FINANCIAL ACCOUNTING (MGT101)

- Past Papers & MCQs – Mid Term 2008
- Past Papers & MCQs – Mid Term 2009
- Past Papers & MCQs – Mid Term 2010
- Lecture Notes (1-22)

BY

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FINANCIAL ACCOUNTING (MGT101)

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• Past Papers & MCQs – Mid Term 2008

MIDTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

- ► **Rs. 1, 29,000**
- ► Rs. 1, 50,000
- ► Rs. 1, 21,000
- ► Rs. 71,000

Question No: 2 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Owner's equity	Rs. 22,500
Total Liabilities	Rs. 80, 385
Cash in hand	Rs. 1,000
Cash at bank	Rs. 2,000
Debtors	Rs. 500

- ► Rs. 1, 02,885 other assets
- ► Rs. 1, 02,885 other liabilities
- ► Rs. 99,885 current liabilities
- ► **Rs. 99,385 other assets**

Question No: 3 (Marks: 1) - Please choose one

Bank Reconciliation Statement is prepared by:

- ► Bankers
- ► **Accountant of the business**
- ► Statutory auditor
- ► Manger

Question No: 4 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

► **A memorandum statement**
► A ledger account
► A part of cash book
► A part of journal

Question No: 5 (Marks: 1) - Please choose one

Expenditures incurred anually on renewal of patent are known as:

► **Revenue Expenditures**
► Capital Expenditures
► Financial Expenditures
► Operating Expenditures

Question No: 6 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	**?**

► Rs. 205,000
► **Rs. 215,000**
► Rs. 220,000
► Rs. 225,000

Question No: 7 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5th year	Rs. 75,000
Profit or loss on disposal of fixed asset	**?**

► **Rs. 60,000 loss**
► Rs. 75,000 profit
► Rs. 25,000 loss
► Rs. 1, 00,000 profit

Question No: 8 (Marks: 1) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

► Stock account

► **Cash account**
► Supplier account
► Work in process account

Question No: 9 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

► Rs. 15,000
► **Rs. 35,000**
► Rs. 55,000
► Rs. 60,000

Question No: 10 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

► **Rs.15,000**
► Rs. 35,000
► Rs. 55,000
► Rs. 60,000

Question No: 11 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

► Capital account
► Sundry creditors account
► Accounts payable account
► **Cash account**

Question No: 12 (Marks: 1) - Please choose one

The amount of salary paid to Mr. Sohail should be debited to:

► Mr. Sohail account
► **Salaries account**
► Cash account
► Drawings account

Question No: 13 (Marks: 1) - Please choose one

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

► Purchases account

► **Mr. Ali account**
► Cash account
► Sales account

Question No: 14 (Marks: 1) - Please choose one

The unfavorable balance of Profit and Loss account should be:

► Added in liabilities
► Subtracted from current assets
► Subtracted from liabilities
► **Subtracted from capital**

Question No: 15 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of Current Asset?

► **Bank Overdraft**
► Accounts Receivable
► Notes Receivable
► Prepaid Expenses

Question No: 16 (Marks: 1) - Please choose one

Which one of the following is **NOT** prepared by Non profit organizations?

► **Profit & Loss account**
► Income & Expenditure account
► Receipts & Payments account
► Balance Sheet

Question No: 17 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

► Income Statement
► Balance Sheet
► **Trial Balance**
► Cash Book

Question No: 18 (Marks: 1) - Please choose one

Documentary evidence, in a specific format used to record the details of a transaction is known as:

► Account
► **Voucher**
► Journal
► Ledger

Question No: 19 (Marks: 1) - Please choose one

A summarized record of transactions related to individuals or things is called a/an _____.

- ► **Account**
- ► Voucher
- ► Journal
- ► Trial balance

Question No: 20 (Marks: 1) - Please choose one

When a Liability is reduced or decreased, it is recorded on the:

- ► Right or debit side of the account
- ► **Left or debit side of the account**
- ► Left or credit side of the account
- ► Right or credit side of the account

Question No: 21 (Marks: 1) - Please choose one

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ► **Decrease in an asset, decrease in a liability**
- ► Increase in an asset, increase in a liability
- ► Decrease in an asset, decrease in owner's equity
- ► Increase in an asset, increase in owner's equity

Question No: 22 (Marks: 1) - Please choose one

Commercial Accounting is based on:

- ► Single entry book keeping
- ► **Double entry book keeping**
- ► Both single and double entry book keeping
- ► Cash basis of book keeping

Question No: 23 (Marks: 1) - Please choose one

Cost incurred for the maintenance of shop is considered as _____.

- ► Deferred expense
- ► Capital expense
- ► **Revenue expense**
- ► Preliminary expense

Question No: 24 (Marks: 1) - Please choose one

Mr.” A” sold goods for Rs. 3, 00,000 to Mr. “B”, Rs. 3, 00,000 will be treated as _____ for business.

- ► **Revenue**
- ► Net profit

► Gross profit
► Operating profit

Question No: 25 (Marks: 1) - Please choose one

Double entry accounting system includes:

► Accrual accounting only
► Cash accounting only
► **Both cash and accrual accounting**
► None of the given options

Question No: 26 (Marks: 1) - Please choose one

Which of the following financial statement shows the financial health of an Organization at a stated period of time?

► Balance sheet
► **Trading and Profit & Loss account**
► Cash Flow statement
► Statement of retained earnings

Question No: 27 (Marks: 1) - Please choose one

The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as:

► **Accounts**
► Vouchers
► Journals
► Statements

Question No: 28 (Marks: 1) - Please choose one

Revenue should be recognized or recorded when the goods are sold or services are rendered to the customer, this concept is known as:

► Consistency concept
► **Realization Concept**
► Materiality concept
► Matching concept

Question No: 29 (Marks: 1) - Please choose one

A record maintained which is measurable in the form of money, this concept of accounting is known as:

► Matching concept
► Consistency concept
► **Money measurement concept**
► Materiality concept

Question No: 30 (Marks: 1) - Please choose one

The cost of goods and services used up in the process of obtaining revenue is known as:

► Revenue
► **Expense**
► Liability
► Expenditure

Question No: 31 (Marks: 1) - Please choose one

Which of the following is an accounting system in which events are recorded as and when they occur?

► Cash Accounting
► **Accrual Accounting**
► Both Accrual Accounting and Cash Accounting
► None of the above

Question No: 32 (Marks: 1) - Please choose one

Recording of all financial transactions undertaken by an individual or organization is known as:

► Summarizing
► **Book-keeping**
► Classification
► Interpreting

Question No: 33 (Marks: 1) - Please choose one

Any cheque drawn to creditor but not paid by bank will effect as follows:

► **Cash book will show less balance & bank book will show more**
► Cash book will show more balance & bank book will show less
► Cash book will show double balance
► Bank book will show double balance

Question No: 34 (Marks: 1) - Please choose one

If no distribution is made between capital and revenue expenditure then:

► The figure of debtors and creditors will be incorrect

► Cash or bank figure will be incorrect

► **Net profit will be incorrect**

► Balance sheet will not balance

Question No: 35 (Marks: 1) - Please choose one

The Policy for charging depreciation is selected by:

► Manufacturer
► Trader
► **Management**
► Accountant

Question No: 36 (Marks: 1) - Please choose one

The estimated value at which an asset is expected to be sold after the end of its useful life is called:

- ► Residual value
- ► Salvage Value
- ► Scrap Value
- ► **All of the given options**

Question No: 37 (Marks: 1) - Please choose one

Mr. "A" borrowed money from bank; this transaction involves which one of the following accounts:

- ► Cash & Mr. A
- ► Bank & Mr. A
- ► Drawing & Mr. A
- ► **Cash & Bank**

Question No: 38 (Marks: 1) - Please choose one

The beginning balance of Owner's Equity was Rs.7,500. The dividends paid to stockholders were Rs.1,500. The ending balance of Owner's Equity is Rs.5,000. What was the Net Income or Net Loss for the accounting period?

- ► Net Loss of Rs. 1,000
- ► **Net Income of Rs. 1,000**
- ► Net Loss of Rs. 3,000
- ► Net Income of Rs. 3,000

Question No: 39 (Marks: 1) - Please choose one

A company sold Rs. 400,000 of merchandise for cash and Rs.120,000 of merchandise to credit customers who will pay for the merchandise in a later time period. How much revenue should be reported on the income statement of the current time period under Cash Basis of Accounting?

- ► Rs. 280,000
- ► Rs. 520,000
- ► **Rs. 400,000**
- ► Rs. 120,000

Question No: 40 (Marks: 1) - Please choose one

Which one of the following statement is wrong about Current liabilities?

- ► These are due within one year
- ► These are short-term loans
- ► **A vague term for loans to be repaid by an enterprise after twelve months**
- ► In working capital, these are deducted from assets

Question No: 41 (Marks: 10)

Calculate depreciation of the asset for five years by using written down value method. Also show accumulated depreciation.

Cost of the asset	Rs. 1,20,000
Depreciation Rate	10%
Expected Life	5 years

ANSWER

YR	Written down value method	RS	Accumulated depreciation
1	cost	120,000	
	Depreciation @ 10%... 10%*120,000	12,000	12,000
	WDV… 120,000-12,000	108,000	
2	Dep @ 10%... 10%*108000	10,800	22800
	WDV= 108,000-10,800	97,200	
3	Dep @ 10%... 10%*97,200	9,720	32520
	WDV= 97,200-9,720	87,480	
4	Dep @ 10%...10%*87,480	8,748	41,268
	WDV=87,480-8,748	78,732	
5	Dep @ 10%...10%*78,732	7873.2	49,141.2
	WDV=78,732-7873.2	70858.8	

MIDTERM EXAMINATION
Fall 2008
MGT101- Financial Accounting (Session - 2)

Question No: 1 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	3,75,000
Cost of machine	50,000
Depreciation during the year	11,000
Closing written down value (WDV) of the Machines	?

► ***Rs. 4, 14,000***
► Rs. 4, 25,000
► Rs. 3, 86,000
► Rs. 61,000

Question No: 2 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

► ***Rs. 1, 29,000***
► Rs. 1, 50,000
► Rs. 1, 21,000
► Rs. 71,000

Question No: 3 (Marks: 1) - Please choose one

Firms charge depreciation each year:

► To ensure there is enough money in the firm to replace the asset
► ***To spread the cost of the asset over its working life***
► To reduce the profit and thus reduce the dividends they can pay to share holders
► Because the law states they must be reduced

Question No: 4 (Marks: 1) - Please choose one

Depreciation arises because of:

► Fall in the market value of an asset

► Fall in the value of money
► Physical wear and tear
► ***All of the given options***

Question No: 5 (Marks: 1) - Please choose one

The assets which have a limited useful life are termed as:

► Limited assets
► ***Depreciateable assets***
► Unlimited assets
► None of the given options

Question No: 6 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

► Book-keeping
► Accounting
► Auditing
► ***All of the given options***

Question No: 7 (Marks: 1) - Please choose one

Bank Reconciliation Statement is prepared by:

► Bankers
► ***Accountant of the business***
► Statutory auditor
► Manger

Question No: 8 (Marks: 1) - Please choose one

_____ is the detail of transaction in one's account provided by the bank.

► ***Bank statement***
► Bank reconciliation statement
► Income statement
► Financial statement

Question No: 9 (Marks: 1) - Please choose one

If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

► Cheque deposited but not credited by the bank
► ***Cheques omitted to be deposited into bank***
► Any amount directly collected by bank on behalf of customer but not recorded in cash book
► Debit side of cash book was overcast

Question No: 10 (Marks: 1) - Please choose one

_____ is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

► ***Present value***
► Fair value
► Book value
► Residual value

Question No: 11 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► ***Rs.260***
► Rs.232
► Rs.284
► Rs.268

Question No: 12 (Marks: 1) - Please choose one

If, Cost of machine = Rs.400, 000
Useful life = 5 years
Rate of depreciation= 40%
The book value of machine after one years using diminishing balance method is ?

► Rs.86, 400
► Rs. 1, 44,000
► ***Rs. 2, 40,000***
► Rs. 51,840

Question No: 13 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Written down value of asset at the end of 5th year	Rs.25,000
Profit or loss on disposal of fixed assets	**?**

► ***Rs.25, 000 profit***
► Rs. 75,000 loss

► Rs. 15,000 profit
► Rs. 1, 00,000 profit

Question No: 14 (Marks: 1) - Please choose one

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

► ***Rs. 3,000***
► Rs. 8,000
► Rs. 7,000
► Rs. 5,000

Question No: 15 (Marks: 1) - Please choose one

Which one of the following is **CORRECT** about the closing stock?

► It appears in the assets side of a balance sheet
► It decreases the value of cost of goods sold
► It becomes opening stock of next year
► ***All of the given option***

Question No: 16 (Marks: 1) - Please choose one

Which of the following particulars are included in the specimen of a bank receipt voucher?

1) Name of the organization
2) Bank code
3) Date of transaction

► (1) & (2) only
► (1) & (3) only
► (2) & (3) only
► ***(1), (2) & (3)***

Question No: 17 (Marks: 1) - Please choose one

Which of the following is an alternate term which can be used for “Capital”?

► Liability
► ***Owner’s net worth***
► Working capital
► Asset

Question No: 18 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the positive working capital of a company?

