

CUET · ACCOUNTANCY · CLASS XI · CODE 301

# Theory Base of Accounting

CUET unit: Foundations of Accounting → Theory Base

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## Snapshot

- Develops the theoretical framework — GAAP, basic accounting concepts, accounting standards, systems of accounting, and basis of accounting — that brings uniformity and comparability to financial statements (NCERT §2 introduction, p. 25-26).
- Explains the thirteen basic accounting concepts — Business Entity, Money Measurement, Going Concern, Accounting Period, Cost, Dual Aspect, Revenue Recognition, Matching, Full Disclosure, Consistency, Conservatism/Prudence, Materiality, Objectivity — the conceptual core that CUET tests through scenario-identification MCQs (NCERT §2.2, p. 27).
- Introduces the regulatory role of the Institute of Chartered Accountants of India (ICAI) in issuing Accounting Standards and the two systems (Double entry vs Single entry) and two bases (Cash vs Accrual) of accounting (NCERT §2.3-§2.5, p. 36-37).
- Covers Goods and Services Tax (GST) — a destination-based, dual tax with CGST, SGST and IGST components — added as a "One Country One Tax" reform (NCERT GST box, p. 38-40).
- The accounting equation  $\text{Assets} = \text{Liabilities} + \text{Capital}$  underpins journal entries (Chapter 3) and the trial balance (Chapter 6) (NCERT §2.2.6, p. 31).
- High-yield for CUET: every later topic — journal, ledger, depreciation, financial statements — operationalises one or more of these concepts.

## Detailed Notes

### 2.1 Core concepts

A theory base is needed because if every firm chose its own method of identification, measurement and reporting, the resulting financial statements would not be reliable or comparable across firms (inter-firm) or across years (inter-period); accounting therefore follows "consistent policies, principles and practices" throughout identification, measurement, communication, summarisation and reporting (NCERT §2 Introduction, p. 25-26). **Generally Accepted Accounting Principles (GAAP)** fill this gap. GAAP are "the rules or guidelines adopted for recording and reporting of business transactions, in order to bring uniformity in the preparation and the presentation of financial statements" (NCERT §2.1, p. 26). A "principle" is "a general law or rule adopted or

proposed as a guide to action; a settled ground or basis of conduct or practice" (AICPA; NCERT §2.1, p. 26). GAAP is **not static** — it evolves over time from past experiences, usages, customs, professional statements and government regulations, and reflects changing legal, social and economic conditions (NCERT §2.1, p. 26-27). Within GAAP, the terms **principles, postulates, conventions, modifying principles and assumptions** are used loosely and interchangeably, all grouped under the umbrella label **Basic Accounting Concepts** (NCERT §2.1, p. 27).

There are thirteen Basic Accounting Concepts (NCERT §2.2, pp. 27–35). **Business Entity Concept** treats the business as separate and distinct from its owner: capital introduced by the owner is recorded as a **liability of the business to the owner**, drawings reduce capital, and the owner's personal transactions are not recorded unless they involve business funds (NCERT §2.2.1, p. 27). **Money Measurement Concept** restricts recording to transactions expressible in monetary terms — non-monetary items like the capability of human resources, image of the firm, or the creativity of R&D personnel cannot be captured (NCERT §2.2.2, p. 28). Records are kept in monetary units (rupees and paise) rather than physical units; the limitation flagged by NCERT is that the value of money itself changes over time, so heterogeneous values get clubbed in the balance sheet (NCERT §2.2.2, p. 28).

**Going Concern Concept** assumes the business will continue indefinitely / for a fairly long time and will not be liquidated in the foreseeable future (NCERT §2.2.3, p. 28). This justifies depreciation — only the portion of an asset consumed in the year is charged as expense, and the remainder is carried forward; a ₹50,000 computer with a 5-year life supports a ₹10,000 depreciation charge per year because the entity is presumed to be operating for all five years (NCERT §2.2.3, p. 29). **Accounting Period Concept** complements going concern by slicing this indefinite life into regular intervals (normally one year) so that timely information can be provided to users; the Companies Act 2013 and Income Tax Act require annual income statements, listed companies must publish quarterly results, and interim statements may be required on events such as a partner's retirement (NCERT §2.2.4, p. 29).

