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BBS 1st year Account chapter wise important question with answers:

Unit-1

Basic Understanding of Financial Accounting
Theoretical Questions

1.2077Qno.1 What is cash basis of accounting?
Ans: The cash basis of accounting is a method of recording financial transactions where revenue and expenses are recognized only when cash is received or paid out. In other words, income is recorded when payment is received, and expenses are recorded when payment is made.

2.Define financial accounting.
Ans: Financial Accounting is a branch of accounting that is related to recording, summarizing, and presenting financial transactions in financial statements such as an income statement, balance sheet and statement of cash flow.

3. Write any two objectives of financial accounting.
Ans: The two objectives of financial accounting are:
i) To provide relevant, reliable and comparable financial information
ii) To provide an accurate picture of the financial position and performance of an organization

4. Write any two limitations of financial accounting.
Ans: The two limitations of financial accounting are:
i) Shows overall result only
ii) Based on past records

5. Show the relationship between book keeping, accounting and accountancy.

Ans: Bookkeeping is the process of recording financial transactions and maintaining financial records, providing the foundation for accounting.
Accounting involves the analysis, interpretation, and presentation of financial information using the data recorded in the books of accounts.
Accountancy is a professional field that encompasses both bookkeeping and accounting, involving the application of accounting principles and standards for accurate financial reporting.
Bookkeeping provides the raw data for accounting, which is then used by accountants for financial analysis and reporting.
Accountancy goes beyond bookkeeping and accounting, encompassing expertise in financial reporting, analysis, tax planning, auditing, and other related areas.

Bookkeeping and accounting are integral parts of accountancy, working together to manage and report financial information in a systematic manner.

6. List out the users of accounting information.
Ans: Accounting information is divided into two categories and they are:-
1)Internal Users
2)External Users

i) Internal Users
Internal users are also divided into various parts and they are:-
a) Board of Directors(BOD)
b) Managers
c) Accountant and others

ii) External Users
External users are also divided into various parts and they are:-
a) Investors/Shareholders
b) Lenders
c) Suppliers
d) Rating agencies and security analyst
e) Employees and trade union
f) Customers
g) Government, regulatory agencies, and tax authorities
h) Society

7. Differentiate between cash and accrual basis of accounting.
Ans: Here is the difference between cash and accrual basis of accounting.

Basis of Accounting	Cash Basis	Accrual Basis
Definition	Revenue and expenses are recognized only when cash is received or paid	Revenue and expenses are recognized when they are earned or incurred, regardless of when cash is received or paid
Timing	Transactions are recorded when cash is received or paid.	Transactions are recorded when they are incurred or earned.
Example	An expense is recognized when cash is paid for it	An expense is recognized when it is incurred, even if payment is not made yet

Use	Often used by small businesses or for tax purposes	Required by GAAP and used by most larger businesses
Matching Principle	No concept of matching expenses to revenue	Revenue is matched with the expenses incurred to generate it
Accuracy	May not accurately reflect financial performance or position	More accurately reflects financial performance and position

Long Answer Questions

8.2078Qno.19a Who are the internal and external users of accounting information?
Ans:-
Accounting information is utilized by both internal and external users for various purposes. Internal users of accounting information are individuals or entities within an organization who use the financial information for internal decision-making and management purposes. Some examples of internal users include:
i) Board of Directors
ii) Managers
iii) Accountant and others
External users of accounting information are individuals or entities outside the organization who use the financial information for various purposes.
Some examples of external users include:
a) Investors/Shareholders
b) Lenders
c) Suppliers
d) Rating agencies and security analyst
e) Employees and trade union
f) Customers
g) Government, regulatory agencies, and tax authorities
h) Society

9. Discuss the concept, features and objectives of financial accounting. Concept of Financial Accounting:
Ans:-
Financial accounting is a branch of accounting that involves the recording, analysis, interpretation, and reporting of financial information to external stakeholders, such as investors, creditors, regulators, and other interested parties. It is a systematic process of capturing,

summarizing, and presenting financial data in financial statements, which provide an overview of a company's financial position, performance, and cash flows.
It follows generally accepted accounting principles (GAAP) or International Financial Reporting Standards (IFRS) or Nepal Financial Reporting Standards (NFRS) to ensure consistency and reliability in financial reporting.

