CHAPTER-1
MEANING AND OBJECTIVES OF ACCOUNTING
Meaning of Accounting

Definitions of Accounting:

1. Nearly every business enterprise has accounting system. It is a means of collecting, summarising, analysing and reporting, in monetary terms information about business."

R.N. Anthony

2. Accounting is the art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events, which are in part at least, of a financial character, and interpreting the results thereof"

-American Institute of Certified Public Accountants

Characteristics of Accounting- An analysis of the above definitions brings out the following as characteristics or features or attributes of accounting:

(1**) Accounting is an Art as well as Science:**-Art is the technique of attaining some pre-determined objectives. Accounting is an art of recording, classifying and summarizing business transactions with a view to ascertain the net profit and financial position of the business enterprise.

Any organised body of knowledge which is based on certain specified principles is called science. In this respect accounting is also a science since it is also an organised body of knowledge based on certain specified principles and accounting standards.

(2) Recording of Financial Transactions only:- Only those transactions and events are recorded in accounting which are of financial character. There are so many transactions in the business which are very important for business but which cannot be measured and expressed in terms of money and hence such transactions will not be recorded.

(3)Recording in terms of money:- Each transaction is recorded in the books in terms of money only. For example, if a businessman purchases 200 Chairs and 10 Tables, their value in terms of money will be recorded in the books.

In a small business where the number of transactions is quite small, all transactions are first of all recorded in a book called Journal. But in a big business where the number of transactions is quite large, the Journal is further sub-divided into various subsidiary books such as

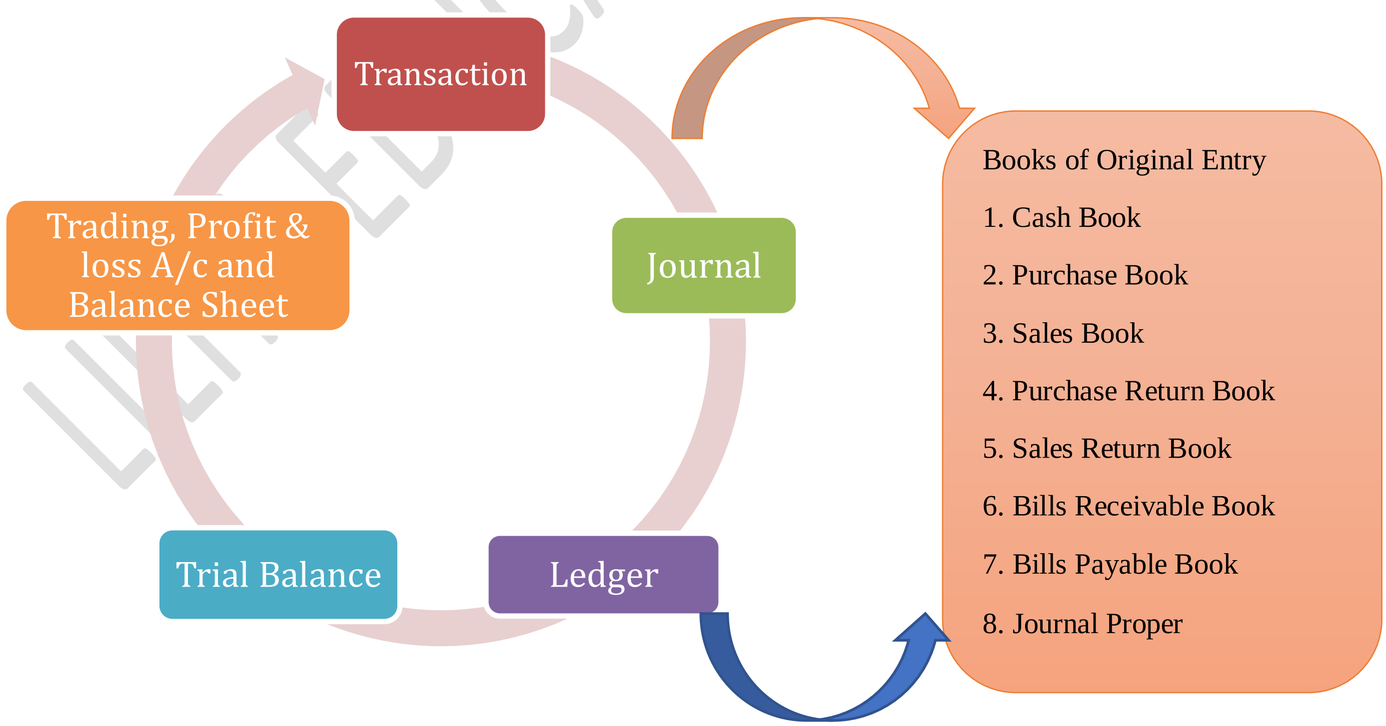
- **(I)** ‘Cash Book' for recording cash transactions:
- **(II)** Purchases Book' for recording credit purchases of goods
- **(III)** Sales Book' for recording credit sales of goods:
- **(IV)** Purchases Return Book for recording the return
- **(V)** Sales Return Book' for recording the return of credit sales

