

SHRI GURU NANAK DEGREE COLLEGE

PREET VIHAR , RUDRAPUR

B.COM.-1ST SEM

BC-101 FINANCIAL ACCOUNTING

Long Answer Questions — FINANCIAL ACCOUNTING

Unit I: Introduction and Accounting Principles

1. Write a detailed note on K.S. Aiyar's contribution to Indian Accountancy.
2. Define Accounting. Discuss its nature and scope.
3. Explain the Generally Accepted Accounting Principles (GAAP).
4. Differentiate between Indian and International Accounting Standards.
5. Explain the various Accounting Concepts and Conventions.
6. Describe the Double Entry System of Accounting in detail.
7. What are the objectives of Accounting? Discuss in detail.
8. Explain the importance of Accounting in business decision-making.

KNOWLEDGE TOWARDS
AWAKENING

Unit II: Journal, Ledger, Trial Balance, and Final Accounts

9. What is Journal? Explain its importance and format with an example.
10. Define Ledger. Explain the procedure of posting transactions into the ledger.
11. Discuss the steps involved in preparing a Trial Balance.
12. What is a Profit and Loss Account? Explain its format and importance.
13. Write a detailed note on the Balance Sheet and its significance.
14. Explain the concept of Income and its measurement in Accounting.

Unit III: Royalty Accounts

15. What are Royalty Accounts? Discuss their meaning and features.
16. Explain the accounting treatment of Royalty in the books of Landlord.
17. Explain the accounting treatment of Royalty in the books of Lessee.

18. What is Short Working? How is it recouped? Explain with examples.
19. Distinguish between Sub-Lease and Short Working Reserve.
20. Write a note on Nazrana and its accounting treatment.

Unit IV: Hire Purchase Accounts

21. What is Hire Purchase System? Discuss its features and advantages.
 22. Differentiate between Hire Purchase and Installment Payment System.
 23. Explain the accounting records in the books of Hire Purchaser.
 24. Explain the accounting records in the books of Vendor.
 25. Describe the different methods for calculating Interest and Cash Price under Hire Purchase.
 26. What is a Suspense Account? How is it treated in Hire Purchase?
 27. Write a note on Default in Payment under Hire Purchase with examples.
 28. How is Part Payment handled under Hire Purchase?
 29. Explain the entries for Partial Returns of Goods under Hire Purchase.
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Unit V: Departmental Accounts

30. Define Departmental Accounts. Discuss its meaning and objectives.
 31. Explain the advantages and limitations of Departmental Accounting.
 32. Write the steps involved in preparing Departmental Final Accounts.
 33. Differentiate between Departmental Accounts and Branch Accounts.
 34. How are indirect expenses allocated in Departmental Accounts?
 35. Prepare a hypothetical Departmental Trading and Profit & Loss Account.
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Unit VI: Branch Accounts

36. What are Branch Accounts? Discuss their objectives.
 37. Explain the advantages and significance of Branch Accounts.
 38. How are Branch Accounts classified? Explain with examples.
 39. Write a detailed note on various methods of Branch Accounting.
 40. Prepare Branch Accounts in the books of Head Office.
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Unit VII: Insolvency Accounts

41. Define Insolvency. Discuss its meaning and circumstances.
42. What are the causes of Insolvency? Explain in detail.

43. Write the procedure for declaring an individual insolvent.
 44. Explain the preparation of Statement of Affairs in Insolvency Accounts.
 45. Explain the Deficiency Account with suitable format and example.
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Unit VIII: Voyage Accounts

46. What is a Voyage Account? Discuss its meaning and importance.
 47. Explain the procedure for preparing Voyage Accounts.
 48. What are the features and objectives of Voyage Accounts?
 49. Differentiate between Voyage Accounts and Consignment Accounts.
 50. Prepare a specimen Voyage Account with assumed figures.
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Short Answer Questions — Financial Accounting (BC-101)

Unit I: Introduction & Principles

1. Who is K.S. Aiyar and why is he known as the father of Indian Accountancy?
 2. Define Accounting.
 3. Write any two objectives of Accounting.
 4. What is the scope of Accounting?
 5. Name any two Generally Accepted Accounting Principles (GAAP).
 6. What is an Accounting Concept?
 7. What is an Accounting Convention?
 8. What do you mean by Double Entry System?
 9. Write any two features of Double Entry System.
 10. Give any two points of difference between Indian and International Accounting Standards.
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Unit II: Journal, Ledger & Final Accounts

11. Define Journal.
 12. What is Ledger Posting?
 13. What is a Trial Balance?
 14. Mention two objectives of preparing a Trial Balance.
 15. What is Profit and Loss Account?
 16. Name two items shown on the debit side of Profit and Loss A/c.
 17. Define Balance Sheet.
 18. Write any two features of Balance Sheet.
 19. What is the concept of Income in Accounting?
 20. How is Income measured in Accounting?
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Unit III: Royalty Accounts

21. What are Royalty Accounts?
22. Write any two examples of Royalty agreements.
23. What is Short Working?
24. Define Nazrana.
25. What is Sub-Lease?
26. What is meant by Recoupment of Short Working?

