



Dr.G.R.Damodaran College of Science

(Autonomous, affiliated to the Bharathiar University, recognized by the UGC) Re-
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CRISL rated 'A' (TN) for MBA and MIB Programmes

I B.Com PA [2017-2019]

Semester: I

Core: Financial Accounting - 118B

Multiple Choice Questions.

1. Which of the following correctly describes the imprest system of operating petty cash?
- A. The petty cash float is replenished by regular periodic transfers of equal amount
 - B. The petty cash float is replenished by a periodic transfers of the actual expenditure in the period
 - C. All expenses must be supported by a properly authorized voucher
 - D. Petty cash is operated outside the business double entry accounting system

ANSWER: B

2. Which of the following financial reports shows the profitability of business?
- A. Income statement
 - B. Balance Sheet
 - C. Cash flow statement
 - D. Statement of changes in equity

ANSWER: A

3. Carriage on purchase
- A. debit side of trading account
 - B. Profit and Loss account of credit side
 - C. assets
 - D. liabilities

ANSWER: A

4. Which of the following financial statements shows the movement of cash and cash equivalents in during an accounting period?
- A. Income statement
 - B. Balance Sheet
 - C. Cash Flow Statement
 - D. Statement of changes in equity

ANSWER: C

5. Debit Means _____.
- A. Decrease in asset.
 - B. Increase in liability.
 - C. An entry on the left hand side of an account.
 - D. Moderate increase in liability.

ANSWER: C

6. What journal entry is required to record goods taken from inventory by the owner of a business?
- A. Debit drawings and Credit purchases
 - B. Debit sales and Credit drawings
 - C. Debit drawings and Credit inventory
 - D. Debit drawings and Credit inventory

ANSWER: A

7. Whose needs are general purpose financial statements intended to meet?

- A. Shareholders of incorporated entities
- B. The general public
- C. Users of financial statements
- D. Regulatory authorities

ANSWER: C

8. Goodwill account is related to _____.

- A. Nominal account.
- B. Personal account.
- C. Real account.
- D. Tangible account.

ANSWER: C

9. Which of the following does not appear in Balance Sheet?

- A. Building
- B. Cash
- C. Goodwill
- D. Rent expenses

ANSWER: D

10. According to the going concern concept, a business entity is assumed to have ____.

- A. a long life.
- B. a very short life.
- C. an indefinite life.
- D. a medium life.

ANSWER: A

11. A liability is shown in the balance sheet because of_____.

- A. Convention of consistency.
- B. Convention of materiality.
- C. Convention of disclosure.
- D. Convention of adventure.

ANSWER: C

12. Which body develops International Financial Reporting Standards?

- A. IASB
- B. IFRS foundation
- C. IFRS IC
- D. IFRS Advisory Council

ANSWER: A

13. Which of the following are techniques, tools or methods of analysis and interpretation of financial statements?

- A. Ratio Analysis
- B. Average Analysis
- C. Trend Analysis
- D. All of the above

ANSWER: D

14. The form of balance sheet is

- A. Vertical

- B. Horizontal
- C. Horizontal or Vertical
- D. Horizontal and Vertical

ANSWER: C

15. In book-keeping posting means _____.
- A. to record the transactions from the journal to ledger.
 - B. to record the transactions in the journal.
 - C. to record the transactions in the subsidiary books.
 - D. to record the transactions in the cash book.

ANSWER: A

16. The process of providing financial information to external decision maker is referred to as
- A. Public accounting
 - B. Government Accounting
 - C. Financial Accounting
 - D. Management Accounting

ANSWER: C

17. Goods of the value of Rs. 1500 taken by the proprietor for his personal use should be debited to _____.
- A. drawing account.
 - B. sales account.
 - C. purchases account.
 - D. stock account.

ANSWER: A

18. The primary objective of financial reporting is to provide information
- A. About a firm's financing and investing activities
 - B. About a firm's economic resources and obligations
 - C. About a firm's product lines
 - D. Useful in predicting cash flows

ANSWER: D

19. The credit balance of bank account indicates _____.
- A. amount payable by the bank.
 - B. amount payable to the bank.
 - C. cash at bank.
 - D. loan from bank.