**Cost Concept** requires all assets to be recorded at **purchase price including acquisition cost, transportation, installation, and the cost of making the asset ready for use**: NCERT's worked example shows a ₹50,00,000 plant plus ₹10,000 transport plus ₹15,000 repairs plus ₹25,000 installation totalling ₹50,50,000 on the books (NCERT §2.2.5, p. 30). Historical cost is verifiable and objective; the limitation is that it does not reflect true worth during inflation and may create hidden profits when the realisable value rises above book value (NCERT §2.2.5, p. 30-31). **Dual Aspect Concept** is the algebraic backbone — every transaction has a two-fold effect and must be recorded in at least two accounts; the equation **Assets = Liabilities + Capital** must hold at all times (NCERT §2.2.6, p. 31). This is what makes the double-entry system arithmetically self-checking.

**Revenue Recognition (Realisation) Concept** decides when revenue enters the books. Revenue is the gross inflow of cash from (i) sale of goods/services and (ii) use by others of the enterprise's resources yielding interest, royalties and dividends; it is recognised when a legal right to receive it arises — i.e., on the date of sale or rendering of service, not on the date cash actually arrives (NCERT §2.2.7, p. 31-32). Credit sales are therefore revenue on the day of sale. The two NCERT-flagged exceptions are (a) long-term construction contracts where revenue is recognised on a proportionate-completion basis and (b) hire purchase where each instalment is recognised as it falls due (NCERT §2.2.7, p. 32). **Matching Concept** is the symmetric rule on the expense side: expenses of a period must be matched with the revenues of that period (NCERT §2.2.8, p. 32-33). NCERT's illustration of this is the cost of unsold goods — closing inventory is deducted from cost of goods produced/purchased to leave only the cost of goods sold, which alone is matched against sales revenue.

**Full Disclosure Concept** demands that all material and relevant facts concerning financial performance be fully and completely disclosed in the financial statements and accompanying footnotes; NCERT references the Companies Act 1956 format for P&L and balance sheet and SEBI's expanded disclosure regime for listed companies (NCERT §2.2.9, p. 33). **Consistency Concept** requires accounting policies and practices to be uniform over time so inter-firm and inter-period comparisons remain meaningful; changes are permitted but must be disclosed with their probable effects (NCERT §2.2.10, p. 33-34). **Conservatism (Prudence) Concept** is the "play safe" rule — do not record profits until realised, but provide for all anticipated losses (even those with a remote possibility); flagged examples are valuing closing stock at **cost or market value, whichever is lower**, making provision for doubtful debts and provision for discount on debtors, and writing off intangibles like goodwill and patents (NCERT §2.2.11, p. 34). Excessive conservatism is itself a defect — it creates secret reserves.

**Materiality Concept** lets the accountant focus on facts that would influence an informed user's decision; trivial items (a stock of pencils, erasers, scales worth a few rupees) are charged as revenue expenditure of the period rather than capitalised (NCERT §2.2.12, p. 34-35). **Objectivity Concept** requires every transaction to be recorded objectively, free from accountants' personal bias, and supported by verifiable documents — cash receipts, invoices, delivery challans; this is the very reason historical cost is preferred to current market values (NCERT §2.2.13, p. 35).

**Systems of Accounting (§2.3, p. 36)** are two. The **Double Entry System** is based on the dual aspect concept — every transaction has two effects (receiving and giving), each transaction touches two or more accounts, and every debit has a corresponding credit; it is complete, accurate and reliable, arithmetical accuracy is checked via the trial balance, and it suits big and small organisations alike (NCERT §2.3, p. 36). The **Single Entry System** is incomplete — it records only one aspect of most transactions, maintains only personal accounts and a cash book, has no uniformity, and is used by very small firms because it is simple and flexible but is not reliable (NCERT §2.3, p. 36).

**Basis of Accounting (§ 2.4, p. 36-37)** is similarly two-pronged. The **Cash Basis** records entries only when cash is received or paid; it is simple but incompatible with the matching principle and inappropriate for most organisations (NCERT §2.4, p. 36-37). The **Accrual Basis** recognises revenues and costs in the period in which they occur — distinguishing the receipt of cash from the right to receive cash, and the payment of cash from the legal obligation to pay — and is therefore the basis that supports the matching concept (NCERT §2.4, p. 37). NCERT gives the canonical example: rent for the month of March 2017 received in April 2017 is taken into the P&L of the year ending 31 March 2017 under accrual.

