

CLASS XI ACCOUNTANCY

1 - THEORY BASE OF ACCOUNTING

1. The term that refers the necessary assumptions and ideas which are fundamental to accounting practice is:

- a) Accounting Convention
- b) Accounting Concept
- c) Accounting Period
- d) Accounting Procedure

2. The term that connotes customs or traditions as a guide to the preparation of accounting statements is:

- (a) Accounting Concept
- b) Accounting Procedures
- c) Accounting Convention
- d) Accounting Standards

3. Under which accounting concept the personal transactions of the owner are not recorded in the books of the business, unless it involves inflow or outflow of business funds.

- a) Business Entity
- b) Dual Aspect
- c) Materiality
- d) Money Measurement

4. Identify the assumption of accounting that provides the very basis for showing the value of assets in the Balance Sheet.

- a) Going Concern Concept
- b) Objectivity
- c) Full Disclosure
- d) Materiality

5. Which concept/Principle does the Income Tax act refer under The Companies Act 1956 that requires that the income statement should be prepared annually?

- a) Cost Concept
- b) Dual Concept
- c) Accounting Period Concept
- d) Matching Concept.

6. The concept that states the revenue and the expenses incurred to earn the revenue must belong to the same accounting period for ascertaining profit/loss for that year.

- a) Revenue Recognition
- b) Matching
- c) Full Disclosure
- d) Cost

7. The Indian Company's Act 1956 and SEBI, has provided a format for the preparation of Profit/Loss and Balance sheet of the Company which can enable the users to make correct assessment about the profitability and financial soundness of the enterprise under the Accounting concept popularly known as

- a) Materiality
- b) Conservatism
- c) Full Disclosure
- d) Consistency

8. Identify the concept that requires the documentary evidence for the accounting transaction which is supported by verifiable documents or vouchers.

- a) Materiality
- b) Objectivity

c) Full Disclosure

d) Consistency

9. The main function of Accounting standards Board is

i) To identify areas in which uniformity in standards is requested

ii) Develop draft standards after wide discussion with representative, the public sector undertakings etc.

a) Option (i) is the correct Statement

b) Option (ii) is the correct Statement

c) Both Option (i) and (ii) are the correct Statement

d) None of the Option is the correct Statement

10. Identify the two pair of accounting concept under which the life of business is assumed to continue to carry, so the firm invested Rs. 50,000 to purchase a machinery and assumed to earn Rs. 10,000 as a revenue from it.

a) Going Concern and Cost Concept

b) Matching and Dual aspect

c) Cost Concept and Consistency concept

d) Revenue Recognition and Matching Concept

11. Which principle does imply when the closing stock is valued at the cost or market value whichever less is, discount on debtors, creating provisions for doubtful debts or writing off the intangible assets etc. in the books of account?

a) Cost

b) conservatism

c) Materiality

d) consistency

12. Which principle does imply when the firm shows all the expenses related to its revenues of a specified accounting period even if the expenses were not paid in that financial year?

a) Cost

b) matching

c) conservatism

d) Dual aspect

13. The accounting data does not reflect the True and fair view of the firm as the heterogeneous value of two different assets that has been purchased in two different year, can't be clubbed together is the limitation of the concept of:

a) Money Measurement

b) cost

c) Accounting period

d) Matching

14. The value of a building that has been purchased by the firm for 3 crores, keeps on changing with its market value violates the principle of

a) Historical cost

b) Matching

c) Money Measurement

d) Materiality

15. The revenue will be recognized when

a) Received an order for the goods worth Rs.50,000 on 1st April'18

b) Goods worth Rs. 50,000 is supplied to the customer on 10th Apr'18

c) Received amount of Rs. 25,000 as from the customer on 15th Apr'18

d) Balance amount is received on 25th Apr'18

16. The firm purchased the machine cost Rs. 10,000 and charged depreciation @ 10% according to the Straight line Method. After 2 years they switch to the Written down value method. At the time of sale of machine they calculated the depreciation as per the SLM. Which accounting principle is violated?