ANSWER: B

20. GAAP include which of the following pronouncements
- A. Statements of Financial accounting standards
 - B. Accounting Research Bulletins
 - C. Accounting principles board opinions
 - D. All of the above

ANSWER: D

21. The documents that set forth fundamental concepts on which financial accounting and reporting standards will be based are
- A. Statements of financial accounting standards
 - B. Statements of financial accounting concepts
 - C. Accounting principles board opinions
 - D. All of the above

ANSWER: B

22. Consolidated financial statements are prepared on the principle
- A. In form the companies are one entity, in substance they are separate
 - B. In form the companies are separate in substance they are one
 - C. In form and substance the companies are one entity
 - D. In form and substance the companies are separate

ANSWER: B

23. Depreciation accounting is dealt in
- A. AS 1
 - B. AS 4
 - C. AS 6
 - D. AS 3

ANSWER: C

24. Which of the following books should be used to record purchase of furniture on credit?
- A. Cash book.
 - B. Journal proper.
 - C. Purchases book.
 - D. Sales book.

ANSWER: B

25. Cash Flow statement is dealt in
- A. AS 1
 - B. AS 3
 - C. AS 2
 - D. AS 6

ANSWER: B

26. ----- are inflows and outflows of cash and cash equivalents
- A. Cash flows
 - B. Fund flows
 - C. Cash and Fund flow
 - D. None of the above

ANSWER: A

27. Returns outward book makes a record of _____.
- A. goods returned to the suppliers.
 - B. goods returned to customers.
 - C. goods returned to proprietor.
 - D. goods returned to neighbors.

ANSWER: A

28. Cash book prepared on imprest system is _____.
- A. two column cash book.
 - B. cash book.
 - C. petty cash book.
 - D. purchase book.

ANSWER: C

29. The statement sent along with purchase return is _____.
- A. credit note.
 - B. bills payable book.

- C. debit note.
- D. purchases return book.

ANSWER: A

30. A bank reconciliation statement is prepared by _____.

- A. customer of the bank.
- B. bank .
- C. neither of the above two.
- D. reserve bank of India.

ANSWER: A

31. Accounting Standard Board was constituted on

- A. 21st Jan. 1977
- B. 21st April 1978
- C. 23rd May 1979
- D. 20th Dec. 1977

ANSWER: A

32. In Cash Flow Statement, closing balance of cash balance is posted in which side of statement.

- A. Sources of cash
- B. Application of cash
- C. Sources of funds
- D. Application of funds

ANSWER: B

33. In Cash Flow Statement, closing balances of bank balance is posted in which side of the statement?

- A. Sources of cash
- B. Application of cash
- C. Sources of funds
- D. Application of funds

ANSWER: B

34. Which of the following errors is an error of omission?

- A. Sale of Rs. 800 was written in the purchase journal.
- B. Wages paid to Sohan have been debited to his account.
- C. The total of sales journal has not posted to the sales account.
- D. The total of sales journal has posted to the sales account.

ANSWER: C

35. In Cash Flow Statement, issue of shares is posted in

- A. Sources of cash
- B. Application of cash
- C. Sources of funds
- D. Application of funds

ANSWER: A

36. In Cash Flow Statement, issue of debentures is posted in

- A. Application of cash
- B. Sources of funds
- C. Application of funds
- D. Sources of cash

ANSWER: B

37. Which one of the following combinations of accounting assumptions are fundamental as per AS 1?

- A. Going concern, consistency and accrual
- B. Going concern, conservatism and historic cost
- C. Historic cost, consistency and conservatism
- D. Conservatism, consistency and accrual

ANSWER: A

38. Cash flows arising from interest paid in the case of a financial enterprise is a cash flow from

- A. operating activities
- B. financing activities
- C. both a and b
- D. investing activities

ANSWER: A

39. A main objective of providing depreciation is

- A. to calculate true profit
- B. to calculate financial position
- C. to reduce tax burden
- D. to reduce profit

ANSWER: A

40. Depreciation is provided on _____.

- A. fixed assets.
- B. outward charges.
- C. current assets.
- D. intangible assets.

ANSWER: A

41. Depreciation arise because of

- A. fall in market value of an asset
- B. physical wear and tear
- C. fall in the value of money
- D. rise in the value of money

ANSWER: B

42. The ratios which reveal the final result of the managerial policies and performance is

- A. turnover ratios
- B. profitability ratios
- C. short term solvency ratio
- D. long term solvency ratio

ANSWER: B

43. Provision for bad debts is calculated on _____.

- A. creditors.
- B. Sales.
- C. Purchases.
- D. Debtors.