Features of Financial Accounting:
1.Recording of Financial Transactions:
2. Preparation of Financial Statements:
3. External Reporting:
4. Historical Orientation:
Objectives of Financial Accounting:
1.Provide Financial Information:
2. Ensure Accountability:
3. Support Economic Decision-Making:
4. Ensure Compliance:
5. Facilitate Financial Analysis:

Unit-2

Conceptual Framework of Accounting
Theoretical Questions

1.2078Qno.1 What is going concern concept of accounting?
Ans:
The going concern concept in accounting refers to the assumption that a business will continue to operate and generate profit indefinitely, without any intention of liquidation or cessation of operations. In other words, it assumes that a business will continue to operate for the foreseeable future, allowing it to carry out its commitments and obligations.

Qno.2 2077Qno.4 What is materiality convention of accounting?
Ans:
The materiality convention in accounting refers to the principle that financial statements should only include information that would be significant or relevant to the decision-making process of users of the statements.

Qno.3. What do you understand by business entity concept?
Ans:
The business entity concept is a fundamental accounting principle that states that a business is a separate entity from its owners or other businesses. This means that the financial transactions and activities of the business should be accounted for separately from the personal transactions and activities of the owners or other businesses.

Qno.4 What do you meant by realization concept?
Ans:
Realization concept is a principle in accounting that determines when revenue is recognized and recorded. It is based on the accruals concept and the idea that revenue is earned when a seller transfers control of a good or service to a buyer.

Qno.5 Write in brief about money measurement or monetary concept.
Ans:
The money measurement or monetary concept is a fundamental accounting principle that states that only those transactions and events that can be expressed in monetary terms should be recorded in the financial statements. For example: rupees, dollars, euros, or any other currency.

Qno.6 Write a short note on matching principle.
Ans:
This matching principle is based on the notion that the expenses recognized in an accounting period are matched with the revenue recognized in that period so as to calculate the profit earned or loss suffered during the period. In other words, the expenses of an accounting period are matched against related incomes, rather than comparing cash receipts and payments.

Qno.7 Give the meaning of accounting period concept.
Ans:
According to this concept, a business's financial activities and transactions are reported and summarized in financial statements for specific time periods, such as a month, quarter, or year for financial reporting purposes.

Short Answer Questions.

9.2078Qno.13b: Explain about the ethics in accounting.
Ans:
Ethics in accounting refers to the principles and guidelines that govern the professional conduct and behavior of accountants in their practice of accounting. It involves the moral and ethical standards that accountants are expected to uphold while performing their responsibilities in financial reporting, auditing, tax preparation, and other accounting-related activities.
Ethics in accounting encompasses several key principles, including:
1. Integrity
2. Objectivity
3. Professional Competence
4. Confidentiality
5. Professionalism
6. Social Responsibility

11. Define GAAP. Explain in brief the features of GAAP.
Ans: GAAP stands for Generally Accepted Accounting Principles. It refers to a set of accounting rules, standards, and conventions that are widely recognized and followed in the preparation and presentation of financial statements, providing a common framework for financial reporting in a particular jurisdiction or country.
The features of GAAP are as follows:
1. Relevance
2. Reliability
3. Understandability
4. Comparability

Unit-3

Accounting Process

Theoretical Questions

1. Write any two differences between trade discount and cash discount.

Ans:

Trade Discount	Cash Discount
It is a deduction in the listed price of a product or service, offered to a specific group of customers or for a specific period of time	It is a deduction from the invoice amount, offered to a customer for making prompt payment or paying in cash.
Trade discounts are given before the sales transaction is recorded in the accounting books.	Cash discounts are given after the sales transaction is recorded in the accounting books.

Short Answer Questions.

2077Qno.16: Define the source of documents. Also write down the types of documents.

Ans:

A source document refers to a tangible record that provides evidence of a financial transaction. Source documents provide important information such as the date, description, amount, and parties involved in the transaction, which are essential for accurate and complete financial reporting.

1. Invoice:
   Provides details of goods or services sold, including date, amount, and taxes.
2. Cheque:
   Provides evidence of payment made, including date, amount, and payee.
3. Bank statements:
   Documents provided by a bank that detail all transactions during a specific period, including deposits, withdrawals, and fees.
4. Debit note:
   Issued to notify a customer of additional charges or adjustments to an invoice.
5. Credit note:
   Issued to notify a customer of a refund or credit for returned goods or services.
6. Cash register tape:
   Records all cash sales made at a cash register, including date, item, and amount.