(VI) Bills Receivable Book
(VII) Bills Payable Book
(VIII) Journal Proper etc. The number of subsidiary books to be maintained depends on the size and nature of the business

(4) Classifying:- After recording the transactions in journal or subsidiary books, the transactions are classified. Classification is the process of grouping the transactions of one nature at one place, in a separate account. The book in which various accounts are opened is called "Ledger name of each person, whether customer or supplier. Likewise, separate accounts are opened for purchases, sales, assets etc. Similarly, all expenses and incomes, which are already recorded in Journal, are again classified under separate heads in the Ledger, such as Wages Account, Salary Account, Advertisement Account, Commission Separate accounts are opened in the Ledger in the Account etc.

(5) Summarising: - Summarising is the art of presenting the classified data in a manner which is understandable and useful to management and other users of such data. This involves the balancing of ledger accounts and the preparation of Trial Balance with the help of such balances. Final Accounts are prepared with the help of Trial Balance which include Trading and Profit & Loss Account and a Balance Sheet. Trading account is prepared for calculating gross profit or gross loss during the year. Profit and Loss Account is prepared to ascertain the net profit or net loss during the year. Balance Sheet is prepared to present the financial position of the business.

Classifying and Summarising are also termed as 'Process of Accounting' or 'Accounting Cycle'



The above diagram shows the accounting cycle. This accounting cycle starts with the recording of business transactions in the Journal or Subsidiary Books and after passing through the Ledger and Trial Balance it results in the preparation of Final Accounts (Le, Trading and Profit & Loss Account and Balance Sheet). This accounting cycle is generally completed in an accounting year and is again repeated in each subsequent year.

(6) Interpretation of the results -In Accounting, the results of the business are preserved in such a manner (he, by preparing trading and Profit & Loss Account and Balance Sheet) that the parties interested in the business such as proprietors, managers, banks, creditors, employees etc. can bus full information about the profitability and the financial position of the business,

(7) Communicating:- Accounting attributes also include the communication of financial data to the users who analyse them as per their individual requirements.

Objectives of Accounting

The following are the main objectives or utility of accounting:

(1) **To keep systematic record of business transactions**: The main objective of accounting is to keep complete record of business transactions according specified rules. Complete record of business transactions helps to avoid the possibility of omission and fraud. For this purpose, all the business transactions are first of all recorded in Journal or Subsidiary Books and then posted into Ledger.

(2) **To calculate profit or loss**: The second main objective of accounting is to ascertain the net profit earned or loss suffered on account of business transactions during a particular period. For this purpose Trading and Profit & Loss Account of the business is prepared at the end of each accounting period. All the items relating to purchases, sales, expenses and revenues (incomes) of the business are recorded in Trading and Profit & Loss Account. If the amount of revenue exceeds the expenditure incurred in earning that revenue, there is said to be a profit. In case the expenditure exceeds the revenue, there is said to be a loss. In addition, a businessman is able to get the following information by preparing a Trading and Profit & Loss Account-

I. How much goods have been purchased during a particular period?

II. How much goods have been sold during a particular period?

III. How much goods have remained unsold and what is its value?

IV. How much amount has been spent on various heads of expenditure and how much amount has been earned by various heads of revenues?

By attaining these information a businessman can keep effective control on expenditure.

