Maharashtra State Board Bookkeeping and Accountancy 11th Solutions Chapter 1 Introduction to Book Keeping and Accountancy

1. Answer in One Sentence:

Question 1.
What is Book-keeping?
Answer:
Recording the business transactions in the books of accounts systematically by considering some definite principles is called book-keeping.

Question 2.
What is meant by Goods?
Answer:
Any commodity, article, or merchandise in which trader regularly deals or carries on trade is called goods e.g. cloth is the goods for cloth merchant.

Question 3.
What is Capital?
Answer:
Amount invested by the proprietor into the business from time to time is called Capital.

Question 4.
What are Drawings?
Answer:
The total amount of goods and services are withdrawn by the proprietor from time to time for self-use is called drawings.

Question 5.
What is Goodwill?
Answer:
The money value of business reputation earned by the business over the number of years is called Goodwill.

2. Give the word term or phrase which can substitute each of the following statements:

Question 1.
Recording of business transactions.
Answer:
Book-keeping

Question 2.
Amount invested in the business by the proprietor.
Answer:
Capital

Question 3.
A person to whom the amount is payable.
Answer:
Creditor

Question 4.
The exchange between two persons.
Answer:
Transaction

Question 5.
Excess of expenses over income.
Answer:
Loss

Question 6.
A person whose assets are sufficient enough to meet business obligations.

Answer:
Solvent

Question 7.
Book-keeping is providing all required financial information to the businessman.
Answer:
Decision Making

Question 8.
Property of any description owned by Proprietor.
Answer:
Assets

Question 9.
Assets that remain in the business for only for short time and can be converted into cash very easily.
Answer:
Current Assets

Question 10.
Allowance is given on catalogue price of goods.
Answer:
Trade Discount

3. Select the most appropriate alternatives from those given below and rewrite the statements.

Question 1.
Surplus of income over expenses is _____
(a) Profit
(b) Deficit
(c) Loss
(d) Financial Statements
Answer:
(a) Profit

Question 2.
In _____ basis of accounting, actual cash receipts and actual cash payments are recorded.
(a) Accrual
(b) Hybrid
(c) Cash
(d) Mercantile
Answer:
(c) Cash

Question 3.
Amount which is not recoverable from customer is known as _____
(a) Bad Debts
(b) Debts
(c) Debtors
(d) Doubtful debts
Answer:
(a) Bad Debts

Question 4.
Accounts must be honestly prepared and they must disclose all material information is known as _____
(a) Entity Concepts
(b) Dual Aspect Concept
(c) Disclosure Concept
(d) Cost Concept
Answer:
(c) Disclosure Concept

Question 5.
A commodity in which a trader deals is known as _____
(a) Goods
(b) Income
(c) Property

(d) Expenditure
Answer:
(a) Goods

Question 6.
_____ means a reputation of a business valued in terms of money.
(a) Trademark
(b) Assets
(c) Patents
(d) Goodwill
Answer:
(d) Goodwill

Question 7.
According to _____ Cash flow statement is prepared and presented for the period for which the profit and loss account is prepared.
(a) AS-3
(b) AS-10
(c) AS-6
(d) AS-2
Answer:
(a) AS-3

Question 8.
The immediate recognition of loss is supported by principle of _____
(a) Conservatism
(b) Objective
(c) Matching
(d) Consistency
Answer:
(a) Conservatism

Question 9.
Brief explanation of an entry is called as _____
(a) Folio
(b) Narration
(c) Posting
(d) Journalising
Answer:
(b) Narration

Question 10.
An act of exchange of things or services between the two parties is termed as _____
(a) Ledger
(b) Transfer
(c) Transaction
(d) Business
Answer:
(c) Transaction

4. State whether the following statements are true or false with reasons:

Question 1.
Book-keeping and accounting are one and the same thing.
Answer:
This statement is False.
Book-Keeping means recording business transactions in a separate set of books and accountancy is the process of summarising and analyzing the business transactions which are recorded in the books of accounts, so book-keeping and accounting are not one and the same thing.

Question 2.
Conservatism means to follow the safe side.
Answer:
This statement is True.
This accounting concept suggests that while preparing accounting statements, planning, policies, strategies, and budgets, all possible or anticipated losses must be taken into consideration. While unrealized prospective or anticipated profits should be ignored. This is known as "The policy of playing a safe game" or "Principal of Prudence".