**Accounting Standards (§ 2.5, p. 37-38)** are written policy documents — covering recognition, measurement, treatment, presentation and disclosure — issued by the **Institute of Chartered Accountants of India (ICAI)**, a professional regulatory body. Their need is fourfold: (i) eliminate variations in accounting treatment, (ii) mandate disclosures even beyond statutory requirements where useful to investors/creditors/public, (iii) ensure inter-firm and intra-firm comparability, and (iv) enhance reliability of financial statements (NCERT §2.5, p. 37). Their limitations are also three: making the choice between alternative treatments difficult, being rigid and inflexible, and being unable to override the statute (NCERT §2.5, p. 38).

**Goods and Services Tax (GST)** is a destination-based tax on consumption of goods and services, levied at all stages from manufacture to final consumption with credit of taxes paid at earlier stages (input tax credit / setoff) (NCERT GST box, p. 38). Only the value addition is taxed; the burden ultimately falls on the final consumer; tax accrues to the authority of the place of supply. GST has a **dual structure**: Centre and States simultaneously levy on a common base. **CGST** is the Central GST (subsuming central excise, additional excise, special excise and central sales tax). **SGST** is the State GST (subsuming VAT, entertainment tax, luxury tax and entry tax). **IGST** is the Integrated GST on inter-state transactions and imports, levied by the Centre with revenue shared with the destination State (NCERT GST box, p. 38-39). NCERT's worked illustration: Ramesh of MP selling goods worth ₹10,00,000 to Anand of Rajasthan at 18% pays ₹1,80,000 as IGST to the Centre, which then shares with Rajasthan. The characteristics of GST highlighted on p. 40 — single administration, destination basis, comprehensive levy, minimum number of rates not exceeding two, no cascading, no scope for cess or octroi or entry tax — and its advantages — abolition of multiple taxes, wider tax base, lower compliance cost, removal of cascading, improved manufacturing efficiency, long-term growth — are short factual MCQs.

## 2.2 Definitions to memorise

| Term | Definition   | Page |
|------|--|------|
| GAAP | Rules/guidelines adopted for recording and reporting business transactions to bring uniformity in preparation and presentation of financial statements (NCERT §2.1). | 26   |

| Term                              | Definition   | Page  |
|-----------------------------------|--|-------|
| Basic Accounting Concepts         | Umbrella label for principles, postulates, conventions, modifying principles and assumptions used in accounting (NCERT §2.1).                        | 27    |
| Business Entity Concept           | Business has a distinct and separate entity from its owners; capital is a liability of the business to the owner (NCERT §2.2.1).                     | 27    |
| Money Measurement Concept         | Only transactions expressible in monetary terms are recorded; records kept in money units, not physical units (NCERT §2.2.2).                        | 28    |
| Going Concern Concept             | A business firm is assumed to continue indefinitely and not be liquidated in the foreseeable future (NCERT §2.2.3).                                  | 28    |
| Accounting Period                 | Span of time at the end of which financial statements are prepared (normally one year) (NCERT §2.2.4).   | 29    |
| Cost Concept                      | All assets recorded at purchase price including acquisition cost, transportation, installation and making asset ready to use (NCERT §2.2.5).         | 30    |
| Dual Aspect                       | Every transaction has a two-fold effect; $\text{Assets} = \text{Liabilities} + \text{Capital}$ (NCERT §2.2.6).                                       | 31    |
| Revenue Recognition (Realisation) | Revenue recorded when a legal right to receive it arises (i.e., on sale/rendering of service), not when cash is received (NCERT §2.2.7).             | 31-32 |
| Matching Concept                  | Expenses of a period must be matched with the revenues of the same period (NCERT §2.2.8).  | 32-33 |
| Full Disclosure                   | All material and relevant facts must be fully and completely disclosed in financial statements and footnotes (NCERT §2.2.9).                         | 33    |
| Consistency                       | Accounting policies must be uniform over time so results are comparable (NCERT §2.2.10).   | 33-34 |
| Conservatism (Prudence)           | Do not record profits until realised; provide for all anticipated losses, even with remote possibility (NCERT §2.2.11).                              | 34    |
| Materiality                       | Accounting focuses on material facts — those which would influence informed users' decisions (NCERT §2.2.12).  | 34-35 |
| Objectivity                       | Transactions recorded objectively, free from bias, supported by verifiable documents (NCERT §2.2.13).  | 35    |
| Double Entry System               | Records both aspects of every transaction; every debit has a corresponding credit; complete, reliable and arithmetically self-checking (NCERT §2.3). | 36    |
| Single Entry System               | Incomplete system; only personal accounts and cash book maintained; not reliable (NCERT §2.3).   | 36    |
| Cash Basis                        | Entries made only when cash is received or paid (NCERT §2.4).  | 36-37 |
| Accrual Basis                     |  | 37    |