7. Time card:
   Tracks hours worked by employees for payroll purposes, including date, time in/out, and total hours worked.
8. Promissory note:
   A legal document that outlines a promise to pay a specified amount by a certain date.
9. Bank deposit slip:
   Documents used to deposit cash or cheques into a bank account, including date, deposit amount, and account number.
10. Cash receipt:
   Provides evidence of cash received, including date, amount, and purpose of payment.
11. Stock/cash certificate:
   Represents ownership of shares or ownership of a certain amount of cash in a company.
12. Salary/payroll sheet:
   Records employee compensation details, including wages, salaries, bonuses, and deductions.

Unit-6

Accounting for Cash and Internal Control

Theoretical questions

2078Qno.3: What is internal control to a business?

Ans:

Internal control refers to the policies, procedures, and practices that a business implements to safeguard its assets, ensure the accuracy of its financial records, and promote compliance with laws and regulations.

2. Write about Not Sufficient Fund(NSF) cheque.

Ans:

A Not Sufficient Fund (NSF) cheque is a cheque that has been presented for payment but is returned by the bank due to insufficient funds in the account.

3. Write about Electronic Fund Transfer (EFT).

Ans:

Electronic Fund Transfer (EFT) is a digital payment method that allows for the transfer of money from one bank account to another through electronic means. They are commonly used for a variety of transactions, including direct deposit of paychecks, bill payments, and online purchases.

4. Write a short note on petty cash funds.
Ans:
Petty cash funds are small amounts of cash that are kept on hand by businesses to cover small, incidental expenses such as office supplies, postage, or minor repairs. Petty cash transactions are written down in a small notebook or log. The total amount of the money in the notebook is checked regularly to make sure it matches the actual cash that is available. This is done to make sure that the petty cash is being managed correctly.

Unit-7

Accounting for Receivables
Theoretical Questions
Brief Answer Questions.

1.2078Qno.4: Write down the meaning of bad debts.
Ans:
Bad debts refer to amounts owed by customers or other debtors that are unlikely to be paid and are considered unrecoverable.

2.Define receivables.
Ans:
Receivables refer to amounts owed to a company by its customers or other debtors for goods sold or services rendered on credit.

3. Write short notes on interest bearing notes and non-interest bearing notes.
Ans:

Interest-bearing notes are financial instruments that accrue interest over time, and the interest is paid along with the principal at maturity. Interest-bearing notes are commonly used for borrowing money, such as for a mortgage or a business loan.

Non-interest-bearing notes, on the other hand, do not accrue any interest over time. The full amount borrowed is repaid at maturity, without any additional interest payments. Non-interest-bearing notes are typically used for short-term borrowing or for transactions where interest is not practical, such as in the case of trade credit between two companies.

Short Answer Questions.

4.2077.Qno.14b: Differentiate between accounts receivable and notes receivable.
Ans:
The difference between accounts receivable and notes receivable are:

Accounts Receivable	Notes Receivable
Amounts owed to the company by customers for goods sold or services rendered on credit.	Amounts owed to the company by a debtor for a specified period and typically include an interest component.
Typically have shorter payment terms and are due within 30 to 90 days.	Typically have longer payment terms and can be due in several months or even years.
Generally unsecured and do not require a formal agreement or contract.	Usually secured by a formal agreement or contract between the debtor and the company.
No interest is earned unless the customer fails to make payment on time and incurs interest charges or penalties.	Interest is typically earned on notes receivable and is added to the principal balance until the note is repaid.

Unit-8

Accounting for Current Liabilities and Contingencies

Theoretical Questions

-Brief Answer Questions-

1.2077Qno.2: Write down the meaning of contingent liabilities.

Ans:

Contingent liabilities refer to potential obligations or liabilities that may arise in the future depending on the occurrence of certain events or conditions. Examples of contingent liabilities include pending lawsuits, warranties, guarantees, and potential tax assessments.

2. Write down any two differences between accounts payable and notes payable.

Ans:

Accounts Payable	Notes Payable
Refers to short-term liabilities owed to suppliers or vendors for goods or services purchased on credit.	Refers to a written agreement between a borrower and lender for a specific amount of money to be borrowed and repaid with interest over a set period of time.
Examples include amounts owed to suppliers for inventory, utilities, rent, and other expenses	Examples include loans from banks, bonds issued to investors, and other long-term debt obligations

Unit-9

Accounting for Long-lived Assets

Theoretical Questions

1.2077Qno.13b: Differentiate between capital and revenue expenditure.

