



ACCOUNTS

BOOKS - SULTAN CHAND & SONS

ACCOUNTS (HINGLISH)

BASIC ACCOUNTING TERMS

Illustration

1. Mr Prem commenced business of trading in electronic goods with an initial capital of Rs

15,00,000. out of the said Rs 15,00,000, he paid Rs 10,00,000 towards purchase of electronic goods. He further spent Rs 2,00,000 on furnishing the shop and Rs 35,000 for purchase of computer and printer. Rs 10,000 is yet to be paid to supplier of computer.

He sold goods costing Rs 5,00,000 for Rs 7,00,000 in cash and goods costing Rs 2,50,000 for Rs 3,10,000 on credit. Goods sold on credit for Rs 25,000 were returned being defective. These goods (costing Rs 20,000) were returned to the supplier. Looking into the response, he decided to trade in home

appliances also and further invested Rs 5,00,000.

He purchased electronic goods and home appliances for Rs 8,00,000 out of which purchase of Rs 2,00,000 were on credit.

Due to an earthquake, 2 LCD Televisions costing Rs 50,000 were completely destroyed. Mr. Prem received an insurance claim of Rs 30,000.

A customer purchased goods costing Rs 2,25,000 for Rs 3,00,000 and was allowed discount of Rs 15,000. He was further allowed discount of Rs 5,000 for payment within

agreed time.

He paid salary to Shyam of Rs 55,000 were yet to be paid. He insured the goods and paid insurance premium of Rs 10,000. out of this, Rs 5,000 are for the next year.

You are required to answer the following questions on the basis of the above :

(i) What is the amount of capital invested in the business by Mr. Prem ?

(ii) What is the amount invested by Mr. Prem in fixed assets ?

(iii) What is the amount of total purchases ?

(iv) What is the amount of long -term liabilities

?

- (v) What is the amount of current liabilities ?
- (vi) What is the amount of prepaid expenses ?
- (vii) What is the amount of outstanding expenses ?
- (viii) What is the income earned by Mr.Prem ?
- (ix) How much profit is earned by Mr. Prem ?
- (x) What is the amount due form debtors ?
- (xi) What is the amount due to creditors ?
- (xii) What is the value of Closing Stock ?
- (xiii) What is the value of net purchases ?
- (xiv) What is the amount of Trade Discount allowed ?

(xv) Has Mr. Prem allowed Cash Discount ? If yes, what is the amount ?

(xvi) What is the amount of Drawings ?

(xvii) What is the amount of Sales Return ?

(xviii) What is the amount of Purchases Return ?



[View Text Solution](#)

Mcqs

1. Capital is

A. internal liability

B. external liability

C. internal as well as external liability

D. None of these

Answer: A



View Text Solution

2. Goods taken by the proprietor for personal use is

A. Sale

B. Drawings

C. Purchase

D. None of these

Answer: B



View Text Solution

3. Amount received or receivable against sale of goods is

A. revenue receipt

B. capital receipt

C. sometimes revenue receipt and

sometimes capital receipt

D. None of these

Answer: A



View Text Solution

4. Amount paid or payable against purchase of goods is

A. revenue expenditure

B. capital expenditure

C. Both (a) and (b)

D. None of these

Answer: A



View Text Solution

5. Goodwill is a/an

A. Tangible Asset

B. Intangible Asset

C. Current Asset

D. Fictitious Asset

Answer: B



View Text Solution

6. Expenditure of revenue nature that gives benefit for more than one accounting period is categorised as

A. Capital Expenditure

B. Revenue Expenditure

C. Deferred Revenue Expenditure

D. None of these

Answer: C



View Text Solution

7. A person who owes money to a firm against goods sold is called is

A. creditor

B. debtor

C. Both (a) and (b)

D. None of these

Answer: B



View Text Solution

8. A person to whom money is owed by a firm for purchase of goods is called a

- A. creditor
- B. debtor
- C. Both (a) and (b)
- D. None of these

Answer: A



View Text Solution

9. Purchase refers to the purchase of

- A. goods for resale
- B. stationery for office use
- C. assets for the factory
- D. None of the above

