



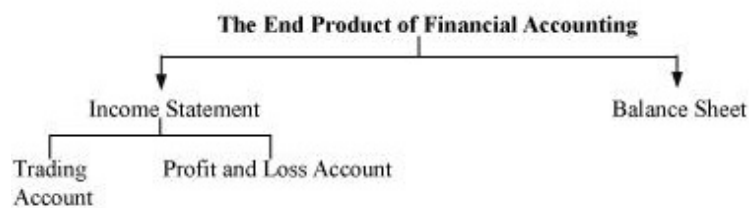
### Short Answer Type Questions

Q1. Define accounting.

Answer : Accounting is a process of identifying the events of financial nature, recording them in Journal, classifying in their respective ledgers, summarising them in Profit and Loss Account and Balance Sheet and communicating the results to the users of such information, viz. owner/s, government, creditors, investors etc. According to the American Institute of Certified Accountants, 1941, "Accounting is an art of recording, classifying and summarising in a significant manner and in terms of money transactions and events that are, in part at least, of a financial character and interpreting the results thereof."

Q2. State what is end product of financial accounting?

Answer :



Income statements (Trading and/or Profit and Loss Account)- An income statement that includes Trading and Profit and Loss Account, ascertains the financial results of a business in terms of gross (or net) profit or loss.

Balance Sheet- It depicts the true financial positions of a business that provides required information like assets and liabilities of a business firm, to the users of accounting information like owners, creditors, investors, government, etc.

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