

2018

1. What are the features of Company. Explain?

Ans : Company is a voluntary association of people who contribute capital to run a particular type of business. Features of company are discussed below:

a. Legal Entity

A company is an artificial person created by law. So it has a separate legal entity and independent from its members. The company is not responsible for its member debts and vice-versa.

b. Limited liability

The liability of the shareholders of a company is limited up to their capital investment. If the liability of the company is greater than the asset of the company then its members are not liable for it.

c. Transferability of shares

Shares of a company can be freely transferred from one person or firm to another except for private company. It can be freely transferred without the consent of the shareholders and transfer of share only changes the ownership and doesn't affect the company's activities

d. Perpetual succession

A company is never dying organization unless it is liquidated. It means company is a independent existence which is not affected by death, bankruptcy of members or shareholders etc. Shareholders may come and go but the company runs. Only law can terminate its existence.

e. Common seal

As we know a company is an artificial person created by law. However it cannot sign a document like a natural person. Therefore, a common seal is used as a substitute of signature.

2. Describe matching concept and periodic concept of accounting with example.

Ans : Matching concept states that the cost or expenses of a business of a particular period be compared with the revenue of that period in order to ascertain the net profit or loss. If revenue is earned more than the cost, it is net profit. On the other hand if the cost is more than the revenue earned, it is net loss.

For example: The total revenues for period id rd 100000 is matched against the expenses of the same period rs 60000. thus the net income is rs 40000.

accounting period concept focuses on maintaining books of accounting for specified period. In context of Nepal, accounting period start form 1st shrawn of current year and ends on 31st ashad of next year. This concept is introduced to determine the revenue and expenses of a business for the time period.

3. Define accounting. Explain the scope of accounting and its functions.

Ans : Accounting is the process of reporting, recording, interpreting and summarizing financial data of an organization for decision making.

The scope of accounting is unlimited in the sense that it is not only useful to trading concerns but also to the non trading concerns and even government.

a. Helps the trading organization

Accounting supports the trading organization for the systematic recording of their financial events.

Accounting help such business organization by providing various finance related information also helps in taking important decision.

b. helps the non trading organization

non trading organization involves service business such as hotels, hospitals, airlines etc. Accounting helps the non trading organization by preparing receipt and payment account to record receipt and payment, income and expenditure account to know the income and expenditure.

c. helps the government

government is a autonomous and a responsible institution. Therefore it is liable to disclose its transactions to public. The accounting system followed by government is slightly different from business. Accounting system is considered as a decision making tool of the government.

Functions of accounting are as follows,

a. Maintaining record

One of the functions of accounting is to identify the financial nature and record them into the suitable books of accounts. Because human cannot keep everything that goes during the course of business in mind all the financial transactions should be recorded in a systematic way.

b. Determining operation result

The main objective of business is to earn profit. At the end of the accounting period it helps us to determine profit earned or loss suffered.

c. Showing financial position

Accounting helps us to find the overall financial position of the organization. For this purpose balance sheet is prepared to know the position of assets, capital and liability of the organization for specified period.