



**INDIAN SCHOOL MUSCAT**  
**DEPARTMENT OF COMMERCE AND HUMANITIES**  
**SENIOR SECTION**  
**CLASS – XI**  
**ACCOUNTANCY (055)**  
**WORKSHEET NO: - 02**  
**THEORY BASE OF ACCOUNTING**

Date:-----

**I Multiple Choice Questions (1 mark)**

1. During the life-time of an entity, accounting produces financial statements in accordance with which basic accounting concept:
  - (a) Conservation
  - (b) Matching
  - (c) Accounting period
  - (d) None of the above
2. When information about two different enterprises have been prepared and presented in a similar manner the information exhibits the characteristic of:
  - (a) Verifiability
  - (b) Relevance
  - (c) Reliability
  - (d) None of the above
3. A concept that a business enterprise will not be sold or liquidated in the near future is known as:
  - (a) Going Concern
  - (b) Economic Entity
  - (c) Monetary Unit
  - (d) None of the above
4. The primary qualities that make accounting information useful for decision-making are:
  - (a) Relevance and freedom from bias
  - (b) Reliability and comparability
  - (c) Comparability and consistency
  - (d) None of the above

**II State whether the following statements are true or false:**

- (a) Business Entity concept is not applicable to sole trading concerns and partnership firms.
- (b) According to the Convention of Consistency, accounting policies and practices once adopted should be consistently followed.
- (c) Quality of manpower is not shown in the financial statements because of Revenue principle.

**III Fill in the blanks**

- (a) Transactions between owner and business are recorded due to \_\_\_\_\_ concept.
- (b) Going concern concept assumes that business will be carried on for \_\_\_\_\_ period.
- (c) The \_\_\_\_\_ concept requires that accounting transactions should be free from bias of accountants and others.

#### IV Short answer question (2 to 3 marks)

1. Why is it necessary for accountants to assume that a business entity will remain a going concern?
2. When should revenue be recognized? Are there exceptions to the general rule?
3. What is the basic accounting equation?
4. The realization concept determines when goods sent on credit to customers are to be included in the sales figure for the purpose of computing the profit or loss for the accounting period. Which of the following tends to be used in practice, to determine when to include a transaction in the sales figure for the period? When the goods have been:
  - (a) dispatched
  - (b) invoiced
  - (c) delivered
  - (d) paid forGive reasons for your answer.
5. Explain the two basis of recording a transaction.
6. Explain the two systems of Accounting.

#### V Long Answer questions (4 marks)

1. 'The Accounting Concepts and Accounting Standards are generally referred to as the essence of Financial Accounting'. Comment.
2. Why is it important to adopt a consistent basis for the preparation of financial statements? Explain.
3. Discuss the concept-based on the premise 'do not anticipate profits but provide for all losses'.
4. What is matching concept? Why should a business concern follow this concept? Discuss.
5. 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?
6. Write Short note on:

(a) Business Entity	(h) (Realisation)
(b) Money Measurement	(i) Matching
(c) Going Concern	(j) Full disclosure
(d) Accounting Period	(k) Consistency
(e) Cost Concept	(l) Conservatism (Prudence)
(f) Dual Aspect (or Duality)	(m) Materiality
(g) Revenue Recognition	(n) Objectivity.
7. Distinguish between "Cash basis" and "Accrual basis" of Accounting. (Any two)
8. 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.
9. 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 year after year.
- (c) Classification of assets as current assets and fixed assets.
- (d) Valuation of fixed assets at purchase price.

10. Name the accounting principle/concept involved in each of the following:

- (a) Closing stock is recorded at cost or market value whichever is lower.
- (b) The accountants assume that the business will not be liquidated in the near future.
- (c) Sale is recognized on the basis of Cash Memo/Invoice.