27. Write two items found in Royalty Accounts.
 28. Who is Lessee?
 29. Who is Lessor?
 30. Give an example of Royalty payable in mines.
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Unit IV: Hire Purchase Accounts

31. Define Hire Purchase System.
 32. State any two features of Hire Purchase System.
 33. What is Cash Price in Hire Purchase?
 34. Write two points of difference between Hire Purchase and Installment System.
 35. What is Hire Vendor?
 36. What is Hire Purchaser?
 37. What is Default in Hire Purchase?
 38. What is a Suspense Account?
 39. Name one method to calculate Interest in Hire Purchase.
 40. What do you mean by Partial Returns in Hire Purchase?
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Unit V: Departmental Accounts

41. Define Departmental Accounts.
 42. Name two objectives of Departmental Accounts.
 43. What is a Departmental Trading Account?
 44. Mention two advantages of Departmental Accounting.
 45. How are indirect expenses allocated in Departmental Accounts?
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Unit VI: Branch Accounts

46. What is a Branch Account?
 47. Name any two objectives of Branch Accounts.
 48. Write any two methods of Branch Accounting.
 49. Mention any two advantages of maintaining Branch Accounts.
 50. What is the difference between Branch and Department?
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OBJECTIVES QUESTIONS

Unit I: Introduction & Principles

1. Who is called the father of Accountancy in India?
 - a) Luca Pacioli
 - b) K.S. Aiyar
 - c) Adam Smith
 - d) Robert Anthony
2. Which one is NOT an objective of Accounting?
 - a) To ascertain profit
 - b) To record transactions
 - c) To pay taxes
 - d) To provide information to management
3. GAAP stands for _____.
 - a) Generally Accepted Accounting Policies
 - b) General Average Accounting Practice
 - c) Generally Accepted Accounting Principles
 - d) None
4. Accounting Principles are _____.
 - a) Fixed
 - b) Flexible
 - c) Mandatory by law
 - d) Only for cost accountants
5. True or False: International Accounting Standards are same as Indian Accounting Standards.
 - a) True
 - b) False
6. Which is NOT an Accounting Concept?
 - a) Going Concern
 - b) Cost
 - c) Conservatism
 - d) Materiality

7. Double Entry System means _____ aspect(s).
a) One
b) Two
c) Three
d) Four
8. Double Entry System was introduced by _____.
a) K.S. Aiyar
b) Adam Smith
c) Luca Pacioli
d) Kohler
9. True or False: Accounting is both an art and a science.
a) True
b) False
10. _____ is an Accounting Convention.
a) Accrual
b) Consistency
c) Matching
d) Money Measurement

Unit II: Journal, Ledger & Final Accounts

11. Journal is known as the book of _____ entry.
a) Original
b) Final
c) Duplicate
d) Ledger
12. Ledger is also called the book of _____.
a) Primary Entry
b) Secondary Entry
c) Final Entry
d) Cash Entry
13. Trial Balance is prepared to check _____ accuracy.
a) Cost
b) Arithmetic
c) Legal
d) Practical

