) Dual Aspect.

3. Royal Furniture received an order for making a dining table on 10th May 2017 and they complete the work on 15th July, 2017. The dining table was delivered to the customer on 20th July, 2017 and received the payment on 25th Ju1Y, 2017. In which date this transaction will be recorded in the books of the Royal Furniture? Why? (3)

Ans. 20th July, 2017. Revenue realisation

2018 July Imp.

4. State the accounting concept, if a business charges depreciation under written down value method and it follows the same method in the subsequent years. (1)

Ans. Consistency

5. As Per business entity concept owner of the business is (1)
- (a) Supplier (b) creditor (c) debtor (d) borrower

Ans. B) Creditor

6. Arun constructed a building for Rs.5, 00, 000 for his new business concern. After 2 years the Market value of the building is enhanced to Rs. 8, 00,000.
- a) If you are the accountant, which amount appears in the books?
- b) What is the accounting principle support your recording? (2)

Ans. a) Rs.5, 00, 000. b) Historical cost principle.

7. What are the following terms stand for? (3)
- a) GAAP b)IFRS c)ICAI

**Ans. A) Generally Accepted Accounting Principle
B) International Financial Reporting Standards
C) Institute of Chartered Accountants of India**

2017 July Imp.

8. Identify the accounting principles applied in the following cases and briefly explain the concerned accounting principles. (3)
- a) Asset = Liabilities + Capital
- b) Capital is regarded as a liability.
- c) Stock is valued at cost price or market price whichever is less.

Ans. A) Dual aspect. B) Business Entity. C) Prudence or conservatism

2017 March

9. Match the following. (4)

| A | | B | |
|----|--|------|---------------------------|
| a) | Closing stock are valued at cost or market price whichever is less | i) | Objectivity principle |
| b) | Every transaction will have two aspects | ii) | Money measurement concept |
| c) | All business events not recorded in Accounting | iii) | Dual aspect concept |
| d) | Accounting information should be free from Bias | iv) | Principle of conservatism |

Ans.



| A | | B | |
|----|--|------|---------------------------|
| a) | Closing stock are valued at cost or market price whichever is less | iv) | Principle of conservatism |
| b) | Every transaction will have two aspects | iii) | Dual aspect concept Money |
| c) | All business events not recorded in Accounting | ii) | measurement concept |
| d) | Accounting information should be free from Bias | i) | Objectivity principle |

2016 March

10. The fact that a business is separate and distinguished from its owner is best exemplified by concept. (1)

a) Money measurement b) Going concern c) business entity d) cost

Ans. C) Business entity

11. Rajanesh is a manager with great expertise in management and Leading his firm very well. But his expertise does not find a place in the accounting records of the firm.

a) Is it genuine according to the rules of accounting?
b) State your answer with the reason. (3)

Ans. A) Yes. B) Money measurement concept

2016 Imp.

12. State the relevant principal / concepts (3)

| Sl. No | Statements | Related accounting principal/ concepts |
|--------|---|--|
| 1 | Owner and business have separate existence | ? |
| 2 | Recording monetary events only | ? |
| 3 | Business has got indefinite life | ? |
| 4 | Follow same accounting practices year after year | ? |
| 5 | Stock is valued at cost price or market price whichever is less | ? |
| 6 | Compare expenses with revenues of an accounting period | ? |

**Ans. 1 Business Entity 2) Money Measurement 3) Going Concern
4) Consistency 5) Prudence or conservatism 6) Matching**

2015 March

13. Every transaction has two aspects which will be recorded in the books of accounts.
- a) Identify and explain the accounting concept referred to above, by giving suitable examples. (4)
 - b) Narrate a transaction which affects only the asset side of an accounting equation. (1)

Ans. . A) Duality principle B) Started business with cash Rs. 50000

2015 IMP

14. Match the following: (4)

| A | B |
|------------------------------|------------------------------|
| a) Matching concept | i Verifiable objective |
| b) Money measurement concept | ii Salary outstanding |
| c) Conservatism concept | iii Efficiency of the labour |
| d)Vouchers and bills | iv provision for bad debt |

