

Important Questions for Chapter 9 Financial Statements 2

Question 1

What is an outstanding expense?

Answer: Outstanding expenses are those expenses which have been acquired during a given period of time but have left unpaid till the date of preparing a financial statement.

Question 2

What journal account will be passed for outstanding salary?

Answer:

Salary A/c Dr.

To Outstanding Salary A/c Cr.

Question 3

What journal account will be passed for prepaid insurance?

Answer:

Prepaid Insurance A/c Dr.

To Insurance A/c Cr.

Question 4

Accrued income and income due but not received are the same. Is it true or false?

Answer:

True

Question 5

Which account is debited for creating a provision for doubtful debts?

Answer:

Profit and Loss Account

Question 6

For doubtful debts under which accounting concept provision is made?

Answer:

Prudence Concept

Question 7

Mention two examples of revenue expenditure

Answer:

The two examples of revenue expenditure are

- Purchase of Goods
- Salary, Rent, etc

Question 8

In balance sheet assets side represents a debit balance. True or False?

Answer:

True

Question 9

Life Insurance premium of proprietor is treated as drawings. True or false?

Answer:

True

Question 10

Bank overdraft is a contingent account. True or False?

Answer: False

Question 11

Closing stock is shown in Financial statement at

- (a) Cost Price
- (b) Realisable Value
- (c) Cost price or Realisable value whichever is greater
- (d) Cost price or Realisable value whichever is less

Answer:

(c) Cost price or Realisable value whichever is less

Question 12

Accrued income is

- (a) A liability
- (b) Revenue
- (c) An Asset
- (d) An Expense

Answer:

- (c) An Asset

Question 13

Type of account shown in the balance sheet is.

- (a) Nominal and Personal
- (b) Real and Nominal
- (c) Real and Personal
- (d) Real, Nominal, and Personal

Answer:

- (c) Real and Personal

Question 14

If a closing stock appears in the trial balance, then it will appear in.

- (a) Trading Account
- (b) Balance Sheet
- (c) Profit & Loss Account
- (d) Trading & Balance sheet account

Answer:

- (b) Balance Sheet

Question 15

Give two examples of capital expenditure.

Answer:

The two examples of capital expenditure are.

- Purchase of Machinery
- Expenditure on the installation of Machinery