| Term                 | Definition  | Page  |
|----------------------|---|-------|
|                      | Revenues and costs recognised when they occur, not when paid (NCERT §2.4).  |       |
| Accounting Standards | Written policy documents on recognition, measurement, treatment, presentation and disclosure issued by ICAI (NCERT §2.5).                         | 37    |
| ICAI                 | Institute of Chartered Accountants of India — the regulatory body that issues Accounting Standards (NCERT §2.5).                                  | 37    |
| GST                  | Destination-based tax on consumption of goods and services, levied at all stages with input tax credit available as setoff (NCERT GST box).       | 38    |
| CGST                 | Central Goods and Services Tax — revenue of Central Government (subsumes central excise, central sales tax, etc.) (NCERT GST box).                | 38    |
| SGST                 | State Goods and Services Tax — revenue of State Government (subsumes VAT, entertainment tax, luxury tax, entry tax) (NCERT GST box).              | 38    |
| IGST                 | Integrated Goods and Services Tax — on inter-state transactions and imports; revenue shared between Centre and destination State (NCERT GST box). | 38-39 |

### 2.3 Diagrams / processes to remember

**Accounting Equation (Dual Aspect) — NCERT § 2.2.6, p. 31.** Written as **Assets = Liabilities + Capital**, this is the algebraic statement of duality and the foundation of the double-entry system. Every journal entry (Chapter 3) must leave this equation in balance; every trial balance (Chapter 6) is a numerical check that it has indeed been left in balance.

**List of 13 Basic Accounting Concepts — NCERT § 2.2, p. 27.** In NCERT's order: Business Entity · Money Measurement · Going Concern · Accounting Period · Cost · Dual Aspect · Revenue Recognition · Matching · Full Disclosure · Consistency · Conservatism (Prudence) · Materiality · Objectivity. CUET often gives a scenario and asks which one it illustrates — memorise the order so process-of-elimination is efficient.

**GST Structure Flowchart — NCERT p. 41.** GST splits along two axes: (a) Intra-State Movement → CGST (Centre) + SGST (State, destination = origin), (b) Inter-State Movement → IGST (Centre, shared later with destination State). The same flowchart shows imports falling under IGST. A common scenario MCQ supplies an origin/destination pair and asks the student to compute the split.

**Two Systems × Two Bases Matrix — NCERT § 2.3 & § 2.4, p. 36-37.** Rows = Double Entry / Single Entry; Columns = Cash / Accrual. Double Entry + Accrual is the standard combination; Single Entry + Cash is the small-shop combination; the other two are rare and unreliable.

**Process to identify the concept in a scenario.** First decide whether the issue is about separation (Business Entity), quantification in money (Money Measurement), time (Going Concern, Accounting Period, Consistency), valuation (Cost, Conservatism), recognition (Revenue Recognition, Matching, Accrual), disclosure (Full Disclosure, Materiality) or verifiability (Objectivity). The exam stem usually gives away one of these "issue dimensions".

**Process for GST split.** (i) Identify origin and destination states. (ii) If origin = destination → intra-state → split the rate equally between CGST and SGST. (iii) If origin ≠ destination → inter-state → full rate as IGST, levied by Centre. (iv) Imports always attract IGST. NCERT's Ramesh-MP-to-Anand-Rajasthan example demonstrates step (iii).

**Application sequence.** GAAP → 13 Basic Concepts → Systems (DE vs SE) → Basis (Cash vs Accrual) → Accounting Standards (ICAI) → GST. CUET often asks "which of these is not a basic accounting concept" with GST or accounting standards inserted as a distractor — GST is a tax regime and Accounting Standards are written policy documents; neither is a "concept" inside §2.2.

