

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: Chirag Shah:** Advantages of Sole proprietorship: it is easy to open, simple procedural norms, entire profit can be withdrawn by the promoter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
Authored by Ram Kumar Kakani & Tanmoy Chatterjee, “Copyright with McGraw-Hill Education (India) Ltd.,
2007”

- 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.*