**SAMPLE QUESTIONS**

1. **What is a balance sheet?**

A financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point in time. These three balance sheet segments give investors an idea as to what the company owns and owes, as well as the amount invested by the shareholders.  
  
The balance sheet must follow the following formula  
  
**Assets = Liabilities + Shareholders' Equity**

A statement of the assets, liabilities, and capital of a business or other organization at a particular point in time, detailing the balance of income and expenditure over the preceding period.

1. **What is cash flow statement and fund flow?**

**CASH FLOW:**

In [financial accounting](http://en.wikipedia.org/wiki/Financial_accounting), a **cash flow statement**, also known as ***statement of cash flows*** is a [financial statement](http://en.wikipedia.org/wiki/Financial_statements) that shows how changes in [balance sheet](http://en.wikipedia.org/wiki/Balance_sheet) accounts and income affect [cash and cash equivalents](http://en.wikipedia.org/wiki/Cash_and_cash_equivalents), and breaks the analysis down to operating, investing, and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and out of the business. International Accounting Standard 7 (IAS 7) is the [International Accounting Standard](http://en.wikipedia.org/wiki/International_Accounting_Standard) that deals with cash flow statements.

**FUND FLOW:**

Fund flow statement analyses the sources and application of funds of long term nature and the changes in working capital. It tallies funds generated from various sources with various uses to which they are put. It is based on accrual accounting system and very useful for long range financial planning.

1. **What is equity ratio?**

The **equity ratio** is a [financial ratio](http://en.wikipedia.org/wiki/Financial_ratio) indicating the relative proportion of [equity](http://en.wikipedia.org/wiki/Equity_%28finance%29) used to finance a company's assets. The two components are often taken from the firm's [balance sheet](http://en.wikipedia.org/wiki/Balance_sheet) or statement of financial position (so-called book value), but the ratio may also be calculated using market values for both, if the company's equities are publicly traded.

The equity ratio is a very common financial ratio, especially in Central Europe, while in the US the [debt to equity ratio](http://en.wikipedia.org/wiki/Debt_to_equity_ratio) is more often used in financial (research) reports.

**Formula:**

**Equity Ratio = Total Shareholder’s Equity**

**Total Assets**

1. **General Ledger?**

A **general ledger** contains user-defined account codes and related dimensional codes for recording transformed different types of vouchers including on-balance-sheet, off-balance-sheet, post-balance sheet, financial and non-financial natures.

1. **Debit?** An entry recording a sum owed, listed on the left-hand side or column of an account.
2. **Credit?**

The ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future.

An entry recording a sum received, listed on the right-hand side or column of an account.

1. **Transactions?**

**Transaction Account Meaning:   
In banking terminology, the term transaction account refers to a basic bank account with a financial institution which allows for the efficient transfer of funds by the account holder to third parties as well as receiving electronic payments into this account. The most common** form of transaction account is a normal bank checking account and in Australia is also known as an everyday account.

1. **Journal entries?**

A **journal entry**, in [accounting](http://en.wikipedia.org/wiki/Accounting), is a logging of transactions into [accounting journal](http://en.wikipedia.org/wiki/Specialized_journals) items. The journal entry can consist of several recordings, each of which is either a [debit](http://en.wikipedia.org/wiki/Debit_%28accounting%29) or a [credit](http://en.wikipedia.org/wiki/Credit_%28accounting%29). The total of the debits must equal the total of the credits or the journal entry is said to be "unbalanced". Journal entries can record unique items or recurring items such as [depreciation](http://en.wikipedia.org/wiki/Depreciation) or bond [amortization](http://en.wikipedia.org/wiki/Amortization). In accounting software, journal entries are usually entered using a separate module from [accounts payable](http://en.wikipedia.org/wiki/Accounts_payable), which typically has its own [sub ledger](http://en.wikipedia.org/wiki/Subledger) that indirectly affects the [general ledger](http://en.wikipedia.org/wiki/General_ledger). As a result, journal entries directly change the account balances on the general ledger.

1. **Golden rules of Accounting?**

**REAL ACCOUNTS** : DEBIT- WHAT COMES IN

CREDIT- WHAT GOES OUT

**PERSONAL ACCOUNTS**: DEBIT- THE RECEVIER

CREDIT- THE GIVER

**NOMINAL ACCOUNTS** : DEBIT -ALL EXPENCES AND LOSSES

CREDIT- ALL INCOMES AND GAINS

1. **Principles of accounting?**

Accounting Concepts and Principles are a set of broad conventions that have been devised to provide a basic framework for financial reporting. As financial reporting involves significant professional judgments by accountants, these concepts and principles ensure that the users of financial information are not mislead by the adoption of accounting policies and practices that go against the spirit of the accountancy profession. Accountants must therefore actively consider whether the accounting treatments adopted are consistent with the accounting concepts and principles.

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| 1. Economic Entity Assumption  2. Monetary Unit Assumption  3. Time Period Assumption  4. Cost Principle  5. Full Disclosure Principle  6. Going Concern Principle  7. Matching Principle  8. Revenue Recognition Principle  9. Materiality  10. Conservatism |  |
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