



ACCOUNTS

BOOKS - SULTAN CHAND & SONS ACCOUNTS (HINGLISH)

PRACTICE WORK

Illustration

1. Fixed Assets (at cost) ₹ 12,00,000, Accumulate Depreciation till date ₹ 2,00,000, Trade Investment ₹ 1,00,000, Current Assets ₹ 4,40,000: Current Liabilities ₹ 3,40,000, Revenue form Opertions ,ie.Net sales for the year 2018-19 amounted to ₹ 20,00,000. Calculate Capital employed turnover ratio.



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2. Shareholders Funds ₹ 10,00,000, Long -term Debts ₹ 20,00,000 Gross Profit at 20 % on Cost was ₹ 20,00,000. Calculate Capital Employed Turnover Ratio.



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3. From the following data ,compute Total Assets Turnover Ratio: Fixed Assets ₹ 3,00,000 ,Accumulated Depreciation ₹ 1,00,000, Current Assets ₹ 2,00,000 Revenue from operations (Net sales) ₹ 8,00,000.



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4. Fixed Assets (At cost) ₹ 21,00,000, Accumulated Depreciation till date ₹ 3,00,000 Credit Sales ₹ 51,00,000, Cash Sales ₹ 4 ,50,000, Sales Return ₹ 1,50,000. Calculate Fixed Assets Turnover Ratio



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5. Capital Employed is ₹ 5,00,000, Working Capital is ₹ 1,00,000, Cost of Revenue from Operations is ₹ 16,00,000, Gross Profit is ₹ 4,00,000. Calculate Fixed Assets Turnover Ratio.

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6. Current Assets ₹ 15,00,000, Credit sale ₹ 42,50,000 , Cash sales ₹ 3,75,000, Sales Return ₹ 1,25,000. Calculate Current Assets Turnover Ratio.

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7. Capital Employed is ₹ 5,00,000, Working Capital is ₹ 1,00,000, Cost of Revenue from Operations is ₹ 16,00,000, Gross Profit is ₹ 4,00,000. Total Assets ₹ 5,00,000. Calculate Fixed Assets Turnover Ratio.

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8. From the following Balance sheet of Cello Ltd. And information as at 31st March ,2019 compute Current Assets Turnover Ratio

BALANCE SHEET as at 31st March, 2019

Particulars	Note No.	31st March, 2019 (₹)
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital		7,50,000
(b) Reserves and Surplus		7,20,000
2. Current Liabilities		
		7,60,000
Total		22,30,000

II. ASSETS		
1. Non-Current Assets		
Fixed Assets — Tangible Assets		
		4,00,000
2. Current Assets		
(a) Inventories		9,00,000
(b) Trade Receivables		8,60,000
(c) Cash and Cash Equivalents		70,000
Total		22,30,000

Sales and Sales Return for the current year are ₹ 1,90,00,000 and ₹ 7,00,000 respectively .

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9. From the following statement of profit and loss for the year ended 31st March ,2019 of Reynolds Ltd.

Particulars	Note No.	31st March, 2019 (₹)
I. Revenue from Operations (Net Sales)		
II. Other Income	1	8,00,000
III. Total Revenue (I + II)		4,600
		8,04,600
IV. Expenses:		
(a) Purchases of Stock-in-Trade		4,20,000
(b) Change in Inventories of Stock-in-Trade	2	(40,000)
(c) Employees Benefit Expenses		28,000
(d) Other Expenses	3	1,15,400
Total Expenses		5,23,400
V. Net Profit (III – IV)		2,81,200

Notes to Accounts

Particulars	31st March, 2019 (₹)
1. Revenue from Operations	
Sales	8,50,000
Less: Returns	50,000
	8,00,000
2. Change in Inventories of Stock-in-Trade	
Opening Inventories	60,000
Less: Closing Inventories	1,00,000
	(40,000)
3. Other Expenses	
Office Expenses	48,000
Selling and Distribution Expenses	64,000
Other Expenses (Non-operating)	3,400
	1,15,400

Calculate (i) Gross Profit Ratio,(ii) Operating Profit Ratio,(iii) Operating Ratio, (iv) Expenses Ratio, (v) Net Profit Ratio.

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From the following data ,calculate Return ₹

10. Equity share Capital	1,00,000
10% Preference share Capital	2,90,000
Net profit after Interest and Tax	2,94,000

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16,000 Equity shares ₹ 10 each (fully paid)	1,60,000
10 % Preference share capital (fully paid)	1,00,000
11. Reserve and surplus	6,40,000
Profit after tax	2,37,500

Calculated Return on Equity Shareholder's Funds ,

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12. Y Ltd. Has earned a profit of ₹ 50,000 for the year ended 31 st March 2019 .Y Ltd, had fixed assets having net value (after depreciation) of ₹ 7,50,000 and current Return on Total Assets Ratio.