► It shows sound position of a company
► It shows that company has sufficient current assets to meet current liabilities
► It shows that current assets are greater than current liabilities
► ***All of the given options***

Question No: 19 (Marks: 1) - Please choose one

In which of the following condition a company will have positive working capital?

► ***If current assets > current liabilities***
► If current Assets < current Liabilities
► If current assets = current liabilities
► If current assets < current liabilities

Question No: 20 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of Current Asset?

► ***Bank Overdraft***
► Accounts Receivable
► Notes Receivable
► Prepaid Expenses

Question No: 21 (Marks: 1) - Please choose one

Which of the following is **NOT** an item of a Balance Sheet?

► Accounts Receivable
► Accounts Payable
► ***Sales Revenue***
► Marketable Securities

Question No: 22 (Marks: 1) - Please choose one

Which of the following statement is **NOT TRUE** about Current liabilities?

► ***These are due within one year***
► These are short-term loans
► These are consist of all debts, payable after 12 months
► In working capital, these are deducted from current assets

Question No: 23 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account
► Cash Flow Statement

► ***Balance Sheet***
► Income & Expenditure Account

Question No: 24 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

► Selling Expenses
► General Expenses
► Financial Expenses
► ***All of the given options***

Question No: 25 (Marks: 1) - Please choose one

Which one of the following is **NOT** prepared by Non profit organizations?

► ***Profit & Loss account***
► Income & Expenditure account
► Receipts & Payments account
► Balance Sheet

Question No: 26 (Marks: 1) - Please choose one

Which of the following financial statement summarizes the profitability of an organization for a particular period?

► ***Trading and Profit & Loss account***
► Cash Flow Statement
► Statement of Retained Earnings
► Balance Sheet

Question No: 27 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

► Income Statement
► Balance Sheet
► ***Trial Balance***
► Cash Book

Question No: 28 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?
(1) Date of transaction
(2) Narration of transaction
(3) Cheque number

► (1) & (2) only

► (2) & (3) only
► (1) & (3) only
► ***(1), (2) & (3)***

Question No: 29 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

► Pass Book
► ***Cash Book***
► Purchase Book
► Sales Book

Question No: 30 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

► Negative Balance
► ***Debit Balance***
► Positive Balance
► Credit Balance

Question No: 31 (Marks: 1) - Please choose one

When Capital is increased by an amount, it is recorded on the:

► Left or credit side of the account
► Right or debit side of the account
► Left or debit side of the account
► ***Right or credit side of the account***

Question No: 32 (Marks: 1) - Please choose one

What will be the effect on accounting equation, when payment is made to the creditor of the business?

► ***Decrease in an asset, decrease in a liability***
► Increase in an asset, increase in a liability
► Decrease in an asset, decrease in owner's equity
► Increase in an asset, increase in owner's equity

Question No: 33 (Marks: 1) - Please choose one

An Asset that is **NOT** physical in nature is called _____.

► ***Intangible Asset***
► Liquid Asset
► Current Asset
► Fixed Asset

Question No: 34 (Marks: 1) - Please choose one

Assets total Rs.50, 000 and Liabilities total Rs.10, 000. What is the equity of the business?

► ***Rs. 40, 000***
► Rs. 60, 000
► Rs. 10,000
► Rs. 50,000

Question No: 35 (Marks: 1) - Please choose one

According to the double entry system of accounting, an account that obtains benefit is:

► ***Debit***
► Credit
► Income
► No need to show as accounting record

Question No: 36 (Marks: 1) - Please choose one

The time span in which financial statements of the business are prepared is known as:

► Financial Year
► ***Accounting Period***
► Business Life Cycle
► Accounting Cycle

Question No: 37 (Marks: 1) - Please choose one

Income of the business includes:

► Cash sales only
► Credit sales only
► Credit purchases only
► ***Both cash sales and credit sales***

Question No: 38 (Marks: 1) - Please choose one

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having life of 10 years, this expense will be realized _____ under the concept of accrual accounting.

► For the year 2008 only
► For the last day of 10^{th} year only
► ***Over 10 years***
► Nothing can be said about it

Question No: 39 (Marks: 1) - Please choose one

Net Profit =? - Expenses

► Liabilities
► Assets
► Capital
► ***Income***

Question No: 40 (Marks: 1) - Please choose one

The price paid for an item, in terms of currency is called:

► Sale
► ***Cost***
► Debt
► Revenue

Question No: 41 (Marks: 10)

Enter the following transactions in the Cash Book of Mr. Jamil.

2007	Transactions	Rs.
Jan. 1	Mr. Jamil stared business with cash	1000,000
Jan. 3	Bought goods for cash	70,000
Jan. 5	Paid for stationary	1,000
Jan. 7	Sold goods for cash	40,000
Jan. 10	Paid for trade expenses	1,000
Jan. 11	Sold goods for cash	10,000
Jan. 14	Received cash from Mr. Asif	5,000
Jan. 15	Paid cash to Mr. Qadir	10,000
Jan. 18	Withdrew cash for personal use	3,000
Jan. 22	Bought goods for cash	20,000
Jan. 25	Sold goods for cash	45,000
Jan. 22	Paid for electricity bill	2,000
Jan. 31	Paid salary	5,000
Jan. 31	Paid rent	1,500

MIDTERM EXAMINATION
Spring 2009
MGT101- Financial Accounting (Session - 5)

Time: 60 min
Marks: 50

Question No: 1 (Marks: 1) - Please choose one

An accounting system is used by a business to:

- ► Analyze transactions
- ► Handle routine book-keeping tasks
- ► Classify and summarize financial information
- ► All of the given options

Question No: 2 (Marks: 1) - Please choose one

The assets which have a limited useful life are termed as:

- ► Limited assets
- ► Depreciateable assets
- ► Unlimited assets
- ► None of the given options

Question No: 3 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

- ► Book-keeping
- ► Accounting
- ► Auditing
- ► All of the given options

Question No: 4 (Marks: 1) - Please choose one

If a business pays rent in advance for 12 months, it will be treated as:

- ► Prepaid expenses of business
- ► Long term liability of business
- ► Fixed assets of business
- ► Current liability of business

Question No: 5 (Marks: 1) - Please choose one

Which of the following transaction have **NO** affect on stockholders' equity?

- ► Purchase of land on credit

- ► Dividends to stockholders
- ► Net loss
- ► Investment in cash by stockholders

Question No: 6 (Marks: 1) - Please choose one

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ► Cash account
- ► Furniture account
- ► Vehicle account
- ► Capital account

Question No: 7 (Marks: 1) - Please choose one

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

- ► Any cheque drawn to creditor but not paid by bank
- ► Interest credited by the bank in pass book
- ► Cheque deposited but not credited by the bank
- ► Dividend collected by bank on behalf of the customer

Question No: 8 (Marks: 1) - Please choose one

The cost of moving plant and machinery to a new site will be treated as:

- ► Revenue expense
- ► **Capital expense**
- ► Administrative expense
- ► Operating expense

Question No: 9 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about Capital Expenditure?

- ► Creates future benefits
- ► Incurred to acquire fixed assets
- ► Incurred to increase the economic life of existing fixed assets
- ► Reduce the profit of the concern

Question No: 10 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Sold	10 units @ 10 35 units @ 11 40 units @ 12 Balance 20 units @ 13 = 260

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ► Rs.260
- ► Rs.232
- ► Rs.284
- ► Rs.268

Question No: 11 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225
	Opening Stock			100
	Add purchases			1125
	Total material available for sale			1225
	Less closing **			320
	Cost of good sold			905

Detail of 80 units sold

10 @ 10
35 @ 11
35 @ 12
now remaining are

5 units @ 12 = 60
20 units@ 13 =260
closing stock = 25 units and value = 320

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ► Rs. 1,225
- ► Rs. 1,015
- ► Rs. 965
- ► Rs. 905

Question No: 12 (Marks: 1) - Please choose one

If, Cost of machine = Rs.400, 000
Useful life = 5 years
Residual value = Rs.25, 000
The depreciation of machine per year using straight line method is?

= 400,000-25000 / 5 = 75000

- ► Rs. 160,000
- ► Rs. 96,000
- ► Rs. 75,000
- ► Rs. 57,600

Question No: 13 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	**?**

Asset year 1 = 100,000 - 15000 = 85000
Year 2 = 85000 - 15000 = 70000
Year 3 = 70000 – 15000 = 55000
Year 4 = 55000 – 15000 = 40000
Book value after year 5 = 40000 – 15000 = 25000

- ► Rs.25, 000
- ► Rs. 75,000
- ► Rs. 15,000
- ► Rs. 1, 00,000

Question No: 14 (Marks: 1) - Please choose one

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ► Depreciation
- ► Accumulated Depreciation
- ► Appreciation
- ► Written Down Value

Question No: 15 (Marks: 1) - Please choose one

In balance sheet fixed assets are shown at:

► Cost price
► Market value
► Fair value
► Written down value (WDV)

Question No: 16 (Marks: 1) - Please choose one

In cost of goods sold statement, the 'cost of material consumed' is equal to:

► Opening raw material inventory + Purchases – Ending raw material inventory
► Opening raw material inventory - Purchases + Ending raw material inventory
► Ending raw material inventory + Opening raw material inventory - Purchases
► Ending raw material inventory + Opening raw material inventory + Purchases

Question No: 17 (Marks: 1) - Please choose one

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost = dm + dl	**130000**

► Rs.1 Rs.130, 000
► Rs.110, 000
► Rs.140, 000
► Rs.190, 000

Question No: 18 (Marks: 1) - Please choose one

What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?

► Rs. 5,500
► Rs. 8,000
► Rs. 4,500
► Rs. 8,500

Question No: 19 (Marks: 1) - Please choose one

Following are the inventories of Manufacturing Concern **EXCEPT**:

► Raw material
► Work in process
► Finished goods

► Merchandise inventory

Question No: 20 (Marks: 1) - Please choose one

If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

► Rs. 5,000 Loss
► Rs. 5, 000 Profit
► Rs.1, 95,000 Profit
► Rs.1, 95,000 Loss

Question No: 21 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

► Cash account
► Furniture account
► Vehicle account
► All of the given options

Question No: 22 (Marks: 1) - Please choose one

The return of goods by a customer should be debited to:

► Customer's account
► Sales return account
► Goods account
► Accounts receivable

Question No: 23 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

► Furniture account
► Cash account
► Business account
► Bank account

Question No: 24 (Marks: 1) - Please choose one

Which of the following account will be credited, If Mr. "A" started business with cash
Rs. 2, 00,000?

► Capital account
► Cash account
► Mr. A's account
► Business account

Question No: 25 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

► Mr. “B” / Accounts Receivable account (Dr) and Sales account (Cr)
► Cash account (Dr) and sales account (Cr)
► Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
► Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

Question No: 26 (Marks: 1) - Please choose one

Which of the following is **NOT** an item of a Balance Sheet?

► Accounts Receivable
► Accounts Payable
► Sales Revenue
► Marketable Securities

Question No: 27 (Marks: 1) - Please choose one

Accounts Receivable & Inventory are the examples of:

► Liquid assets
► Current assets
► Fixed assets
► Capital assets

Question No: 28 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account
► Cash Flow Statement
► Balance Sheet
► Income & Expenditure Account

Question No: 29 (Marks: 1) - Please choose one

Which of the following summarizes the cash movements during a specified period?

► Trading account
► Profit & Loss account
► Receipts & Payments account

► Balance Sheet

Question No: 30 (Marks: 1) - Please choose one

Which of the following financial statement summarizes the profitability of an organization for a particular period?

► Balance Sheet
► Trading and Profit & Loss account
► Cash Flow Statement
► Statement of Retained Earnings

Question No: 31 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

► Negative Balance
► Debit Balance
► Positive Balance
► Credit Balance

Question No: 32 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

► Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 33 (Marks: 1) - Please choose one

Which of the following is used to record financial transactions in chronological (day-to-day) order?

► Voucher
► General Journal
► General Ledger
► Trial balance

Question No: 34 (Marks: 1) - Please choose one

When a Liability is reduced or decreased, it is recorded on the:

► Right or debit side of the account
► Left or debit side of the account
► Left or credit side of the account
► Right or credit side of the account

Question No: 35 (Marks: 1) - Please choose one

What is the nature of an expense account?

► Debit
► Credit
► Revenue
► None of the given options

Question No: 36 (Marks: 1) - Please choose one

Economic resources owned by a business and expected to benefit for the future operations are called:

► Expenses
► Assets
► Capital
► Liabilities

Question No: 37 (Marks: 1) - Please choose one

Assets total Rs.50, 000 and Liabilities total Rs.10, 000. What is the equity of the business?