(3) **To know the exact reasons leading to net profit or net loss.**

(4) **To ascertain the financial position of the business** - For a businessman merely ascertaining profit or loss of the business is not sufficient. The business must also know the financial health of

the business. For this purpose, after prepare the Profit & Loss Account a statement called 'Balance Sheet' is prepared which the assets and their values on the one hand and the liabilities and capital on the ouk hand. A Balance Sheet is actually a screen picture of the financial position business. At one glance, one would know the following by looking at the Blade Sheet

(i) How much the business has to recover from Debtors?
(ii) How much the business has to pay to Creditors?
(iii)How much the business has in the form of
  (a) Cash in hand,
  (b) Cash at Bank,
  (c) Closing Stock, and
  (d) Fixed Assets?

(5) **To ascertain the progress of the business from year to year.**

(6) **To prevent and detect errors and frauds**.

(7**) To provide information's to various parties: -** Another main objective of accounting is to communicate the accounting information to various interested parties like owners, investors, creditors, banks, employees and government authorities etc. The information helps them in taking sound and judicious decisions about the business entity.

Functions of Accounting

i. **Maintaining Complete and Systematic Records**
ii. **Communicating the financial Results to Various Parties**
iii. **Protecting the Assets of Business**
iv. **Providing Assistance to Management**
v. **Trusteeship**
vi. **Compliance of Legal Needs**
vii. **Fixing Responsibility**

Book-keeping, Accounting and Accountancy- These three are sometimes considered as synonymous, *i.e.*, having the same meaning. However, there is a fundamental difference amongst book-keeping, accounting and accountancy.

"Book-Keeping is an art of recording business dealings in a set of books."
J.R. Batliboi

Book keeping is an art of recording in books of accounts the monetary aspect of commercial or financial transactions." ***- Northcott***

Accounting starts where book-keeping ends. It includes the following activities:

(i) Summarising the classified transactions in the form of Profit & Loss Account and Balance Sheet etc.
(ii) Analysing and interpreting the summarised results. In other words, drawing the meaningful information from Profit & Loss Account and Balance Sheet etc.

(iii)Communicating the information to the interested parties.

Accountancy-It refers to a systematic knowledge of accounting concerned with the principles and techniques which are applied in accounting. It tells us how to prepare the books of accounts, how to summarize the accounting information and how to communicate it to the interested parties. According to Kohler, 'accountancy refers to the entire body of the theory and practice of accounting.'

OBJECTIVES OF BOOK-KEEPING

1- **Complete Recording of Transactions-** It is concerned with complete and permanent record of all transactions in a systematic and logical manner to show its financial effect on the business.
2- **Ascertainment of Financial Effect on the Business -** It is concerned with the combined effect of all the transactions made during the accounting period upon the financial position of the business as a whole.

3- **DISTINCTION BETWEEN BOOK-KEEPING AND ACCOUNTING**

S.No.	Basis of Distinction	Book-keeping	Accounting
1.	**Scope**	Book-Keeping includes **(a)** Identifying the transactions of financial nature **(b)** Measuring the identifying in terms of money. **(c)** Recording the measured transaction **(d)** Classifying them into ledger	Accounting in addition to Book-Keeping includes **(a)** Summarizing the classified transitions. **(b)** Analyzing and interpreting the summarized result. **(c)** Communication the results to parties interested in them.
2.	**Stage**	Book-Keeping is primary Stage	It is the secondary stage. Accounting starts where Book-Keeping ends.
3.	**Objective**	The main objective of Book-Keeping is to maintain systematic records of transaction of financial nature	Its main objective is to ascertain the net results and financial position of the business and to communicate them to interested parties.
4.	**Nature of Job**	The Book-keeping function is routine and clerical in nature.	The accounting function is analytical in nature.
5.	**Who Performs**	The Book-Keeping function performed by junior staff	The Accounting function is performed by senior staff.
6.	**Knowledge Level**	It can be performed by persons having limited level of knowledge.	It is performed by person having higher level of knowledge than that of

			Book-Keeper.
8.	**Analytical Skill**	The Book-keeping is not required to possess analytical skill	The Account is required to possess analytical skill.

Difference between Accountancy and Accounting

- **i.** Accountancy refers to the entire body of theory and practice of Accounting whereas Accounting deals with the practice part of Accountancy.
- **ii.** Accountancy is an area of knowledge where Accounting is the action taken on the basis of knowledge of accountancy.
- **iii.** Accountancy is a broad term. Accounting is a narrow term.

