

FOCUS AREA BASED ON PREVIOUS AND EXPECTED QUESTIONS ,
ANSWERS OF PLUS ONE ACCOUNTANCY 2020-2021

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Chapter 2.

Theory Base of Accounting

1. Transaction between owner and business are recorded due to -----principle.
a. Going concern b. Accounting Entity c. Matching d. Consistency.

Ans:b. Accounting Entity

2. Match the following.

A	B
1. Closing stock is valued at cost or market price which ever is less.	1. Objectivity Principles.
2. Every transactions will have two aspect.	2. money measurement concept.
3. All business events not recorded in accounting	3. Dual aspect concept.
4. Accounting information should be free from bias	4. Principles of conservatism.

Ans: 1. Closing stock is valued at cost or market price which ever is less. -

4. Principles of conservatism.

2. Every transactions will have two aspect. -3. Dual aspect concept.

3. All business events not recorded in accounting -2. money measurement concept.

4. Accounting information should be free from bias -1. Objectivity Principles.

3. The fact that a business is separate and distinguished from its owner is best exemplified by
concept.

a) Money measurement b) Going concern c) business entity d) cost.

Ans: c) business entity

4. The Accounting principle relevant to the following equation:

“Profit = Revenue – Expenses”

a) Revenue Realisation Principle. b) Matching Principle. c) Objectivity Principle. d) Cost Principle.

Ans: b) Matching Principle.

5. Explain the meaning of GAAP ?

Ans: Generally Accepted Accounting Principles.

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6. All business transactions are recorded by referring to the supporting vouchers. This is based onconcept of accounting.

a. Verifiable objective. b. Accounting period c. Cost concept d. Accounting Entity.

Ans:a. **Verifiable objective**

7. Verifiable objective is also known as

a. Revenue realisation. b. Objective Evidence Concept. c. Matching Concept. d. Full Disclosure.

Ans:b. **Objective Evidence Concept.**

8. Something have 'separate existences ' which is this concept?

a. Going Concern b. Accounting entity Concept c. Money measurement . d. None of these.

Ans: **b. Accounting entity Concept**

9. Identify the accounting principles related to the following?

a. Purchased 10 Kg of raw materials for Rs. 5000. was entered in the books of accounts as Rs. 5000.

Ans: **Money Measurement Concept.**

b. Assets of business are always equal to the claims of owners and outsiders.

Ans: **Dual Aspect**

10. Identify the accounting principles applied in the following cases and briefly explains the concerned accounting principles.

a. $Assets = Liabilities + Capital$.

Ans: **Dual Aspect**

b. Capital is regard as liability.

Ans: **b. Accounting entity Concept**

c. Stock is valued at cost price or market price, which ever is less.

Ans: **Principles of conservatism.**

11. A building worth Rs. 10 Lakhs is purchased for Rs. 8 lakhs and recorded the same in the books of accounts of Rs. 8 lakhs.

a. Name the accounting principle referred in the above

Ans: **Historical Cost**

b. Explain that principle ?

Ans: **The cost concept requires that all assets are recorded in the book of accounts at their purchase price, which includes cost of acquisition, transportation, installation and making the asset ready to use.**

12. Which principle require that all transactions should be recorded at their acquisition cost ?

Ans: **Historical Cost**

13. Rajanesh is a manager with great expertise in management and leading his firm very well. But his expertise does not find a place in the accounting records of the firm.

a. Is it genuine according to the rules of the accounting?

Ans: **Yes**

b. State your answer with the reason.

Ans: **Money measurement concept.**

14. In a meeting the General Manager appreciate the Sales Department's achievement of Rs. 25 Lakhs sales during the year 2020. But this activity of the General Manager is not recorded in the accounting of the business.

a. Identify the accounting principles on the basis of which this activity is not recorded ?

Ans: **Money measurement concept.**

b. Explain the above principles?

Ans: **The concept of money measurement states that only those transactions and happenings in an organisation which can be expressed in terms of money**

15. Identify the accounting principles related to the following transactions.

a. A land was purchased for Rs. 5,00,000. But the market value of it was Rs. 7,00,000. It was recorded in the books of the firm Rs. 5,00,000.

Ans: **Historical Cost**

b. A business unit would continue to carry out its operation indefinitely for a long period of time and not liquidate in the near future.

Ans. **Going concern**

16. Match the following

A	B
Matching Concept.	Verifiable objective
money measurement concept.	Salary out standing
Conservatism Concept	Efficiency of the labour
Vouchers and Bills	Provisions for bad debts.

Ans:

Matching Concept.	-Salary out standing
money measurement concept.	-Efficiency of the labour
Conservatism Concept	-Provisions for bad debts.
Vouchers and Bills	-Verifiable objective

17. Every transactions has two aspects which will be recorded in the books of accounts. Identify the accounting concepts.?

Ans: **Dual Aspect**

18. Identify the relevant principles and concepts associated with the following
a. The quality of the ,manpower is not recorded in the books of accounts.

Ans: **money measurement concept.**

b. Capital is a liability for the business.

Ans: **Accounting Entity**

c. For every debit, there is an equal and corresponding credit.

Ans: **Dual Aspect**

d. contingent liabilities are shown as a footnote in the balance sheet.

Ans: **Full Disclosure**

e. Anticipate no profit but provide for all possible losses.

Ans: **Conservatism / Prudence**

19. Which one of the following principles of accounting helps to equate the assets of a firm with its liabilities?

a. Full Disclosure principle .b. Duality Principle . c. Matching Principles d. Cost price.

Ans: **b. Duality Principle**

20. which assumption of accounting states that the capital supplied by the proprietor is a liabilities to the business?

