

Important Questions for Chapter 1 Introduction to Accounting

Question 1

Define Accounting.

Answer: According to the American Institute of Certified Public Accountants, Accounting is, 'It is an art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character, and interpreting the results thereof.'

Question 2

Mention 3 functions of Accounting.

Answer: Functions of accounting are:

- Communicating financial information
- Budget preparation
- Preventing errors and frauds

Question 3

Define Book-keeping.

Answer: According to J.R. Batliboi, 'Book-keeping is an art of recording business dealing in a set of books.'

Question 4

Mention 2 Differences between accounting and accountancy.

Answer:

Accounting	Accountancy
Accounting is an art of recording, classifying and summarising in a significant manner and in terms of money, transactions and events, which are, in part at least, of a financial character, and interpreting the results thereof	Accountancy is a body of knowledge prescribing definite rules to be observed while recording, classifying and summarising of transactions.
It relies on Book-keeping.	It relies on both Book-keeping and Accounting.

Question 5

Mention the types of accounting.

Answer: There are 5 types of accounting. Namely,

- Financial Accounting
- Cost Accounting
- Management Accounting
- Tax Accounting
- Social responsibility Accounting

Question 6

Who are the users of Accounting?

Answer: The users may be categorised into 2 groups. Namely,

- Internal users
- External users

Question 7

What are the 3 advantages of accounting?

Answer: Advantages of accounting are,

- Helpful in business
- Helpful in decision making
- Helpful in controlling

Question 8

What are the 5 roles of accounting?

Answer: Roles of accounting are:

- Acting as the language of business
- Providing financial information to stakeholders
- Role in creation of budget
- Role in decision making

- Role in determining profit and loss

Question 9

What is the end product of financial accounting?

Answer: End product of financial accounting is 'Financial Statements'.

Question 10

Mention 2 qualitative characteristics of accounting information.

Answer:

- Reliability
- Comparability

Question 11

Who among these are not External users of accounting information

- 1) Lenders
- 2) Government
- 3) Employees
- 4) Public

Answer: 3) Employees

Question 12

Which of the following is not a sub-field of accounting?

- Financial Accounting
- Cost Accounting
- Management Accounting
- Book-keeping

Answer: Book-keeping

Question 13

What is the traditional function of accounting?

Answer: Recording of financial transactions.

Question 14

Book-keeping begins where accounting ends. True or False?

Answer: False

Question 15

Accounting is the language of business. True or False?

Answer: True