Question 3.

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

Answer:

This statement is True.

This accounting concept explains that every business transaction has two aspects viz. (i) acquisition or increase in the asset of the business and (ii) creation or increase in claims against the business. Assets refer to the valuable things owned by the business. Capital refers to the proprietor's contribution to the business to provide funds to undertake activities. Capital refers to the proprietor's contribution to the business to provide funds to undertake activities. Capital is the owner's claim against the business, e.g. a capital of ₹ 5,00,000 received in cash by the business from the proprietor has dual aspects viz. business has cash i.e. asset of ₹ 5,00,000 and the proprietor has a claim of ₹ 5,00,000 against the business entity called capital.

Question 4.

Bank overdraft is an asset of the business.

Answer:

This statement is False.

Bank overdraft is a liability of the business. Businesses owe to the bank for the excess amount withdrawn from the bank account. It is a temporary loan from a bank.

Question 5.

A solvent person is a person whose assets are more than his liabilities.

Answer:

This statement is True.

A person who is unable to pay his debts is called insolvent. An insolvent person does not have sufficient assets to pay his debts. His business debts are much larger than his business and personal assets. He cannot settle the dues of his creditors fully. Insolvency leads to the compulsory dissolution of the business.

Question 6.

Cash discount does not appear in the books of accounts.

Answer:

This statement is False.

It is the amount deducted from the final amount due at the time of receipt. It is the concession given for encouraging prompt payment. It is given either for the spot payment or for payment within a specific period. A cash discount is calculated after deducting a trade discount, since it is a loss to the seller and gain to the buyer, a cash discount appears in the books of accounts.

Question 7.

A transaction is concerned with money or money's worth.

Answer:

This statement is True.

In common parlance, a transaction is a dealing between two or more persons, in which one person gives something to the other and in exchange for that receives something from the other. It is an exchange of goods and services either for cash or for any other goods or services. In other words, it is a business activity that interprets in money terms what business gives and what business receives in that exchange. To complete the transaction at least two persons are required. Purchase of goods, sale of goods, receipt, and payment of cash, borrowing, and lending, depositing cash into the bank, withdrawal of cash from the bank, etc. are examples of business transactions.

Question 8.

Accounting is the language of business.

Answer:

This statement is True.

Book-keeping is a part of Accounting. It is the primary stage in accounting. It is the process of recording transactions in accounts. Accounting is part of Accountancy. Accountancy is the practice of recording, classifying and reporting business transactions for a business. Accounting principles are the basic norms and assumptions developed and established as the basis for an accounting system. These principles are adopted by accountants universally. So accounting is the language of business.

Question 9.

In the early times of civilization, accounting was done by owners.

Answer:

This statement is False.

Booking is a part of Accounting that follows certain rules for recording transactions. It has classification, concepts, conventions, and principles which requires certain knowledge and qualifications. So it is done by an accountant.

Question 10.

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

Answer:

This statement is True.

As all business transactions are recorded in the books of accounts so there is no question of hiding any income or expenses, with the help of book-keeping businessmen know their liabilities towards the government for tax payments like GST., Income tax, etc.

5. Do you agree or disagree with the following statements:

Question 1.
Accounting is useful only to the owner.
Answer:
Disagree

Question 2.
Book-keeping is an art, science, and profession.
Answer:
Agree

Question 3.
Bills Payable is an asset of the business.
Answer:
Disagree

Question 4.
In Book-keeping and Accountancy, only non-monetary transactions are recorded.
Answer:
Disagree

Question 5.
Totalling of Journal or Ledger is called casting.
Answer:
Agree

6. Complete the following sentences:

Question 1.
Revenue arising as a result of business transactions is known as _____
Answer:
Income

Question 2.
Excess of gross profit over operating expenses is _____
Answer:
Operating profit

Question 3.
An expenditure which is basically revenue in nature but the benefit of which is not exhausted within one year is called as _____
Answer:
Deferred revenue expenditure

Question 4.
The amount deducted by the seller from the list price of goods at the time of sale is _____
Answer:
Trade Discount

Question 5.
A person to whom the business owes money for the goods or services is known as _____
Answer:
Creditor

Student Activity: (Textbook Page No. 9)

Collect some Advertisements relating to discounts and stick them in the notebook.
Answer:
Go through daily new paper read advertisements regarding sales like flip cart, Amazon, Big Bazar, etc.