Answer: A



View Text Solution

10. A liability arises because of

A. cash transactions

B. Credit transactions

C. cash as well as credit transactions

D. None of these

Answer: B



View Text Solution

11. The amount invested by the proprietor in a business is called

A. capital

B. cash

C. revenues.

D. loan

Answer: A



View Text Solution

12. Stock is valued at

A. Cost or Net Realisable Value (Market Value), whichever is lower

B. cost or Net Realisable Value (Market Value), whichever is higher

C. Cost

D. Net Realisable Value (Market Value)

Answer: A



View Text Solution

13. Bank overdraft is

A. short-term liability

B. long-term liability

C. contingent liability

D. None of these

Answer: A



View Text Solution

14. Which of the following is not a business transaction ?

A. Bought furniture of Rs 25,000 for business

B. Paid for salaries of employees, Rs 20,000

C. Cash withdrawn from personal bank account, Rs 10,000 for domestic use.

D. All of the above

Answer: C

 [View Text Solution](#)

15. Which of the following is not a fixed asset ?

- A. Building
- B. Plant and Machinery
- C. Balance with bank
- D. Goodwill

Answer: C

 [View Text Solution](#)

16. Which of the one following is not a long-term liability ?

A. Creditors

B. term-loan

C. Debentures

D. Capital

Answer: A



View Text Solution

17. Which of the following are goods ?

A. Machines manufactured for sale

B. Furniture purchased for sale

C. Books and stationery purchased by a
book seller

D. All of the above

Answer: D



View Text Solution

18. Which of the following is an asset ?

A. Machinery

B. Purchases

C. Sales Return

D. Interest Received

Answer: A



View Text Solution

19. Which of the following is a liability ?

A. Furniture

B. Rent Payable

C. Interest Received

D. Stock

Answer: B



View Text Solution

20. Which of the following is revenue ?

A. Purchases

B. Purchases Return

C. Sales

D. Salary Payable

Answer: C



View Text Solution

21. Which of the following is not an expense ?

A. Furniture

B. Salary

C. Rent

D. Electricity Expenses

Answer: A



View Text Solution

22. Which of the following is a business transaction ?

A. Goods purchased on credit

B. An employee being dismissed

C. Proprietor purchasing a car for own use

D. Sale of personal asset by the proprietor

Answer: A



View Text Solution

23. The nature of capital is

- A. an asset
- B. a liability
- C. an income
- D. an expense

Answer: B



View Text Solution

24. Sale is recognised as revenue

A. when the contract for sale is entered into

B. at the point of sale or performance of service

C. after the expiry of credit period allowed to debtors

D. after the money collected from the customers

Answer: B



View Text Solution

25. The nature of accrued income is

A. revenue

B. liability

C. expenses

D. asset

Answer: D



View Text Solution

26. Trade Discount allowed

A. is shown separately in the books of account

B. is not shown separately in the books of account

C. can be shown either separately or deducted from purchase cost

D. None of the above

Answer: B



27. Which of the following transaction is not of financial character ?

A. Purchase of asset on credit

B. Purchase of asset for cash

C. Withdrawing of money by proprietor
from business

D. Strike by employees

Answer: D



[View Text Solution](#)

28. Purchase refers to the buying of

- A. Stationery for office use
- B. Assets for the factory
- C. Goods for resale
- D. Investment

Answer: C



[View Text Solution](#)

29. Revenue from Operations refers to

A. Revenue earned from Operating Activities

B. Revenue earned from activities that are not Operating Activities

C. Both (a) and (b)

D. None of the above

Answer: A



View Text Solution

30. Out of the following assets, which one is not an intangible asset ?

A. Machinery

B. Patents

C. Goodwill

D. Trade Mark

Answer: A



[View Text Solution](#)