Ans:

Capital Expenditure	Revenue Expenditure
Refers to the expenditure incurred on acquiring or improving fixed assets that will provide benefits to the business for a period longer than the current accounting period.	Refers to the expenditure incurred on the day-to-day running of the business and maintaining the existing assets of the business.

Capital expenditures are typically of a larger magnitude and have a long-term impact on the business.	Revenue expenditures are typically of a smaller magnitude and have a short-term impact on the business.
Capital expenditures are recorded in the balance sheet as assets and are depreciated over their useful life.	Revenue expenditures are recorded in the income statement as expenses and are deducted from revenue to arrive at net income.
Capital expenditures are made with the intention of generating revenue or improving the long-term efficiency of the business.	Revenue expenditures are made to maintain the current level of revenue and keep the business running smoothly.
Examples include the purchase of land, buildings, machinery, and equipment.	Examples include rent, wages, utilities, repairs, and maintenance expenses.

2 . Define long-lived assets. Mention its types.
Ans:
Long-lived assets, also known as non-current assets, are assets that a company expects to hold for more than one accounting period or year and that are used to generate revenue.
These assets are not intended for resale but are used in the normal course of business operations.
There are three types of long-lived assets and they are:
i) Property, plant and equipment (PPE)
ii) Intangible Assets
iii) Natural resources

3.Define depreciation. Write in brief about the reasons for depreciating fixed assets.
Ans:
Depreciation is an accounting method used to allocate the cost of a tangible asset, such as property, plant, and equipment (PPE), over its estimated useful life.
There are several reasons why fixed assets are depreciated:
i) Wear and Tear
ii) Obsolescence
iii) Exhaustion
iv) Accident

4 . Write a short note on straight line method of depreciation with its advantages.
Ans:

The straight-line method of depreciation is one of the most common methods used for allocating the cost of a tangible asset evenly over its estimated useful life. Under this method, an equal amount of depreciation expense is recognized in each accounting period, resulting in a constant depreciation amount for each period.

Advantages of the straight-line method of depreciation:

i) Simplicity
ii) Equal Allocation of Cost
iii) Matching Principle
iv) Tax Benefits
v) Useful for Assets with Uniform Usage

Unit-10

Accounting for Long-term Liabilities
Theoretical Questions
Brief Answer Questions.

1 . Define current liabilities.
Ans: Current liabilities refer to the debts or obligations of a company that are due and payable within a year or the operating cycle, whichever is longer. Examples of current liabilities include accounts payable, wages payable, taxes payable, and short-term loans.

2 . What do you mean by bond amortization?
Ans: Bond amortization refers to the process of gradually reducing the value of a bond premium or discount over the term of the bond. This is achieved by spreading the premium or discount over the interest payments or the remaining life of the bond.

Short Answer Questions.

1.What is bond? Explain the characteristics.

Ans: A bond is a debt security issued by a company, municipality, or government entity to raise capital. When an entity issues a bond, itis essentially borrowing money from investors and promising to repay the principal amount (face value) of the bond at a specified maturity date, along with periodic interest payments.

Characteristics of bonds:
i)Face value

ii) Coupon rate
iii) Maturity date
iv) Yield
v) Credit rating
vi) Call provision
vii) Convertibility

2. What do you mean by lease? What are the difference between operating lease and capital lease?
Ans:
A lease is a contract between a lessor (the owner of an asset) and a lessee (the user of the asset) that grants the lessee the right to use the asset for a specified period of time in exchange for periodic lease payments.
The two primary types of leases are operating leases and capital leases (also known as finance leases). Here are the key differences between the two:

Operating Leases	Capital Leases
Short-term lease of an asset.	Long-term lease of an asset
Lease payment are treated as an operating expenses on the income statement.	Lease payment are treated as both interest expense and depreciation expense on the income statement.
Ownership of an asset remains with the lessor.	Ownership of an asset transfers to the lessee at the end of the lease time.
Generally, no option to purchase the asset at the end of lease term.	The lessee may have an option to purchase the asset at the end of the lease term.
The lessor is responsible for the maintenance and repair.	The lessee is responsible for the maintenance and repair.

Unit-11

Accounting for Shareholders' equity

Theoretical Questions

2077. Q.no.3: Write any two differences between stock dividends and stock splits.
Ans: Here are two differences between stock dividends and stock splits:

Stock Dividends	Stock Splits
Distribution of additional shares of stock to existing shareholders, usually expressed as a percentage of their current holdings.	Division of existing shares of stock into multiple shares, usually expressed as a ratio (example: 2-for-1, 3-for-1)
Typically, does not result in any change in the market value of company.	Does not affect the total market value of the company, but may affect the stock price.

