INDIAN SCHOOL AL WADI AL KABIR

Class: XI	**Department: Commerce**
Worksheet: 01	**ACCOUNTANCY**
	Topic: Theoretical Base of Accounting and Source Documents

1 Identify the accounting concept/convention relevant to each of the following cases.

	Description	Identify the Concept
A	When the owner withdraws any money from the business for his personal expenses it is treated as drawings which reduces the owner's capital	
B	The appointment of a manager in a business, capabilities of its human resources or creativity of its research department or image of the organisation among people in general do not find a place in the accounting records of a firm.	
C	This is an important assumption of accounting as it provides the very basis for showing the value of assets in the balance sheet.	
D	The Companies Act 2013 and the Income Tax Act require that the income statements should be prepared annually.	
E	Due to this principle, businesses do not show the true worth of the business and it may lead to hidden profits.	
F	Assets = Liabilities + Capital.	
G	Credit sales are treated as revenue on the day sales are made and not when money is received from the buyer.	
H	All revenues earned during an accounting year, whether received during that year, or not and all costs incurred, whether paid during the year or not should be taken in to account while ascertaining profit or loss for that year.	

2 State the following statements as True or False

a. Generally Accepted Accounting principles refer to the rules or guidelines adopted for recording and reporting of business transactions in order to bring uniformity in the preparation and presentation of financial statements.
b. Business Entity: This concept assumes that business has distinct and separate entity from its owners. Thus, for the purpose of accounting, business and its owners are to be treated as two separate entities.
c. Going Concern: The concept of going concern assumes that a business firm would continue to carry out its operations for a fairly short period of time.
d. Cost Concept: The cost concept requires that all assets are recorded in the book of accounts at their market price.
e. Matching: The concept of matching emphasizes that expenses incurred in an accounting period should be matched with revenues during that period.
f. Conservatism: All anticipated losses should be accounted for but all unrealized gains should be ignored.

3	Fill in the blanks: a. Recognition of expenses in the same period as associated revenues is called --------------concept. b. The accounting concept that refers to the tendency of accountants to resolve uncertainty and doubt in favour of understating assets and revenues and overstating liabilities and expenses is known as ________________. c. Revenue is generally recognized at the point of sale denotes the concept of ________________. d. The ________________concept requires that the same accounting method should be used from one accounting period to the next. e. The________________ concept requires that accounting transaction should be free from bias. f. 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. This is an example of the ____________ concept. g. The fact that a business is separate and distinguishable from its owner is best exemplified by the ____________ concept. 8. The ____________ concept states that if straight line method of depreciation is used in one year, then it should also be used in the next year. h. A firm may hold stock which is heavily in demand. Consequently, the market value of this stock may be increased. Normal accounting procedure is to ignore this because of the ____________. i. If a firm receives an order for goods, it would not be included in the sales figure due to ____________. j. The management of a firm is remarkably incompetent, but the firm's accountants cannot take this into account while preparing book of accounts because of ______________ concept.
4.	GAAP stands for: A. Generally Authorised Accounting Postulates B. Generally Accepted Accounting Principles C. Government Approved Accounting Procedures D. Generally Applied Accounting Practices
5.	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
6.	Which system of accounting records BOTH aspects of every transaction and uses the principle 'every debit must have a corresponding credit'? A. Single entry system B. Cash basis system C. Double entry system D. Accrual system
7.	Accounting standards are issued in India by: A. SEBI B. Reserve Bank of India C. AICPA D. ICAI
8.	These vouchers are prepared at the time of receipt of cash or cheque. (a) Credit Vouchers (b) Debit vouchers (c) Transfer Voucher (d) Compound Voucher
9.	Identify source documents from the following. a. Cash memo b. Invoice or bill c. Journal d. Receipt

	e. Pay in slip f. Credit note g. Trial balance Options (a) a,b,c and f only (b) a,b, f and g only (c) c,d f anf g only (d) a,b,d, e and f only
10.	Voucher is prepared from: (i) Documentary evidence (ii) Journal entry (iii) Ledger account (iv) All of the above
11.	Valuing closing stock at cost or market value whichever is lower; creating provision for doubtful debts, discount on debtors; writing of intangible assets like goodwill, patents, etc. from the book of accounts are some of the examples of the application of an accounting principle. Identify and explain the principle.
12.	Differentiate between Cash basis and Accrual basis on the following basis. a. Nature of transactions b. Legal position c. Reliability d. Profit or loss
13.	A customer has filed a suit against a trader who has supplied poor quality goods to him. It is known that the court judgment will be in favour of the customer and the trader will be required to pay the damages. However, the amount of legal damages is not known with certainty. The accounting year has already been ended and the books are now finalized to ascertain true profit or loss. The accountant of the trader has advised him not to consider the expected loss on account of payment of legal damages because the amount is not certain and the final judgment of the court is not yet out. Do you think the accountant is right in his approach?