Ans.



| A | B |
|------------------------------|------------------------------|
| a) Matching concept | ii Salary outstanding |
| b) Money measurement concept | iii Efficiency of the labour |
| c) Conservatism concept | iv provision for bad debt |
| d)Vouchers and bills | i Verifiable objective |

2014 March

15. Which one of the following Principles of accounting helps to equate the assets of a firm with its liabilities?
- a) Full disclosure b) Duality principle c) Matching principle d) Cost Principle (1)

Ans. Duality principle

16. Which assumption of accounting states that the capital supplied by the proprietor is a liability to the business? Describe it in one or two sentences. (3)

Ans. Business entity

2014 IMP

17. The policy of “anticipating no profit and providing for all possible losses” arise due to the convention of (1)
- a) Matching b) Conservatism c) Historical cost d) Consistency

Ans. Conservatism

18. Newton’s scientific theory tells that for every action there is an equal and opposite reaction
- a) Identify the accountancy principle which is almost similar to this theory
 - b) Explain the principle by citing an example. (3)

Ans. A) duality principle B) Started business with cash Rs. 50000

2013 March

19. Transactions relating to the qualitative aspect of business are not recorded because of the (1)
- a) Money measurement concept b) Entity concept
 - c) Accrual concept d) Consistency principle

Ans. Money measurement concept

20. A firm decided to make provision for doubtful debts @10% on debtors for the year 2012-13. Name the relevant accounting principle applied here and explain. (2)

Ans. Prudence or conservatism

2013 IMP

21. The Accounting principle relevant to the following equation:

"Profit = Revenue – Expenses"

- a) Revenue Realisation Principle
- b) Matching Principle
- c) Objectivity Principle
- a) Cost Principle

(1)

Ans. Matching Principle

22. A firm valued its stock at a higher market price, though its cost price was lower

- a) Is there any violation of accounting Principle?
- b) Identify the principle
- c) Give the meaning of that principle.

(2)

Ans. A) yes. B) Prudence or conservatism



2012 March

23. Identify the accounting principles or concepts involved in the following:

- a) Mr. Sreenath, owner of the business, invested Rs. 10,000 in his business. He is treated as a creditor of the business to the extent of Rs. 10,000 and his capital account is credited with the amount.
- b) All transaction recorded in the books of accounts must have a supporting document in evidence of it
- c) Closing stock is valued at cost price or market price whichever less is.

(3)

Ans. A) Business Entity B) verifiability/ objectivity. C) Prudence or conservatism

2012 IMP

24. A firm purchased pen and paper weight and include these item under the head stationary. Identify the relevant accounting principle.

(1)

Ans. Materiality principle.

25. Mr. Suresh started a business. He used his house hold furniture worth Rs. 10,000 in the business. So he decided no depreciation need to be charged as he didn't purchase the furniture from outside. Whether his decision is correct or not?

(1)

Ans. No

26. Premier Ltd supplies stationaries to ABT Ltd on credit assuming that they can realize the amount in the future period. Name the relevant accounting concept and explain it.

(2)

Ans. Going Concern

2011 March

27. Revenue is generally recognized being earned at, when

- a) Cash is received
- b) Goods are delivered
- c) Sale is effected

(1)

Ans. Sale is effected

28. According to Principle, frequent changes in accounting policies adversely affect the reliability of financial information.

(1)

Ans. consistency

29. A machinery was purchased for Rs. 10,000 spent Rs. 1,000 for its installation. The market value of the machinery is Rs. 15,000. The cost that should be recorded is

(1)

Ans. 11000

2010 March

30. Revenue from the sale of products ordinarily is reported as part of the earning in the period when

- a) The sale is made
- b) The cash is collected
- c) The products are manufactured

Ans. A) The sale is made

2009 March

31. "Duality is one of the important principles of accounting". The receiving aspect of transaction is called..... and giving aspect of transaction is called (1)

Ans. Debit, Credit

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