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13. Calculate Earning Per Share (EPS) from the following data ,

Profit after Tax: ₹ 50,000

10 % Preference Share Capital (₹ 10 each) , ₹ 1,00,000

Equity Share Capital (₹ 10 per Share) , ₹ 1,00,000

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Exercises

1. Fixed Assets (at cost) ₹ 30,00,00, Accumulated Depreciation till date ₹ 5,00,000 , Trade Investments ₹ 2,50,000: Current Assets ₹ 11,00,000, Currents Liabilities ₹ 8,50,000, Cash Sales ₹ 10,00,000, Gross Credit Sales Return ₹ 2,50,000 .Calculate Employed Turnover Ratio.



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2. Fixed Assets ₹ 4,00,000, working Capital ₹ 2,00,000, Cost of Goods Sold ₹ 20,00,000, Gross Sold ₹ 20,00,000, Gross profit ₹ 4,00,000 .Calculate Capital Employed Turnover Ratio



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3. Shareholder's Funds ₹ 4,00,000 , Long-term Debts ₹ 8,00,000 , Gross profit at 20 % on cost was ₹ 8,00,000, Gross Profit at 20% on cost was ₹

8,00,000. Calculate capital Employed Turnover Ratio.



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4. Following is the Balance Sheet of X Ltd.

BALANCE SHEET as at 31st March, 2019

Particulars	Note No.	₹
I. EQUITY AND LIABILITIES		
1. Shareholders' Funds		
(a) Share Capital		50,00,000
(b) Reserves and Surplus		10,00,000
2. Non-Current Liabilities		
Long-term Borrowings (10% Debentures)		10,00,000
3. Current Liabilities		
Trade Payables		5,00,000
Total		75,00,000
II. ASSETS		
1. Non-Current Assets		
Fixed Assets		45,00,000
2. Current Assets		
(a) Inventories		10,00,000
(b) Trade Receivables		17,00,000
(c) Cash and Cash Equivalents		3,00,000
Total		75,00,000

Sales for the following ratios ,

- (i) Total Assets Turnover Ratio,
- (ii) Fixed Assets Turnover Ratio, and
- (iii) Current Assets Turnover Ratio.



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5. Calculate the Materials Consumed Ratio, Employees Benefit Expenses Ratio, Administrative Expenses Ratio, Selling and Distribution Expenses Ratio and Other Expenses Ratio from the following information

	₹	
Opening Stock (Finished Goods)	Nil	Wages
Net Sales	1,60,000 :	Administrative Expenses
Material Consumed	80,000	Selling and Distribution E
Closing Stock (Finished Goods)	Nil	Manufacturing Expenses

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6. Following information is available of XYZ Ltd for the year ended 31st March, 2019:

Net Profit before Interest and Tax ₹ 2,75,000, Net Profit after Tax ₹ 2,20,000, Net Profit after Interest and Tax ₹ 1,10,000, Preference Dividend ₹ 35,000, Capital Employed ₹ 11,00,000, Total Assets ₹ 12,65,000, Net Worth, i.e., Shareholders' Funds ₹ 7,50,000. Calculate: (i) Return on Capital Employed, (ii) Return on Total Assets, (iii) Return on Shareholders Funds

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Calculate Earing per share	₹
Net profit before Tax	2,00,000
7. 10 % Preference shares of ₹ 100 each	2,00,000
Equity Shares of ₹ 10 each	2,00,000
Tax Rate	50%

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Viva Question

1. What was the reason for Ms. Parul and Ms. Aruna to become partners in the business?

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2. Why is it necessary for Ms. Parul and Ms. Aruna to enter into partnership Deed?

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3. Why is it necessary to prepare Trial Balance ?

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4. Was the bank balance reconciled?

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5. What does a Trading Account show?

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6. What does Profit and Loss Account show?

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7. Give two characteristics of a Balance Sheet



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8. What do you understand by 'Direct Expenses'?

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9. How is Closing Stock (inventory) valued?

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10. Why do we recognise 'income earned but not received' and 'expenses incurred but not paid' in the books of account?

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11. What can be the reasons for a firm earning higher Gross Profit than the industry standards ?

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12. Operating Ratio is lower than the industry standard. Is it good for the firm?

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13. Do you think lower Inventory Turnover Ratio is good for the firm?

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14. Why do you think lower Trade Payables Turnover Ratio is not good for the firm?

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15. Working Capital Turnover Ratio of the firm is 0.94 against industry standard of 2. Do you think the firm is performing better in this area as

compared to industry?



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16. The firm has a high Current Ratio. What does it indicate ?



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17. Which areas, according to you are the weak areas of the firm ?