## 2.4 Common confusions / NTA trap points

1. **Going Concern vs Accounting Period.** Going concern = the business continues indefinitely; Accounting Period = we still slice that indefinite life into yearly intervals to report results. NTA distractors swap these (NCERT §2.2.3 & §2.2.4, p. 28-29).
2. **Conservatism vs Materiality.** Conservatism = anticipate losses, ignore unrealised gains (closing stock at cost or market value whichever is lower). Materiality = focus only on facts that influence user decisions (small stationery treated as expense). Scenario MCQs frequently confuse the two (NCERT §2.2.11-§2.2.12, p. 34-35).
3. **Revenue Recognition vs Matching.** Revenue Recognition decides when revenue is booked (legal right arises = sale point). Matching links expenses of a period to its revenues. "Credit sales recorded today" = Revenue Recognition; "rent of March paid in April recorded in March" = Matching/Accrual (NCERT §2.2.7 & §2.2.8, p. 31-33).
4. **Cost vs Objectivity.** Recording at historical cost = Cost concept; the reason (verifiable documents, freedom from bias) = Objectivity. NCERT explicitly says historical cost is adopted because it enables objectivity (NCERT §2.2.13, p. 35).
5. **Cash basis vs Accrual basis.** Cash basis is incompatible with matching; accrual is compatible. A question giving "rent for December 2014 paid in January 2015 — recorded only in January 2015" identifies cash basis (NCERT §2.4, p. 36-37).
6. **CGST/SGST vs IGST.** Intra-state sale = CGST + SGST (split 9% + 9% of 18%). Inter-state sale = full IGST. The Ramesh-Punjab and Ramesh-MP-to-Anand-Rajasthan examples are direct CUET fodder (NCERT GST box, p. 38-39).
7. **ICAI vs SEBI vs Companies Act.** ICAI issues Accounting Standards; SEBI mandates disclosure for listed companies; Companies Act prescribes the format of financial statements. Confusing the regulators is a frequent trap (NCERT §2.2.9, §2.5, p. 33, 37).

8. **Business Entity for proprietorship.** Even in a sole proprietorship — where law does not separate the owner and the business — accounting does separate them. Many students answer "applies only to companies" — wrong (NCERT §2.2.1, p. 27).
9. **Money Measurement excludes qualitative items.** Brand reputation, R&D talent, employee morale are real but unrecorded. CUET often asks "which of the following will NOT be recorded" — qualitative items are the answer (NCERT §2.2.2, p. 28).
10. **Accounting Standards cannot override statute.** A common distractor says standards "can override the law" — NCERT explicitly denies this on p. 38 (NCERT §2.5, p. 38).
11. **Single Entry is incomplete.** Students sometimes assume single entry just means "fewer accounts" — but NCERT calls it incomplete because it does not record both aspects of every transaction (NCERT §2.3, p. 36).
12. **Dual Aspect underlies double entry, not the other way round.** Double entry is the technique; dual aspect is the concept. An MCQ may invert this causal link (NCERT §2.2.6 & §2.3, p. 31, 36).

## 2.5 Journal entry templates

The thirteen concepts manifest in journal entries every day. Worked templates below tie the most-tested concepts to specific entries — each in the standard Dr./Cr. format.

### (a) Owner introduces capital — Business Entity Concept (NCERT § 2.2.1, p. 27)

| Date  | Particulars   | L.F. | Dr. (₹)   | Cr. (₹)   |
|-------|---|------|-----------|-----------|
| Apr 1 | Cash A/c .....Dr.   |      | 10,00,000 |           |
|       | To Capital A/c  |      |           | 10,00,000 |
|       | (Being capital introduced; capital is a liability of the business to the owner per business-entity concept) |      |           |           |

### (b) Capitalising a fixed asset at full cost — Cost Concept (NCERT § 2.2.5, p. 30)

| Date   | Particulars   | L.F. | Dr. (₹)   | Cr. (₹)   |
|--------|---|------|-----------|-----------|
| Apr 10 | Plant & Machinery A/c .....Dr.  |      | 50,50,000 |           |
|        | To Bank A/c   |      |           | 50,50,000 |
|        | (Being plant ₹50,00,000 + transport ₹10,000 + repairs ₹15,000 + installation ₹25,000 capitalised at total cost) |      |           |           |

### (c) Outstanding rent — Accrual Basis & Matching Concept (NCERT § 2.2.8 & § 2.4, p. 32-33, 37)

| Date   | Particulars  | L.F. | Dr. (₹) | Cr. (₹) |
|--------|--|------|---------|---------|
| Mar 31 | Rent A/c .....Dr.  |      | 12,000  |         |
|        | To Outstanding Rent A/c  |      |         | 12,000  |
|        | (Being March rent due but not paid; charged to P&L of the current year under accrual & matching) |      |         |         |