► Rs. 40, 000
► Rs. 60, 000
► Rs. 10,000
► Rs. 50,000

Question No: 38 (Marks: 1) - Please choose one

An expense incurred by the business for the purchase of land & building is an example of:

► Capital Expense
► Revenue Expense
► Deferred Expense

► Preliminary Expense

Question No: 39 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

► Sole proprietorship
► Partnership

journal			
Date	Particulars	(Dr.)	(Cr.)
		Rs.	Rs.
2008 jan1	Cash account	50,000	
	Capital account		50,000
	(owner invested cash)		
jan.2	Furniture account	10,000	
	Cash account		10,000
	(purchased furniture for cash)		
Jan.3	Purchases account	30,000	
	Cash account		30,000
	(goods purchased for cash)		
Jan.5	Cash account	40,000	
	Sales account		40,000
	(sold goods for cash)		
Jan. 6	Salaries account	5,000	
	Cash account		5,000
	(Salaried paid)		

- Limited company
- Trust

Question No: 40 (Marks: 1) - Please choose one

The area of accounting concerned with reporting financial information to the interested parties is called:

- ► Cost Accounting
- ► Financial Accounting
- ► Management Accounting
- ► Tax Accounting

Question No: 41 (Marks: 10)

Prepare Cash and Capital Accounts with the help of given Journal entries.

CASH A/C (IN STATEMENT FORM)

Date	V. No	Detail	Ref	Debit	Credit	Balance
01/01/08		CAPITAL A/C		50000	0	50000 DR
02/01/08		FURNITURE A/C		0	10000	40000 DR
03/01/08		PURCHASES A/C		0	30000	10000 DR
05/01/08		SALES A/C		40000	0	50000 DR
06/01/08		SALARIES A/C		0	5000	45000 DR
		TOTAL		90000	45000	45000 DR

MIDTERM EXAMINATION
Spring 2009
MGT101- Financial Accounting

Time: 60 min
Marks: 50

Student Info	
StudentID:	
Center:	
ExamDate:	

For Teacher's Use Only									
Q No.	1	2	3	4	5	6	7	8	Total
Marks									
Q No.	9	10	11	12	13	14	15	16	
Marks									
Q No.	17	18	19	20	21	22	23	24	
Marks									
Q No.	25	26	27	28	29	30	31	32	
Marks									
Q No.	33	34	35	36	37	38	39	40	
Marks									
Q No.	41								
Marks									

Question No: 1 (Marks: 1) - Please choose one

Net Profit + Expenses= _____

► Liabilities
► Assets
► Capital
► ***Income***

Question No: 2 (Marks: 1) - Please choose one

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

► Appreciation
► ***Depreciation***
► Fluctuation
► None of the given options

Question No: 3 (Marks: 1) - Please choose one

The basic purpose of depreciation is to achieve the:

► Matching principle
► Dual aspect principle
► Separate entity concept
► ***Money measurement concept***

Question No: 4 (Marks: 1) - Please choose one

If a business pays rent in advance for 12 months, it will be treated as:

► ***Prepaid expenses of business***
► Long term liability of business
► Fixed assets of business
► Current liability of business

Question No: 5 (Marks: 1) - Please choose one

Cash book is a part of:

► Voucher
► General Journal
► ***General Ledger***
► Trial Balance

Question No: 6 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

► ***A memorandum statement***
► A ledger account
► A part of cash book
► A part of journal

Question No: 7 (Marks: 1) - Please choose one

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

► Any cheque drawn to creditor but not paid by bank
► Interest credited by the bank in pass book
► ***Cheque deposited but not credited by the bank***
► Dividend collected by bank on behalf of the customer

Question No: 8 (Marks: 1) - Please choose one

The main goal of Bank Reconciliation Statement is to determine:

► ***If the discrepancy is due to error rather than timing***
► If the discrepancy is due to timing rather than error
► If the discrepancy is due to error rather than amount
► If the discrepancy is due to amount rather than timing

Question No: 9 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revenue expenditure?

► ***These are the running expenses of the business***
► They improve the financial position of the business
► They reduce the profit of the concern
► They do not appear in the balance sheet

Question No: 10 (Marks: 1) - Please choose one

Under the reducing balance method of depreciation:

► Amount of depreciation increases every year
► Amount of depreciation remains constant for every year
► ***Amount of depreciation decreases every year***
► None of the given options

Question No: 11 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total

2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

► ***Rs.7, 500***
► Rs.7, 978
► Rs.8, 000
► Rs.8, 400

Question No: 12 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► Rs.260
► Rs.232
► Rs.284
► ***Rs.320***

Question No: 13 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

► Rs. 205,000
► ***Rs. 215,000***
► Rs. 220,000
► Rs. 225,000

Question No: 14 (Marks: 1) - Please choose one

The amount of depreciation charged on machinery will be debited to:

► Machinery account
► ***Depreciation account***

► Cash account
► Capital account

Question No: 15 (Marks: 1) - Please choose one

Under the straight line method of depreciation:

► Amount of depreciation increases every year
► ***Amount of depreciation remains constant for every year***
► Amount of depreciation decreases every year
► None of the given options

Question No: 16 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	**?**

► Rs.25, 000
► ***Rs. 75,000***
► Rs. 15,000
► Rs. 1, 00,000

Question No: 17 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5th year	Rs.75,000
profit or loss on disposal of fixed assets	**?**

► ***Rs.25, 000 loss***
► Rs. 75,000 loss
► Rs. 15,000 profit
► Rs. 1, 00,000 profit

Question No: 18 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5th year	Rs. 75,000
Profit or loss on disposal of fixed asset	**?**

► ***Rs. 60,000 loss***
► Rs. 75,000 profit

► Rs. 25,000 loss
► Rs. 1, 00,000 profit

Question No: 19 (Marks: 1) - Please choose one

In cost of goods sold statement the 'total factory cost' is equal to:

► Cost of material consumed + Labor cost
► ***Cost of material consumed + Conversion cost***
► Cost of material consumed + Total factory cost
► Cost of material consumed + Factory overhead

Question No: 20 (Marks: 1) - Please choose one

Which of the following organization converts raw material into finished goods?

► Trading concern
► ***Manufacturing concern***
► Merchandising concern
► Service concern

Question No: 21 (Marks: 1) - Please choose one

Which of the following item appears in Trading Account of a business?

► Interest expenses
► ***Wages and salaries***
► Depreciation expenses
► Discount Allowed

Question No: 22 (Marks: 1) - Please choose one

Which of the following is an alternate term which can be used for "Capital"?

► Liability
► ***Owner's net worth***
► Working capital
► Asset

Question No: 23 (Marks: 1) - Please choose one

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

► Rs. 300

► Rs. 2,500
► ***Rs. 2,800***
► Rs.18, 800

Question No: 24 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

► Capital account
► Sundry creditors account
► Accounts payable account
► ***Cash account***

Question No: 25 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

► ***Cash account***
► Capital account
► Drawings account
► Proprietor account

Question No: 26 (Marks: 1) - Please choose one

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

► Cash account
► ***Sales account***
► Accounts receivable account
► Purchases account

Question No: 27 (Marks: 1) - Please choose one

Which of the following account will be credited, if business purchased a vehicle on cash?

► Vehicle account
► ***Cash account***
► Business account
► Bank account

Question No: 28 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

► ***Mr. "B" / Accounts Receivable account (Dr) and Sales account (Cr)***
► Cash account (Dr) and sales account (Cr)
► Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
► Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

Question No: 29 (Marks: 1) - Please choose one

Accrued expenses are the example of:

► ***Current liabilities***
► Long term liabilities
► Deferred costs
► Capital expenses

Question No: 30 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account
► Cash Flow Statement
► ***Balance Sheet***
► Income & Expenditure Account

Question No: 31 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

► Selling Expenses
► General Expenses
► Financial Expenses
► ***All of the given options***

Question No: 32 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

► Income Statement
► Balance Sheet
► ***Trial Balance***
► Cash Book

Question No: 33 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?
(1) Date of transaction
(2) Narration of transaction
(3) Cheque number

► (1) & (2) only

► (2) & (3) only
► (1) & (3) only
► ***(1), (2) & (3)***

Question No: 34 (Marks: 1) - Please choose one

Which of the following book(s) is(are) a part of General Ledger?

► ***Cash Book***
► Purchase Return Book
► Purchase Book
► All of the given options

Question No: 35 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

► Pass Book
► ***Cash Book***
► Purchase Book
► Sales Book

Question No: 36 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

► Negative Balance
► ***Debit Balance***
► Positive Balance
► Credit Balance

Question No: 37 (Marks: 1) - Please choose one

Commercial Accounting is based on:

► Single entry book keeping
► Double entry book keeping
► ***Both single and double entry book keeping***
► Cash basis of book keeping

Question No: 38 (Marks: 1) - Please choose one

According to the double entry system of accounting, an account that obtains benefit is:

► ***Debit***
► Credit
► Income
► No need to show as accounting record

Question No: 39 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

► Sole proprietorship

► Partnership
► Limited company
► ***Trust***

Question No: 40 (Marks: 1) - Please choose one

Mr. "A" sold goods to Mr. "B" for Rs. 3,000 on October 8, 2008 and Mr. "B" paid at the same time. It will be case of _____ sales.

► ***Cash***
► Credit
► Accrual based
► None of the given options

Question No: 41 (Marks: 10)

State with reasons whether the following items of expenditure are capital or revenue in nature.

1. Wages paid on the purchase of goods.
2. Carriage paid on goods purchased.
3. Transportation paid on purchase of machinery.
4. Octroi duty paid on machinery.
5. Octori duty paid on goods.
6. A second hand car was purchased for Rs. 7,000 and Rs, 5,000 were spent for its repair and overhauling.
7. Office building was whitewashed at a cost of Rs. 3,000.
8. A new machinery was purchased for Rs. 80,000 and a sum of Rs. 1,000 was spent on its installation and erection
9. Old furniture was repaired at a cost of Rs. 500.
10. Land was purchased for Rs. 1, 00,000 and Rs. 5,000 was paid for legal expenses.

MIDTERM EXAMINATION
Spring 2009
MGT101- Financial Accounting (Session - 4)

Ref No: 564819
Time: 60 min
Marks: 50

Student Info	
StudentID:	
Center:	OPKST
ExamDate:	4/25/2009 12:00:00 AM

For Teacher's Use Only									
Q No.	1	2	3	4	5	6	7	8	Total
Marks									
Q No.	9	10	11	12	13	14	15	16	
Marks									
Q No.	17	18	19	20	21	22	23	24	
Marks									
Q No.	25	26	27	28	29	30	31	32	
Marks									
Q No.	33	34	35	36	37	38	39	40	
Marks									
Q No.	41								
Marks									

Question No: 1 (Marks: 1) - Please choose one

Expenditures incurred annually are known as:

► Revenue Expenditures
► ***Capital Expenditures***
► Financial Expenditures
► Operating Expenditures

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is NOT true for Profit & Loss Account?

► It shows whether a business has made a profit or loss over a financial year
► It shows the financial performance of a business for the period
► It shows revenues and expenses for the period
► ***It is used to calculate surplus/deficit for a particular period***

Question No: 3 (Marks: 1) - Please choose one

Which of the following is NOT a characteristic of Joint Stock Company?

► Separate Legal Entity
► Limited Liability
► ***Easy Formation***
► Common Seal

Question No: 4 (Marks: 1) - Please choose one

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

► ***Rs. 2, 25,000***
► Rs. 2, 50,000
► Rs. 2, 75,000
► Rs. 75,000

Question No: 5 (Marks: 1) - Please choose one

The assets which have a limited useful life are termed as:

► Limited assets
► ***Depreciate able assets***
► Unlimited assets
► None of the given options

Question No: 6 (Marks: 1) - Please choose one

Increase in an asset is recorded on the:

► Left or credit side of the account
► Right or debit side of the account
► ***Left or debit side of the account***
► Right or credit side of the account

Question No: 7 (Marks: 1) - Please choose one

Which of the following particular is NOT included in the specimen of a Journal Voucher?

► Name of organization
► ***Bank receipt***
► Debit amount
► Credit amount

Question No: 8 (Marks: 1) - Please choose one

When the process of production is completed, all the costs must be charged to:

► Raw material account
► Work in process account
► ***Finished goods account***
► Merchandise account

Question No: 9 (Marks: 1) - Please choose one

While adjusting the cash balance of cash book, which of the following is NOT taken into account.

► Mistakes in the cash book
► ***Mistakes in the pass book***
► Interest credited in the pass book but not entered in cash book
► Interest debited in the pass book but not entered in cash book

Question No: 10 (Marks: 1) - Please choose one

Sale proceeds of goods are an example of:

► Revenue expense
► Capital expense
► Capital receipt
► ***Revenue receipt***

Question No: 11 (Marks: 1) - Please choose one

The cost of moving plant and machinery to a new site will be treated as:

► Revenue expense
► Capital expense
► Administrative expense
► ***Operating expense***

Question No: 12 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► ***Rs.260***
► Rs.232
► Rs.284
► Rs.268

Question No: 13 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

► Rs. 205,000
► ***Rs. 215,000***
► Rs. 220,000
► Rs. 225,000

Question No: 14 (Marks: 1) - Please choose one

Under the reducing balance method, deprecation is calculated on:

► Scrap value of an asset
► ***Original cost of an asset***
► Book value of an asset
► Fair value of an asset

Question No: 15 (Marks: 1) - Please choose one

If, Cost of machine= Rs.400, 000
Useful life = 5 years, Residual value= Rs.25, 000

The depreciation of machine per year using straight line method is?

► Rs. 160,000
► Rs. 96,000
► ***Rs. 75,000***
► Rs. 57,600

Question No: 16 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5th year	Rs.75,000
profit or loss on disposal of fixed assets	?