2 . Define shareholders equity.
Ans:
Shareholders' equity, also known stockholders' equity or owners' equity, is a residual value of a company's assets after deducting its liabilities. In other words it represents the portion of company's assets that are owned by its shareholders' rather than by its creditors.

Short Answer Questions

6. 2078Qno.14b Define treasury stock with its features.
Ans: Treasury stock refers to shares of a company's own stock that have been previously issued and subsequently repurchased by the company and held in its own treasury. Here are some key features of treasury stock:
i) Repurchased shares:
ii) Contra-equity account:
iii) No voting rights or dividends:
iv) May be used for various purposes:
v) May impact financial ratios:
vi)Disclosure requirements:
Unit-12
Brief Answers Questions
Basic Financial Statements
Theoretical Questions
1. Write any two objectives of financial statements. Ans: The two objectives of financial statements are: i) To record financial statements.
ii) Transparency and accountability
2. Mention any two features of financial statements.
Ans: The two features of financial statements are:
i) Financial statements provide a snapshot of a company's financial performance Financial statements facilitate financial analysis and decision-making

Unit-13

Cash Flow Statement

Theoretical Questions

Brief Answer Questions

1.Explain in brief the cash flow from operating activities.

Ans:

Cash flow from operating activities is a section in the statement of cash flows that represents the cash inflows and outflows from a company's core operating activities. This section provides information on the cash generated or used by a company's day-to-day business operations, such as revenue generation, inventory management, and payment of operating expenses.

2.Write in brief the cash flow from investing activities.

Ans:

Cash flow from investing activities is a section in the statement of cash flows that represents the cash inflows and outflows from a company's investments in long-term assets, such as property, plant, and equipment, as well as investments in securities, such as stocks and bonds. This section provides information on the cash spent on capital expenditures,
acquisitions, and other investments, as well as the cash received from the sale or disposal of these assets.

3.Write the meaning of cash flow from financing activities.

Ans:

Cash flow from financing activities is a section on a company's cash flow statement that shows the net amount of cash that flows in and out of the business due to financing activities. These activities may include issuing or repurchasing stock, taking out or repaying loans, and paying dividends to shareholders.

Unit-14

Value Added Statement

Theoretical Questions

1.2077Qno.5 What is value added?
Ans:
Value added refers to the additional worth or economic value that a business or organization creates during the production process. It is the difference between the total value of the finished goods or services produced by a company and the cost of the inputs (raw materials, labor, and other production expenses) used in the production process.
2. Define value added statement.
Ans:
A value added statement is a financial statement that shows how a company has added value to its products or services during the accounting period. It is also known as a value added statement of performance or a value added statement of profit and loss.

Unit-15

Analysis of Financial Statement

Theoretical Questions

3. Define financial statement analysis. Explain in brief the objectives of financial statement analysis.
Ans:
Financial statement analysis is the process of examining a company's financial statements to evaluate its financial performance, position, and potential for growth. It involves analyzing the financial statements to identify trends, patterns, and relationships between different financial items to draw meaningful conclusions about the company's financial health.

The objectives of financial statement analysis are as follows:

i) To assess a company's profitability:
ii) To evaluate a company's liquidity:
iii) To assess a company's solvency:
iv) To identify a company's financial strengths and weaknesses:
v) To compare a company's performance with that of its peers:

4.Define ratio analysis. Ensure the uses of ratio analysis.
Ans:
Ratio analysis is a financial analysis tool that involves calculating and interpreting various financial ratios to evaluate a company's financial performance, position, and potential for growth.

The uses of ratio analysis include:

i) Assessing financial performance
ii) Evaluating financial position

iii) Comparing with peers
iv) Making investment decisions
v) Assessing operational efficiency

5. Explain in brief the limitation of ratio analysis.
Ans:
While ratio analysis is a useful tool for assessing a company's financial performance and position, it also has some limitations.

Here are some of the key limitations of ratio analysis:

a)False result if based on incorrect accounting data
b) No idea for problem solution
c) Variation in accounting method
d) No effect of price level change
e) Lack of future information
f) Possibility of window dressing

End of the subject:

Others subject notes are dropping soon check out them and don’t forget to follow me:

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My website is going live soon don’t forget to check it out for other subjects notes after march 01 2025:

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