

# FUNDAMENTAL OF ACCOUNTING

## QUESTION BANK

### BBA- sem1

#### UNIT -1

##### **Very Short Answer Questions**

1. What is accounting?
2. What are the different types of accounting?
3. What is the accounting cycle?
4. What are the different types of financial statements?
5. What is the difference between assets, liabilities, and equity?
6. What is the double-entry system of accounting?
7. What is the accounting equation?
8. What is the difference between cash basis and accrual basis accounting?
9. What is bookkeeping?
10. What are the different types of bookkeeping records?
11. What are accounting standards?
12. What is the purpose of accounting standards?
13. What are the benefits of using accounting standards?
14. What are the International Financial Reporting Standards (IFRS)?
15. What is the difference between national accounting standards and IFRS?
16. Which countries have adopted IFRS?
17. What are some of the key accounting standards that companies must follow?
18. What are some of the challenges of implementing IFRS?

##### **Short Answer Questions**

1. Explain the different steps in the accounting cycle.
2. Describe the different types of financial statements and their purpose.
3. Explain the difference between debits and credits.

4. How do you journalize a transaction?
5. How do you post a transaction to the general ledger?
6. What is a trial balance and how is it prepared?
7. What is adjusting entries and why are they necessary?
8. How do you close the books at the end of an accounting period?
9. What is the purpose of financial statement analysis?
10. What are some of the most common financial ratios used in financial statement analysis?
11. Explain the role of the International Accounting Standards Board (IASB) in setting accounting standards.
12. Describe the process of developing a new IFRS.
13. Discuss the different types of IFRS.
14. Explain the difference between mandatory and elective IFRS.
15. Discuss the importance of accounting standards for financial statement comparability.

### **Long Answer Questions**

1. Discuss the different theories of accounting.
2. Explain the different methods of accounting for inventory.
3. Describe the different methods of accounting for plant assets and depreciation.
4. Discuss the different types of liabilities and how they are accounted for.
5. Explain the different types of equity and how they are accounted for.
6. Discuss the different types of financial transactions and how they are recorded in the accounting system.
7. Explain the different financial statement analysis ratios and how they are used to analyze a company's financial performance.
8. Discuss the ethical considerations in accounting.
9. Explain the current trends in accounting and bookkeeping.
10. A company purchases ₹10,000 of inventory on credit. How is this transaction recorded in the accounting system?
11. A customer returns ₹500 worth of merchandise that they purchased on credit. How is this transaction recorded in the accounting system?
12. A company receives a ₹1,000 deposit on a sale that is not yet complete. How is this transaction recorded in the accounting system?

13. A company depreciates its plant assets over a period of 5 years. What is the depreciation expense for the first year?
14. A company has a debt that is due in one year. How is this debt classified on the balance sheet?
15. Discuss the challenges of implementing IFRS for companies in developing countries.
16. Explain the impact of IFRS on the global financial markets.
17. Discuss the role of IFRS in promoting corporate governance.
18. Write a case study on the implementation of IFRS in a specific country or company.
19. Compare and contrast the different accounting standards for revenue recognition under IFRS and national accounting standards.
20. Explain the different accounting standards for asset valuation under IFRS and national accounting standards.
21. Discuss the different accounting standards for liability recognition under IFRS and national accounting standards.
22. The following are the transactions of a business for the month of January:
  - January 1: Started business with cash ₹1,00,000
  - January 2: Purchased goods for cash ₹20,000 and on credit ₹30,000
  - January 3: Sold goods for cash costing ₹10,000 and on credit costing ₹15,000 both at profit of 20%
  - January 4: Paid rent ₹5,000 in cash
  - January 5: Purchased furniture for ₹10,000 on credit
  - January 6: Withdrew ₹10,000 in cash for personal use
  - January 7: Sold goods costing ₹20,000 for ₹30,000 on credit
  - January 8: Received cash ₹15,000 from credit customers
  - January 9: Paid cash ₹25,000 to credit suppliers
  - January 10: Returned goods costing ₹5,000 to credit suppliers

Prepare the accounting equation for each transaction and for the end of the month.

