



## MORE QUESTIONS SOLVED

### I. Very Short Answer Type Questions [1 Marks]

Question 1. Name the book in which all cash transactions are recorded.

Answer: All cash transactions are to be recorded in a book called a cash book or cash register.

Question 2. In accounting language, give another name used for cash book.

Answer: In accounting language, the cash book is a book of original entry.

Question 3. What do you understand by entry?

Answer: The term entry simply means making a note/ record of the cash received or given.

Question 4. Why maintaining a cash book or register is very essential for every business?

Answer: Maintaining a cash book or register is very essential for every business. Because without the entries in the Cash Book, no further analysis of expenses, costs, revenues, profit, etc. can be made.

Question 5. What do you understand by unit cost/variable cost/cost of goods sold?

Answer: Cost of unit can be defined as the cost incurred by a company to produce, store and sell one unit of sale of a particular product or service.

Question 6. Give some examples of variable cost/unit cost.

Answer: The unit cost refers to the variable cost like raw-material, packing material, sales commission, freight, etc.

Question 7. What do you understand by contra transaction?

Answer: When a single transaction affects both cash and a bank column with same amount then it is called as contra transaction.

Question 8. What do you understand by contra-entry?

Answer: If any transaction requires entries on both the debit and the credit sides simultaneously, it is called 'contra entry'.

Question 9. What do you mean by buying on credit?

Answer: Buying on credit means that the buyer will purchase a product/goods from a seller/supplier and not pay the due amount immediately to seller. The buyer makes the payment at a later date.

Question 10. How do credit transactions (whether given or taken) will be entered in the cash book?

Answer: All credit transactions (whether given or taken) do not get entered in the cash book.

Question 11. What is the treatment of money withdrawn from ATM for business enterprise?

Answer: Money being withdrawn from ATM is like cheque issued and there will be two entries—

(i) Cheque issued (outflow from bank)

(ii) Same amount received as cash (inflow into the Cash Book)

Question 12. Name the type of tax which can be included as a cost element in computation.

Answer: An indirect tax is one that can be included as a cost element in computation.

Question 13. What do you understand by the term cash flow projection?

Answer: Cash Flow Projection shows how cash is expected to flow in and flow out of your business.

Question 14. Where cash register is used?

Answer: Cash Registers is used in a grocery store, departmental store, clothing store, or other profitable retail business.

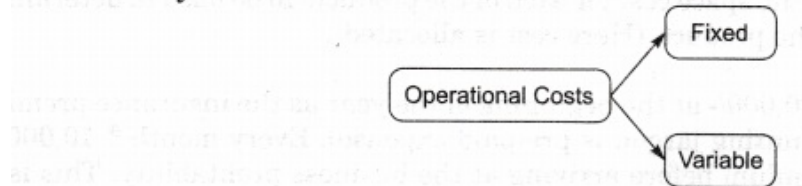
Question 15. Name the Latin word for 'Tax'.

Answer: The word 'Tax' has its origin in the Latin word 'taxo' meaning "I estimate".

Question 16. What do you understand by operational cost and how will you categorise it?

Answer: Operational cost are for carrying out the day-to-day operations of the business or enterprise.

**It is broadly classified into:**



## II. Short Answer Type Questions [2/3 Marks]

Question 1. Difference between cash flow statement and cash flow projection.

Answer:

Cash Flow Projections	Cash Flow Statement
The Cash Flow Projection shows the cash that is anticipated to be generated or expended over a chosen period of time in the future.	The historical Cash Flow Statement shows how cash has flowed in and out of a business. Or It describes the cash inflow and outflow that has occurred in the past.
The figures in the form of inflow and outflow can be normative likely to be changed.	The figures in the form of inflow and outflow is positive it will not change.

Question 2. How will cash flow projections help an entrepreneur?

