

# **Chapter 1: Introduction to Book - Keeping and Accountancy**

## **EXERCISE 1 [PAGE 16]**

Exercise 1 | Q 1 | Page 16

**Answer in One Sentence:**

### **QUESTION**

**What is Book-keeping?**

Book-keeping is the science and art of correctly recording in the books of accounts, all those business transactions that result in the transfer of money or money's worth.

### **SOLUTION**

Book-keeping is the science and art of correctly recording in the books of accounts, all those business transactions that result in the transfer of money or money's worth.

Exercise 1 | Q 2 | Page 16

### **QUESTION**

**Answer in One Sentence:**

What is meant by Goods?

### **SOLUTION**

The term Goods refers to merchandise, commodities, articles, or things in which a trader trades.

Exercise 1 | Q 3 | Page 16

### **QUESTION**

**Answer in One Sentence:**

What is Capital?

### **SOLUTION**

The total amount invested in the business by the owner is called Capital. Excess of assets over the liabilities is known as Capital.

### **QUESTION**

#### **Answer in One Sentence:**

What is Drawings?

### **SOLUTION**

The amount of cash or value of goods, assets, etc. withdrawn from the business by the owner for personal use is known as Drawings.

### **QUESTION**

#### **Answer in One Sentence:**

What is Goodwill?

### **SOLUTION**

Goodwill means the aggregate of those intangible attributes of a business which contributes to its superior earning capacity over a normal return on investments.

## **EXERCISE 2 [PAGE 16]**

### **QUESTION**

#### **Give the word term or phrase which can substitute the following statement:**

Recording of business transactions.

### **SOLUTION**

Recording of business transactions. - **Bookkeeping**

### **QUESTION**

#### **Give the word term or phrase which can substitute the following statement:**

Amount invested in business by the proprietor.

### **SOLUTION**

Amount invested in business by the proprietor. - **Capital**

Exercise 2 | Q 3 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

A person to whom amount is payable.

### **SOLUTION**

A person to whom amount is payable. - **Creditor**

Exercise 2 | Q 4 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Exchange between two persons.

### **SOLUTION**

Exchange between two persons. - **Transaction**

Exercise 2 | Q 5 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Excess of expenses over income.

### **SOLUTION**

Excess of expenses over income. - **Loss**

Exercise 2 | Q 6 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

A person whose assets are sufficient enough to meet business obligations.

### **SOLUTION**

A person whose assets are sufficient enough to meet business obligations. - **Solvent person**

Exercise 2 | Q 7 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Book-keeping is providing all required financial information to the businessman.

### **SOLUTION**

Book-keeping is providing all required financial information to the businessman.

- **Decision making**

Exercise 2 | Q 8 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Property of any description owned by Proprietor.

### **SOLUTION**

Property of any description owned by Proprietor. - **Assets**

Exercise 2 | Q 9 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Assets which remain in the business for only for short time and can be converted into cash very easily.

### **SOLUTION**

Assets which remain in the business for only for short time and can be converted into cash very easily. - **Current assets**

Exercise 2 | Q 10 | Page 16

### **QUESTION**

**Give the word term or phrase which can substitute the following statement:**

Allowance is given on catalogue price of goods

### **SOLUTION**

Allowance is given on catalogue price of goods. - **Trade discount**

### **EXERCISE 3 [PAGE 17]**

Exercise 3 | Q 1 | Page 17

#### **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

Surplus of income over expenses is \_\_\_\_\_.

- Profit
- Deficit
- Loss
- Financial Statements

#### **SOLUTION**

Surplus of income over expenses is **Profit**.

Exercise 3 | Q 2 | Page 17

#### **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

In \_\_\_\_\_ basis of accounting, actual cash receipts and actual cash payments are recorded.

- Accrual
- Hybrid
- Cash
- Mercantile

#### **SOLUTION**

In **Cash** basis of accounting, actual cash receipts and actual cash payments are recorded.

Exercise 3 | Q 3 | Page 17

#### **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

Amount which is not recoverable from customer is known as \_\_\_\_\_.

- Bad Debts
- Debts
- Debtors
- Doubtful debts

### **SOLUTION**

Amount which is not recoverable from customer is known as **Debts**.

Exercise 3 | Q 4 | Page 17

### **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

Accounts must be honestly prepared and they must disclose all material information is known as \_\_\_\_\_.