ANSWER: D

44. Return on Investment is a

- A. turnover ratios
- B. short term solvency ratio
- C. profitability ratio
- D. long term solvency ratio

ANSWER: C

45. Net profit ratio is a
- A. turnover ratio
 - B. long term solvency ratio
 - C. short term solvency ratio
 - D. profitability ratio

ANSWER: D

46. The ratio which shows the proportion of profits retained in the business out of the current years profits is

- A. retained earnings ratio
- B. payout ratio
- C. earnings per share
- D. price earnings ratio

ANSWER: A

47. The ratio which indicates earnings per share reflected by the market price is

- A. retained earnings ratio
- B. payout ratio
- C. earnings per share
- D. price earnings ratio

ANSWER: D

48. The ratio establishes the relationship between profit before interest and tax and fixed interest charges

- A. fixed dividend cover ratio
- B. debit service coverage ratio
- C. interest coverage ratio
- D. dividend yield ratio

ANSWER: C

49. The ratio shows the preference dividend as a proportion of profit available for shareholders is

- A. interest cover ratio
- B. fixed dividend coverage ratio
- C. debt service coverage ratio
- D. dividend yield ratio

ANSWER: B

50. The dividend is related to the market value of share in

- A. interest cover ratio
- B. fixed dividend cover ratio
- C. debt service coverage ratio
- D. dividend yield ratio

ANSWER: D

51. Turnover ratio is also known as

- A. activity ratios
- B. solvency ratios
- C. liquidity ratios
- D. profitability ratios

ANSWER: A

52. Inventory or stock turnover ratio is also called

- A. stock velocity ratio

- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio

ANSWER: A

53. Sales - Gross Profit =

- A. Net profit
- B. Cost of production
- C. Administrative expenses
- D. Cost of good sold

ANSWER: B

54. Debtors turnover ratio is also called

- A. stock turnover ratio
- B. debtors velocity ratio
- C. creditors velocity ratio
- D. working capital turnover ratio

ANSWER: B

55. Creditors turnover ratio is also called

- A. stock turnover ratio
- B. debtors velocity ratio
- C. account payables ratio
- D. working capital turnover ratio

ANSWER: C

56. Which ratio indicates the number of times the payables rotate in a year is

- A. stock turnover ratio
- B. creditors velocity ratio
- C. working capital turnover ratio
- D. none of the above

ANSWER: B

57. Internationally accepted current ratio is

- A. 1:1
- B. 2:1
- C. 3:1
- D. 4:1

ANSWER: B

58. Liquid ratio is also called

- A. super quick ratio
- B. current ratio
- C. cash position ratio
- D. acid test ratio

ANSWER: B

59. An ideal liquid ratio is

- A. 1:1
- B. 0.75:1
- C. 0.50:1
- D. 0.25:1

ANSWER: A

60. The ratio establishes the relationship between fixed assets and long term funds is

- A. current ratio
- B. fixed assets ratio
- C. fixed assets turnover ratio
- D. debt equity ratio

ANSWER: B

61. Capital gearing ratio is also known as

- A. fixed assets turnover ratio
- B. proprietary ratio
- C. debt equity ratio
- D. leverage ratio

ANSWER: D

62. Ratio of net profit before interest and tax to sales is

- A. solvency ratio
- B. capital gearing ratio
- C. turnover ratio
- D. operating profit ratio

ANSWER: D

63. According to International Accounting Standards Board, in which interests are financial reporting standards issued?

- A. Company directors
- B. The public
- C. Company auditors
- D. The government

ANSWER: B

64. Low turnover of stock ratio indicates

- A. solvency position
- B. monopoly situation
- C. over investment in inventory
- D. liquidity position

ANSWER: C

65. Financial statements are classified into ----- statements

- A. four
- B. three
- C. two
- D. five

ANSWER: A

66. In common size income statement analysis, which is taken as 100%?

- A. sales
- B. cost of goods sold
- C. purchases
- D. total assets

ANSWER: A

67. In case of a limited company, the term financial statements include

- A. Balance sheet
- B. Profit and Loss A/c
- C. Profit and Loss A/c and Balance Sheet

D. Profit and Loss A/c; Profit and Loss Appropriation A/c and Balance Sheet
ANSWER: D

68. Financial statements provide a summary of

- A. accounts
- B. assets
- C. liabilities
- D. none of these

ANSWER: A

69. Financial statements are

- A. anticipated facts
- B. recorded facts
- C. estimates of facts
- D. none of these

ANSWER: B

70. Which is the accounting concept that requires the practice of crediting closing stock to the trading account?

- A. Going concern.
- B. Cost.
- C. Realization.
- D. Matching.