Qualitative Characteristics (Attributes) of Accounting Information

(1) Reliability -Accounting information must be reliable. Reliability implies that the information must be factual and verifiable. The accounting information is said to have verifiability if such information can be verified from source documents such as cash memo, purchase invoices, sales invoices, correspondence, agreement, property deed and other similar documents. Verifiability ensures the truthfulness of the recorded transactions which can be independently checked by anyone interested to ascertain the true position. But if the source documents are not available, the accounting information disclosed by profit and loss account and balance sheet will not be capable of being verified and it would imply that it cannot be relied on.

(2) Relevance - Accounting information is depicted by financial statements must be relevant to the objectives of the enterprise. Unnecessary and irrelevant information should not be included in financial statements. To be relevant, information must be capable of making difference in decision, that is, it must help the management investors, creditors and other users of the accounting information in making decisions.

(3) Understand ability - Accounting information should be presented in such a simple and logical manner that they are understood easily by their users such as investors, lenders, employees etc. A person who does not have any knowledge of accounting terminology should also be able to understand them without much difficulty. This can be done by giving relevant explanatory notes to explain the information given in financial statements. General topics which should be included in explanatory notes are method of depreciation method of valuation of inventory, description of contingent liabilities, explanation of reserves, comment extraordinary gains and losses, disclosure of events occurring after the balance sheet date etc. These explanatory notes make the financial statements more useful and understandable.

(4) Comparability- Comparability is a very useful quality of the accounting information. The financial statements should contain the figures of previous year along with the figures of current year so that the current performance can be compared with past performance. Similarly, the financial statements should be prepared in such a way that the profitability and financial position of the concern may be compared with other concerns of the similar type. Comparison reveals the strong and weak points of the business entity. Comparability is possible when different firms in the same industry adopt the same accounting principles from year to year. For example, if diminishing balance method of charging depreciation is selected, it should not be changed from year to year.

(5) **Faithful Presentation** – Financial statement are required to show a True and fair view of the profitability, financial position and cash flows of an enterprise. Application of appropriate accounting standards normally results in financial statements portraying true and fair view of information about an enterprise.
In addition to the above, accounting information should also have the characteristics of timeliness, neutrality and completeness.

BRANCHES (TYPES) OF ACCOUNTING

i. **Financial Accounting -** The basic purpose of financial accounting pertains to recording of financial transactions, classifying, summarising and interpreting them so that useful information is communicated to various users of accounting service. This branch of Accounting provides information about the operating performance and financial soundness of the business by preparing Trading and Profit & Loss Account and Balance sheet.
ii. **Cost Accounting –** This branch of Accounting helps in ascertaining the cost of products or services provided by the enterprise so that selling price of such products or services be quoted. It also helps the management in exercising control over cost of the product.
iii. **Management Accounting** refers to Accounting for managerial decision making. It involves use of analytical tools like ratio analysis, cash flow statement, funds flow statement, budgetary control, etc., for taking managerial decisions at all levels. It helps the management in planning and controlling the business operations.
iv. **Tax Accounting-** If Accounts are prepared with a view to compute income tax, sales tax, excise duty, import duty, etc., such accounts are called Tax Accounting.
v. **Social Responsibility Accounting-**The society provides infra-structure, capital, labour and other facilities to business enterprises. Thus, it is the social responsibility of the business towards the following:
   a. Employee
   b. Consumers
   c. Shareholders
   d. Society
   e. Human Resources Accounting

ADVANTAGE OR USES OF ACCOUNTING

i. **Provides complete and systematic records:** Accounting keeps a complete and systematic record of all the business transaction and summarises them to depict true picture of the operations of the business.
ii. **Provides information about profit or loss**:Since complete record of business expenses and losses; and incomes and gains is kept so profit or loss can be ascertained easily on yearly basis.
iii. **Provides information regarding financial position:**When the accounting transactions are summarised on yearly basis, balance sheet is drawn to depict the position of assets, liabilities and capital. This information helps in ascertaining the financial soundness of a business.
iv. **Facilitates comparative study:** The financial statements (i.e., Profit and Loss Account and Balance Sheet) of one year can be compared with the previous year to ascertain the progress made by the firm in comparison to previous year.
v. **Helps in taking managerial decisions**: Accounting provides operating and overall profitability position and financial performance of the business which is needed by the management for taking managerial decisions. These decisions are helpful for planning and controlling the business.
vi. **Helps in the settlement of tax liability**: A systematic accounting record helps in determining liability for income tax, GST excise duty, etc. Even the accounting information can be presented to tax authorities for the settlement of the tax liability.
vii. **Facilitates in taking loan**: Accounting helps in preparation of financial statements. Banks and financial institutions grant loan to firm on the basis of appraisal of financial statements of the firm.
viii. **Acts as proof in the court of law**: Claims against the firm by the creditors or lenders can be easily settled in the court by showing the accounts as evidence in support of our arguments.
ix. **Helpful in detecting errors and frauds:** If accounting information is audited by an auditor, errors and frauds committed by the clerks can be easily detected. Steps can be taken to minimise the recurrence of errors and frauds in future.
x. **Facilitates sale of business:** The accounting helps in evaluating the worth of a business at the time of its sale. Selling price of the business and goodwill of the firm can be easily determined.