14. True or False: Profit & Loss Account shows financial position.

- a) True
- b) False

15. Balance Sheet shows _____ of the business.

- a) Profitability
- b) Financial Position
- c) Cash Flow
- d) Liabilities only

16. Debit side of Profit & Loss Account contains _____.

- a) Gains
- b) Incomes
- c) Losses and Expenses
- d) Capital

17. Trial Balance contains _____ balances.

- a) Debit only
- b) Credit only
- c) Both Debit and Credit
- d) None

18. Which of these is an error disclosed by Trial Balance?

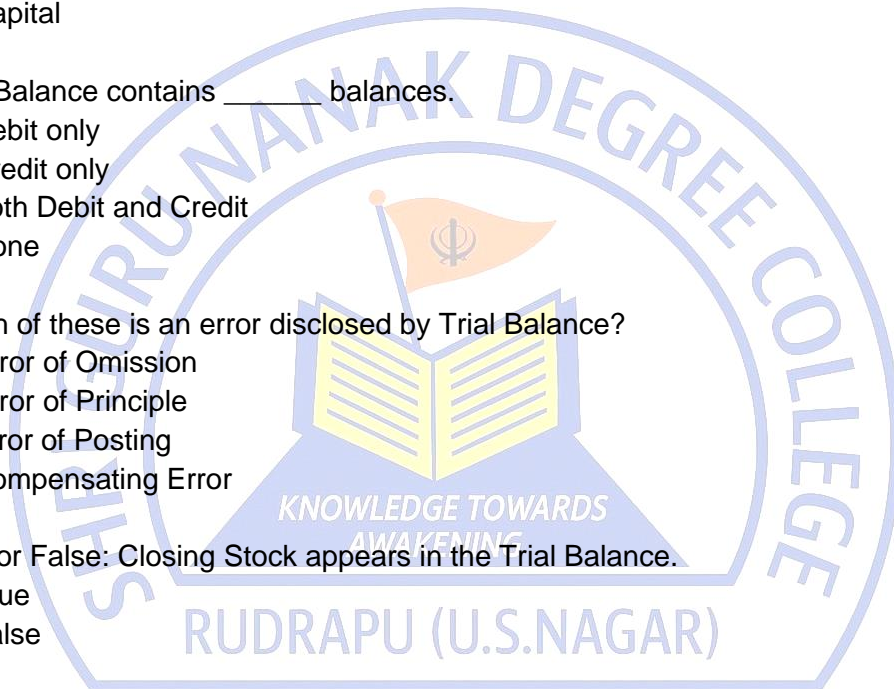
- a) Error of Omission
- b) Error of Principle
- c) Error of Posting
- d) Compensating Error

19. True or False: Closing Stock appears in the Trial Balance.

- a) True
- b) False

20. Which account is prepared at the end to ascertain net profit?

- a) Journal
- b) Ledger
- c) Trading Account
- d) Profit & Loss Account



Unit III: Royalty Accounts

21. Royalty is paid by _____.
a) Landlord
b) Lessee
c) Vendor
d) Creditor
22. Short Working is _____ payment of royalty.
a) Excess
b) Shortfall
c) Equal
d) Double
23. Nazrana is also known as _____.
a) Gift
b) Compensation
c) Premium
d) Commission
24. True or False: Royalty is a fixed payment only.
a) True
b) False
25. Recoupment means _____.
a) Recovering Short Working
b) Paying Advance Royalty
c) Bonus to Lessee
d) None
26. Royalty is calculated on _____ basis.
a) Production
b) Sales
c) Both a & b
d) None
27. True or False: Sub-Lease is an arrangement under Royalty.
a) True
b) False
28. Which account is prepared for Royalty transactions?
a) Suspense Account
b) Royalty Account
c) Lease Account

d) None

29. Lessee is the person who _____.

- a) Gives property on rent
- b) Takes property on rent
- c) Prepares the account
- d) None

30. Short Working Reserve is maintained by _____.

- a) Lessee
- b) Lessor
- c) Vendor
- d) Purchaser

Unit IV: Hire Purchase Accounts

31. Hire Purchase is governed by _____ Act.

- a) Income Tax
- b) Companies
- c) Hire Purchase
- d) Sale of Goods

32. In Hire Purchase, ownership transfers on _____ payment.

- a) First
- b) Last
- c) Middle
- d) None

33. Suspense Account is used for _____.

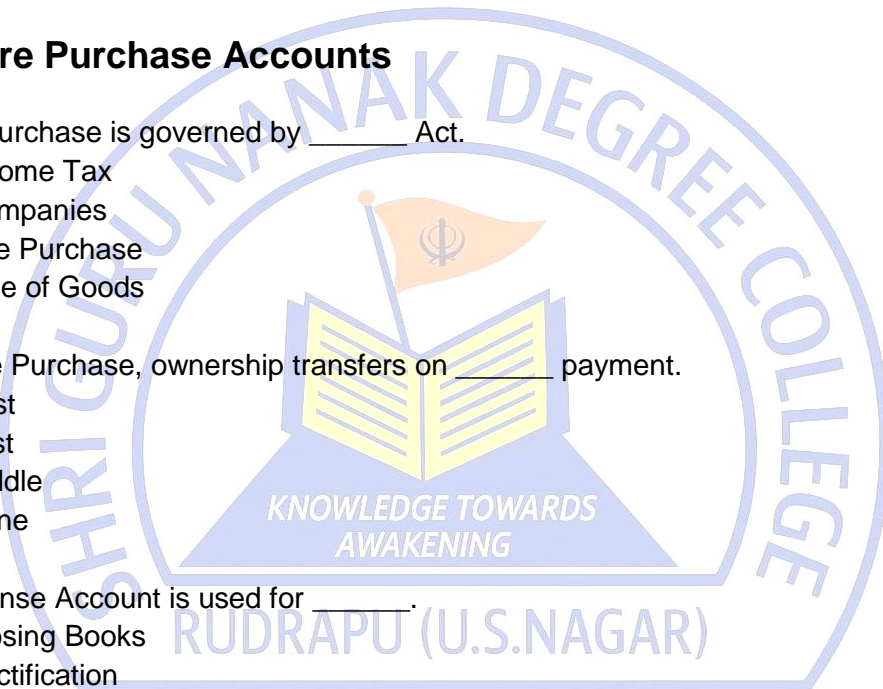
- a) Closing Books
- b) Rectification
- c) Interest adjustment
- d) Assets