ANSWER: D

71. When financial statements for a number of years are reviewed and analyzed the analysis is known as

- A. vertical analysis
- B. internal analysis
- C. horizontal analysis
- D. none of these

ANSWER: C

72. According to money measurement concept, which one the following will be recorded in the books of accounts_____.

- A. excellent morale of workers.
- B. quality control in the business.
- C. managing ability of the manager.
- D. cost of machinery.

ANSWER: D

73. Which of the following should be recognized in other comprehensive income as an unrealized gain?

1. Interest earned but not yet credited 2. Rental income received for a future period 3. An increase in the value of non current asset 4. A gain on the sale of shares held in a quoted company

- A. 3 only
- B. 3 and 4 only
- C. 2,3 and 4 only
- D. 1,2,3 and 4

ANSWER: A

74. Horizontal analysis is also known as

- A. static analysis
- B. structural analysis
- C. dynamic analysis

D. none of these
ANSWER: C

75. Interpretation broadly include
A. drawing conclusions
B. comparison and trend study
C. criticism and analysis
D. all of the above

ANSWER: D

76. The short term analysis of financial statements is mainly concerned with
A. stability of the concern
B. earning potential of the concern
C. working capital analysis
D. none of these

ANSWER: C

77. Balance sheet is prepared primarily with the following group in view of _____.
A. Owners.
B. Creditors.
C. Government.
D. Management.

ANSWER: A

78. Which one the following is an example of an intangible asset?
A. Preliminary expenses.
B. Discount on issue of debentures.
C. Investments.
D. Copyrights.

ANSWER: D

79. When reporting profit for a period, companies are required to ensure that income and expenses are correctly classified. Which one of the following items will NOT be included in profit or loss for the period?

- A. Interest payable
- B. Dividend paid to ordinary shareholders
- C. Depreciation charge for the year
- D. Income tax expense

ANSWER: B

80. The analysis by a banker for the purpose of granting cash credit to a concern is an example of
A. critical analysis
B. external analysis
C. internal analysis
D. none of the above

ANSWER: C

81. Trend analysis is significant for
A. forecasting and budgeting
B. profit planning
C. capital rationing
D. working capital management

ANSWER: A

82. The excess of current assets over current liabilities is called _____.
- A. Net tangible worth.
 - B. Networth.
 - C. Gross working capital.
 - D. Net working capital.

ANSWER: C

83. The discount column of a triple column cash book records _____.
- A. trade discount.
 - B. cash discount.
 - C. quantity discount.
 - D. seasonal discount.

ANSWER: B

84. Vertical analysis is made on the basis of
- A. multiple sets of financial statements
 - B. different schedules attached to financial statements
 - C. single set of financial statements
 - D. none of these

ANSWER: D

85. Which of the following are the roles of the IASB? 1. Responsibility for all IFRS technical matters 2. Publication of IFRSs 3. Overall supervision and governance of the IFRS Advisory Council 4. Final approval of interpretations by the IFRS Interpretations Committee

- A. 2 only
- B. 1 and 2 only
- C. 1,2 and 3 only
- D. 1,2 and 4 only

ANSWER: D

86. When furniture is sold for cash, the entry should be made in _____.
- A. sales book .
 - B. cash book.
 - C. Journal.
 - D. petty cash book..

ANSWER: B

87. Which one of the following is an example of personal account?
- A. Capital account.
 - B. Building account.
 - C. Cash account.
 - D. Investment account.

ANSWER: A

88. Which of the following events between the end of the reporting period and the date the financial statements are authorized for issue must be adjusted in the financial statements? 1. Declaration of equity dividends 2. Decline in the market value of investments 3. The announcement of changes in tax rates 4. The announcement of a major restructuring

- A. 1 only
- B. 2 and 4
- C. 3 only
- D. None of them

ANSWER: D

89. Bills payable book is a _____.

- A. subsidiary book.
- B. principal book.
- C. ledger.
- D. memorandum book.

ANSWER: A

90. The balance of the petty cash book is _____.

- A. an asset.
- B. a liability.
- C. an income .
- D. an expenditure.

