

## **CHAPTER I**

**Only alternate problems have been solved. It gives you an opportunity to think on the unsolved ones & solve them accordingly.**

### **Multiple Choice Questions**

- 1) C
- 2) \_\_\_\_\_
- 3) D (since, it helps the competitors in better understanding of their peers)
- 4) \_\_\_\_\_
- 5) D

**Self-Assessment Questions: Hints**

1. \_\_\_\_\_
2. Yes, a single person can run multiple “business entities” as business is a separate business entity than the promoter of the business. An individual can be a part of a joint venture along with being a promoter.
3. \_\_\_\_\_
4. **Spiritual Road Shows : Chirag Shah:** Advantages of Sole proprietorship: it is easy to open, simple procedural norms, entire profit can be withdrawn by the promoter  
Disadvantages of Sole Proprietorship: unlimited liability, raising public finance not possible, so achieving scale is problematic

**CHAPTER I**  
**Exercise**

**1 Match The Following**

Partnership	→	VII
Management Accounting	→	VI
ICAI	→	II
ICWAI	→	IV
GAAP	→	I
Limited Liability	→	III
Measurement	→	V

**2 ‘True’ or ‘False’ Statements**

- 2.1 F
- 2.2 \_\_\_
- 2.3 F
- 2.4 \_\_\_
- 2.5 F
- 2.6 \_\_\_
- 2.7 F

**3** Rupees 70 per piece.

Explanation: This is based on the ‘conservatism’ concept of accounting. The accounting rule “Lower of cost or market price” does not permit the valuation of stock at a price more than its cost unless the same is realized. Accordingly, the value per piece has to be Rs 70 only.

**4.**

- a) Prudence
- b) \_\_\_\_\_
- c) Dual Aspect
- d) \_\_\_\_\_
- e) Consistency
- f) \_\_\_\_\_
- g) Realization
- h) \_\_\_\_\_
- i) Accrual
- j) \_\_\_\_\_
- k) Prudence
- l) \_\_\_\_\_

**5.** The real profit is Rs **63,000** because we should apply the **realization** concept.

**6.** \_\_\_\_\_

“Suggested Solutions to Exercises” in Financial Accounting for Management by Ramachandran & Kakani  
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- 7.** (a) Going concern Concept\*\*  
(b) \_\_\_\_\_  
(c) Business entity concept  
(d) \_\_\_\_\_  
(e) Conservatism  
(f) \_\_\_\_\_

\*\* For those who have knowledge of Indian Laws, can also apply the *concept of Joint Hindu Undivided family business law commonly known as HUF.*