**(d) Closing stock valued at cost or market value whichever is lower — Conservatism (NCERT §2.2.11, p. 34)**

| Date   | Particulars   | L.F. | Dr. (₹)  | Cr. (₹)  |
|--------|---|------|----------|----------|
| Mar 31 | Closing Stock A/c .....Dr.  |      | 1,80,000 |          |
|        | To Trading A/c  |      |          | 1,80,000 |
|        | (Being closing stock of cost ₹2,00,000, market value ₹1,80,000 — valued at lower of the two per prudence) |      |          |          |

**(e) Provision for doubtful debts — Conservatism (NCERT §2.2.11, p. 34)**

| Date   | Particulars   | L.F. | Dr. (₹) | Cr. (₹) |
|--------|---|------|---------|---------|
| Mar 31 | Profit & Loss A/c .....Dr.  |      | 6,000   |         |
|        | To Provision for Doubtful Debts A/c   |      |         | 6,000   |
|        | (Being 5% provision on debtors of ₹1,20,000 created; anticipated loss provided for) |      |         |         |

**(f) Credit sale with IGST (inter-state) — GST (NCERT p. 38-39)**

| Date   | Particulars  | L.F. | Dr. (₹)   | Cr. (₹)   |
|--------|--|------|-----------|-----------|
| Apr 15 | Anand (Debtor) A/c .....Dr.  |      | 11,80,000 |           |
|        | To Sales A/c   |      |           | 10,00,000 |
|        | To IGST Payable A/c  |      |           | 1,80,000  |
|        | (Being goods sold by Ramesh of MP to Anand of Rajasthan at 18% IGST — inter-state) |      |           |           |

**(g) Credit purchase with CGST + SGST (intra-state) — GST (NCERT p. 38)**

| Date      | Particulars   | L.F. | Dr. (₹)  | Cr. (₹)  |
|-----------|---|------|----------|----------|
| Apr<br>20 | Purchases A/c .....Dr.  |      | 5,00,000 |          |
|           | Input CGST A/c .....Dr.   |      | 45,000   |          |
|           | Input SGST A/c .....Dr.   |      | 45,000   |          |
|           | To Trade Payables A/c   |      |          | 5,90,000 |
|           | (Being intra-state credit purchase at 18% GST — split<br>9% CGST + 9% SGST) |      |          |          |

#### (h) Depreciation — Going Concern + Matching (NCERT § 2.2.3, p. 29)

| Date      | Particulars   | L.F. | Dr. (₹) | Cr. (₹) |
|-----------|---|------|---------|---------|
| Mar<br>31 | Depreciation A/c .....Dr.   |      | 10,000  |         |
|           | To Computer A/c   |      |         | 10,000  |
|           | (Being depreciation @ 20% p.a. on computer of ₹50,000;<br>expense matched with current year's revenue, balance<br>carried forward as going concern continues) |      |         |         |

### Practice MCQs

**Q1. The Generally Accepted Accounting Principles (GAAP) refer to:**

- A.** Laws enacted by Parliament for regulating accounting practices
- B.** Rules or guidelines adopted for recording and reporting business transactions to bring uniformity in the preparation and presentation of financial statements
- C.** Standards issued exclusively by SEBI for listed companies
- D.** Internal accounting policies adopted by individual firms

**Q2.** Ruchica's father, sole proprietor of "Friends Gifts", spent ₹70,000 on a personal computer with an expected life of 5 years and charged the entire amount to the profits of the current year. Which accounting concepts have been violated?

- A. Business Entity Concept only
- B. Matching Concept and Going Concern Concept
- C. Money Measurement Concept
- D. Full Disclosure Concept

**Q3.** Valuation of closing stock at cost or market value, whichever is lower, is an application of which accounting concept?

- A. Consistency
- B. Materiality
- C. Conservatism (Prudence)
- D. Full Disclosure

 **12 more MCQs + answer key**

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## PYQ Alignment

This chapter is one of the highest-yielding portions of CUET Accountancy — 6–8 MCQs per year appear directly from it. Typical patterns: (i) concept-identification scenarios — a transaction is described and the student picks the matching concept (closing stock at lower of cost or market = conservatism; March rent paid in April recorded in March = accrual/matching; ₹50,50,000 capitalisation = cost concept); (ii) direct factual recall of the accounting equation, GAAP definition, the role of ICAI, and the distinction between systems and bases; (iii) GST-structure MCQs distinguishing CGST/SGST (intra-state) from IGST (inter-state), often with small numerical illustrations modelled on the Ramesh-Anand example; (iv) at least one assertion-reason and one match-the-following. For further drill, see [/pyq/accountancy](#) .