Financial Accounting Job Interview Questions And Answers

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Financial Accounting Interview Questions And Answers Guide.

Question - 1:

What is Matching Concept?

Ans:

According to this concept, while calculating the profits during the accounting period in a correct manner, all the expenses and costs incurred during the period, whether paid or not, should be matched with the income generated during the period.

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Question - 2:

What is Money Measurement Concept?

Ans:

According to this concept, only those transactions find place in the accounting records, which can be expressed in terms of money. This is the major drawback of financial accounting and financial statements.

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Question - 3:

What is Cost Concept?

Ans:

According to this concept, an asset is recorded at the cost at which it is acquired instead of taking current market prices of various assets.

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Question - 4:

What is Accounting Period Concept?

Ans:

According to this concept, the indefinite period of time is divided into shorter time periods, each one being in the form of Accounting period, in order to facilitate the preparation of financial statements on periodical basis. Selection of accounting period depends on characteristics like business organization, statutory requirements etc.

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Question - 5:

What is Going Concern Concept?

Ans:

According to this concept, the organization is going to be in existence for an indefinite period of time and is not likely to close down the business in the shorter period of time. This affects the valuation of assets and liabilities.

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Question - 6:

What is Dual Aspect Concept?

Ans:

According to this concept, every transaction has two affects. This basic relationship between assets and liabilities which means that the assets are equal to the liabilities remains the same.

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Question - 7:

What is Business Entity Concept?

Ans:

According to this concept, the business has a separate legal identity than the person who owns the business. The accounting process is carried out for the business and not for the person who is carrying out the business. This concept is applicable to both, corporate and non corporate organizations.

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Question - 8:

Explain accounting concepts?

Ans:

Accounting concepts are those basis assumptions upon which basic process of accounting is based. Following are the basic accounting concepts:
1) Business Entity Concept
2) Dual Aspect Concept
3) Going Concern Concept
4) Accounting Period
5) Concept Cost Concept
6) Money Measurement Concept
7) Matching Concept

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Question - 9:

What is Convention of Consistency?

Ans:

This accounting convention proposes that the same accounting principles, procedures and policies should be used consistently on a period to period basis for preparing financial statements to facilitate comparison of financial statements on period to period basis. If any changes are made in the accounting procedures or policies, then it should be disclosed explicitly while preparing the financial statements.

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Question - 10:

What is Convention of Materiality?

Ans:

This accounting convention proposed that while accounting only those transactions will be considered which have material impact on financial status of the organization and other transactions which have insignificant effect will be ignored.. It gives relative importance to an item or event.

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Question - 11:

Explain Convention of Conservation?

Ans:

This accounting convention is generally expressed as to "anticipate all the future losses and expenses, without considering the future incomes and profits unless they are actually realized." This concept emphasizes that profits should never be overstated or anticipated. This convention generally applies to the valuation of current assets as they are valued at cost or market price whichever is lower.

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Question - 12:

Do you know What are the various streams of accounting?

Ans:

There are three streams of accounting:
1) Financial Accounting: is the process in which business transactions are recorded systematically in the various books of accounts maintained by the organization in order to prepare financial statements. Theses financial statements are basically of two types: First is Profitability Statement or Profit and Loss Account and second is Balance Sheet.
2) Cost Accounting: is the process of classifying and recording of expenditure incurred during the operations of the organization in a systematic way, in order to ascertain the cost of a cost center with the intention to control the cost.
3) Management Accounting: is the process of analysis, interpretation and presentation of accounting information collected with the help of financial accounting and cost accounting, in order to assist management in the process of decision making, creation of policy and day to day operation of an organization. Thus, it is clear from the above that the management accounting is based on financial accounting and cost accounting.

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Question - 13:

What are the various systems of Accounting? Explain them?

Ans:

There are two systems of Accounting:
1) Cash System of Accounting: This system records only cash receipts and payments. This system assumes that there are no credit transactions. In this system of accounting, expenses are considered only when they are paid and incomes are considered when they are actually received. This system is used by the organizations which are established for non profit purpose. But this system is considered to be defective in nature as it does not show the actual profits earned and the current state of affairs of the organization.
2) Mercantile or Accrual System of Accounting: In this system, expenses and incomes are considered during that period to which they pertain. This system of accounting is considered to be ideal but it may result into unrealized profits which might reflect in the books of the accounts on which the organization have to pay taxes too. All the company forms of organization are legally required to follow Mercantile or Accrual System of Accounting.

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