- a) Historical cost
- b) consistency
- c) cost
- d) money Measurement

17. According to the Duality Principle, Calculate the Owner's claim, if the firms Outsider's claim is Rs 20,000 and the net worth of the assets that business owns is Rs 70,000.

- a)50,000
- b)90,000
- c)70,000
- d)20,000

18. As per the Duality principle calculate the total outsider's equity if the raw materials cost Rs. 5000, machine cost Rs. 50,000, Furniture used in the firm cost Rs. 20,000, cash at bank is Rs. 30,000 and the owner's equity is Rs. 70,000.

- a) Rs.35,000
- b) Rs. 1,75,000
- c) Rs. 70,000
- d) Rs. 1,40,000

19. ABC Ltd. Received an advance on sale in the month of Dec'18 for the sales made in the month of May'19. The sale should recognized on

- a) May'19
- b) Dec'18
- c) Both in May'19 and Dec'18
- d) Jan'19

20. Calculate the value of the asset at the time of preparing final account that is purchased for Rs. 5,00,000, if the market value is Rs. 7,00,000 as per the cost concept.

- a) Rs. 5,00,000
- b) Rs. 7,00,000
- c) Rs.1,20,000
- d) Rs. 2,00,000

21. Why is it necessary for accountants to assume that a business entity will remain a going concern?

22. When should revenue be recognized? Are there exceptions to the general rule?

23. What is the basic accounting equation?

24. Explain the two basis of recording a transaction.

25. Explain the two systems of Accounting.

26. 'The Accounting Concepts and Accounting Standards are generally referred to as the essence of Financial Accounting'. Comment.

27. Why is it important to adopt a consistent basis for the preparation of financial statements? Explain.

28. What is the Money Measurement Concept? Which one factor can make it difficult to compare the monetary values of one year with the monetary values of another year?

29. State the concepts applicable to the following statements.

- (a) The same accounting method should be used from one accounting period to another.
- (b) The accounting transaction should be free from bias.
- (c) If a firm believes that some of its debtors may default, it should act on this by making sure that all possible losses are recorded in the books.
- (d) The fact that business is separate and distinguishable from its owner.
- (e) Everything a firm owns, it also owes out to somebody.

30. State the name of the relevant accounting assumption or principle applied here in:

- (a) Valuation of the crops at market value.
- (b) Following the Written down Value Method of depreciating, a particular asset is valued year after year.
- (c) Purchase of an assets for the owner is not recorded by business
- (d) Valuation of fixed assets at purchase price

Answers

1. b
2. c
3. a
4. a
5. c
6. b
7. c
8. b
9. c
10. a
11. b
12. b
13. a
14. a
15. b
16. b
17. a
18. b
19. a
20. a
21. To treat business and personal transactions separately.
22. Revenue is recognized at the time of sale or providing service. In cash system, it is at the time of receipt of cash.
23. $\text{Assets} = \text{Liabilities} + \text{Capital}$
24. Cash and Accrual Basis of accounting
25. Double entry and single entry system of accounting
26. They are the basic guidelines for accounting.

Benefits of Accounting Standards

1. Accounting standard helps in eliminating variations in accounting treatment to prepare financial statements.
 2. Accounting standard may call for disclosures of certain information which may not be required by law, but such information might be useful for general public, investors and creditors.
 3. Accounting standard facilitate comparability between financial statements of inter and intra companies.
27. According to the Consistency Principle, accounting practices once selected should be continued over a period of time (i.e. years after years) and should not be changed very frequently. These help in a better understanding of the financial statements and thus make comparisons easy.
28. Money measurement concept : Only those transactions which can be expressed in terms of money can be recorded. It is because of the fact that the money measurement concept ignores the changes in the purchasing power of the money, i.e. only the nominal value of money is concerned with and not the real value. What Rs 1 could buy 10 years back cannot buy today; hence, the nominal value of money makes comparison difficult.

29. (a) Consistency. (b) Objectivity (c) Prudence or Conservatism (d) Business entity
(e) Accounting equation
30. (a) Conservatism (b) Consistency (c) Business entity (d) Historical cost