ANSWER: A

91. Which one of the following sentences is NOT a distinction between financial accounts and management accounts?

- A. Financial accounts are primarily for external users and management accounts are primarily for internal users
- B. Financial accounts are normally produced annually and management accounts are normally produced monthly
- C. Financial accounts are mandatory whereas management accounts are voluntary
- D. Financial accounts are audited by management whereas management accounts are audited by external auditors

ANSWER: D

92. The balance of cash account indicates _____.

- A. net income for the period.
- B. net loss for the period.
- C. net cash on hand.
- D. net worth of the business.

ANSWER: C

93. Financial accounts are audited by management whereas management accounts are audited by external auditors

- A. Financial accounts are audited by management whereas management accounts are audited by external auditors
- B. The International Financial Reporting Standards Foundation
- C. The International Accounting Standards Board
- D. The International Accounting Standards Committee

ANSWER: B

94. Which account is generally used for rectification of errors?

- A. Memorandum account.
- B. Suspense account.
- C. Rectification account.
- D. Adjustment account .

ANSWER: B

95. Which of the following most closely describes the meaning of relevance in the IASBs Conceptual Framework for Financial Reporting?

- A. It makes information provided in the financial statements useful to primary users
- B. It ensures that accounting records and financial statements are free from bias
- C. It provides a predictive or confirmatory value that can make a difference in a decision
- D. It ensures that financial statements comply with all accounting standards and legal requirements

ANSWER: C

96. A company includes in inventory goods received before the year end for which invoices are not received until after the year end. Which of the following concepts is the company applying?

- A. Historical cost
- B. Accruals
- C. Going concern
- D. Substance over form

ANSWER: B

97. Preparation of trial balance helps deduction of _____.

- A. error of principle.
- B. compensating errors.
- C. clerical errors.
- D. errors of whole omission.

ANSWER: C

98. Which one of the following best describes the objective of managements stewardship of a company?

- A. Profit maximization
- B. Safeguarding cash
- C. Accountability for companys assets
- D. High dividends for shareholders

ANSWER: C

99. What is the primary objective of general purpose financial statements?

- A. To provide financial information to the users of such information
- B. To maintain records of assets and liabilities
- C. To show the results of managements stewardship
- D. To fulfil statutory requirements

ANSWER: A

100. The main purpose of preparing a bank reconciliation statement is _____.

- A. to know the bank balance.
- B. to compare the entries in the cash and pass books.
- C. to correct the cash after comparing with pass books.
- D. to reconcile cash balance as per pass book with the balance in the pass book.

ANSWER: D

101. Bank Reconciliation statement is _____.

- A. ledger account.
- B. part of the cash book.
- C. a separate statement.
- D. a sub division of the journal.

ANSWER: C

102. A Cheque received and paid into the bank on the same day is recorded in the _____.

- A. cash column of the cash book.
- B. bank column of the cash book.
- C. both the cash and bank columns of the book.
- D. the credit balance as per pass book.

ANSWER: B

103. Which of the following are necessary characteristics of faithful representation of information? 1. Information is free from bias 2. Information is complete within the bounds of materiality and cost 3.

Information is free from material error

- A. 1 and 2 only
- B. 1 and 3 only
- C. 2 and 3 only
- D. 1,2 and 3

ANSWER: D

104. Which one of the following is not taken into account in adjusting the cash balance?

- A. Mistakes in the cash book.
- B. Mistakes in the pass book.
- C. Bank charges debited in pass book.
- D. Interest and dividend credited in pass book.

ANSWER: B

105. Which of the following is the basis on which allowance for depreciation is charged to the statement of profit or loss?

- A. Accruals
- B. Going concern
- C. Prudence
- D. Historical cost

ANSWER: A

106. Which of the following statements is correct?

- A. Profit is the amount by which the value of assets only have increased during the year
- B. Profit is the amount by which the value of liabilities only have decreased during the year
- C. Profit is not related to changes in the value of assets and liabilities
- D. Profit is the amount by which the increase in the value of assets exceeds the increase in the value of liabilities during the year

ANSWER: D

107. Which TWO of the following events after the reporting period would normally qualify as adjusting events according to IAS 10 Events after the reporting period date? 1. The bankruptcy of a credit customer with a balance outstanding at the end of the reporting period 2. A decline in the market value of investments 3. The declaration of an ordinary dividend 4. The determination of the cost of assets purchased before the end of the reporting period

- A. 1 and 2
- B. 1 and 4
- C. 2 and 3
- D. 3 and 4

ANSWER: B

108. The residual interest in the assets of the entity after deducting all its liabilities. What is represented by the residual?