LIMITATIONS OF ACCOUNTING

i. Based on accounting concepts and conventions: Since the accounts of organisations are prepared on the basis of number of accounting concepts and conventions so the operating and financial results disclosed by the financial statements are not realistic. For instance, fixed assets are valued at their historical costs and not at their market price as per 'going concern concept.
ii. **Based on personal judgement:** Accounts of a firm are prepared on the basis of personal judgement of the management. Thus, method of depreciation charged and the rate of

depreciation charged and the amount of provision for doubtful debts are based on the personal judgement of the accountant which varies from person to person.

iii. **Based on historical costs:** Assets in the balance sheet are shown at their original cost historical cost) while they should be shown at their current market value. Thus, fixed assets do not disclose a true and fair value and consequently balance sheet does not reveal true financial position of the business entity.

iv. **Lacks qualitative informations:** Accounts are prepared only on the basis of quantitative financial information. It does not provide qualitative information like goodwill of management, employer-employee relations, efficiency of the management, loyalty of workers, absenteeism, etc.

v. **Suffers from window dressing:** The management of the business entity may present financial statements to suit their own requirements by showing more or less profit than the true and fair profit.

vi. **Depicts unrealistic information:** But in real practice, accounts are drawn on 'going concern basis' so the financial statements will not reveal the realistic view of the business entity.

vii. **Not suitable for forecasting:** Accounts provide information for the past performance. Analysis of past data is not of much use for making future predictions.

ACCOUNTING AS A SOURCE OF INFORMATION

- Provides information for taking economic decisions.
- Principal source of information to end users of accounting service.
- Provides information for making inter-firm and intra-firm comparison.
- Provides information for judging the managerial efficiency.
- Provides input for making analysis and interpretation of financial statements.

USERS OF ACCOUNTING INFORMATION AND THEIR NEEDS

OR

PARTIES INTERESTED IN ACCOUNTING INFORMATION

The users of Accounting Information are broadly categorised into:

I. Internal users and
II. External users

i. **Internal Users:** Internal users contain persons who are directly connected with the operation and management of the business entity. Thus, they include management (i.e., directors, officers etc. and sole proprietor's or partners).

(a) **Management:** Management requires accounting information for the smooth and efficient functioning of the enterprise. They produce annual reports of the entity containing:

(i) Trading and Profit and Loss Account
(ii) Balance Sheet
(iii)Cash Flow Statement

These published informations are used by the external end users of the accounting service However; management requires both published and unpublished information for making future plans and for controlling the business entity.

(b) Shareholders/Proprietors: The owners of Company i.e., sharesholders are interested in knowing about regularity of adequate return on their invested capital in the short run and safety of their capital in the long run.

(c) Employees: The employees of a firm are also interested in the accounting information to assess the ability of the entity to pay higher and regular wages payments, payment of bonus, regularity in depositing amount of provident fund of workers.

ii. **External Users:** All other users of accounting service except the management fall under the category of external end users. The management provides published information to all the external end users while it uses both published and unpublished information for the efficient conduct of managerial decisions. Thus, analysis of the management is more detailed and extensive. External end users include:

(a) Potential Investors: Making investment involves risk. The investors have no control on the preparation of accounting information so they rely on the information provided to them in the form of published information. They should try to evaluate the earning prospects of the company and safety of their investment.

(b) Bankers and Financial Institutions: They provide long term need and term loan (medium term loan) need of the business entity. To know the repayment capacity of loan of the entity and regularity of interest payment on loan, they need accounting information to meet their objectives.

