

INTERNATIONAL INDIAN SCHOOL BURAIDAH

Worksheet for the Academic Year 2024-25

CLASS: 11

Worksheet-02

SUBJECT: ACCOUNTANCY

LESSON : 2 THEORY BASE OF ACCOUNTING

Answer the following questions:

Q1. During the lifetime of an entity accounting produce financial statements in accordance with which basic accounting concept:

- a. conservation b. matching c. accounting period d. money measurement

Q2. A concept that a business enterprise will not be sold or liquidated in the near future is known as:

- a. going concern b. business entity c. monetary unit d. matching

Q3. Meaning of credibility of going concern is :

- a. closing of business b. opening of business c. continuing of business d. Either a or b

Q4. According to the Business Entity Concept:

- a. transactions between the business and its owners are not recorded.
- b. transactions between the business and its owners are recorded considering them to be one single entity.
- c. transactions between the business and its owners are recorded from the business point of view.
- d. transactions are recorded from Owner point of view.

Q5. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion(A): The revenue recognition principle ensures that revenue is recognized in the accounting period in which it is earned.

Reason(R): This principle aligns with the accrual basis of accounting, where revenue should be recognized when it is realized or realizable and earned, regardless of when cash is received.

a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A)

b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion(A)

c. Assertion (A) is true but Reason (R) is false.

d. Assertion (A) is false but Reason (R) is true.

Q6. Under which accounting concept, a business enterprise will not be sold or liquidated in the near future? Explain it.

Q7. How does the Matching Principle apply to depreciation?

Q8. 'Closing Stock is valued at lower of cost or market price'. Which concept of accounting is applied here. Explain this concept.

Q9. Under which accounting principle, quality of man power is not recorded in the book of account. Explain it.

10. Under the Accrual Basis of Accounting, expenses are recorded

a. on payment b. on being incurred c. either a or b d. neither a nor b

11. Under the Cash Basis of Accounting, expenses are recorded

a. on payment b. on being incurred c. either a or b d. neither a nor b

12. Accrual Basis of Accounting recognises

a. outstanding and prepaid expenses b. accrued incomes and incomes received in advance
c. both a and b d. neither a nor b

13. Accrual Basis of Accounting

a. does not give a true and fair view of profit and financial

b. gives a true and fair view of profit and financial position.

c. may or may not give a true and fair view of profit and financial position.

d. Either a or b

14. Read the following statements: Assertion (A) and Reason (R). Choose one of the correct alternatives given below:

Assertion (A): Transactions are recorded in the books of account on cash being received or paid.

Reason(R): When cash basis of accounting is followed, outstanding and prepaid expenses and income received in advance are not considered.

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true but Reason (R) is false.
- d. Assertion (A) is false but Reason (R) is true.

15. Discuss Accrual Basis of Accounting.

16. During the financial year 2020-2021, Ashok had cash sales of Rs. 3,90,000 and credit sales of Rs. 1,60,000. His expenses for the year were Rs. 2,70,000, out of which Rs. 80,000 is still to be paid.

Find out Ashok's income for 2020-2021 following the Cash Basis of Accounting.

17. Cash Basis of Accounting is not a better basis for depicting the correct financial position of an enterprise. Do you agree? Give reason.

18. Michael gives following information about his income and expenses for the year:

Expenses paid Rs 1,60,000

Expenses paid in advance (included in Rs. 1,60,000) Rs. 40,000

Expenses not yet paid Rs 20,000

Income received Rs 2,40,000

Determine his income if he adopts

i. Cash basis of Accounting

ii. Accrual Basis of Accounting.

19. CASE BASED QUESTION:

Read the following case study and answer the following questions:

Vijay, a consultant, during the financial year 2022-23 earned Rs. 4,00,000. Out of which he received Rs. 3,50,000. He incurred an expense of Rs. 1,70,000, out of which Rs.40,000 are outstanding. He also received consultancy fee relating to previous year Rs.45,000 and also paid Rs.20,000 expenses of last year.

i. If he follows Cash Basis of Accounting, his Revenue will be:

a. Rs.4,00,000 b. Rs.3,95,000 c. Rs.3,90,000 d. Rs.3,85,000

ii. If he follows Accrual Basis of Accounting, his expenses will be:

a. Rs.2,10,000 b. Rs.2,00,000 c. Rs.1,70,000 d. Rs.1,50,000

iii. His Income for the year if he follows cash basis of accounting:

a. Rs.2,40,000 b. Rs.2,45,000 c. Rs.2,50,000 d. Rs.3,00,000

iv. His income for the year if You follow accrual basis of accounting.

a. Rs.2,30,000 b. Rs.2,45,000 c. Rs.2,90,000 d. Rs.2,85,000