- Entity Concepts
- Dual Aspect Concept
- Disclosure Concept
- Cost Concept

### **SOLUTION**

Accounts must be honestly prepared and they must disclose all material information is known as **Disclosure Concept**.

Exercise 3 | Q 5 | Page 17

### **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

A commodity in which a trader deals is known as \_\_\_\_\_.

- Goods
- Income

- Property
- Expenditure

## **SOLUTION**

A commodity in which a trader deals is known as **Goods**.

Exercise 3 | Q 6 | Page 17

## **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

\_\_\_\_\_ means a reputation of a business valued in terms of money.

- Trademark
- Assets
- Patents
- Goodwill

## **SOLUTION**

**Goodwill** means a reputation of a business valued in terms of money.

Exercise 3 | Q 7 | Page 17

## **QUESTION**

**Select the most appropriate alternative from the given below and rewrite the statement.**

Cash flow statement is prepared and presented for the period for which the profit and loss account is prepared

- AS-3
- AS-10
- AS-6
- AS-2

## **SOLUTION**

AS-3

Exercise 3 | Q 8 | Page 17

## QUESTION

**Select the most appropriate alternative from the given below and rewrite the statement.**

The immediate recognition of loss is supported by principle of \_\_\_\_\_.

- Conservatism
- Objective
- Matching
- Consistency

## SOLUTION

The immediate recognition of loss is supported by the principle of **Conservatism**.

Exercise 3 | Q 9 | Page 17

## QUESTION

**Select the most appropriate alternative from the given below and rewrite the statement.**

Brief explanation of an entry is called as \_\_\_\_\_.

- Folio
- Narration
- Posting
- Journalising

## SOLUTION

Brief explanation of an entry is called as **Narration**.

Exercise 3 | Q 10 | Page 17

## QUESTION

**Select the most appropriate alternative from the given below and rewrite the statement.**

An act of exchange of things or services between the two parties is termed as\_\_\_\_\_.

- Ledger
- Transfer



- Transaction
- Business

## **SOLUTION**

An act of exchange of things or services between the two parties is termed as **Transaction**.

## **EXERCISE 4 [PAGE 17]**

Exercise 4 | Q 1 | Page 17

### **QUESTION**

**State whether the following statement is true or false with reasons:**

Book-keeping and accounting are one and the same thing.

- True
- False

### **SOLUTION**

**This statement is False.**

Bookkeeping and accounting are not one and the same thing. Book-keeping is the art of recording business transactions in a set of books whereas accounting refers to analysis and interpretation of book-keeping records. Book-keeping itself is a part and parcel of accounting.

Exercise 4 | Q 2 | Page 17

### **QUESTION**

**State whether the following statement is true or false with reasons:**

Conservatism means to follow the safe side.

- True
- False

### **SOLUTION**

**This statement is True.**

As per the conservatism concept always consider probable loss and avoid the probable profit. Therefore, we can say that conservatism means to follow the safe side.

### QUESTION

**State whether the following statement is true or false with reasons:**

The double entry system is based on "Dual Aspect" concept.

- True
- False

### SOLUTION

**This statement is True.**

As per dual aspect concept, in every transaction. Every debit has its corresponding and equal credit effect, which is always followed in the double-entry system.

### QUESTION

**State whether the following statement is true or false with reasons:**

Bank overdraft is an asset of the business.

- True
- False

### SOLUTION

**This statement is False.**

The amount withdrawn by the Current Accountholder in excess of the balance in his Current Account up to a predetermined limit decided by the bank on the basis of security offered is called Bank Overdraft. It is a temporary loan given by the bank to the Current Accountholder. It is a liability of the business.

### QUESTION

**State whether the following statement is true or false with reasons:**

Solvent person is a person whose assets are more than his liabilities.

- True
- False

## **SOLUTION**

**This statement is True.**

As per the definition of solvent, a person can be a solvent person when a person's assets are more than its liabilities.

Exercise 4 | Q 6 | Page 17

## **QUESTION**

**State whether the following statement is true or false with reasons:**

Cash discount does not appear in the books of accounts.

- True
- False

## **SOLUTION**

**This statement is False.**

For the encouragement of the prompt payment, the seller allows some discount to their buyers and it is an expense for the seller. Therefore, cash discount, as an expense, will appear in the book of account.