(c) Creditors: They provide goods on credit to the business entity so they would like to ensure creditworthiness of the firm. Accounting information helps to provide information about the financial soundness of the firm. Thus, they can decide whether goods be provided to firm on credit or not and if yes, to what extent.

(d) **Government:** The Government collects taxes in the form of GST, excise duty, income tax, corporate tax etc. so government agencies need accounting information to assess the tax liability of the business entity.

(e) **Public**: Public is interested in knowing the growth potential of business enity. Only prosperous entity will provide job employment opportunities to the public. Public also uses the products manufactured by the firm.

System of Accounting

Double Entry System - double entry system of accounting may be defined as such a system of accounting in which every transaction is recorded at two places i.e., once on the debit side and again once on the credit side. It is a systematic, complete and a scientific method of recording financial transactions of a business entity. The system is based on values as certain principles of accounting are followed while recording business transactions.

Role of the Accounting

Role of accounting has been changing with the changes in business environment and increasing social demands. Over the centuries, the role of accounting remained confined to the record keeping of financial transactions only. But, today's rapidly changing business environment has changed the role of accounting and at present the accounting plays the following different roles.

(1)**Role of a Language: -** Accounting is viewed as a language of business because it prepares report and statements which communicate information regarding the business enterprise.
(2) **Role of Historical Record: -** Accounting is viewed as chronological record of the financial transactions in the books of accounts according to specified rules.
(3) Role of Determining the Net Profit – It is also regarded as a means of determining the true profit or loss of a business enterprise.
(4) **Role of Determining the Financial Position –** It is also regarded as a means of showing the financial position of the business by the preparation of Balance Sheet.
(5) Role of the Information System- Accounting is now regarded as an information system because it is capable of providing the kind of information which managers and other interested parties require for taking appropriate decisions.
(6) Role of Service Provider – Accounting is regarded as a service activity because it provides quantitative financial information which is helpful to the user in different ways.

VERY SHORT ANSWER QUESTION

1. **What is meant by Accounting ?**
   Ans. Accounting is the art of recording , classifying , ,summering and communication financial information to user for correct decision making .
2. **Give any two objective of accounting .**
   Ans .
   i. To keep systematic record of business transactions.
   ii. To ascertain profit earned or loss suffered during a particular period.
3. **How is profit or loss of a particular period is ascertained ?**
   Ans: Profit or Loss of particular period is ascertained by preparing a Trading and Profit and Loss Account .
4. **How do we ascertain the financial position of business?**
   Ans: By prepared a Balance Sheet.
5. **Name the branch of commerce , which keeps a record of monetary transaction in set of books.**
   Ans Book – keeping.
6. **Give on point of distinction between Book-keeping and Accountancy .**
   Ans: The main objective of book –keeping is to maintain systematic record of business transaction s whereas the main objective of accounting is to ascertain profit or loss and the financial position of the business .
7. **What is end product of financial accounting ?**
   Ans : End product of accounting are the financial statements (i.e. Profit & Loss Account and Balance Sheet) and reports which provide information that are useful to a variety of user who want to know the profitability and financial position of an enterprise
8. **Name any two user of accounting information .**
   Ans: (i) Owner (ii) Creditors .
9. **Internal user of account information ?**
   Ans : Internal user are the person who are directly involved in managing and operating the business enterprise such as directly involved in managers and officers.
10. **Name any two external user of accounting information ?**
    Ans: Any two of these : potential investors, creditors , lenders , employee unions , customer ,. Government etc.
11. **State the nature of information required by investors.**
    Ans : They want information regarding rick and their investment in the business enterprises .
12. **What type of information is required by long –term lender?**
    Ans: They want information about the creditworthiness and the abilty of the enterprise to pay interest and the repayment of their loans.
13. **What are the information needs of management ?**
    Ans : Management needs timely information recording sales , costs , profitability etc. For planning , controlling and decision making .
14. **Mention two advantages of accounting .**

Ans:
(i) It provides complete and systematic record
(ii) It provides information regarding Profit or Loss

15. **Write one Limitation of accounting .**
Ans: Based on Historical Cost: Accounts prepared on the basis of historical cost(i.e. the original costs**)** and suchthe figures given in the financial statement do not show the effect of changes in figures given financial statements show do not show he effect of changes in price level.
16. **Which qualitative characteristic of accounting information requires the use of common unit and common format of reporting ?**
Ans: Comparability.
17. **'Accounting information should be verifiable and free from personal Bias' Name the qualitative characteristic of accounting information denoted by this statement.**
Ans : Reliability.
18. **Meena is owner of a Restaurant She paid son's fess her personal bank account Rs20,000 . Whether this constitute he business Transaction? Give reason .**
Ans:No. It is not a business transaction . It relates to person dealings of the proprietor which are not recorded in the **book.**