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18. What does Operating Ratio of 65.40 % indicate against Industry Standard of 75%?



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19. Gross Profit Ratio is 46.72% against Industry Standard of 40%. What does it mean?

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20. Net Profit Ratio is 33.50% against industry standard 27.5%. What does it mean?

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21. Kapil Ltd. improves its Current Ratio to 2:1, and Quick Ratio to 1:1, in your opinion can it be rated as better company than Kamal Ltd?

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22. what is Debt to Equity Ratio ?

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23. What is Proprietary Ratio?



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24. What does a low Proprietary Ratio mean?



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25. What is Quick Ratio ?



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26. What are Quick Assets?



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27. How is Capital Employed calculated?



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28. How are Long-term Funds calculated in a given project?



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29. How are Current Assets calculated under this project?



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30. How are Shareholders' Funds calculated under this project ?



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31. What are the various ratios used for establishing profitability and financial position of an enterprise?

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32. Explain Return on Total Assets Ratio

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33. What is the significance of Return on Total Assets Ratio?

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34. What is Total Assets to Debt Ratio?

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35. What is meant by Gross Profit?



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36. Fill in the blanks

(i) Current Ratio = $\frac{\text{Current Assets}}{?}$

(ii) Return on Total Assets = $\frac{\text{Profit after Tax}}{?} \times 100$



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37. What does it mean-Collection period of 1.5 months ?



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38. What is meant by Liquidity Ratios?



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39. What is the significance of calculating Current Ratio?



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40. Why are loose tools, stores and spares not included in Current Assets while calculating Liquidity Ratios?



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41. What is meant by 'current liabilities' ?



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42. Should the bank overdraft be included in current liabilities ?



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43. What does Liquid Ratio of 0.78 : 1 indicate ?



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44. What is meant by Cash Flow Statement?



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45. What do you understand by Cash Equivalents?



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46. What is meant by Operating Activities?



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47. What is meant by Investing Activities?



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48. What is meant by Financing Activities?



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49. Why is it important to know Cash Flow from Operating Activity?



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50. Why depreciation and liabilities written back are not considered in Cash Flow Statement ?



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51. A company purchased a machinery and settled the consideration by issuing fully paid 10 % Preference shares. How would it be shown in Cash

Flow Statement?

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52. How will purchased goodwill be shown in Cash Flow Statement?

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53. If debentures are converted into shares, how will it be shown in Cash Flow Statement?

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54. Under which activity will you show the dividend received?

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55. Under which activity will you show the dividend paid?



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56. In the project, you have deducted ₹ 10,759 lakhs being interest received from Cash Flow from Operating Activity. Why?



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57. Why have you shown ₹ 23,755 lakhs being dividend related to financial year ended 31st March, 2014 as outflow of cash in the financial year ended 31st March, 2015 ?



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58. You have shown interest paid of ₹ 514 lakhs under Cash Flow from Financing Activity, whereas you have shown interest received of ₹ 10,759 lakhs under Cash Flow from Investing Activity. Why?



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59. The company has Cash Flow from Operating Activity of ₹ 62,525 lakhs.

Do you consider it to be healthy for the company?

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60. In the project, why you have added Deferred Tax Liability (Net) to Shareholders' Funds?

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61. What is meant by Operating Activities?

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62. What is meant by Financing Activities ?

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63. What is meant by Investing Activities?

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64. What is meant by Cash Equivalents ?

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65. Give two examples of Cash flow from Operating Activities .

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66. Given an example of Financing Activity

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67. How do you treat depreciation in calculating Cash Flow from Operating Activities, It being non- cash expenditure .

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68. Give one example of an activity which is classified as Operating Activity in case of all the enterprises.

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69. Give one example of an activity which is classified as Financing Activity in case of all the enterprises.

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70. Give one example of an activity which is classified as Investing Activity in case of all the enterprises.



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71. How can we ascertain Cash Flow from Investing Activities ?

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72. How can we ascertain Cash Flow from Financing Activities ?

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73. State the conditions for an investment of qualify as Cash Equivalent.

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74. List any two Operating Activities which result into inflow of cash .

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75. Under which activity is dividend received shown ?

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76. Under which activity is dividend received shown ?

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77. Give two conditions required to be satisfied for any investment to qualify as cash equivalents

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78. Give the treatment of non-cash transactions in Cash Flow Statement

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79. Give two examples of non-cash transactions.



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80. Give one limitation of Cash Flow Statement.



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81. Give two examples of Cash Flow from Operating Activities.



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82. Give one example of Financing Activity.



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83. How can we ascertain Cash Flow from Financing Activities?



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84. How can we ascertain Cash Flow from Investing Activities?



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85. What is segment reporting ?



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86. Name the various segments of ITC limited.