23. A business started with a cash investment of ₹100,000. It then purchased goods for ₹50,000 on credit and sold goods costing ₹40,000 for ₹50,000 on credit. The business also paid rent of ₹5,000 in cash. Prepare the accounting equation for the business after each transaction.

24. Journalize the following transactions:

January 1: Started business with cash ₹100,000.

January 2: Purchased goods on credit from Gupta & Co. for ₹20,000.

January 3: Sold goods for cash for ₹15,000.

January 4: Paid rent by cheque for ₹5,000.

January 5: Withdrew cash for personal use for ₹2,000.

25. On March 1, 2023, a business started with a cash investment of ₹100,000. On March 2, 2023, the business purchased goods for ₹50,000 on credit. On March 3, 2023, the business sold goods costing ₹30,000 for ₹40,000 on credit. On March 4, 2023, the business paid rent of ₹5,000 in cash. Prepare Journal for the same.

## Unit II

### Very Short Answer Questions

1. What is a journal entry?
2. What are the different types of journal entries?
3. How do you record a journal entry?
4. What are the rules for recording journal entries?
5. Give examples of journal entries for common business transactions.
6. What are the common mistakes that people make when recording journal entries?
7. What is a trial balance?
8. What is the purpose of a trial balance?
9. What do you mean by subsidiary books?
10. What is a petty cash book?

### Short Type Questions

1. What are subsidiary books?
2. What are the different types of subsidiary books?
3. Why are subsidiary books used?
4. What are the advantages of using subsidiary books?
5. Give examples of subsidiary books and the transactions that are recorded in each one.
6. What is a triple column cash book?
7. What are the three columns in a triple column cash book?
8. How do you record transactions in a triple column cash book?
9. What are the advantages of using a triple column cash book?
10. Give examples of transactions that are recorded in a triple column cash book.

### Long Type Questions

1. What are the different types of trial balances?
2. What are the common mistakes that people make when preparing a trial balance?
3. The following transactions took place during the month of March 2023:

Date	Particulars	Cash	Discount	Bank
01-Mar	Opening balance	10,000	Nil	20,000
02-Mar	Received cash from sales	50,000	1,000	Nil
05-Mar	Purchased goods on credit	30,000	Nil	Nil
07-Mar	Paid cash to supplier	20,000	500	Nil
10-Mar	Received cash from customer on credit			
		15,000	250	Nil
12-Mar	Paid rent by cheque	5,000	Nil	5,000
15-Mar	Withdrew cash for personal use	2,000	Nil	Nil
18-Mar	Deposited cash in bank	40,000	Nil	40,000
20-Mar	Paid salary to employees by cheque	10,000	Nil	10,000
22-Mar	Purchased stationery for cash	1,000	Nil	Nil
25-Mar	Received cash from sales	60,000	1,200	Nil
27-Mar	Paid electricity bill by cheque	2,000	Nil	2,000
30-Mar	Closing balance	25,000	500	35,000

4. Record the following journal entries in the general ledger:
  - Sold goods to Ram on credit for ₹50,000.
  - Purchased goods from Shyam on credit for ₹30,000.
  - Received cash from Ram on account for ₹25,000.
  - Paid cash to Shyam on account for ₹20,000.
  - Paid salary to employees by cheque for ₹10,000.
  - Depreciated assets by ₹5,000.
5. From the Following Ledger balances Prepare a Trial Balance as on 31st March, 2023 of Mr. Udaysingh.

