

**National Institute of Open Schooling (NIOS)**  
**Senior Secondary**  
**Worksheet-15**

**L-15 PROVISIONS AND RESERVES**

1. “When there are certain expected losses/ expenses, these are planned to be managed in advance from the current year’s profits/ surplus”. In light of this statement, explain the concept of provisions with the help of an example.
2. State the purposes for which the company creates provisions?
3. How would you explain the difference between general reserve and capital reserve to your friend?
4. Your friend’s Dipak could not understand the concept of sinking fund. Explain to him the concept of it with the help of an example.
5. Mr Naman wants to create a provision for meeting uncertainties. What are the general rules he should keep in mind for creating a provision?
6. Do you think it is mandatory for the company to create a general reserve? Also state the purposes for which general reserves are created.
7. “Capital reserves are created out of capital profits”. Explain the statement while elaborating the concept of capital reserve with the help of suitable examples.
8. Why do the various firms create secret reserves?
9. Your friend is a bit confused between the provisions and reserves. Explain to him the difference between the two.
10. According to you, for what purpose specific reserves are created by the firms?