

National Institute of Open Schooling (NIOS)
Secondary
Worksheet-13

L-13 PROVISIONS AND RESERVES

1. Do you think businessmen should consider future contingencies while ascertaining their net profit for each year?
2. Mr Saurabh is planning to start his business. Explain to him the concept of provisions with the help of an example.
3. Explain the purpose of a specific reserve in business?
4. Why there is a need to create provisions in organisations. Also explain the general rules in creation of provisions.
5. As we know the future is uncertain in the business, there are a lot of happenings which may happen unexpectedly. In this context, explain the importance of reserves with the help of an example.
6. Your friend is a bit confused about the reserves and provisions. Explain to him the difference between the two.
7. Mr Vinay enterprise wants to replace some of his fixed asset. For that, his friend suggested him to establish a sinking fund. In reference to this, explain to him the concept of sinking fund.
8. Discuss the difference between reserve and reserve fund.
9. General reserve acts as a safety cushion against all unforeseen contingencies in the future. In the light of this statement elaborate the importance of general reserve.
10. Discuss the purpose for which capital reserves are created.