- A. Income
- B. Profit
- C. Gains
- D. Equity

ANSWER: D

109. A sole trader is Rs. 5,000 overdrawn at her bank. She receives Rs. 1,000 from a credit customer. Which elements of the financial statements will change due to this transaction?

- A. Assets and Liabilities only
- B. Liabilities only
- C. Assets only

D. Assets, Liabilities and Equity
ANSWER: A

110. Wages paid for erection of machinery are debited to _____.
- A. Wages account.
 - B. Machinery account.
 - C. Profit and loss account.
 - D. Deferred wages account.

ANSWER: B

111. Premium received on issue of shares is a _____.
- A. capital receipt.
 - B. revenue receipt.
 - C. deferred capital receipt.
 - D. deferred revenue receipt.

ANSWER: A

112. Amount paid for acquiring goodwill is _____.
- A. revenue expenditure.
 - B. deferred revenue expenditure.
 - C. capital expenditure.
 - D. deferred capital expenditure.

ANSWER: C

113. What is defined by the following statement? A resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.
- A. Income
 - B. An expense
 - C. A liability
 - D. An asset

ANSWER: D

114. Which of the following should NOT appear in a company's statement of profit or loss and other comprehensive income?
- A. A loss after taxation for the financial year
 - B. Dividends received from investments
 - C. Gain on revaluation of a non current asset
 - D. Dividends paid to shareholders during the year

ANSWER: D

115. Where should dividends paid to ordinary shareholders be shown in a company's published financial statements?
- A. In other comprehensive income
 - B. In the statement of financial position
 - C. In the statement of changes in equity
 - D. In the statement of profit or loss

ANSWER: C

116. Which of the following items could appear in a company's statement of cash flows? 1. Proposed dividends 2. Rights issue of shares 3. Bonus issue of shares 4. Repayment of loan
- A. 1 and 3
 - B. 1 and 4
 - C. 2 and 3
 - D. 2 and 4

ANSWER: D

117. Which of the following are reasons why financial statement analysis is useful to investors? 1. To monitor current investments or to plan future ones 2. Because past performance is often a good indicator of future performance 3. Because future trends can then be accurately predicted 4. To assess the risk associated with their expected returns

- A. 1,2 and 3 only
- B. 1,2 and 4 only
- C. 1,3 and 4 only
- D. 2,3 and 4 only

ANSWER: B

118. Overcasting of purchases journal would affect _____.

- A. Sales account.
- B. Purchase account.
- C. Suppliers account.
- D. Sales returns account.

ANSWER: B

119. Which of the following will be of least concern to a company's providers of loan finance?

- A. Current share price
- B. Profitability
- C. Shortterm liquidity
- D. Solvency

ANSWER: A

120. Sales to Mr. Gill recorded in purchase journal would affect _____.

- A. Sales account.
- B. Sales account, purchases account and Mr. Gills account.
- C. Purchases account and sales account.
- D. Journal proper.

ANSWER: B

121. Purchases made on credit not recorded at all would affect _____.

- A. Purchases account.
- B. Suppliers account.
- C. Purchases account and suppliers account.
- D. Wages account.

ANSWER: C

122. Journal Proper is meant for recording _____.

- A. credit purchase of fixed assets.
- B. return of goods.
- C. all such transactions for which no special journal has been kept by the business.
- D. supply of goods.

ANSWER: C

123. Petty cash may be used to pay _____.

- A. the expenses relating to postage and conveyance.
- B. salaries and wages to the final staff.
- C. for the purchase of furniture and fittings.
- D. other recurring expenses

ANSWER: A

124. What does GAAP represents?

- A. Generally Accepted Audit Procedure.
- B. Generally Accepted Accounting Principles.
- C. General Agreement on Audit Principles.
- D. General Agreement on Accounting Principles.

