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Answers Key:

IV. ANSWER THE FOLLOWING.

1. **Importance of accounting is enumerated as below :**
   (i) Systematic records :
   1. All the business transactions are recorded in the books of accounts.
   2. Any event or happening which has financial effects is included in the accounting records.
   (ii) Preparation of financial statements :
   Results of business operations and the financial position of the concern are provided by accounting periodically through the preparation of financial statements namely profit and loss account and balance sheet.
   (iii) Assessment of progress :
   Analysis and interpretation of financial statements can be done to assess the progress made in different areas and it also identify the areas of weaknesses.
   (iv) Information to interested groups :
   Accounting supplies appropriate information to different interested groups 'like owners, creditors, management, employees, financiers, tax authorities, and government.
   (v) Taxation :
   Accounting records are the basis source for computation and settlement of sales tax, income tax, and other local taxes.
2. An accountant designs the accounting procedures for an enterprise. He plays several roles in an organisation as follows:
   (i) Record keeper :
   1. The accountant maintains a systematic record of financial transactions.
   2. He also prepares the financial statements and other financial reports.
   (ii) Provider of information to the management :
   The accountant assists the management by providing financial information required for decision making and for exercising control.
   (iii) Protector of business assets :
   The accountant maintains records of assets owned by the business which enables the management to protect and exercise control over these assets.
   (iv) Financial advisor :
   The accountant analyses financial information and advises the business managers regarding investment opportunities, strategies for cost savings, capital budgeting, provision for future growth and development, expansion of enterprise, etc.
   (v) Tax Manager :
   1. The accountant ensures that tax returns are prepared and filed correctly on time and payment of tax is made on time.
   2. The accountant can advisee the managers regarding tax management, reducing tax burden, availing tax exemptions, etc.
   (vi) Public relation officer :
   The accountant provides accounting information to various interested users for analysis as per their requirements.

III. ANSWER THE FOLLOWING.

3. (i) Accounting is the systematic process of identifying, measuring, recording, classifying, summarising, interpreting and communicating financial information.
   (ii) Accounting gives information on :
   1. the resources available
   2. how the available resources have been employed and
   3. the results achieved by their use.
   (iii) The profit earned or loss incurred during the accounting period, value and nature of assets, liabilities, and capital can be ascertained from the information recorded in accounts.
4. **(i) Investors :**
   1. Persons who are interested in investing their surplus funds should know about the financial condition of a business unit while making their investment decisions.
   2. They are more concerned about future earnings and risk bearing capacity of the organisation which will affect the return to the investors.
   (ii) Government :
   1. The scarce resources of the country are used by business enterprises.
   2. Information about performance of business units in different industries helps the government in policy formulation for development of trade and industry, allocation of scarce resources, grant of subsidy, etc.
   3. Government also administers prices of certain commodities.

II. ANSWER THE FOLLOWING.

5. American Accounting Association has defined accounting as "the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of the information".
6. There are three bases of accounting in common usage, namely
   (i) Cash Basis
   (ii) Accrual or mercantile basis
   (iii) Mixed or hybrid basis

I. CHOOSE THE CORRECT ANSWER.

7. (b) Stewardship accounting

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8. (d) Solving tax disputes with tax authorities
9. (d) None of the above
10. (c) Balance Sheet
11. (b) Employee

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