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87. Which segment is the best segment of the Company ?



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88. Which segment has highest revenue

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89. Can you state the risks carried by FMCG- Cigarettes segment ?

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90. Should the company operate in only FMCG-Cigarettes segment due to high profit ?

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91. What is book keeping ?

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92. What is meant by accounting ?



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93. What is an Accounting Cycle ?



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94. Who are the users of Accounting information ?



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95. Explain the following terms.



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96. What do you mean by an insolvent ?



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97. What is Profit ?



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98. What is meant by Goods ?



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99. How is inventory (stock) valued ?



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100. What is Accounting Entity Assumption (or business Entity Assumption) ?



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101. What is Money Measurement Assumption ?



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102. What is Going Concern Concept (Assumption)?



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103. What is Dual Aspect Concept of accounting?



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104. What is Realisation Concept of accounting?



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105. Explain Matching Principle of accounting



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106. Explain Convention of Consistency



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107. Explain Conservatism or Prudence Principle



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108. State one accounting practice based on Prudence Principle



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109. State the meaning of Accounting Standards



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110. What is the main objective of setting Accounting Standards?



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111. What is Voucher?



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112. What is Debit Voucher?



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113. What is Credit Voucher?



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114. What is Basic Accounting Equation?



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115. What is Cash Discount?



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116. What is Trade Discount?



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117. What is Rebate?



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118. What is a Journal?



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119. Why is Journal called a Book of Prime Entry?



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120. What is an Opening Entry?



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121. What is Journalising?



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122. What is a simple Journal entry?



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123. What is a compound Journal entry?

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124. Which account shall be debited for goods distributed as free samples?

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125. Name the book in which accounts are opened.

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126. Why is the Ledger called the Book of Final Entry?

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127. What is meant by debt (Dr) balance in an account?



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128. What is meant by credit (Cr.) balance in an account?



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129. What Is Cash Book?



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130. Do you agree with the statement that Cash Book is a subsidiary book only?



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131. Cash Book can never have a credit balance. Why?



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132. Define Double Entry System of Book Keeping.



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133. What is Credit Note?



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134. What is a Debit Note?



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135. What is a Bank Reconciliation Statement?



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136. When can a Bank Reconciliation Statement be prepared?



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137. What is a Trial Balance?



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138. State the accounts which are not considered while preparing the Trial Balance by Balance Method Accounts which do not show any balance are not considered while preparing the Trial Balance by



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139. What is a Suspense Account?



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140. What is Error of Principle?



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141. Mohan's Account was debited by ₹ 1,500 instead of ₹ 15,000. Identify the type of error



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142. Wages paid to a worker for making additions to machinery amounting to Wages Account. Identify the type of error.



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143. Mohan's Account was debited by ₹ 1,500 instead of ₹ 15,000. While rectifying the above error, which account shall be credited?



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144. What is Depreciation?



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145. What is Amortisation?



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146. Give two examples of provisions.



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147. What is Reserve?



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148. What is Capital Reserve?



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149. What is meant by Reserve Fund?



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150. Which account is debited for creating Provision for Doubtful Debts on Debtors?



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151. What is meant by Revenue Expenditure?



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152. Define Capital Expenditure.



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153. Give any two examples of Capital Expenditure



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154. What are Direct Expenses?



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155. What is Statement of Profit and Loss?



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156. What is Net Profit?



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157. What is Balance Sheet?



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158. Why Is Closing Stock valued at lower of cost or net realisable value?



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159. What is adjusted purchases?



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160. How will you show unexpired insurance given in the Trial Balance in final accounts?

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161. Give any two examples of Capital Receipt.

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162. Mention four items of Current Assets and two items of Current Liabilities.

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163. What are Prepaid Expenses?

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164. What is an Accrued Income?

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165. What is the income Received in Advance ?

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166. What is a bill of Exchange ?

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167. A Bill of Exchange as well as promissory Note requires acceptance " comment .

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168. A Bill of Exchange cannot be sent to bank for collection. It can be discounted only. Do you agree?

Give reasons



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169. Can a Trial Balance be prepared to check the arithmetical accuracy of the books of account under Single Entry System?



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170. What is a Not-For-Profit Organisation? Give two examples.



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171. What are the financial statements prepared in the final accounts of Not-For-Profit Organisations?



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172. What is a Receipts and Payments Account?



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173. What is Income and Expenditure Account?



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174. Give any one similarity between Receipts and Payments Account and Income and Expenditure Account.



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175. Define Trade Payables as per Schedule II of the Companies Act, 2013.



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176. Explain the term operating Cycle?

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177. What is the purpose of Operating Cycle ?

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178. Define Non-current Liabilities.

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179. What is the criteria for detemining current assets ?

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180. What is the criteria for determining Current Liability ?



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