► ***Rs.25, 000 loss***
► Rs. 75,000 loss
► Rs. 15,000 profit
► Rs. 1, 00,000 profit

Question No: 17 (Marks: 1) - Please choose one

Direct materials costs	Rs.70,000
Direct labor costs	30,000
Manufacturing overhead costs	60,000
conversion cost	?

► Rs. 20,000
► Rs.40, 000
► ***Rs.90, 000***
► Rs.160, 000

Question No: 18 (Marks: 1) - Please choose one

Which of the following is an example of direct materials cost?

► Polish and finishing material for chair
► ***A piece of wood for the production of chair***
► Production worker's wages
► Depreciation expenses

Question No: 19 (Marks: 1) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

► Stock account

► ***Cash account***
► Supplier account
► Work in process account

Question No: 20 (Marks: 1) - Please choose one

Following are the inventories of Manufacturing Concern EXCEPT:

► Raw material
► Work in process
► Finished goods
► ***Merchandise inventory***

Question No: 21 (Marks: 1) - Please choose one

The stock of manufacturing concern consists of:

► Work in Process Inventory
► Raw Materials Inventory
► Finished Goods Inventory
► ***All of the given options***

Question No: 22 (Marks: 1) - Please choose one

Which of the following particulars are included in the specimen of a cash receipt voucher?

4) Name of the organization
5) Cash code
6) Date of transaction

► (1) & (2) only
► (1) & (3) only
► (2) & (3) only
► **(1), (2) & (3)**

Question No: 23 (Marks: 1) - Please choose one

Which of the following financial statement DO NOT show the financial health of a business at a specific date?

► Profit and loss account
► Balance sheet
► Statement of financial position
► All of the given options

Question No: 24 (Marks: 1) - Please choose one

If the cost of sales is Rs. 95,000, sales are Rs. 100,000 and operating expenses are Rs. 200,000 during the year, what would be the net result?

► ***Loss of Rs. 1, 95,000***
► Profit of Rs. 1, 95,000
► Profit of Rs 5,000
► Loss of Rs 5,000

Question No: 25 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

► ***Rs.15,000***
► Rs. 35,000
► Rs. 55,000
► Rs. 60,000

Question No: 26 (Marks: 1) - Please choose one

"Mr. "A" collected cash from debtors", the journal entry for this transaction is:

► Mr. "A" a/c Dr. and debtors a/c Cr.
► Mr. "A" a/c Dr. and cash a/c Cr.
► ***Cash a/c Dr. and debtors a/c Cr.***
► None of the given options

Question No: 27 (Marks: 1) - Please choose one

Which of the following account will be credited, if the goods are sold on credit to Mr. Mahmood?

► Cash account
► Mr. Mahood account
► ***Sales account***
► Purchases account

Question No: 28 (Marks: 1) - Please choose one

"Electricity bill for the month is paid by Mr. Imran Rs. 325". What is the journal entry to record this transaction?

► Cash a/c Rs. 325 (Dr.) , Utilities Expense a/c Rs. 325 (Cr.)
► ***Utilities Expense a/c Rs. 325 (Dr.), Cash a/c Rs. 325 (Cr.)***
► Accounts Receivable a/c Rs. 325 (Dr.), Utilities Expense a/c Rs. 325 (Cr.)
► Utilities Expense a/c Rs. 325 (Dr.), Accounts Receivable a/c Rs. 325 (Cr.)

Question No: 29 (Marks: 1) - Please choose one

Which of the following entry will be recorded in the books of accounts for the goods returned to Mr. 'A'?

► Purchases return account (Dr) and Trading account (Cr)
► Mr." A"/ creditor account (Dr) and purchases return account (Cr)
► ***Purchases return account (Dr) and Mr." A" / creditor account (Cr)***
► Mr." A"/ creditor account (Dr) and Profit & Loss account (Cr)

Question No: 30 (Marks: 1) - Please choose one

Which of the following is NOT an example of Current Asset?

► ***Bank Overdraft***
► Accounts Receivable
► Notes Receivable
► Prepaid Expenses

Question No: 31 (Marks: 1) - Please choose one

Which of the following is NOT an item of a Balance Sheet?

► Accounts Receivable
► Accounts Payable
► ***Sales Revenue***
► Marketable Securities

Question No: 32 (Marks: 1) - Please choose one

Which of the following is NOT an example of intangible assets?

► Franchise rights
► Goodwill
► Patents
► ***Land***

Question No: 33 (Marks: 1) - Please choose one

Which one of the following is NOT prepared by Non profit organizations?

► ***Profit & Loss account***
► Income & Expenditure account
► Receipts & Payments account
► Balance Sheet

Question No: 34 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a

point in time and compares the total of debit balances with the total of credit balances is known as:

► Income Statement
► Balance Sheet
► ***Trial Balance***
► Cash Book

Question No: 35 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?
(1) Date of transaction
(2) Narration of transaction
(3) Cheque number

► (1) & (2) only
► (2) & (3) only
► (1) & (3) only
► ***(1), (2) & (3)***

Question No: 36 (Marks: 1) - Please choose one

Which of the following book(s) is(are) a part of General Ledger?

► ***Cash Book***
► Purchase Return Book
► Purchase Book
► All of the given options

Question No: 37 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?
1) Title of account
2) Amount of transaction
3) Date of transaction

► (1) & (2) only
► (2) & (3) only
► (1) & (3) only
► ***(1), (2) & (3)***

Question No: 38 (Marks: 1) - Please choose one

Commercial Accounting is based on:
► Single entry book keeping
► Double entry book keeping
► ***Both single and double entry book keeping***
► Cash basis of book keeping

Question No: 39 (Marks: 1) - Please choose one

Word “Credit” is derived from _____ language.

► ***Latin***
► English
► French
► Chinese

Question No: 40 (Marks: 1) - Please choose one

Mr.” A” sold goods for Rs. 3, 00,000 to Mr. “B”, Rs. 3, 00,000 will be treated as _____ for business.

► ***Revenue***
► Net profit
► Gross profit
► Operating profit

Question No: 41 (Marks: 10)

Briefly explain the features of Trial Balance.

We can define trail balance is a statement of all the open debit and credit items in a double-entry ledger, made to test their equality whether it is correct or not.

As the definition indicate us we can easily removed error through trial balance

MIDTERM EXAMINATION
Spring 2009
MGT101- Financial Accounting (Session - 6)

Ref No:
Time: 60 min
Marks: 50

Student Info	
StudentID:	
Center:	OPKST
ExamDate:	4/29/2009 12:00:00 AM

For Teacher's Use Only									
Q No.	1	2	3	4	5	6	7	8	Total
Marks									
Q No.	9	10	11	12	13	14	15	16	
Marks									
Q No.	17	18	19	20	21	22	23	24	
Marks									
Q No.	25	26	27	28	29	30	31	32	
Marks									
Q No.	33	34	35	36	37	38	39	40	
Marks									
Q No.	41								
Marks									

Question No: 1 (Marks: 1) - Please choose one

Net Profit + Expenses= _____

► Liabilities
► Assets
► Capital
► ***Income***

Question No: 2 (Marks: 1) - Please choose one

Which of the following fixed asset is shown at cost rather than book value?

► Machinery
► Furniture
► Vehicles
► ***Land***

Question No: 3 (Marks: 1) - Please choose one

Firms charge depreciation each year:

► To ensure there is enough money in the firm to replace the asset
► ***To spread the cost of the asset over its working life***
► To reduce the profit and thus reduce the dividends they can pay to share holders
► Because the law states they must be reduced

Question No: 4 (Marks: 1) - Please choose one

Depreciation arises because of:

► Fall in the market value of an asset
► Fall in the value of money
► Physical wear and tear
► ***All of the given options***

Question No: 5 (Marks: 1) - Please choose one

The basic purpose of depreciation is to achieve the:

► Matching principle
► Dual aspect principle
► Separate entity concept
► ***Money measurement concept***

Question No: 6 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Total Assets	Rs. 34,500
Accounts payable	Rs. 1, 000
Other liabilities	Rs. 11,500

► ***Rs. 22,000 owner's equity***
► Rs. 23, 000 owner's equity
► Rs. 24,000 owner's equity
► Rs. 46,000 owner's equity

Question No: 7 (Marks: 1) - Please choose one

If a business pays rent in advance for 12 months, it will be treated as:

► ***Prepaid expenses of business***
► Long term liability of business
► Fixed assets of business
► Current liability of business

Question No: 8 (Marks: 1) - Please choose one

While adjusting the cash balance of cash book, which of the following is **NOT** taken into account.

► Mistakes in the cash book
► ***Mistakes in the pass book***
► Interest credited in the pass book but not entered in cash book
► Interest debited in the pass book but not entered in cash book

Question No: 9 (Marks: 1) - Please choose one

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

► Any cheque drawn to creditor but not paid by bank
► Interest credited by the bank in pass book
► ***Cheque deposited but not credited by the bank***
► Dividend collected by bank on behalf of the customer

Question No: 10 (Marks: 1) - Please choose one

The main goal of Bank Reconciliation Statement is to determine:

► ***If the discrepancy is due to error rather than timing***
► If the discrepancy is due to timing rather than error
► If the discrepancy is due to error rather than amount
► If the discrepancy is due to amount rather than timing

Question No: 11 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about Capital Expenditure?

► Creates future benefits
► Incurred to acquire fixed assets
► Incurred to increase the economic life of existing fixed assets
► ***Reduce the profit of the concern***

Question No: 12 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► ***Rs.260***
► Rs.232
► Rs.284
► Rs.268

Question No: 13 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

► Rs. 1,225
► Rs. 1,015
► Rs. 965
► ***Rs. 905***

Question No: 14 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5th year	Rs.75,000
profit or loss on disposal of fixed assets	**?**

► ***Rs.25, 000 loss***

► Rs. 75,000 loss
► Rs. 15,000 profit
► Rs. 1, 00,000 profit

Question No: 15 (Marks: 1) - Please choose one

The products that are ready for sale are known as:

► Raw material
► Work in process
► ***Finished goods***
► Closing stock

Question No: 16 (Marks: 1) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

► Stock account
► ***Cash account***
► Supplier account
► Work in process account

Question No: 17 (Marks: 1) - Please choose one

Partially completed products that are not yet ready for sale are known as:

► Raw material
► ***Work in process***
► Finished goods
► Closing stock

Question No: 18 (Marks: 1) - Please choose one

Which of the following particulars are included in the specimen of a cash receipt voucher?

7) Name of the organization
8) Cash code
9) Date of transaction

► (1) & (2) only
► (1) & (3) only
► (2) & (3) only
► ***(1), (2) & (3)***

Question No: 19 (Marks: 1) - Please choose one

In which of the following condition a company will have positive working capital?

► ***If current assets > current liabilities***

► If current Assets < current Liabilities
► If current assets = current liabilities
► If current assets ≤ current liabilities

Question No: 20 (Marks: 1) - Please choose one

The return of goods by a customer should be debited to:

► Customer's account
► ***Sales return account***
► Goods account
► Accounts receivable

Question No: 21 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

► Furniture account
► ***Cash account***
► Business account
► Bank account

Question No: 22 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?

► Vehicle account
► Cash account
► Business account
► ***Bank account***

Question No: 23 (Marks: 1) - Please choose one

Identify the business transaction for given entry below.

Vehicle Account XXX (Dr.)
Bank Account XXX (Cr.)

► ***Paid for vehicle through cheque***
► Paid for vehicle through cash
► Purchased vehicle on credit
► None of the given options

Question No: 24 (Marks: 1) - Please choose one

Accrued expenses are the example of:

► ***Current liabilities***
► Long term liabilities
► Deferred costs
► Capital expenses

Question No: 25 (Marks: 1) - Please choose one

Which of the following item will appear on the Balance Sheet as current assets?

► ***Prepaid expenses***
► Accrued expenses
► Furniture and Equipment
► Unearned revenue

Question No: 26 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account
► Cash Flow Statement
► ***Balance Sheet***
► Income & Expenditure Account

Question No: 27 (Marks: 1) - Please choose one

Which of the following organizations prepare Income & Expenditure account?

► Public libraries
► NGOs
► Labor unions
► ***All of the given options***

Question No: 28 (Marks: 1) - Please choose one

Which of the following is **NOT** considered a part of financial statements?

► ***General Ledger***
► Balance Sheet
► Profit and Loss Account
► Cash Flow Statement

Question No: 29 (Marks: 1) - Please choose one

Which one of the following is **NOT** prepared by Non profit organizations?

► ***Profit & Loss account***
► Income & Expenditure account
► Receipts & Payments account
► Balance Sheet

Question No: 30 (Marks: 1) - Please choose one

Which of the following financial statement summarizes the profitability of an organization for a particular period?

► Balance Sheet
► ***Trading and Profit & Loss account***
► Cash Flow Statement
► Statement of Retained Earnings

Question No: 31 (Marks: 1) - Please choose one

The process of transferring journal entry information to the ledger is called:

► Journalizing
► ***Posting***
► Balancing
► Analyzing

Question No: 32 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?

4) Title of account
5) Amount of transaction
6) Date of transaction

► (1) & (2) only
► (2) & (3) only
► (1) & (3) only
► ***(1), (2) & (3)***

Question No: 33 (Marks: 1) - Please choose one

The original book of entry, in which all vouchers are first recorded, is called:

► ***General Journal***
► General Ledger
► Trial Balance
► Balance Sheet

Question No: 34 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

► Negative Balance
► ***Debit Balance***
► Positive Balance
► Credit Balance

Question No: 35 (Marks: 1) - Please choose one

Which of the following is **CORRECT** about the flow of recording a transaction?

► Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

► Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

Question No: 36 (Marks: 1) - Please choose one

An Asset that is **NOT** physical in nature is called _____.

► Intangible Asset
► Liquid Asset
► Current Asset
► Fixed Asset

Question No: 37 (Marks: 1) - Please choose one

What is the nature of an expense account?

► Debit
► Credit
► Revenue
► None of the given options

Question No: 38 (Marks: 1) - Please choose one

Term "Credit" means_____ by the business.

► Receiving of benefits
► It has no effect on business
► Providing of benefits
► It depends upon items

Question No: 39 (Marks: 1) - Please choose one

We can say that the business is in profit, when:

► Assets exceed Expenditure
► Assets exceed Liabilities
► Income exceeds Expenditure
► Income exceeds Liabilities

Question No: 40 (Marks: 1) - Please choose one

An organization operating with the objective of making profit from the sale of goods or services is called:

► Transaction
► ***Business***
► Society
► Trust

Question No: 41 (Marks: 10)

State with reasons whether the following events are transactions to Mr. Afnan's business

7) Mr. Afnan started business with Rs. 50,000.
8) Mr. Afnan bought furniture for Rs. 2,000 for business use.
9) Submitted a tender for goods worth Rs. 10,000.
10) Appointed a cashier on a salary of Rs. 2,000 per month.
11) Paid salary to cashier Rs. 2,000.

Use the following format to solve question.

Event	YES/NO	Reasons
For example Mr. Bilal took away goods worth Rs. 500 from the business for his private use.	Yes it is transaction	It changes financial position of business.

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Question No: 1 (Marks: 1) - Please choose one

Net Profit + Expenses= _____

► Liabilities
► Assets
► Capital
► ***Income***

Question No: 2 (Marks: 1) - Please choose one

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

► Appreciation
► Depreciation
► Fluctuation
► None of the given options

Question No: 3 (Marks: 1) - Please choose one

The basic purpose of depreciation is to achieve the:

► Matching principle
► Dual aspect principle
► Separate entity concept
► ***Money measurement concept***

Question No: 4 (Marks: 1) - Please choose one

If a business pays rent in advance for 12 months, it will be treated as:

► ***Prepaid expenses of business***
► Long term liability of business
► Fixed assets of business
► Current liability of business

Question No: 5 (Marks: 1) - Please choose one

Cash book is a part of:

► Voucher
► General Journal
► ***General Ledger***
► Trial Balance

Question No: 6 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

► ***A memorandum statement***
► A ledger account

► A part of cash book
► A part of journal

Question No: 7 (Marks: 1) - Please choose one

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

► Any cheque drawn to creditor but not paid by bank
► Interest credited by the bank in pass book
► ***Cheque deposited but not credited by the bank***
► Dividend collected by bank on behalf of the customer

Question No: 8 (Marks: 1) - Please choose one

The main goal of Bank Reconciliation Statement is to determine:

► ***If the discrepancy is due to error rather than timing***
► If the discrepancy is due to timing rather than error
► If the discrepancy is due to error rather than amount
► If the discrepancy is due to amount rather than timing

Question No: 9 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revenue expenditure?

► ***These are the running expenses of the business***
► They improve the financial position of the business
► They reduce the profit of the concern
► They do not appear in the balance sheet

Question No: 10 (Marks: 1) - Please choose one

Under the reducing balance method of depreciation:

► Amount of depreciation increases every year
► Amount of depreciation remains constant for every year
► ***Amount of depreciation decreases every year***
► None of the given options

Question No: 11 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

► ***Rs.7, 500***
► Rs.7, 978
► Rs.8, 000
► Rs.8, 400

Question No: 12 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► ***Rs.260***
► Rs.232
► Rs.284
► Rs.320

Question No: 13 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

► Rs. 205,000
► ***Rs. 215,000***
► Rs. 220,000
► Rs. 225,000

Question No: 14 (Marks: 1) - Please choose one

The amount of depreciation charged on machinery will be debited to:

► Machinery account
► ***Depreciation account***
► Cash account
► Capital account

Question No: 15 (Marks: 1) - Please choose one

Under the straight line method of depreciation:

► Amount of depreciation increases every year
► ***Amount of depreciation remains constant for every year***
► Amount of depreciation decreases every year
► None of the given options

Question No: 16 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	**?**

► Rs.25, 000
► ***Rs. 75,000***
► Rs. 15,000
► Rs. 1, 00,000

Question No: 17 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5th year	Rs.75,000
profit or loss on disposal of fixed assets	**?**

► ***Rs.25, 000 loss***
► Rs. 75,000 loss
► Rs. 15,000 profit
► Rs. 1, 00,000 profit

Question No: 18 (Marks: 1) - Please choose one

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5th year	Rs. 75,000
Profit or loss on disposal of fixed asset	**?**

► ***Rs. 60,000 loss***
► Rs. 75,000 profit
► Rs. 25,000 loss
► Rs. 1, 00,000 profit

Question No: 19 (Marks: 1) - Please choose one

In cost of goods sold statement the 'total factory cost' is equal to:

► Cost of material consumed + Labor cost
► ***Cost of material consumed + Conversion cost***
► Cost of material consumed + Total factory cost
► Cost of material consumed + Factory overhead

Question No: 20 (Marks: 1) - Please choose one

Which of the following organization converts raw material into finished goods?

► Trading concern
► ***Manufacturing concern***
► Merchandising concern
► Service concern

Question No: 21 (Marks: 1) - Please choose one

Which of the following item appears in Trading Account of a business?

► Interest expenses
► ***Wages and salaries***
► Depreciation expenses
► Discount Allowed

Question No: 22 (Marks: 1) - Please choose one

Which of the following is an alternate term which can be used for "Capital"?

► Liability
► ***Owner's net worth***
► Working capital
► Asset

Question No: 23 (Marks: 1) - Please choose one

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

► Rs. 300
► Rs. 2,500
► ***Rs. 2,800***
► Rs.18, 800

Question No: 24 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

► Capital account
► Sundry creditors account
► Accounts payable account
► ***Cash account***

Question No: 25 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

► Cash account
► Capital account
► ***Drawings account***
► Proprietor account

Question No: 26 (Marks: 1) - Please choose one

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

► Cash account
► ***Sales account***
► Accounts receivable account
► Purchases account

Question No: 27 (Marks: 1) - Please choose one

Which of the following account will be credited, if business purchased a vehicle on cash?

► Vehicle account
► ***Cash account***
► Business account
► Bank account

Question No: 28 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

► ***Mr. "B" / Accounts Receivable account (Dr) and Sales account (Cr)***
► Cash account (Dr) and sales account (Cr)
► Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
► Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

Question No: 29 (Marks: 1) - Please choose one

Accrued expenses are the example of:

► ***Current liabilities***
► Long term liabilities
► Deferred costs
► Capital expenses

Question No: 30 (Marks: 1) - Please choose one

Which of the following shows summary of a company's financial position at a specific date?

► Profit & Loss Account
► Cash Flow Statement
► ***Balance Sheet***
► Income & Expenditure Account

Question No: 31 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

► Selling Expenses
► General Expenses
► Financial Expenses
► ***All of the given options***

Question No: 32 (Marks: 1) - Please choose one

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

► Income Statement
► Balance Sheet
► ***Trial Balance***
► Cash Book

Question No: 33 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?
(1) Date of transaction
(2) Narration of transaction
(3) Cheque number

► (1) & (2) only
► ***(2) & (3) only***
► (1) & (3) only
► (1), (2) & (3)

Question No: 34 (Marks: 1) - Please choose one

Which of the following book(s) is(are) a part of General Ledger?

► Cash Book
► Purchase Return Book
► Purchase Book
► ***All of the given options***

Question No: 35 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

► Pass Book
► **Cash Book**
► Purchase Book
► Sales Book

Question No: 36 (Marks: 1) - Please choose one

In an account, if credit side < debit side then the balance is known as:

► Negative Balance
► ***Debit Balance***
► Positive Balance
► Credit Balance

Question No: 37 (Marks: 1) - Please choose one

Commercial Accounting is based on:

► Single entry book keeping
► ***Double entry book keeping***
► Both single and double entry book keeping
► Cash basis of book keeping

Question No: 38 (Marks: 1) - Please choose one

According to the double entry system of accounting, an account that obtains benefit is:

► ***Debit***
► Credit
► Income
► No need to show as accounting record

Question No: 39 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

► Sole proprietorship
► Partnership
► Limited company
► ***Trust***

Question No: 40 (Marks: 1) - Please choose one

Mr. "A" sold goods to Mr. "B" for Rs. 3,000 on October 8, 2008 and Mr. "B" paid at the same time. It will be case of _____ sales.

► ***Cash***
► Credit
► Accrual based
► None of the given options

Question No: 41 (Marks: 10)

State with reasons whether the following items of expenditure are capital or revenue in nature.

1. Wages paid on the purchase of goods.
2. Carriage paid on goods purchased.
3. Transportation paid on purchase of machinery.
4. Octroi duty paid on machinery.
5. Octori duty paid on goods.
6. A second hand car was purchased for Rs. 7,000 and Rs, 5,000 were spent for its repair and overhauling.
7. Office building was whitewashed at a cost of Rs. 3,000.
8. A new machinery was purchased for Rs. 80,000 and a sum of Rs. 1,000 was spent on its installation and erection
9. Old furniture was repaired at a cost of Rs. 500.
10. Land was purchased for Rs. 1, 00,000 and Rs. 5,000 was paid for legal expenses.

Question No: 1 (Marks: 1) - Please choose one

Income of the business includes:

► Cash sales only

► Credit sales only

► Credit purchases only

► **Both cash sales and credit sales**

Question No: 2 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit

Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► Rs.260

► Rs.232

► Rs.284

► **Rs.320**

Question No: 3 (Marks: 1) - Please choose one

Which of the following is **NOT** an example of Current Asset?

► **Bank Overdraft**

► Accounts Receivable

► Notes Receivable

► Prepaid Expenses

Question No: 4 (Marks: 1) - Please choose one

We can say that the business is in profit, when:

► Assets exceed Expenditure

► **Assets exceed Liabilities**

► Income exceeds Expenditure

► Income exceeds Liabilities

Question No: 5 (Marks: 1) - Please choose one

Which of the following essentials are shown in Cash Book?

(1) Date of transaction

(2) Narration of transaction

(3) Cheque number

► (1) & (2) only

► (2) & (3) only

► (1) & (3) only

► (1), (2) & (3)

Question No: 6 (Marks: 1) - Please choose one

Income of the business includes:

► Cash sales only

► Credit sales only

► Credit purchases only

► Both cash sales and credit sales

Question No: 7 (Marks: 1) - Please choose one

Economic resources owned by a business and expected to benefit for the future operations are called:

► Expenses

► Assets

► Capital

► Liabilities

Question No: 8 (Marks: 1) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

► Stock account

► Cash account

► Supplier account

► Work in process account

Question No: 9 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

► **Rs.15,000**

► Rs. 35,000

► Rs. 55,000

► Rs. 60,000

Question No: 10 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

► Capital account

► Sundry creditors account

► Accounts payable account

► **Cash account**

Question No: 11 (Marks: 1) - Please choose one

Which of the following account will be debited, if business bought goods on cash from Mr. Ali?

► Purchases account

► Mr. Ali account

► **Cash account**

► Sales account

Question No: 12 (Marks: 1) - Please choose one

A summarized record of transactions related to individuals or things is called a/an ___.

► **Account**

► Voucher

► Journal

► Trial balance

Question No: 13 (Marks: 1) - Please choose one

When a assets is increased, it is recorded on the:

► Right or debit side of the account

► Left or debit side of the account

► Left or credit side of the account

► Right or credit side of the account

Question No: 14 (Marks: 1) - Please choose one

Cost incurred for the maintenance of shop is considered as _____.

► Deferred expense

► Capital expense

► Revenue expense

► Preliminary expense

Question No: 15 (Marks: 1) - Please choose one

Double entry accounting system includes:

► Accrual accounting only

► Cash accounting only

► Both cash and accrual accounting

► None of the given options

Question No: 16 (Marks: 1) - Please choose one

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

► Appreciation

► ***Depreciation***

► Fluctuation

► None of the given options

Question No: 17 (Marks: 1) - Please choose one

Under the reducing balance method of depreciation:

► Amount of depreciation increases every year

► Amount of depreciation remains constant for every year

► ***Amount of depreciation decreases every year***

► None of the given options

Question No: 18 (Marks: 1) - Please choose one

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

► Rs.260

► Rs.232

► Rs.284

► **Rs.320**

Question No: 19 (Marks: 1) - Please choose one

	Rs.

Cost of asset	1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Profit or Loss	**?**

► **Rs.25, 000**

► Rs. 75,000

► Rs. 15,000

► Rs. 1, 00,000

Question No: 20 (Marks: 1) - Please choose one

In accounting accumulated depreciation is:

► Treated as a reserve

► Treated as a contra asset

► Treated as a surplus

► **Treated as an expense**

Question No: 21 (Marks: 1) - Please choose one

Cash book is a part of:

► Voucher

► General Journal

► **General Ledger**

► Trial Balance

Question No: 22 (Marks: 1) - Please choose one

Which of the following organization converts raw material into finished goods?