Particulars	Rs	Particulars	Rs	Particulars	Rs
Goodwill	40,000	Plant & Machinery	60,000	Patents	20,000
Salary	7,000	General expenses	2,200	Rent	9,000
Carriage	5,500	Trade expenses	3,000	Furniture	20,000
Advertisement	4,800	Opening stock	27,000	Printing & Stationery	10,200
Electricity charges	1,650	Sundry Debtors	31,500	Discount (Dr.)	2,300
Purchases	78,500	Sundry Creditors	66,000	Discount (Cr.)	3,650
Sales	1,52,500	Land & Building	70,000	Cash in hand	4,500
Capital	1,40,000	Bank overdraft	35,000		

### UNIT III

#### Very Short Type Questions

1. State any two causes of Depreciation.
2. Give the formula for calculating the depreciation as per Straight Line Method.
3. Write the methods of calculating the depreciation.
4. What do you mean by Secret Reserves?
5. Define Bank Reconciliation Statement.
6. Give an example of Error of Omission.
7. What do you mean by Compensatory Errors?
8. Define Suspense Account.
9. Goods purchased from Sahil on credit Rs 5,000 posted in the sales book. Give the rectification entry.
10. State any two errors which affect the Trial Balance.

#### Short Type Questions

1. What are the journal entries passed on the disposal of assets.

2. Where is the depletion method of depreciation applicable?
3. What is Reducing balance method of charging depreciation? How is it different from fixed installment method?
4. Distinguish between Provisions and Reserves.
5. Write the need and purpose of Provisions.
6. Why is the rectification of Errors important?
7. How will you correct the error of Principle?
8. What entry will be passed for the overcast of Purchases Book by Rs. 2,000?
9. Give four reasons for the difference between balances of cash Book and Pass Book.
10. Travelling Expenses of Rs 1,500 posted to Octroi Account. How will it affect gross profit and net profit ?

### Long Type Questions

1. What are the various methods of providing Depreciation? To what class of assets each one of them is applicable?
2. Write short note on -
  - a) Provision for discount on debtors
  - b) Reserve for discount on creditors
  - c) Capital and Revenue Reserves
3. Rectify the following errors :
  - (a) Salary paid ₹ 5,000 was debited to the employee's personal account.
  - (b) Rent Paid ₹ 4,000 was posted to the landlord's personal account.
  - (c) Goods withdrawn by proprietor for personal use ₹ 1,000 were debited to sundry expenses account.
  - (d) Cash received from Kohli ₹ 2,000 was posted to Kapur's account.
  - (e) Cash paid to Babu ₹ 1,500 was posted to Sabu's account.
  - (f) Credit sales to Mohan ₹ 7,000 were recorded in Purchase Book. However, Mohan's account was correctly debited.
  - (g) Credit purchases from Rohan ₹ 9,000 were recorded in sales book. However, Rohan's account was correctly credited.
  - (h) Goods returned to Rakesh ₹ 4,000 were recorded in the sales return book. However, Rakesh's account was correctly debited.

4. What do you mean by Bank Reconciliation Statement? Give detailed reasons for the difference between the balances of Cash Book and Pass Book.

5. A firm purchased on 1st January, 2010 a second-hand machinery for Rs.36,000 and spent Rs.4,000 on its installation.

On 1st July in the same year, another machinery costing Rs.20,000 was purchased. On 1st July, 2012 machinery bought on 1st January, 2010 was sold for Rs.12,000 and a new machine purchased for Rs.64,000 on the same date. Depreciation is provided annually on 31st December @ 10% per annum on the written down value method. Show the machinery account from 2010 to 2012.

6. Depreciation accounting is the process of allocation of cost over the life of an asset. Comment.

7. What do you mean by Provision for bad and doubtful debts? Why is such a provision made?

8. Why is rectification of errors important? Explain the errors affecting the trial balance.

9. Define Depreciation. How does the Diminishing Balance method differ from Straight Line method?

10. The cash book shows a bank balance of ₹ 7,800. On comparing the cash book with the passbook the following discrepancies were noted:

(a)Cheque deposited in the bank but not credited ₹ 3,000

(b)Cheque issued but not yet present for payment ₹ 1,500

(c)Insurance premium paid by the bank ₹ 2,000

(d)Bank interest credit by the bank ₹ 400

(e)Bank charges ₹ 100

(d)Directly deposited by a customer ₹ 4,000

Prepare Bank Reconciliation Statement.