OBJECITVE TYPE QUESTION

State whether the following statement are true or false :

i. Account is the languages of business
ii. Accounting is helpful in raising loans.
iii. Accounting is not accepted as evidence in legal matters
iv. Management of an enterprise is internal user of its account information.
v. Accounting makes a record of qualitative aspects of business .
vi. Accounting is a service function .
vii. Accounting involves only the recording of business transactions.
viii. Accounts are prepared on the basis of historical costs.
ix. Only those transaction are recorded in accounting which can be expressed in terms of money .
x. Book-keeping starts where accounting end .
xi. Creditors are starts where accounting ends.
xii. A creditor would use an entitie's financial report to determine where or not credit may be granted to the frim.
xiii. Accounting may be affected by window dressing .

Ans:
True: i, ii , iv , vi , vii , viii , ix , xii , xiii
False: iii , v , x , xi,

CHOOSE THE BEST ALTERNATE

1. In account recording is made of :

a. Only Financial Transaction
b. Only Non-financial transaction
c. Financial as well as non-financial transaction
d. Personal Transaction of the proprietor

2. Ghanshyam is a furniture dealer . Which one of the following with not be recorded in his book
   a. Purchase to timber for Rs 50,000
   b. Sofa set worth Rs 40,000 taken to his home
   c. Sale of household furniture for Rs 5,000
   d. Dining table of Rs. 30,000 given to his friend as gift
3. Which of the following transaction is not of financial character?
   a. Purchase of asset on credit
   b. Purchase of asset for cash
   c. Withdrawing of money by proprietor for business
   d. Strike by employee
4. Last step of accounting process is :
   a. Provide information to various who are interested in business enterprise
   b. Record transaction in the books
   c. To make summary in the form of financial statement
   d. To classify the transaction under separate heads in the ledger
5. Internal users of accounting information are :
   a. Potential investors
   b. Creditors
   c. Management
   d. Employees
6. External user of accounting information are :
   a. Researchers
   b. Government
   c. Potential Investors
   d. All of the above
7. External user of accounting information are not
   a. Lenders
   b. Officers
   c. Employee
   d. Public
8. Which of he following is not a limitation of accounting
   a. Based on accounting conventions
   b. Evidence in legal matters

   c. Incomplete information
   d. Omission of qualitative information
9. Which one of the following is not an objective of accounting ?
   a. To provide information about the private assets and liabilities and capital of the enterprise.
   b. To provide information about the private assets and liabilities of the proprietor
   c. To maintain records of the business
   d. To provide information regarding the profit and loss of the enterprise.
10. If accounting information is based on facts and it is verifiable by document it has the quality of...........
    a. Relevance
    b. Reliability
    c. Understandably
    d. Comparability
11. Which of the following transaction is of a financial character and will be recorded in the business.
    a. Goods taken from the business by the proprietor for her personal use
    b. Interviewing the candidates for employment
    c. Sale of household furniture Rs 5,000
    d. Received an order for sales of goods.
12. Book- keeping is mainly concerned with
    a. Recording of financial data
    b. Designing the systems of summarising the recorded data
    c. Interpreting the data for internal and external users
    d. Preparation of financial statements of the business enterprise
13. Which of the following is not sub-field of accounting
    a. Financial accounting
    b. Book keeping
    c. Management accounting
    d. Cost accounting
14. Which of the following is the most relevant accounting information for taxation authorities ?
    a. Cash balance of the firm
    b. Book value of the fixed assets
    c. Credit sales of the year
    d. Profit generated during the year
15. Which of the following limitation of accounting states that accounts may be manipulated to conceal vital facts
    a. Accounting is not fully exact
    b. Accounting may lead to window dressing

c. Accounting ignores price level changes
d. Accounting ignores qualitative elements

Ans

1. (a)	2. (b)	3. (d)	4. (a)	5. (c)
6. (d)	7. (b)_	8. (b)	9. (b)	10. (b)
11. (a)	12. (a)	13. (b)	14. (d)	15. (b)