► Trading concern

► Manufacturing concern

► Merchandising concern

► Service concern

Question No: 23 (Marks: 1) - Please choose one

Which of the following account will be credited, if business purchased a vehicle on cash?

► Vehicle account

► Cash account

► Business account

► Bank account

Question No: 24 (Marks: 1) - Please choose one

Which of the following essentials are shown in Bank Book?

(1) Date of transaction

(2) Narration of transaction

(3) Cheque number

► (1) & (2) only

► (2) & (3) only

► (1) & (3) only

► (1), (2) & (3)

Question No: 25 (Marks: 1) - Please choose one

Commercial Accounting is based on:

► Single entry book keeping

► Double entry book keeping

► Both single and double entry book keeping

► Cash basis of book keeping

Question No: 26 (Marks: 1) - Please choose one

A book, in which receipts and payments are recorded, is known as:

► Pass Book

► Cash Book

► Purchase Book

► Sales Book

Question No: 27 (Marks: 1) - Please choose one

Commercial Accounting is based on:

► Single entry book keeping

► Double entry book keeping

► Both single and double entry book keeping

► Cash basis of book keeping

Question No: 28 (Marks: 1) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

► Stock account

► Cash account

► Supplier account

► Work in process account

Question No: 29 (Marks: 1) - Please choose one

Following are the inventories of Trading Concern EXCEPT:

► Raw material

► Work in process

► Finished goods

► Merchandise inventory

Question No: 30 (Marks: 1) - Please choose one

Word “Credit” is derived from _____ language.

► Latin

► English

► French

► Chinese

Question No: 31 (Marks: 1) - Please choose one

"Mr. “A” collected cash from debtors", the journal entry for this transaction is:

► Mr. "A" a/c Dr. and debtors a/c Cr.

► Mr. "A" a/c Dr. and cash a/c Cr.

► Cash a/c Dr. and debtors a/c Cr.

► None of the given options

Question No: 32 (Marks: 1) - Please choose one

The assets which have a limited useful life are termed as:

► Limited assets

► Depreciateable assets

► Unlimited assets

► None of the given options

Question No: 33 (Marks: 1) - Please choose one

When Capital is increased by an amount, it is recorded on the:

► Left or credit side of the account

► Right or debit side of the account

► Left or debit side of the account

► Right or credit side of the account

Question No: 34 (Marks: 1) - Please choose one

Depreciable value of an asset is equal to:

► Cost + scrap value

► Cost + market price

► Cost – scrap value

► None of the given options

Question No: 35 (Marks: 1) - Please choose one

The area of accounting concerned with reporting financial information to the interested parties is called:

► Cost Accounting

► Financial Accounting

► Management Accounting

► Tax Accounting

Question No: 36 (Marks: 1) - Please choose one

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

► Increase in cash and decrease in equity

► Increase in cash and increase in goods

► Increase in goods and decrease in cash

► Increase in equipment and increase in equity

Question No: 41 (Marks: 10)
How you can distinguish between Sole proprietorship, Partnership and Joint Stock company?

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Question No: 1 (Marks: 1) - Please choose one

Double entry accounting system includes:

- ► Accrual accounting only
- ► Cash accounting only
- ► Both cash and accrual accounting
- ► None of the given options

Question No: 2 (Marks: 1) - Please choose one

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ► Increase in an asset, increase in owner's equity
- ► Increase in an asset, increase in a liability
- ► Decrease in an asset, decrease in owner's equity
- ► Decrease in an asset, decrease in a liability

Question No: 3 (Marks: 1) - Please choose one

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ► Balance Sheet
- ► Trading and Profit & Loss account
- ► Cash Flow Statement
- ► Statement of Retained Earnings

Question No: 4 (Marks: 1) - Please choose one

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ► Cash account
- ► Furniture account
- ► Vehicle account
- ► All of the given options

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **NOT** a type of voucher?

- ► Journal Voucher
- ► Receipt Voucher
- ► Payment Voucher
- ► Drawings Voucher

Question No: 6 (Marks: 1) - Please choose one

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

- ► Rs. 6,000
- ► Rs. 8,000
- ► Rs. 4,500
- ► Rs. 10,500

Question No: 7 (Marks: 1) - Please choose one

All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ► Capital account
- ► Capital work in progress account
- ► Relevant asset account
- ► Owner's equity account

Question No: 8 (Marks: 1) - Please choose one

Accounting is the language of:

- ► Business
- ► School
- ► Proprietor
- ► Management

Question No: 9 (Marks: 1) - Please choose one

An accounting system is used by a business to:

- ► Analyze transactions
- ► Handle routine book-keeping tasks
- ► Classify and summarize financial information
- ► All of the given options

Question No: 10 (Marks: 1) - Please choose one

Mr.” A” sold goods for Rs. 300,000 to Mr. “B”, Rs. 300,000 will be treated as _____ for business of Mr. "A".

- ► Revenue
- ► Net profit
- ► Gross profit
- ► Operating profit

Question No: 11 (Marks: 1) - Please choose one

Normally the practice of Book Keeping under Single Entry System is followed by:

► Small businesses only
► Governments only
► Large scale businesses only
► Both small businesses and governments

Question No: 12 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

► Cash account
► Capital account
► Drawings account
► Assets account

Question No: 13 (Marks: 1) - Please choose one

Which of the following shows a debit balance under normal circumstances?

► Asset
► Capital
► Liability
► Profit

Question No: 14 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?

► Increase in capital is Credit
► Decrease in capital is Debit
► Increase in expense is Debit
► All of the given options

Question No: 15 (Marks: 1) - Please choose one

Wages of workmen employed for setting up new machinery should be debited to:

► Expenses account
► Wages account
► Salaries account
► Machinery account

Question No: 16 (Marks: 1) - Please choose one

Which of the following account would be debited in case of goods given away as charity?

► Charity account
► Purchases account
► Sales account
► Assets account

Question No: 17 (Marks: 1) - Please choose one

Which of the following is the process of equalizing two sides of an account?

► Balancing

- ► Posting
- ► Journalizing
- ► None of the given options

Question No: 18 (Marks: 1) - Please choose one

Trial balance shows:

- ► Both debit and credit balance
- ► Only debit balance
- ► Only credit balance
- ► Debit or Credit balance

Question No: 19 (Marks: 1) - Please choose one

What is the objective of a Balance sheet?

- ► To ascertain the true profit or loss of business
- ► To ascertain the true financial position of business
- ► To make the SWOT analysis of business
- ► To check the arithmetic accuracy for books of accounts

Question No: 20 (Marks: 1) - Please choose one

Which of the following account would be debited when the owner of business sold machinery of Rs. 10,000 on cash?

- ► Sales a/c
- ► Machinery a/c
- ► Owner a/c
- ► Cash a/c

Question No: 21 (Marks: 1) - Please choose one

Which of the following is **TRUE** for Company's negative working capital?

- ► Current Asset > Current Liability
- ► Current Asset = Current Liability
- ► Current Asset < Current Liability
- ► None of the given options

Question No: 22 (Marks: 1) - Please choose one

What will be the effect of decrease in closing stock on gross profit?

- ► Gross profit increased
- ► Gross profit decreased
- ► No effect on Gross profit
- ► Gross profit will become positive

Question No: 23 (Marks: 1) - Please choose one

What is the value of closing raw material inventory based on the following information?

- ¬ Opening stock Rs. 1,000
- ¬ Cost of material used Rs. Rs. 9,500
- ¬ Cost of material available for use Rs. 10,000

► Rs. 9,000
► Rs. 500
► Rs.11,500
► Rs. 8,500

Question No: 24 (Marks: 1) - Please choose one

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Manufacturing Cost is Rs. 30,000

Then:

What is the amount of Prime Cost?

► Rs. 25,000
► Rs. 20,000
► Rs. 35,000
► Rs. 45,000

Question No: 25 (Marks: 1) - Please choose one

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Prime Cost is Rs. 30,000

Then:

What is the amount of Manufacturing Cost?

► Rs. 20,000
► Rs. 10,000
► Rs. 35,000
► Rs. 45,000

Question No: 26 (Marks: 1) - Please choose one

If:

- Manufacturing Cost is Rs. 30,000
- Closing Work in Process Inventory is Rs. 10,000
- Cost of Goods Manufactured is Rs. 35,000

Then:

What is the amount of opening Work in Process inventory?

► Rs. 40,000
► Rs. 15,000
► Rs. 25,000
► Rs. 20,000

Question No: 27 (Marks: 1) - Please choose one

Which of the following would be required for the calculation of depreciation under Reducing Balance method?

► Cost of asset

► Expected Life of asset
► Depreciation rate
► All of the given options

Question No: 28 (Marks: 1) - Please choose one

Firms charge depreciation each year:

► To ensure that there is enough money in the firm to replace the asset
► To spread the cost of the asset over its working life
► To reduce the profit and thus reduce the dividends they can pay to shareholders
► Because the law states they must be reduced

Question No: 29 (Marks: 1) - Please choose one

Which of the following is another name of salvage value?

► Face value
► Fair value
► Break up value
► Book value

Question No: 30 (Marks: 1) - Please choose one

What is the treatment of Depreciation in accounting?

► Written in balance sheet under the head of fixed assets
► Charged to profit and loss account
► Written in balance sheet under the head of current assets
► Written in balance sheet under the head of liabilities

Question No: 31 (Marks: 1) - Please choose one

If:

- Cost of machine = Rs. 400,000
- Useful life = 5 years
- Sale price at the end of 4th year = Rs. 40,000

What will be the profit or loss on disposal of machine using straight line method?

► Loss of Rs. 40,000
► Profit of Rs. 40,000
► Profit of Rs. 80,000
► Loss of Rs. 80,000

Question No: 32 (Marks: 1) - Please choose one

Which one of the following is **NOT** the component of cost?

► Import duty
► Installation cost
► Cost of site preparation
► Transportation outwards

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **TRUE** about the revaluation of fixed assets?

► Revaluation should be carried out at a regular interval
► Revaluation should be carried out at irregular interval
► Revaluation should be carried out by stakeholders
► Revaluation should be carried out by stockholders

Question No: 34 (Marks: 1) - Please choose one

When Pass Book shoes a debit balance it means:

► Favourable balance as per cash book
► Unfavorable balance as per bank statement
► Debit balance as per cash book
► Favourable balance as per bank statement

Question No: 35 (Marks: 3)

Calculate the rate of depreciation for the asset with the help of given data.

Cost of the asset	Rs. 1,20,000
Residual Value	Rs. 40,000
Expected Life	5 years

Solution:

120,000-40,000= 80,000

80,000/5 = 16000
Rate= 16,000/80,000= 20%

Question No: 36 (Marks: 5)

How the stock valuation is made under the following methods?

- FIFO
- LIFO

Under FIFO we assumed that stock purchased first is used out first so the closing stock consist of stock purchased last the rate shows approximately the latest of last purchases price .

Under LIFO bases : stock purchase last is used first so the items present in the stock are the item old once and thus it represent older prices , lifo is not used in industry now and accounting standards prohibit using them.

Question No: 37 (Marks: 5)

If:

- Original cost of fixed asset Rs. 500,000
- Accumulated Depreciation Rs. 166,667

- Revalued amount of fixed asset Rs. 600,000

Required:

Calculate the Written down value and Surplus on revaluation of fixed asset

Solution :

- Revalued amount 600,000-(500000-166667)=266667

WDV= 500,000-166667=**333333**

Quizzes

Find out the missing value of an Accounting Equation with the help of given data: Total Assets Rs. 34,500 Accounts payable Rs. 1, 000 Other liabilities Rs. 11,500 Owner's equity ?
Select correct option:

Rs. 22,000
Rs.24, 000
Rs. 45,000
Rs. 46,000

Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?
Select correct option:

Rs. 49,000
Rs. 55,000
Rs. 125,000
Rs. 115,700

Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?
Select correct option:

Rs. 35,000
Rs. 1, 75,000
Rs. 7, 35,000
Rs. 1, 05,000

Which of the following is NOT correct?
Select correct option:

Decrease in Assets will be debit
Decrease in Liabilities will be debit
Decrease in Expenses will be credit
Decrease in Revenue will be debit

Which of the following is NOT considered a part of financial statements?
Select correct option:
General Journal
Balance Sheet
Profit and Loss account
None of the given options

Which one of the following will result in increase in revenues?
Select correct option:
Purchased fixed asset
Received discount
Payment to creditors
Return of goods, sold on credit

The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as:
Select correct option:
Going-concern concept
Separate entity principle
Realization principle
Objectivity principle

In an account if debit side > credit side, the balance is known as the:
Select correct option:

Negative Balance
Debit balance
Positive Balance
Credit balance

Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1, 000 Liabilities ?
Select correct option:

Rs. 12,000
Rs. 11,000
Rs. 110,000
Rs. 111,000

Find out the missing value of an Accounting Equation with the help of given data: Owner's equity Rs. 22,500 Total Liabilities Rs. 80, 385 Cash Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500
Select correct option:

Rs. 102,885 other assets
Rs. 102,885 current liabilities
Rs. 99,885 current liabilities
Rs. 99,385 other assets

If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?
Select correct option:

Rs. 183, 500
Rs. 167, 000
Rs. 200, 000
Rs. 230, 000

Which of the following is NOT correct?
Select correct option:

Decrease in Assets will be credit
Decrease in Liabilities will be credit
Decrease in Expenses will be credit
Decrease in Revenue will be debit

Debit signifies:
Select correct option:

Increase in Asset account
Decrease in liability account
Decrease in capital account
All of the given options

When total liabilities are subtracted from total assets the remaining amount is known as:
Select correct option:

Equity or net assets
Net income or net loss
Total expenses
Total revenue

Find out the missing value of an Accounting Equation with the help of given data: Cash Rs. 22,500 Debtors Rs. 500 Total Assets Rs. 80, 385 Accounts payable Rs. 1,000 Total liabilities Rs. 20,000
Select correct option:

Rs. 60,385 owner's equity
Rs. 61,385 owner's equity
Rs. 99,885 owner's equity
Rs. 99,385 owner's equity

Which one of the following cannot be classified as Revenue Income?
Select correct option:

Goods sold for cash
Goods sold on credit
Income from the sale of services
Income from the sale of fixed assets

What will be debited, If Mr. "A" started business with Rs. 2, 00,000.
Select correct option:
Capital account
Cash account
Mr. A's account
Business account

If Salaries Rs. 12, 000, Rent Rs. 5,000, Gross profit Rs. 58,000 and Discount received Rs. 10, 000. What will be the amount of Net Profit?
Select correct option:
Rs. 41,000
Rs. 51,000
Rs. 61,000
Rs. 65,000

Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title

(3) Amount
Select correct option:
1 only
1 & 2 only
1 & 3 only
1, 2 & 3

Question # 1 of 20
Find out the missing value of an Accounting Equation with the help of given data: Furniture Rs. 90,000 Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 90, 000 Liabilities?
Select correct option:
Rs. 201,000
Rs. 111, 000
Rs. 290, 000
Rs. 291, 000

Question # 3 of 20
Which of the following is NOT a characteristic of Joint Stock Company?
Select correct option:
Separate Legal Entity
Limited Liability of shareholders
Easy formation
Common Seal

Question # 4 of 20
Any expense that gives benefit for a period of less than twelve months is called _____.
Select correct option:
Capital Expense
Revenue Expense
Revenue Receipt
Deferred Expense

Question # 5 of 20
The process of transferring journal entry information to the ledger is called:
Select correct option:
Journalizing
Posting
Balancing
Analyzing

Question # 6 of 20
Total assets - Total liabilities =?
Select correct option:
Owner's Equity
Expenses
Retained earnings
Retained earnings

Question # 8 of 20
Debit signifies:
Select correct option:
Increase in Asset account
Decrease in liability account
Decrease in capital account
All of the given options

Question # 9 of 20
The term "Debit" is drived from_____ language.
Select correct option:

Latin
English
French
Chinese
Question # 10 of 20
A book that keeps separate record for each account is known as:
Select correct option:
Trial Balance
Voucher
General Journal
General Ledger

Question # 11 of 20
Which one of the following is called the book of primary Entry?
Select correct option:
General Journal
General Ledger
Trial Balance
Profit and loss account

Question # 12 of 20
In an account if credit side > debit side, the balance is known as:
Select correct option:
Negative Balance
Debit Balance
Credit Balance
Positive Balance
Question # 13 of 20
Normally single entry book keeping is followed by the:
Select correct option:
Small businesses only
Governments only
Large scale businesses only
Both Small businesses and Governments

Question # 14 of 20
What will be debited, if business sold goods for Rs.10, 000 on credit?
Select correct option:
Cash account
Sales account
Accounts receivable account
Purchases account

Question # 15 of 20
An expenditure whose benefit is finished or enjoyed immediately is called:
Select correct option:
Expense
Liability
Cost
Income
Question # 16 of 20
What should be debited, if Sales made to Mahmood for cash?
Select correct option:
Cash account
Mahood account
Sales account
Purchases account

Question # 17 of 20
Which of the following is NOT a characteristic of Journal?
Select correct option:

Transactions are recorded in chronological order
Transaction is first recorded in Journal from Voucher
It is also called “The original book of entry”
None of the given options

Question # 18 of 20
Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?
Select correct option:
Rs. 35,000
Rs. 1, 75,000
Rs. 7, 35,000
Rs. 1, 05,000

Question # 4 of 20
Which of the following is/are the example/s of Intangible Asset?
Select correct option:
Copy rights
Good will
Patent rights
All of the given options

Question # 7 of 20
Assets are divided in which of the following categories in balance sheet.
Select correct option:
Current assets, Long term assets and capital assets
Current assets, Long term assets and fixed assets
Current assets, Quick assets and business debts
Current assets, Fixed assets and deferred cost

Question # 8 of 20
Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner’s equity Rs. 1, 000 Liabilities ?
Select correct option:
Rs. 12,000
Rs. 11,000
Rs. 110,000
Rs. 111,000
Question # 9 of 20
What will be debited, if business purchased Vehicle on cash?
Select correct option:
Vehicle account
Cash account
Business account
Bank account

Question # 10 of 20
Franchise rights, goodwill and patents are the examples of:
Select correct option:
Liquid assets
Tangible assets
Intangible assets
Current assets

Question # 19 of 20
The process of transferring journal entry information to the ledger is called:
Select correct option:

Journalizing
Posting
Balancing
Analyzing

Question # 20 of 20
Which of the following is NOT correct?
Select correct option:
Decrease in Assets will be credit
Decrease in Liabilities will be credit
Decrease in Expenses will be credit
Decrease in Revenue will be debit

Question # 1 of 20
While making Profit & Loss account, Excess of expenses over income in a specified accounting period is called:
Select correct option:

Profit

Loss

Surplus

Deficit

Question # 2 of 20
An accounting system is used by a business to:
Select correct option:

Analyze transactions

Handle routine bookkeeping tasks

Structure information

All of the given options

Question # 3 of 20
Which of the following is NOT a characteristic of Joint Stock Company?
Select correct option:

Separate Legal Entity

Limited Liability of shareholders

Easy formation

Common Seal

Question # 4 of 20
What should be debited, if Sales made to Mahmood for cash?
Select correct option:

Cash account

Mahood account

Sales account

Purchases account

Question # 5 of 20
Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?
Select correct option:

Rs. 49,000

Rs. 55,000

Rs. 125,000

Rs. 115,700

Question # 6 of 20
When income is reduced or decreased, that amount is recorded on:
Select correct option:

Right or debit side of the account

Left or debit side of the account

Left or credit side of the account

Right or credit side of the ccount

Question # 7 of 20
Which of the following expenses are called financial expenses?
Select correct option:

Payment of rent & Salary expense

Markup on loan& Bank Charges

Interest & advertisement expense

Wages and Depreciation expense

Question # 8 of 20
An expenditure whose benefit is finished or enjoyed immediately is called:
Select correct option:

Expense

Liability

Cost

Income

Question # 9 of 20
In which of the following all vouchers are first recorded_____.
Select correct option:

General Journal

General Ledger

Balance Sheet

Trial Balance

Question # 10 of 20
The main purpose of _____ is to ascertain true result of the business operation during particular period of time.
Select correct option:

Cost Accounting

Financial Accounting

Managerial Accounting

Tax Accounting

Question # 11 of 20
Find out the missing value of an Accounting Equation with the help of given data: Bank Rs. 22,500 Other assets Rs. 1,000 Creditors Rs. 8, 385 Other liabilities Rs. 9,000 Owner's equity ?
Select correct option:

Rs. 6,115

Rs. 31,885

Rs. 17,385

Rs. 14,115

Question # 12 of 20
Office salaries, advertising and sales commissions are the examples of:
Select correct option:

Financial Expenses

Operating Expenses

Marketing Expenses

Direct Expenses

Question # 13 of 20
What will be debited, if business purchased Vehicle on cash?
Select correct option:

Vehicle account

Cash account

Business account

Bank account

Question # 14 of 20
Which of the following is the example of current liability?
Select correct option:

Notes payable

Notes receivable

Accounts receivable

Prepaid expenses

Question # 15 of 20
What should be credited, if rent paid in cash?
Select correct option:

Landlord's account

Rent account

Cash account

Accounts receivable account

Question # 16 of 20
Cash book is a part of _____ .
Select correct option:

Voucher

General Journal

General Ledger

Trial Balance

Question # 17 of 20
A book that keeps separate record for each account is known as:
Select correct option:

Trial Balance

Voucher

General Journal

General Ledger

Question # 18 of 20
Which of the following item is found in a Journal entry? (1) Date of each transaction (2) Rupee amount of each debit and credit (3) Explanation of each transaction
Select correct option:

1 only

1 & 2 only

2 & 3 only

1, 2 & 3

Question # 19 of 20
Find out the missing value of an Accounting Equation with the help of given data: Owner's equity Rs. 22,500 Total Liabilities Rs. 80, 385 Cash Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500
Select correct option:

Rs. 102,885 other assets

Rs. 102,885 current liabilities

Rs. 99,885 current liabilities

Rs. 99,385 other assets

Question # 20 of 20
If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?
Select correct option:

Rs. 183, 500

Rs. 167, 000

Rs. 200, 000

Rs. 230, 000

• Lecture Notes (1-22)

Lesson-1
BASIC CONCEPTS OF ACCOUNTING

Accounting:-

Accounting is the art of recording, summarizing, reporting, and analyzing financial transactions.

OR

Accounting is the art of recording, classifying, summarizing,in significant manner and in terms of money, Transaction and events which are in part of at least and Interpreting the results there of.

Transactions:-

In accounting or business terms, any dealing between two persons involving money or a valuable thing is called transaction.

Barter Transaction**:-**

Every transaction where goods are exchanged for goods is called a “Barter Transaction”.

Types of Business Organizations:-

1. **Sole Proprietorship**

According to D.W.T. Stafford, “It is the simplest form of business organization, which is owned and controlled by one man”

- Easy Formation
- Unlimited Liability
- Ownership
- Profit
- Management
- Easy Dissolution

2. **Partnership**

According to Partnership Act, 1932, “Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.”

- Legal Entity
- Profit and Loss Distribution
- Unlimited Liability
- Transfer of Rights
- Management
- Number of Partners

3. **Joint Stock Company**

According to S. E. Thomas, “A company is an incorporated association of persons formed usually for the pursuit of some commercial purposes”

- Creation of Law
- Separate Legal Entity
- Limited Liability
- Transferability of shares

- Number of Members
- Common Seal

Lesson-2

RECORD KEEPING AND SOME BASIC CONCEPTS

Types of Business Entities:-

Commercial Organizations (Profit Oriented)

- Sole proprietor
- Partnership
- Limited companies

Non-Commercial Organizations (Non-Profit Oriented)

- NGO's (Non-government Organizations)
- Trusts
- Societies

Goodwill:-

This is simply the value attached to the good reputation earned through good and clean conduct of business over a number of years. This good reputation also has a value and becomes part of investment in business

Budget:-

Budget Is a plan of income, expenses & other financial operation for a future period.

Lesson-4

SINGLE AND DOUBLE ENTRY RECORD KEEPING

Single Entry Book Keeping/cash accounting:-

In Single Entry Book Keeping Only one aspect of the transaction is recorded.

Double Entry Book Keeping/commercial accounting:-

In Double Entry Book Keeping every transaction has two aspects i.e. receiving a benefit and giving a benefit.

Debit:-

It signifies the receiving of benefit. In simple words it is the left hand side.

Credit:-

It signifies the providing of a benefit. In simple words it is the right hand side.

Dual Aspect of Transactions:-

For every debit there is an equal credit. This is also called the *dual aspect of the transaction.*

Lesson-5

Account:-

Record that summarizes movement in an individual item is called an Account.

Classification of Accounts:-

The accounts are classified into following heads:

- Assets
- Liabilities
- Income
- Expenses (further divided into capital and revenue expenses)

Assets:-

Assets are the properties and possessions of the business to pay in future. Can be amount payable for material purchased, expenses etc.

Properties and possessions can be of two types:

- **Tangible Assets** that have physical existence (are further divided into Fixed Assets and Current Assets)(Furniture, vehicle etc).
- **Intangible Assets** that have no physical existence (copyright, Good will etc).

Liabilities:-

Liabilities are the **debts** and **obligations** of the business. Liability is the obligation of the business to provide a benefit or asset on a future date.

Asset vs liability:-

Asset is a right to receive and liability is an obligation to pay, therefore, these are opposite to each other.

Income & Expenses:-

- Income/revenue is **the value of goods and services** that a business charges from its customers.
- Expenses are **the costs incurred to earn the revenue.**

Accounting Equation:-

Assets = Liabilities + Owner's equity

Capital Expenditure:-

It is the expenditure to create an asset that helps in generating future income and its life is more than 12 month. For example machinery purchases, furniture purchases etc.

Revenue Expenditure:-

It is the day to day expenses whose benefit is drawn immediately. For example, salary of the employee, rent of the building, etc.

Lesson-6
FLOW OF TRANSACTIONS

Event:-

Event is the happening of any thing but in accounting we discuss monetary events

Monetary Events:-

If the financial position of a business is change due to the happening of event that Event is called Monetary Event

The Voucher:-

Voucher is documentary evidence in a specific format that records the details of a transaction.