## Unit IV

### **Very Short Answer Questions**



1. Explain any two differences between Trial Balance and Balance Sheet.
2. What are the heads under which classification is made between Capital and revenue?
3. How are “Drawings” shown in the Balance Sheet?
4. Why is the Manufacturing Account prepared?
5. Where is the outstanding salary appearing in the trial balance shown in the Final Accounts?
6. Why is the reserve for discounts on creditors not considered a provision?
7. State the meaning of Adjusted Trial Balance?
8. Give three examples of Intangible assets.
9. Write the rule for making an opening entry in a Journal.
10. Give any five points of difference between Income and Expenditure Account and Receipts and Payment Account.

### **Short Answer Questions**

1. Explain the marshalling of Assets and Liabilities.
2. Explain the meaning and importance of Final Accounts.
3. The Value of stock at the end of the year was Rs 50,000. Show it in the stock account and close it.
4. State the difference between Opening and Closing entries on the basis of the nature of Accounts.
5. Draw one format of Trading & Profit and Loss Account using the imaginary values.
6. The Religious Institution has Fixed Assets of Rs 1,00,000. Bank Loan 10,000 and Outstanding Subscription Rs 2,000. Calculate Opening Capital.
7. Give opening entry if the Total Assets of a Firm is Rs 2,50,000 and External Liabilities are Rs 1,60,000 as on 31<sup>st</sup> March 2023.
8. Differentiate between Capital Receipt & Revenue Receipt.

9. What do you mean by Deferred Revenue Expenditure?

10. What is the need of preparing Final Accounts?

### Long Answer Questions

1. Why is it necessary to differentiate between Capital and Revenue Items? State the general rules to differentiate between these items.
2. Name the main adjustments and give adjustment Journal Entries with Examples.
3. What is Adjusted Trial Balance? Explain the method for preparing the same.
4. From the following balances prepare Trading Account, Statement of Profit and Loss and Balance Sheet as on 31<sup>st</sup> March 2023. Also pass closing entries:

Particulars	Debit Amount	Credit Amount
Stock	8,00,000	
Cash	1,60,000	
Furniture	3,00,000	
Capital		12,45,000
Debtors	2,40,000	
Purchases	16,00,000	

Sales Return	40,000	
Commission Received		1,30,000
Octroi	76,000	
Creditors		7,00,000
Rent	44,000	
Discount Received		11,000
General Expenses	41,000	
Wages & Salaries	17,000	
Carriage	3,000	
Productive Wages	20,000	
Machinery	2,00,000	
Bank	4,00,000	
Salaries	1,40,000	

Stationery	14,000	
Drawings	80,000	
Loss by Fire	30,000	
Investment	3,60,000	
Interest on Investment		9,000
Sales		24,00,000
Purchase Returns		70,000

Closing Stock on 31.3.2023 Rs 10,00,000

5. From the following particulars taken from the Cash Book of a health club, prepare a Receipt and Payment Account.

	<i>Rs.</i>
<i>Opening balance:</i>	
<i>Cash in Hand</i>	<i>5,000</i>
<i>Cash at Bank</i>	<i>25,000</i>
<i>Subscriptions</i>	<i>1,65,000</i>
<i>Donations</i>	<i>35,000</i>
<i>Investment Purchased</i>	<i>80,000</i>
<i>Rent Paid</i>	<i>20,000</i>
<i>General Expenses</i>	<i>21,500</i>
<i>Postage and stationery</i>	<i>2,000</i>
<i>Courier charges</i>	<i>1,000</i>
<i>Sundry Expenses</i>	<i>2,500</i>
<i>Closing Cash in Hand</i>	<i>12,000</i>