Answer:

- For an entrepreneur it is an important tool for cash management.
- He will be able to verify when his outlays/outflows are too high or when you might want to arrange short term investments to deal with a cash surplus.
- A Cash Flow Projection will give a much better idea of how much capital investment a business idea needs.

Question 3. Distinguish between cost and expenses.

Answer:

Basis	Cost	Expenses
Meaning	A cost is a derived value of money consumed to produce a current or future outcome; hence, costs provide management a decision supporting view to improve business economics. Costs are expressed as a value measured in relationship to a causal volume of consumption.	Technically, an expense is a specific accounting event related to the outflow of cash. Expense simply records the event and is used to understand what happened from an accounting perspective.
	Costs are derived.	Expenses are incurred.

Question 4. Measurement is essential to analyse performance of any business. Given below are some businesses and items being sold/serviced by them. Write unit of sale in each case.

Business	Items Being Sold/Service	Unit of Sale
Garment shop	T-Shirt	?
Coaching class	Tuition	?
Textile shop	Fabric	?
Baker	Cake	?

Answer:

Business	Items Being Sold/Service	Unit of Sale
Garment Shop	T-Shirt	Piece or Number
Coaching class	Tuition	Time: Hour
Textile Shop	Fabric	Meter (of fixed width)
Baker	Cake	Kilogram/Pound

Question 5. Write down the difference between cost and expense with the help of an examples.

Answer: Example 1.

In a factory there are three products being manufactured. Production unit of each is separate — occupying 50%, 30% and 20% space respectively. The rent of Rs 50,000/- per month being paid for the factory is an expense. This amount is then allocated between the three products in proportion to the area occupied— Rs 25,000/-, Rs 15,000/- and Rs 10,000/-. These amounts represent the space cost for each of the products to be used in determining what it costs to produce the product. (Here cost is allocated).

Example 2.

A businessman pays Rs 1,20,000/- at the beginning of the year as the insurance premium. This is an expense. (Accounting jargon is pre-paid expense). Every month Rs 10,000/- is charged as insurance premium before arriving at the business profitability. This is the cost of insurance per month. (Cost is derived)

Question 6. 'Profit is not to be considered as inflow'. Comment with apt reason.

Answer: Yes, it is correct profit is not to be considered as inflow. Nobody gives money as —profit. It is always generated in the business. Hence, profit is not to be included as —inflow.

Question 7. "Telephone bill may vary slightly month to month, depending on the usage." According to you it will fall under which category fixed or variable.

Answer: Variation in telephone bill from month to month depending on the usage is not linked to the sales volume directly. Therefore, it fall under the category of fixed cost.

Question 8. "Expenses can be variable or fixed". Through examples show how an expense can fall in both the categories.

Answer:

- Telephone bill is generally a fixed expense, but if the expenses are related to a Call Center then it will be considered as a variable cost.
- Paper bill in an office or shop would be fixed but in a printing business it would be variable cost (like raw material).
- Water in the office is fixed, water used in a soft drink factory is variable.
- Stationary in a coaching class is variable, because more students mean more but stationary in an office is fixed.

Question 9. Classify the following into fixed cost and variable cost.

- Rent of a godown
- Minimum telephone bill
- Interest on capital invested by an entrepreneur
- Salary to permanent staff
- Cost of raw-material payment of transportation of goods.
- Daily wages of sweepers
- Telephone charges beyond the minimum.

Answer:

S.No.	Items	-----	Fixed/Variable Cost
(a)	Rent of a Godown	-----	Fixed Cost
(b)	Minimum telephone bill	-----	Fixed Cost
(c)	Interest on capital invested by an entrepreneur	-----	Fixed Cost
(d)	Salary to permanent staff	-----	Fixed Cost
(e)	Cost of raw-material	-----	Variable Cost
(f)	Payment of transportation of goods	-----	Variable Cost
(g)	Daily wages of sweepers	-----	Variable Cost
(h)	Telephone charges beyond the minimum	-----	Variable Cost

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