

Course Code: COM117

Semester: VI

FINANCIAL & COST ACCOUNTING

QUESTION BANK

UNIT 1

Short questions

1. What is the role of accounting in business?
2. Define Generally Accepted Accounting Principles (GAAP).
3. What are accounting conventions? Name any three.
4. What is an accounting equation?
5. What are the key components of an income statement?
6. Define the terms "assets" and "liabilities."
7. List three examples of current assets.
8. What is the primary purpose of a balance sheet?
9. Explain the difference between operating and non-operating expenses.
10. How does the income statement show a company's financial performance?
11. Why is depreciation recorded in financial statements?
12. Differentiate between gross profit and net profit.
13. What role does equity play in the balance sheet?
14. What are adjusting entries?
15. What is outstanding expense?
16. What is prepaid expense?
17. What are accrued incomes?
18. What is the need for preparing final accounts?
19. Define capital and revenue expenditure with examples.
20. What are the steps in the accounting cycle?
21. List the books of accounts used in the double-entry system.
22. What is a trial balance? Why is it prepared?
23. Name two financial statements prepared by businesses.
24. Why is financial statement interpretation important for investors?
25. How effective is the double-entry system in ensuring accounting accuracy?
26. How reliable are financial statements in assessing a company's financial health?
27. Define depreciation and mention two methods of calculating it.
28. Explain the characteristics of depreciation.
29. Name two common methods of calculating depreciation.
30. Explain the objectives of depreciation
31. What factors determine the depreciation expense of an asset?
32. What is the difference between depreciation, amortization, and depletion?

33. How does accounting help in decision-making?
34. What is the importance of distinguishing between capital and revenue expenditures?
35. Explain the role of a ledger in the accounting process.
36. How does a bank reconciliation statement help in financial reporting?
37. Record the journal entry for purchasing office furniture worth \$5,000 in cash.
38. Calculate depreciation using the straight-line method - problems.
39. Prepare a bank reconciliation statement given certain bank transactions.
40. Why do businesses need to rectify errors in accounting?
41. How do cash flow and fund flow statements differ?
42. What does trend analysis reveal about a company's performance?
43. How does ratio analysis help in comparing financial performance across companies?
44. What are the limitations of ratio analysis?

Long Questions:

1. Explain the various concepts and conventions of GAAP.
2. Describe the key differences between capital and revenue expenditure.
3. Discuss the importance of preparing a trial balance.
4. List and explain the steps involved in the accounting cycle.
5. Explain the need for depreciation in accounting.
6. Discuss the importance of Generally Accepted Accounting Principles in financial reporting.
7. Differentiate between journal and ledger with suitable examples.
8. How does rectification of errors impact financial statements?
9. Describe the structure of an income statement and balance sheet.
10. Justify the importance of rectifying errors before preparing financial statements.
11. Explain the significance of ratio analysis in financial statement interpretation.

Problems:

Refer PPT