ANSWER: B

125. Which English alphabet is similar to the shape of an ledger account?

- A. I
- B. T
- C. H
- D. Y

ANSWER: B

126. The _____ in a ledger helps in locating the accounts contained in it.

- A. Folio.
- B. Pages.
- C. serial numbers
- D. part numbers

ANSWER: A

127. Ledger is also called _____.

- A. principal book of accounts.
- B. cash books
- C. subsidiary books.
- D. petty cash book

ANSWER: A

128. Rs. 500 spent on servicing office typewriter should be debited to _____.

- A. Miscellaneous expenses account.
- B. Typewriter account.
- C. Repairs account.
- D. Services account.

ANSWER: C

129. Wages paid to workers must be debited to _____ account

- A. Wages .
- B. Machinery.
- C. Factory expenses.
- D. Offices expenses.

ANSWER: A

130. The information for the preparation of receipt and payments account is taken from_____.

- A. cash book.
- B. income and expenditure.
- C. cash book and balance sheet.
- D. revenue account.

ANSWER: A

131. Any written document in support of a business transaction is called a _____.

- A. Voucher.
- B. Bill.
- C. Carbon copy.
- D. Expense bill.

ANSWER: A

132. _____ is given to promote sales.

- A. Cash discount.
- B. Trade discount.
- C. Quantity discount.
- D. Price discount.

ANSWER: B

133. _____ is allowed to encourage early cash payment.

- A. Cash discount.
- B. Trade discount.
- C. Quantity discount.
- D. Price discount.

ANSWER: A

134. The basic function of financial accounting is to _____.

- A. record all business transactions.
- B. interpret the financial data.
- C. assist the management in performing functions effectively.
- D. information to management.

ANSWER: A

135. Book-keeping is mainly concerned with _____.

- A. recording of financial data relating to business operations.
- B. designing the system in recording, classifying, summarizing the recorded data.
- C. interpreting the data for internal and external end users.
- D. only for internal purposes.

ANSWER: A

136. The system of recording transactions based on dual aspect concept is called_____.

- A. double account system.
- B. double entry system.
- C. single entry system.
- D. single account system.

ANSWER: B

137. The convention of conservatism is applicable _____.

- A. in providing for discount on creditors.
- B. in making provision for bad debts and doubtful debts.
- C. in making provision for depreciation.
- D. in making provision for contingencies.

ANSWER: B

138. The amount brought in by the proprietor in the business should be credited to _____.

- A. cash account.
- B. capital account.
- C. drawing account.
- D. bank account.

ANSWER: B

139. Credit sales are recorded in_____.

- A. sales book.
- B. cash book.

- C. journal proper.
- D. purchases book.

ANSWER: A

140. The cash book records _____.

- A. all cash payments.
- B. all cash receipts.
- C. all cash receipts and payments.
- D. only credit payments.

ANSWER: C

141. In triple column cash book, cash withdrawn from bank for office use will appear in_____.

- A. debit side of the cash book only.
- B. both sides of the cash book.
- C. credit side of the cash book only.
- D. credit side of the bank account.

ANSWER: B

142. Debit balance in cash book means _____.

- A. overdraft as per pass book.
- B. overdraft as per cash book.
- C. credit balance as per pass book.
- D. debit balance as per day book.

ANSWER: C

143. A bank pass book is a copy of _____.

- A. the cash column of a customers cash book.
- B. the bank column of a customers cash book.
- C. the customers account in the banks ledger.
- D. the customer account in the suppliers ledger.

ANSWER: C

144. Cost of goods purchased for resale is an example of _____.

- A. deferred Revenue Expenditure.
- B. revenue Expenditure.
- C. capital Expenditure.
- D. common expenditure.

ANSWER: B

145. Preliminary expenses are an example of _____.

- A. deferred Revenue Expenditure.
- B. revenue Expenditure.
- C. capital Expenditure.
- D. common expenditure.

ANSWER: B

146. Trading account is prepared to find out _____.

- A. gross profit or loss.
- B. net profit or loss .
- C. financial position.
- D. position of the partners.

ANSWER: A

147. Outstanding salaries are shown as _____.

- A. an expense.
- B. a liability.
- C. an asset.
- D. an income.

ANSWER: B

148. Interest on drawings is _____.

- A. expenditure for the business.
- B. expense for the business.
- C. gain for the business.
- D. loss for the business.

ANSWER: C

149. Balance sheet is a _____.

- A. statement.
- B. Account.
- C. Ledger.
- D. Book.

ANSWER: A

150. Wages is an example of _____.

- A. capital expenses.
- B. indirect expenses.
- C. direct expenses.
- D. revenue expenses.

ANSWER: C

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