

# Important Questions for Chapter 2 Theory Base of Accounting

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## Question 1

How is the total amount of Capital calculated?

**Answer:** Capital = Assets – Liabilities

## Question 2

How is the total amount of Liabilities calculated?

**Answer:** Liabilities = Assets – Capital

## Question 3

Give 2 examples of Capital receipts.

**Answer:**

- The amount received by way of loans
- The amount received from the sale of fixed assets or investments

## Question 4

Mention different types of liabilities.

**Answer:**

- Current liabilities
- Non-current liabilities
- Contingent Liabilities

## Question 5

What are the drawings?

**Answer:** Drawings refer to any value of commodities or cash withdrawn by the owner for personal use.

### **Question 6**

Give 2 examples of Tangible assets.

**Answer:**

- Stock
- Land and Building

### **Question 7**

The amount which the proprietor has invested in a business is known as,

**Answer:** Capital

### **Question 8**

A Ltd. imported from London one machinery for sale in India and other machinery for production purpose. Will you treat them as goods or fixed assets?

**Answer:** First machinery will be treated as goods and the second machinery will be treated as Fixed Asset.

### **Question 9**

What is income?

**Answer:** Excess of revenue over expenses is called as Income.

Income = Revenue – Expenses

### **Question 10**

What is the nature of accounting principles?

**Answer:** Nature of accounting principles are,

- Accounting principles are a uniform set of rules that are developed to assure the uniformity and easy comprehension of the accounting information
- Accounting principles are man made and are derived from experience and reason
- Accounting principles are not static

### **Question 11**

What are the different bases of accounting?

**Answer:** Different bases of accounting are,

- Cash basis
- Accrual basis