Question

1. Determine, if the following are Assets, Liabilities, Capital, Revenue from Operations, Revenues, Expenses or none

(a) Machinery, (b) Purchases, (c) Stock, (d) Creditors, (e) Capital, (f) Salary paid to a clerk, (g) Sales, (h) Furniture, (i) Interest received and (j) Rent paid



[View Text Solution](#)

Very Short Answer Tyep Question

1. What is meant by Cash Transaction ?



[View Text Solution](#)

2. What is meant by Credit Transaction ?



[View Text Solution](#)

3. Briefly explain Expenditure





[View Text Solution](#)

4. What are Assets ?



[View Text Solution](#)

5. What are Fixed Assets ?



[View Text Solution](#)

6. What is meant by Tangible Assets ?





[View Text Solution](#)

7. Briefly explain Intangible Assets



[View Text Solution](#)

8. Briefly explain the term 'Goods'



[View Text Solution](#)

9. Define the term 'Purchase'





[View Text Solution](#)

10. What are the main classes of Liabilities ?



[View Text Solution](#)

11. Give any two examples of Current Assets



[View Text Solution](#)

12. Name three Current Liabilities





[View Text Solution](#)

13. Name two Long-term Liabilities



[View Text Solution](#)

14. Explain Capital briefly



[View Text Solution](#)

15. Who is a Debtor ?





[View Text Solution](#)

16. Who is a Creditor ?



[View Text Solution](#)

17. What is meant by Revenue from Operations ?



[View Text Solution](#)

18. What is an Income ?



View Text Solution

19. Define Drawings with example



View Text Solution

20. Define Voucher



View Text Solution

21. Define Merchandise



[View Text Solution](#)

22. A firm earns a revenue of Rs 21,000 and the expenses to earn this revenue are Rs 15,000.

Calculate its income



[View Text Solution](#)

23. A firm has received a large order to supply goods. Will it be recorded in the books of account of the firm ? Give reason



[View Text Solution](#)

Short Answer Type Question

1. Distinguish between Loss and Expense



[View Text Solution](#)

2. What are Vouchers ?



[View Text Solution](#)

3. Distinguish between Opening Stock and Closing Stock



[View Text Solution](#)

4. Explain the meaning of any three of the following terms

(i) Assets, (ii) Capital, (iii) Goods, (iv) Drawings
and (v) Debtors



View Text Solution

5. Explain the following terms:

(i) Revenue, (ii) Debtors, (iii) Fictitious Assets
and (iv) Working Capital



View Text Solution

6. Explain the meaning of any three of the following terms:

(i) Liability, (ii) Stock, (iii) Business Transaction and (iv) Drawings



[View Text Solution](#)

Practical Problem

1. Mr Gopal started business for buying and selling of readymade garments with Rs

8,00,000 as an initial investment. Out of this he paid Rs 4,00,000 for the purchase of garments and Rs 50,000 for furniture and Rs 50,000 for computers and the remaining amount was deposited into the bank. He sold some of the ladies and kids garments for Rs 3,00,000 for cash and some garments for Rs 1,50,000 on credit to Mr. Rajesh.

Subsequently, he bought men's garments of Rs 2,00,000 from Mr. Satish. In the first week of the next month, a fire broke out in his office and stock of garments worth Rs 1,00,000 was destroyed. Later on, some garments which

cost Rs 1,20,000 were sold for Rs 1,30,000. Expenses paid during the same period were Rs 15,000. Mr. Gopal withdrew Rs 20,000 from business for his domestic use.

From the above, answer the following:

- (i) What is the amount of capital with which Mr. Gopal started the business ?
- (ii) What fixed assets did he buy ?
- (iii) What is the value of the goods purchased ?
- (iv) Who is the creditor and state the amount payable to him ?
- (v) Who is the debtor and what is the amount

receivable from him ?

(vi) What is the total amount of expenses ?

(vii) What is the amount of drawings of Mr. Gopal ?



[View Text Solution](#)