

BUSINESS ACCOUNTING

16CCCCM3

2 Marks Questions and Answers:

1. What is meant by branch account?

The dictionary meaning of the word 'branch' is any subordinate division of a business, subsidiary shop, office etc.

2. What are the features of branch account?

All branch expenses such as rent, salary, advertisement etc., are paid by the head office. The branch is allowed to make only cash sales though in some cases, it may be allowed to make credit sales to approved customers.

3. What are the different kinds of branch?

Dependent Branch

Independent Branch

Foreign Branch.

4. Define Departmental Accounting.

An organisation may produce or buy and sell several products or perform different services under the same roof or from the same premises.

5. What are the advantages of preparing departmental accounts ?

- ⊙ Ascertainment of profit
- ⊙ Comparative performance
- ⊙ Appraisal of personnel
- ⊙ Remedial measures
- ⊙ Expansion and Diversification
- ⊙ Policy formulation.

6. Define Hire purchase.

According to the Hire purchase Act 1972 Section 2(c) " Hire purchase agreement is an agreement under which goods are let on hire and under which the hirer has an option to purchase them in accordance with the terms of the agreement".

7. What is meant by instalment purchase system?

In instalment purchase system also, an agreement is entered into by the seller and buyer. An advance or down payment is paid and possession as well as ownership in the goods is transferred to the buyer. The buyer agrees to pay the balance of amount due in a specified number of instalments along with agreed rate of interest.

8. State any four terms in the hire purchase system.

Cash price :

This is the retail price of the articles at which they can be purchased immediately for cash.

Down payment :

This is the advance payable by the buyer while signing the hire purchase agreement.

Hirer :

The buyer of the goods on hire purchase basis.

Hire vendor :

The seller of the goods on hire purchase basis.

9. Write a short note on cash received.

The total amount received from the customers during the accounting year in the form of down payment and amount of instalments.

10. What are the methods of computation of profit ?

- ⊙ Claim for reduction in turnover
- ⊙ claim for increased cost of working.
- ⊙ Total claim for loss of profit.
- ⊙ Application of average clause.

11. What is sub-lease ?

When the terms of the original lease gives powers to the Lessee to sub-let a part of the land or right to another person, this privilege is known as sub-lease.

12. What is meant by Royalty ?

Royalty is an amount payable by one person to another for the use of an asset or right or monopoly.

13. Write a short note on minimum rent.

Minimum amount payable by the lessees to the landlord irrespective of the actual output or sales of the lessee.

14. What is meant by self balancing ledger ?

A small business can do with only one ledger. However, in case of big business, the number of personal accounts may be quite large and therefore, it may not be convenient to keep all the accounts in one ledger.

15. Mention the various system of self balancing ledger.

- ⊙ Debtors or Sales Ledger.
- ⊙ Creditors or purchase Ledger
- ⊙ General or Impersonal or Nominal Ledger.

16. What is meant by fire insurance?

All prudent business firms insure their stock and also other assets against the risk of fire. They take appropriate insurance policy from a recognised company by paying required premium. This enables the business to lodge claim against insurance company and receive sufficient funds to replace the lost assets.

17. Write a short note on short sales.

This is the difference between standard turnover and affected period turnover.

18. What are the purpose of fire insurance?

Insurance companies investigate any claim made through experienced assessors. They evaluate the causes for fire and the actual loss through the damage. Based on the assessor's report, insurance company settles the claim made against it for loss due to fire.

19. What is Sale or return?

The transactions which involve customers approval or rejection of goods after physical delivery are called sale on approval or sale or return transactions.

20. What are the features of sales transactions?

⇒ Traders can increase their turnover, particularly in the case of slow moving goods.

⇒ Value customers or bulk buyers can be provided with the opportunity of inspecting the goods at their own place conveniently before approval or rejection.

21. Who is insolvent?

A person is said to be insolvent who has ceased to pay his debts as they become due, whether he has committed an 'act of insolvency' or not.

22. What is statement of affairs?

The statement of affairs should show all the liabilities on the basis of their security and all the assets at their estimated realisable values.

23. Who are called unsecured creditors?

All the creditors who have no specific asset as security.

(a) Sundry trade creditors

(b) Wife's Loan

(c) Private liabilities.

(d) Contingent liabilities.

24. What is meant by indemnity period ?

This is the period for which insurance policy is taken against the risk of fire. The insurance policy is always taken for a period of one year. Indemnity period refers to the length of period which may be affected by fire. During the indemnity period, normal working is not expected.

25. What is mean by debtors system ?

This system is adopted in case of branches of small size. Under this system, a branch account is opened separately for each branch in books of head office. This account is nominal account in nature.