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शक्तिउत्थानआश्रमलखीसरायबिहार

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Theory Base of Accounting

H.W

Short Answers

1. Why is it necessary for accountants to assume that business entity will remain a going concern?
2. When should revenue be recognised? Are there exceptions to the general rule?
3. What is the basic accounting equation?
4. The realisation concept determines when goods sent on credit to customers are to be included in the sales figure for the purpose of computing the profit or loss for the accounting period. Which of the following tends to be used in practice to determine when to include a transaction in the sales figure for the period. When the goods have been:
a. dispatched b. invoiced c. delivered. d. paid for

Give reasons for your answer.

5. Complete the following work sheet:

- (i) If a firm believes that some of its debtors may 'default', it should act on this by making sure that all possible losses are recorded in the books. This is an example of the _____ concept.
- (ii) The fact that a business is separate and distinguishable from its owner is best exemplified by the _____ concept.
- (iii) Everything a firm owns, it also owns out to somebody. This co-incidence is explained by the _____ concept.
- (iv) The _____ concept states that if straight line method of depreciation is used in one year, then it should also be used in the next year.

(v) A firm may hold stock which is heavily in demand. Consequently, the market value of this stock may be increased. Normal accounting procedure is to ignore this because of the _____.

(vi) If a firm receives an order for goods, it would not be included in the sales figure owing to the _____.

(vii) The management of a firm is remarkably incompetent, but the firms accountants can not take this into account while preparing book of accounts because of _____ concept.

Long Answers

1. 'The accounting concepts and accounting standards are generally referred to as the essence of financial accounting'. Comment.
2. Why is it important to adopt a consistent basis for the preparation of financial statements? Explain.
3. Discuss the concept-based on the premise 'do not anticipate profits but provide for all losses'.
4. What is matching concept? Why should a business concern follow this concept? Discuss.
5. What is the money measurement concept? Which one factor can make it difficult to compare the monetary values of one year with the monetary values of another year?