Exercise 4 | Q 7 | Page 17

## **QUESTION**

**State whether the following statement is true or false with reasons:**

A transaction is concerned with money or money's worth

- True
- False

## **SOLUTION**

**This statement is True.**

In the business, the transaction having monetary value should be recorded in the books of accounts, which means a transaction must be concerned with money or money's worth.

Exercise 4 | Q 8 | Page 17

## **QUESTION**

**State whether the following statement is true or false with reasons:**

Accounting is the language of business.

- True
- False

### **SOLUTION**

**This statement is True.**

Accounting means how you record, classify, or analyse the business transactions which suggest that accounting is the language of business.

Exercise 4 | Q 9 | Page 17

### **QUESTION**

**State whether the following statement is true or false with reasons:**

In civilization, accounting was done by owners.

- True
- False

### **SOLUTION**

**This statement is False.**

In ancient time, accounting was done and periodically prepared by the agents of wealthy people, who managed their properties and accounts, for their boss, means accounting was not done by owners.

Exercise 4 | Q 10 | Page 17

### **QUESTION**

**State whether the following statement is true or false with reasons:**

Book-keeping is useful to find out all tax liabilities.

- True
- False

### **SOLUTION**

**This statement is True.**

To find out the tax liabilities of the business, business transaction classification is useful which is possible only in Book-keeping.

## **EXERCISE 5 [PAGE 18]**

Exercise Q.5 | Q 1 | Page 18

### **QUESTION**

**Do you agree or disagree with the following statements :**

Accounting is useful only to the owner.

- agree
- disagree

### **SOLUTION**

Accounting is useful only to the owner. - **disagree**

Exercise 5 | Q 2 | Page 18

### **QUESTION**

**Do you agree or disagree with the following statements :**

Book-keeping is an art, science and profession.

- Agree
- Disagree

### **SOLUTION**

Book-keeping is an art, science and profession. - **Agree**

Exercise 5 | Q 3 | Page 18

### **QUESTION**

**Do you agree or disagree with the following statements :**

Bills Payable is an asset of the business.

- Agree
- Disagree

### **SOLUTION**

Bills Payable is an asset of the business. - **Disagree**

Exercise 5 | Q 4 | Page 18

### QUESTION

**Do you agree or disagree with the following statements :**

In Book-keeping and Accountancy, only non-monetary transactions are recorded.

- Agree
- Disagree

### SOLUTION

In Book-keeping and Accountancy, only non-monetary transactions are recorded.  
- **Disagree**

Exercise 5 | Q 5 | Page 18

### QUESTION

**Do you agree or disagree with the following statements :**

Totalling of Journal or Ledger is called as casting.

- Agree
- Disagree

### SOLUTION

Totalling of Journal or Ledger is called as casting. - **Agree**

## EXERCISE 6 [PAGE 18]

Exercise 6 | Q 1 | Page 18

### QUESTION

**Complete the following sentence:**

Revenue arising as a result of business transactions is known as \_\_\_\_\_

### SOLUTION

Revenue arising as a result of business transactions is known as **Income**

Exercise 6 | Q 2 | Page 18

## QUESTION

**Complete the following sentence:**

Excess of gross profit over operating expenses is\_\_\_\_\_

## SOLUTION

Excess of gross profit over Operating expenses is **operating profit.**

Exercise 6 | Q 3 | Page 18

## QUESTION

**Complete the following sentence:**

An expenditure which is basically revenue in nature but benefit of which is not exhausted within one year is called as \_\_\_\_\_

## SOLUTION

An expenditure which is basically revenue in nature but the benefit of which is not exhausted within one year is called as **deferred revenue expenditure.**

Exercise 6 | Q 4 | Page 18

## QUESTION

**Complete the following sentence:**

The amount deducted by the seller from the list price of goods at the time of sale is \_\_\_\_\_

## SOLUTION

The amount deducted by the seller from the list price of goods at the time of sale is a **trade discount.**

Exercise 6 | Q 5 | Page 18

## QUESTION

**Complete the following sentence:**

A person to whom business owes money for the goods or services is known as \_\_\_\_\_

## SOLUTION

A person to whom business owes money for the goods or services is known as the **creditor**.