The General Journal:-

The Journal is used to record financial transactions in chronological (day-to-day) order. All vouchers were first recorded in books of accounts. It was also called the Book of Original Entry or Day Book.

Ledger:-

It is a book that keeps separate record for each account (Book of Accounts).

***BALANCE*:-**

The difference between the debit and the credit sides, known as the ***BALANCE***.

Lesson-7

Accounting Period:-

- Accounting period is any period for which a Financial Statements are prepared. The length of the accounting period can be anything between one day to one year.
- The legal or statutory definition of accounting year is a maximum of one year.
- The only exception in this case is the
- Formation of a new company which is formed before the start of accounting period.

Financial year (A period of 12 month duration):-

In Pakistan, financial year starts from 1st of July and ends on 30th of June.

Debit Balance:-

If debit side of a ledger is greater than credit side, the balance will be written on the credit side and it will be called Debit Balance.

Credit Balance:-

If credit side is greater than debit side, the balance will be written on the debit side. This balance is called Credit Balance.

Trial Balance:-

At the end of accounting period, a list of all ledger balances is prepared.

This list is called trial Balance.

Lesson-8

Income & Expenditure Vs Profit & Loss Account:-

- Income and Expenditure Account is used for Non-Profit Organizations like Trusts, NGOs
- Profit and Loss Account is used for Commercial organizations like limited companies.

Profit & Loss Account:-

Profit & Loss account is an account that summarizes the profitability of the organization for a specific accounting period.

- First part is called **Trading account** in which Gross Profit is calculated**.** Gross profit is the excess of sales over cost of goods sold in an accounting period.
- 2nd part is called **Profit & Loss account** in which Net Profit is calculated. **Net Profit** is what is left of the gross profit after deducting all other expenses of the organization in a specific time period.

Profit:-

It is the excess of income over expenses in a specified accounting period.

Profit= Income - expenses

Administrative expenses:-

Administrative expenses are the expenses incurred in running a business effectively. Main components of this group are:

- o Payment of utility bills
- o Payment of rent
- o Salaries of employees
- o General office expenses
- o Repair & maintenance of office equipment & vehicles.

Selling expenses:-

Selling expenses are the expenses incurred directly in connection with the sale of goods. This head contains:

- o Transportation/carriage of goods sold
- o Tax/freight paid on sale

Financial expenses:-

Financial expenses are the interest paid on bank loan & charges deducted by bank on entity's bank accounts. It includes:

- o Mark up on loan
- o Bank charges

Lesson-9

Accounts payable:-

All businesses have liabilities; even the most successful companies' purchase stocks, supplies and receive services on credit. The liabilities arising from such purchases are called **Accounts payable.**

Capital:-

It is the funds invested by the owners of the business. Business has a liability to return these funds to the owner.

Lesson-10

Debtor:-

A person or organization from whom money is receivable by the business is called a debtor.

Creditor:-

A person or organization to whom money is payable by the business is called a
creditor.

Lesson-11

Rules of Debit & Credit:-

- Any account that obtains a benefit is Debit.
- Anything that will provide benefit to the business is Credit.

- **Expenditure**
  - Increase in Expenditure is Debit
  - Decrease in Expenditure is Credit
- **Income**
  - Increase in Income is Credit
  - Decrease in Income is Debit
- **Assets**
  - Increase in Asset is Debit
  - Decrease in Asset is Credit
- **Liability**
  - Increase in Liability is Credit
  - Decrease in Liability is Debit

Lesson-12
The Accounting Equation

Capital:-

The amount of resources supplied by the owner is called capital.

Asset:-

The actual resources which are in the business are called assets.

Asset = Capital

Long Term Assets:-

These are the assets of the business that are receivable after twelve months of the balance sheet date. For example, if business has invested some money for two years in any saving scheme or has purchased saving certificates for more than one year, it is a long term asset.

Liabilities:-

It is the name given to the amounts owing to these people for these assets.

Assets = Capital + Liabilities

Long Term Liabilities:-

These are the liabilities that will become payable after a period of more than one year of the balance sheet date. For example, if business has taken a loan from bank or any third person and it is payable after ten years, it will be treated as a long term liability for the business.

Working Capital:-

It is the net value of current assets and current liabilities.

Current Assets:-

Current assets are the resources of the business that are expected to be received within 12 months in an accounting cycle.

Current liabilities:-

Current liabilities are the amount owing to the business that is expected to be paid within one year In a financial year.

Working capital = current Assets – current liabilities

Stock:-

It is the value of goods available to the business that are ready for sale.

OR

It is the quantity of unutilized or unsold goods.

Opening Stock:-

It is the value of goods available for sale in the beginning of an accounting year.

Closing Stock:-

It is the value of goods unsold at the end of accounting year.

Treatment of depreciation:-

In profit and loss Account it is considered as expense and in balance sheet it is deducted from the concerned asset.

Drawing:-

Sometimes, the owner wants to take cash or kind out of the business for personal use. This known as drawing. Any money taken out as drawings will reduce capital.

Lesson-13

Voucher:-

It is the first document to record an entry.

- Receipt Voucher:-
  It is used to record cash or bank receipt.
- Payment Voucher:-
  It is used to record a payment of cash or cheque.
- Journal Voucher:-
  It is used to record transaction that do not affect cash or bank.

Debit balance when carried forward, is writer on the debit side. Credit balance when carried forward, is written on the credit side.

Difference between expenses & Purchases:-

- If business purchases items for its own use (items that are not meant to be resold) are charged to expense account.
- If business purchases items for resale purposes are charged to purchases account.

Raw material:-

It is the basic part of an item, which is processed to make a complete item.

Work in process:-

At the end of the year, some part of raw material remains under process,

I-e, it is neither in shape of raw material nor in shape of finished goods.

Finished Goods:-

It contains items that are ready for sale, but could not be sold in that accounting period.

Purchase of stock:-

Debit: Stock Account
Credit: Cash/supplier/creditor Account

Payment to creditors:-

Debit: cost of goods sold
Credit: Stock Account

Cost of goods sold:-

- In trading concern, It is the value of goods unsold
- In manufacturing concern, it is the value of raw material consumed plus any other manufacturing cost

Lesson-15
Stock

Journal Entries:-

(In case of Trading Concern)

Purchase Of Goods:
Debit: Stock/Material Account
Credit: Cash/Bank/Creditor

Consumption of goods:
Debit: Cost of goods sold
Credit: Stock

Payment in case of credit purchase:
Debit: Creditors Account
Credit: Cash/Bank

(In case of Trading Concern)

Purchase of raw material:
Debit: Stock/Material Account
Credit: Cash/Bank/Creditors

Other direct costs incurred:
Debit: Relevant cost/Expenses Head
Credit: Cash/Bank/Payables

Raw material issued and other costs allocated to production of units:

Debit: Work in process
Credit: Stock Material Account

Debit: Work in process
Credit: relevant expense head Account

When production is completed:

Debit: Finished Goods Stock Account
Credit: Work in process Account

Entry for cost of sale:

Debit: Cost of Goods sold Account
Credit: finished Goods stock Account

Entry for sale of goods:

Debit: cash/Account receivable Account
Credit: Sale account

Return of Purchase Material:

Debit: Goods return Account
Credit: stock material Account
And
Debit: Cash/Bank Account
Credit: Goods Return Account

If our suppliers supplies us some other material in exchange of material returned:

Debit: Raw material Stock Account
Credit: Goods return Account

Lesson-16
COST OF GOODS SOLD STATEMENT

cost of goods sold statement**:-**

The statement shows the value of raw material consumed, amount spent on labor and other factory expenses, finished goods produced and goods unsold (in stock).

Standard format of cost of goods sold statement is given below:

Raw Material:	O/S Raw Material
	+ Purchases
	+ Cost Incurred to Purchase RM
	- C/S Raw Material
	Cost of Material Consumed
Conversion Cost:	+ Direct Labor Cost
	+ Factory Overheads
	Total Factory Cost

Work in Process:	+ O/S of WIP
	- C/S of WIP
	Cost of Goods Manufactured
Finished Goods:	+ O/S of Finished Goods
	- C/S of Finished Goods
	Cost of Good Sold

Cost of material consumed:-

It is the cost of material used for consumption that has been put in the production process.

Over Heads:-

Over Heads are the other costs incurred in relation of manufacturing of goods. Examples are factory utilities, supervisor salaries, equipment repairs etc.

Total factory cost:-

It is the cost of material consumed plus labor and over heads. In other words it is the total cost incurred in the factory.

Cost of goods manufactured:-

It is total factory cost plus opening stock of work in process less closing stock of work in process.

Cost of goods sold:-

It is the cost of goods manufactured plus opening stock of finished goods less closing stock of finished goods.

Prime/Basic Cost = Cost of Direct Material Consumed + Direct Labor cost

Conversion cost:-

It is the cost incurred to convert raw material to finished goods.

Conversion cost = Labor cost + factory overhead

Valuation of Stock:-

Any manufacturing organization purchases different material through out the year. The prices of purchases may be different due to inflationary conditions of the economy. The question is, what item should be issued first & what item should be issued later for manufacturing. For this purpose, the organization has to make a policy for issue of stock. All the issues for manufacturing and valuation of stock are recorded according to the policy of the organization.

Mostly these three methods are used for the valuation of stock:

- First in first out (**FIFO**)
- Last in first out (**LIFO**)
- Weighted average

First in first out (FIFO)

The FIFO method is based on the assumption that the first merchandise purchased is the first merchandised issued. The FIFO uses actual purchase cost.

Last in first out (LIFO)

The LIFO method is based on the assumption that the recently purchased merchandise is issued first. The LIFO uses actual purchase cost.

Weighted average method

This average cost is computed by dividing the total cost of goods available for sale by the number of units in inventory.

Lesson-17
DEPRECATION

Fixed Assets:-

Fixed Assets are those assets which are:

- Of long life
- To be used in the business to generate revenue
- Not bought with the main purpose of resale.

Fixed assets are also called "**Depreciable Assets**"

Accumulated Depreciation:-

It is the depreciation that has been charged on a particular asset from the time of purchase of the asset to the present time.

Amortization:-

No depreciation is charged for 'Land'. In case of 'Leased Asset/Lease Hold Land' the amount paid for it is charged over the life of the lease and is called **Amortization.**

Methods of calculating Depreciation:-

1: Straight line method/**Original cost** method/**Fixed installment** method:-

Depreciation = (cost – Residual value) / Expected useful life of the asset

Residual value:

It is the cost of the asset after the expiry of its useful life.

2: **Write Down** value/**Reducing** method/**diminishing** method:-

WDV = Original cost of fixed asset – Accumulated Depreciation

Entries for Recording Disposal:-

Debit: Fixed Asset Disposal A/c
Credit: Fixed Asset Cost A/c
(With the cost of asset**)**

Debit: Accumulated Dep. A/c
Credit: Fixed Asset Disposal A/c
(With the depreciation accumulated to date)

Debit: Cash / Bank / Receivable A/c
Credit: Fixed Asset Disposal A/c
(With the price at which asset is sold)

Lesson-19
METHODS OF CHARGING DEPRECIATION

Capital Work in Progress Account:-

If an asset is not completed at that time when balance sheet is prepared, all costs incurred on that asset
up to the balance sheet date are transferred to an account called **Capital Work in Progress Account.**

Debit: Relevant asset account
Credit: Capital work in progress account

Lesson-21
REVALUATION OF FIXED ASSETS

Fair Value:-

It is the value, at which an asset would bring to the management, when sold to a knowledgeable party in a fair deal.

Rules for Revaluation:-

- Revaluation has to be carried out at regular intervals
- The change in the value should be permanent
- Whole class of asset has to be revalued

Capital Expenses / Capitalized:-

Capital Expenses are those expenses for which benefit is enjoyed for more than one accounting period. For example, the business has bought a car. Now, car will be used for many years. So, it is a capital expense.

Capital Expenditures are incurred in two ways:

- When an asset is acquired, and
- When an improvement is made in an existing asset.

Revenue / Deferred Expenses / Charged Off:-

Revenue Expenses are those expenses for which, the benefit is enjoyed within one accounting period. For example, the business has purchased stationery for office use. Now, the stationery is used within one year in the office. So, this will be a revenue expense.

Revenue Expenses are those expenses that are:

- Incurred in day to day running of the business.
- Incurred to maintain fixed assets in their original / useable condition.

Prepaid Expenses:

Prepaid Expenses are amounts that are paid in advance to a vender or creditor for goods and services. E-g. insurance.

Capital Receipts:-

Receipts which are non-recurring and whose benefits are enjoyed over a long period are called 'Capital Receipts'. For instance, Capital invested, Loan from bank, Sale proceed of fixed assets etc. Capital receipts are shown on the liability side of the balance sheet.

Revenue Receipts:-

Receipts which are recurring by nature and which are available for meeting all day to day expenses of a business concern are known as 'Revenue Receipts'. For example, sale proceeds of goods, interest received, rent received etc.

Lesson-22
BANK RECONCILIATION STATEMENTS

Bank statement:-

It is the detail of transactions in one's account provided by the bank.

Unpresented Cheques:-

a cheque is issued but it has not been presented in the account, such kind of cheques are called Un-presented Cheques.

Un-Credited Cheques:-

a cheque that has not been cleared in the bank account as yet.