34. True or False: Interest is calculated on Cash Price.

- a) True
- b) False

35. Default means _____ in payment.

- a) Excess
- b) Less
- c) Non-payment



d) Advance

36. Vendor sells goods on _____ basis.

- a) Installment
- b) Lump sum
- c) Cash
- d) None

37. Installment System differs from Hire Purchase because ownership transfers _____.

- a) On first installment
- b) On last installment
- c) Immediately
- d) Never

38. Partial Return means goods returned _____.

- a) Fully
- b) Partly
- c) Not returned
- d) Doubled

39. True or False: Cash Price includes interest.

- a) True
- b) False

40. Vendor prepares _____ Account.

- a) Purchaser's
- b) Buyer's
- c) Hire Purchaser's
- d) Hire Vendor's

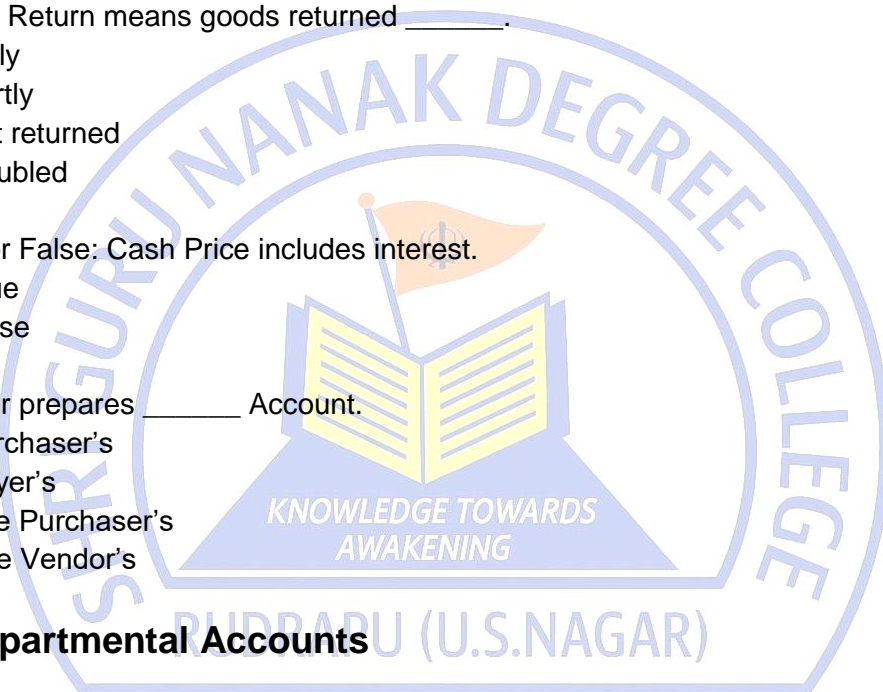
Unit V: Departmental Accounts

41. Departmental Accounts are prepared for _____ departments.

- a) Single
- b) All
- c) Government
- d) Service

42. Departmental Trading A/c shows _____.

- a) Overall Profit
- b) Department-wise Profit
- c) Cash Flow
- d) Sales Return



43. Which expense is allocated on actual basis?
- a) Indirect Expenses
 - b) Direct Expenses
 - c) Salaries
 - d) Depreciation
44. True or False: Departmental Accounts are legally compulsory.
- a) True
 - b) False
45. Departmental Accounts help in _____.
- a) Cost Reduction
 - b) Profit Comparison
 - c) Decision Making
 - d) All of these
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Unit VI: Branch Accounts

46. Branch Accounts are prepared to ascertain _____.
- a) Overall Cash
 - b) Branch Profit
 - c) Tax Payable
 - d) Gross Loss
47. Branch is _____ dependent unit.
- a) Independent
 - b) Semi-dependent
 - c) Dependent
 - d) None
48. True or False: Branch and Department are same.
- a) True
 - b) False
49. Branch Accounts are part of _____ Accounts.
- a) Final
 - b) Management
 - c) Cost
 - d) Consolidated

50. Which method is NOT used for Branch Accounting?

- a) Debtors System
 - b) Final Account System
 - c) Wholesale Branch System
 - d) Budgetary Control System
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