Ans: **Accounting Entity**

21. A firm purchased pen and paper weight and included these items under the head stationary. Identify the relevant accounting principle?

Ans: **Matching Concept.**

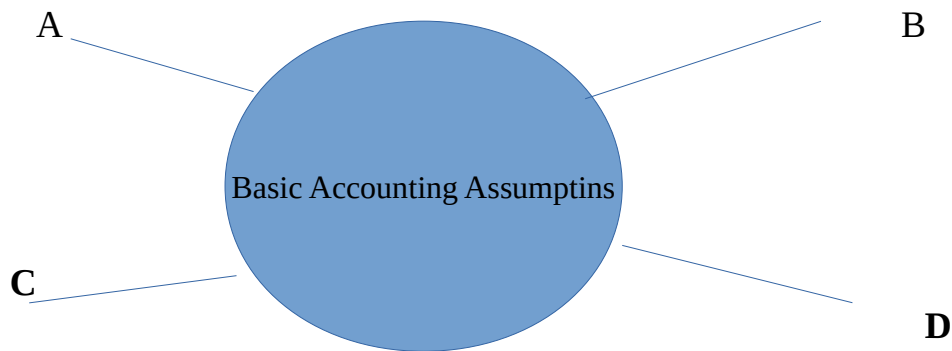
22. According to.... principle , frequent changes in accounting policies, adversely affect the reliability of financial information.

Ans: **Consistency**

23. “ Duality is one of the important principles of accounting”. The receiving aspect of a transaction is called..... and giving aspect of the transaction is called.....

Ans: **Debit and Credit.**

24. Complete the blank spaces with the help of the central theme given.



Ans:a. Going concern.

b. Dual Aspect

c. Consistency

d. Accounting Entity

e. Money measurement

f. Accounting period .

g. Revenue Recognition.

h. Historical cost. Etc

25. Newton's scientific theory tells that for every action there is an equal and opposite reaction. Identify the accounting principle which is almost similar to this theory and explain.

Ans: **Duality**

26. Market value of investment is shown below the balance sheet as a foot note according to.

- a. Conservatism concept
- b. Separate entity concept
- c. Consistency concept
- d. Disclosure concept.

Ans: **d. Disclosure concept.**

27. Provisions for bad debts and doubtful debts is created in anticipation of actual bad debts on the basis of..

- a. Business entity concept
- b. Conservatism concept
- c. Going concern concept .
- d. Full disclosure concepts.

Ans: **b. Conservatism concept**

28. During the life time of an entity accounting produce financial statements is accordance with which basic accounting concepts.

- a. Conservatism
- b. Matching
- c. Accounting period
- d. None of these.

Ans: **c. Accounting period**

29. A concept that a business enterprises will not be sold or liquidated in the near future is known as

- a. Going concern
- b. Economic entity
- c. Monetary entity
- d. None of these.

Ans: **a. Going concern**

30. Transactions relating to the qualitative aspect of business are not recorded because of the.....

- a) money measurement
- b) entity concept.
- c) accrual concept
- d) consistency principle.

Ans: **a) money measurement concept.**

31. Which accounting principle/Concept is based on the policy of playing safe?

Ans: **Conservatism/ Prudence**

32. Explain any 6 from the following accounting principles.

- a. Going concern.
- b. Dual Aspect
- c. Consistency
- d. Accounting Entity
- e. Money measurement
- f. Accounting period .
- g. Revenue Recognition.
- h. Historical cost.
- i. Matching
- j. Full disclosure
- k. Objectivity.
- l. Materiality.
- m. Historical cost.
- n. Prudence.
- o. Consistency.

33. Match the following

A company follows the same method of depreciation for last 5 years.	Accounting period
A firm ascertained profit or loss at the end of each year	Matching Concept
A firm record purchase of assets at cost price only	Consistency Concept
All prepaid expenses are deducted from the total expense paid.	Cost concept

Ans: A company follows the same method of depreciation for last 5 years-
- Consistency
Concept.

A firm ascertained profit or loss at the end of each year - Accounting period.

A firm record purchase of assets at cost price only - Cost concept

All prepaid expenses are deducted from the total expense paid. - Matching Concept

34. The accounting concepts behind creativity provision for doubtful debts is...

- a. Consistency Concept. b. Conservatism Concept c. Materiality Concept.
d. Objectivity Concept.

Ans: b. Conservatism Concept

35. The stationary items purchased for business use are treated as an asset in the books of accounts.

- a. Identify the guiding concept of this accounting treatment .

Ans: Materiality

36. Which accounting concept specifies the practice of crediting closing stock to the trading account.

- a. Cost concepts b. Revenue realisation Concept c. Going concern concept.
d. Matching concepts.

Ans: d. Matching concepts.

37. Recognition of expenses with associated revenue is called... concepts

- a. Revenue Recognition b. Cost. c. Matching d. Materiality.

Ans: c. Matching

38. Match the following

A	B
Creating provision for doubtful debts	Business entity concepts
Owner and business are separate and distinct	Money measurement concepts
Business has fairly life	Conservatism concepts
Qualitative aspects are ignored in accounts	Consistency concepts.

Ans: Creating provision for doubtful debts - Conservatism concepts
Owner and business are separate and distinct - Business entity concepts
Business has fairly life - Consistency concepts.
Qualitative aspects are ignored in accounts - Money measurement concepts

39. The features of accounting that states that 'Accounting Information must be free from bias and errors is...

a. Reliability b. Relevance c. Understandability . d. Comparability.

Ans: a. Reliability .

40. Explain Accounting Standard?

Ans: Accounting standards are written policy documents covering the aspects of recognition, measurement, treatment, presentation and disclosure of accounting transactions in financial statements..