



# ACCOUNTS

## BOOKS - SULTAN CHAND & SONS

### ACCOUNTS (HINGLISH)

## PROVISIONS AND RESERVES

### Illustration

1. Which of the following should be a 'charge' against profit and which should be an

'appropriation' of profit?

(a) Provision for Doubtful Debts,

(b) Provision for Depreciation, and

(c) General Reserve.



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## Higher Order Thinking Skills Hots Questions

1. Do you think that a Provision is a charge against profit?



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2. If the amount of a known Liability can be ascertained with accuracy, it should be treated as a Liability or a Provision Comment.

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3. A provision can be specific or general. Do you agree ?

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4. Reserve is not a liability in the real sense. Do you agree with this statement ?



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5. Capital Reserves are freely distributed as profits. Comment.



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6. Capital Reserves may or may not involve any receipts of cash. Do you agree ?



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## Multiple Choice Questions Mcqs

1. Reserves arising from capital receipts are known as

- A. Capital Reserve.
- B. Reserve Fund.
- C. Any of (a) and (b)
- D. None of these.

**Answer: A**



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**2. Provisions are**

A. external transactions.

B. internal transactions.

C. Can be (a) or (b)

D. None of these.

**Answer: B**



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**3. A Provision is**

A. an appropriation of profits.

B. a charge against profit.

C. Can be (a) or (b)

D. None of these.

**Answer: B**



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4. If the amount of any known liability cannot be determined with accuracy

A. a liability should be provided.

B. a provision should be made.

C. a reserve should be set aside.

D. None of these.

**Answer: B**



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5. If the amount of any known liability can be determined with accuracy

- A. liability should be provided.
- B. a provision should be made.
- C. a reserve should be set aside.
- D. None of these.

**Answer: A**



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6. Provision is a

A. Specific Reserve.

B. General Reserve.

C. Capital Reserve.

D. None of these.

**Answer: D**



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7. Profit on sale of fixed asset is used to create

A. Specific Reserve.

B. General Reserve.

C. Capital Reserve.

D. None of these.

**Answer: C**



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**Very Short Answer Type Questions**

1. What is meant by Provision?



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2. Give two examples of Provisions.



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3. What is meant by Reserves?



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4. What are major types of Reserves ?



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5. What is meant by General Reserve?



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6. What is meant by Capital Reserve?



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7. Give two examples of Capital Reserve.



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8. What is meant by Revenue Reserve?



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9. What is meant by Specific Reserve?



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10. What is meant by Reserve Fund?



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11. Give one example each of 'provision' and 'reserve'



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12. Differentiate between Revenue Reserved and Capital Reserve on the basis of source.



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**13.** Give one difference between provision and reserve.



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