



ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

BASES OF ACCOUNTING

Illustration

1. During the financial year 2018-19, Ashok had cash sales of Rs. 3,90,000 and credit sales of

Rs. 1,60,000. His expenses for the year were Rs. 2,70,000, out of which Rs. 80,000 is still to be paid. Find out Ashok's income for 2018-19 following the cash Basis of Accounting.



2. Taking the figures in Illustration 1, find out

the net income according to Accrual Basis of

Accounting.



1. Dr. Arvind Kishore, a homeopath doctor in practice has been advised by his Accountant to maintain his accounts on Accrual Basis instead of the presently followed Cash Basis of Accounting. Do you agree with the advice of the Accountant ? Give reasons.

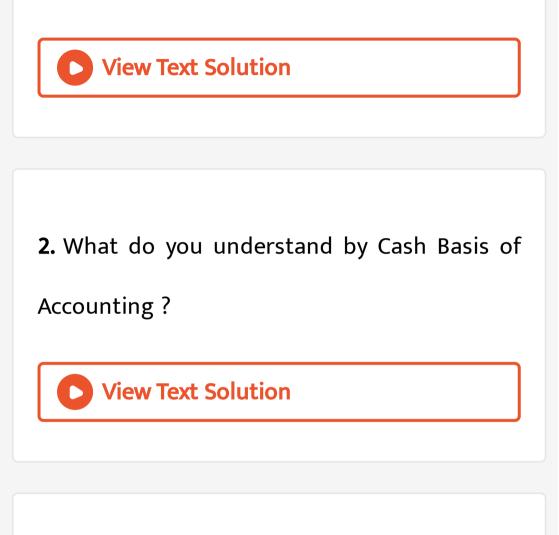


2. M/s Kalra Bros., a dealer in computer hardware, has received an order for 10 computers Accounting. Should the amount received , e.e., Rs. 50,000 be credited to the Sales Account or to the Advance Received Account? Give reasons for your answer.

View Text Solution

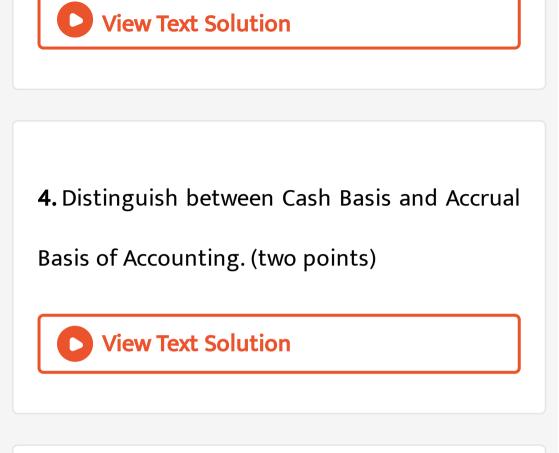
Very Short Answer Type Questions

1. What are the two bases of accounting ?



3. What do you understand by Accrual Basis of

Accounting ?



5. What are the advantages of Cash Basis of

Accounting ? (Two points)

View Text Solution

6. What are the disadvantages of Cash Basis of

Accounting ? (Two points)



7. Does cash basis of accounting violates GAAP

? If Yes, how?



8. What are the advantages of Accrual Basis of

Accounting?(Two Points)

View Text Solution

9. What are the disadvantages of Accrual Basis

of Accounting? (Two points)





 Under the Cash Basis of Accounting, expenses are recorded

A. on payment.

B. on being incurred.

C. either (a) or (b).

D. None of these.

Answer: A

View Text Solution

2. Under the Accrual Basis of Accounting,

expenses are recorded

A. on payment.

B. on being incurred.

C. either (a) or (b).

D. None of these.

Answer: B

View Text Solution

3. Accrual Basis of Accounting

A. does not give a true and fair view of

profit and financial position.

B. gives a true and fair view of profit and

financial position.

C. may of may not give a true and fair view

of profit and financial position.

D. None of the above.

View Text Solution

Answer: B



4. Accrual Basis of Accounting recognises

A. Outstanding and Prepaid Expenses.

B. Accrued Incomes and Incomes Received

in Advance.

C. Both (a) and (b).

D. None of the above.

Answer: C



5. Under Accrual Basis of Accounting

A. both Cash and Credit transactions are recorded .

B. only credit transactions are recorded.

C. None of the above.

D.

Answer: A



Short Answer Type Questions

View Text Solution

 Discuss Cash and Accrual Basis of Accounting.

2. During the financial 2018-19, Mohan had cash sales of Rs. 90,000 and credit sales of Rs.
60,000 . His expenses for the year were Rs.
70,000 out of which Rs. 30,000 is still to be

paid. Find out Mohan's income for 2018-19

following the Cash Basis of Accounting.



3. Taking the figures given in Q.5, find out the net income according to Accrual Basis of

Accounting.



4. Vijay, a consultant, during the financial year 2018-19 earned Rs. 4.00.000. Out of which he received Rs. 3,50,000. He incurred an expense of Rs. 1,70,000, out of which Rs. 40,000 are outstanding. He also received consultancy fee relating to previous year Rs. 45,000 and also paid Rs. 20,000 expenses of last year. (i) he follows Cash Basis of Accounting and

(ii) he follows Accrual Basis of Accounting.

