Financial Statements 2

Question 1.  
Outstanding Expenses are related to-  
(a) Current year  
(b) Next year  
(c) Last year  
(d) None of these.

Answer

Answer: (a) Current year

Question 2.  
Prepaid expenses are shown in-  
(a) Liability side  
(b) Asset side  
(c) Assets or Liability side  
(d) None of these.

Answer

Answer: (b) Asset side

Question 3.  
Charity of goods is-  
(a) Expenses  
(b) Loss  
(c) Profit  
(d) None of these.

Answer

Answer: (b) Loss

Question 4.  
If a person fails to pay his debt, such amount is considered as-  
(a) Bad debts  
(b) Bad debts recovered  
(c) Provision for Bad debt  
(d) None of these.

Answer

Answer: (a) Bad debts

Question 5.  
The object of non – trading concerns-  
(a) Social service  
(b) Profit earning  
(c) Both of these  
(d) None of the above.

Answer

Answer: (a) Social service

Question 6.  
Such persons who earn remuneration against their services are called –  
(a) Seller  
(b) Purchaser  
(c) Professional  
(d) None of these.

Answer

Answer: (c) Professional

Question 7.  
Which of the following is not an item of income of Non – trading concern –  
(a) Entrance fees  
(b) Interest  
(c) Govt. Aid  
(d) Salary.

Answer

Answer: (d) Salary.

Question 8.  
Receipt and payment account is a summary of-  
(a) Income & Expenditure account  
(b) Profit & Loss A/c  
(c) Cash – book  
(d) None of these.

Answer

Answer: (c) Cash – book

Question 9.  
Which of the following is recorded in income & expenditure account –  
(a) Revenue items  
(b) Capital items  
(c) Revenue and capital items  
(d) None of these.

Answer

Answer: (a) Revenue items

Fill in the blanks:

1. Goods given in charity is credited in …………… Account.

Answer

Answer: Purchase

2. Such Expenses which are paid in current year but are related to next year are called ……………. expenses.

Answer

Answer: Prepaid expenses

3. Accrued income is ……………. Account.

Answer

Answer: Personal account

4. There is ……………. fall in the value of Asset due to depreciation.

Answer

Answer: Constant/ gradual

5. Interest on capital is always shown in …………….. side of profit & loss A/c.

Answer

Answer: Debit

6. Unearned income is shown on the ……………….. side of balance sheet.

Answer

Answer: Liability

7. The main object of non – trading concerns is ……………….

Answer

Answer: Social service

8. The debit side of income & expenditure A/c is called ………………. side.

Answer

Answer: Expenditure

9. Non – trading concerns maintain their books according to ………………. system.

Answer

Answer: Cash

10. …………….. account is prepared with the help of cash-book.

Answer

Answer: Receipts & payment A/c

11. Only …………… item are shown in income & expenditure A/c.

Answer

Answer: Revenue

12. ……………. represents the excess of assets over liabilities.

Answer

Answer: Capital

State True or False:

1. Depreciation is charged only in case of profits.

Answer

Answer: False

2. Unearned Income is recorded in Asset side.

Answer

Answer: False

3. Interest on Capital is income for the business.

Answer

Answer: False

4. Drawing of goods is deducted from purchases.

Answer

Answer: True

5. Doctor employed with government is an example of non – trading professional.

Answer

Answer: False

6. Professional people maintain their accounts according to cash system.

Answer

Answer: True

7. Income & expenditure account reveals cash balance.

Answer

Answer: False

8. Capital items are written in Receipts & payments account.

Answer

Answer: True

9. No adjustment is made in Receipt & payment A/c.

Answer

Answer: True

Match the following:

1.

|  |  |
| --- | --- |
| **Column A** | **Column B** |
| 1. Added to Expenses | (a) Interest on Capital |
| 2. Deduced from Expenses | (b) Depreciation |
| 3. Deducted from Assets | (c) Outstanding Expenses |
| 4. Added to capital | (d) Prepaid Expenses |

Answer

Answer:

|  |  |
| --- | --- |
| **Column A** | **Column B** |
| 1. Added to Expenses | (c) Outstanding Expenses |
| 2. Deduced from Expenses | (d) Prepaid Expenses |
| 3. Deducted from Assets | (b) Depreciation |
| 4. Added to capital | (a) Interest on Capital |

2.

|  |  |
| --- | --- |
| **Column A** | **Column B** |
| 1. Outstanding expense of last year | (a) Balance sheet |
| 2. Unearned income of current year | (b) Opening capital |
| 3. Hospital | (c) Professional |
| 4. Manager I Doctor / Surgeon | (d) Non-trading concern |
| 5. School/college | (e) Non-trading concern. |

Answer

Answer:

|  |  |
| --- | --- |
| **Column A** | **Column B** |
| 1. Outstanding expense of last year | (a) Balance sheet |
| 2. Unearned income of current year | (b) Opening capital |
| 3. Hospital | (d) Non-trading concern |
| 4. Manager I Doctor / Surgeon | (c) Professional |
| 5. School/college | (e) Non-trading concern. |

Answer in one word/sentence:

1. Such Expenses for which services have been received but amount is yet to be paid are called.

Answer

Answer: Outstanding Expenses

2. Recording of relevant transactions and eliminating non – related transactions is called.

Answer

Answer: Adjustment

3. Such income which is earned but not yet received is called.

Answer

Answer: Accrued or Earned Income

4. Unearned income is recorded in which side of the balance sheet?

Answer

Answer: Liability side

5. Which statement/Account reveals the financial position of the non – trading concerns?

Answer

Answer: Balance sheet

6. “The receipts and payments account is nothing as more than the summary of the cash book” who said this?

Answer

Answer: Pickles

7. When a donor provides a continuous source of income to the concerns by endowment of property or money, such a donation is called.

Answer

Answer: Endowment fund

8. What is the nature of interest on investments?

Answer

Answer: Revenue

9. The major source of non – trading concern is.

Answer

Answer: Subscription