MGT101 MID-Term
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1. An event can be classified as non-monetary:

   a) Purchase on cash
   b) Placing purchase Oder
   c) Lose Accident
   d) Selling on credit

2. Which voucher is used as proof that debtor MR. A has created his/her outstanding amount or balance?

   a) Cash Payment voucher
   b) Bank payment voucher
   c) Petty Cash voucher
   d) Cash receipt voucher

3. Which one the following is wrong? Select the correct option

   a) Nature of owner equity is credit
   b) Nature of assets is Debit
   c) Nature of expense is Debit
   d) Nature of income is Debit

4. In _____, ledger accounts produce balance continually throughout the according period like after each Cr/Dr Posting.

   a) Report style

b) Running balance style
c) T account style
d) All of the given option

5. Post reference Colum of a journal entry is:
   a) None of these
   b) Event occurring after transaction takes place
   c) Nam recording the journal entry
   d) Page no of relevant ledger account

6. Which of the following account is /are "credit" if sold goods on credit to ABC cooperation for Rs.8000 and for cash Rs.4000?

   a) Cash Account
   b) Debtor Account
   c) Both debtor and cash Account
   d) Sale Account

7. Which of the following represent the deadline between two persons which change the financial position of the business?

   a) Message
   b) Event
   c) Transaction
   d) Communication

8. Bank overdraft will fail under which of the following Classification of account?

   a) Revenue
   b) Liabilities
   c) Assets
   d) Expenses

9. Commission paid will fall down under which of the following classification of accounts:

a) Revenue
b) Expenses
c) Assets
d) Labilities

10. All of the following contra accounts except: Select the correct option

a) Drawing
b) Purchase
c) Sale return
d) Provision for doubtful debit

11. Credit note is issued by the seller when_____are returned.

a) Credit sale
b) Credit purchase
c) Cash purchase
d) Debit sale

12. The Normal Balance of capital account is similar to:

a) Expense Account
b) Income Account
c) Asset Account
d) Drawing Account

13. Outcome claim against the assets of the business is also consider as _____ for entity?

a) Source
b) Income
c) Expense
d) Liabilities

14. What is nature of Capital account? Select the correct option

a) Debit
b) Credit

c) Expenses
d) Loss

15. Increase in liabilities can cause increase in? Select the correct option:

a) Equity
b) Expenses
c) Purchase
d) Profit

16. Good purchased on cash decrease? Select the correct option:

a) Expenses
b) Purchase
c) Profit
d) Cash

17. Payable amount of the business represent?

a. Loan given
b. Assets
c. Liabilities
d. Drawing

18. Which voucher is used as proof that creditor Mr. A outstanding amount has cleared?

a. Cash Payment voucher
b. Bank Receipt voucher
c. Petty cash voucher
d. Cash receipt voucher

19. What will be debited, If Mr. “A” started business with Rs. 2, 00,000.

a. Capital account

b. Cash account
c. Mr. A's account
d. Business account

20. Which of the following particular/s is/are included in payment voucher?

a) Name of organization
b) b) Cash payment
c) c) Date
d) d) All of the given

21. The useful life of tangible fixed assets is:

a) Less than 6 months
b) More than 6 months
c) Less than one year
d) More than one year

22.

23. Which of the following might be a reason, when a bank statement shows greater balance then the cash book balance?

a) Cheque issued but not yet presented
b) Unrecorded bank charges in cash book
c) Cheque deposited but not yet credited
d) None of the given options

24. Which is the following should be credited in bank column of cash book?

a) Amount deposited in bank
b) Interest on overdraft
c) Interest on deposit
d) Dividend received on behalf of customer

25. All of the following are the deprecation methods for tangible fixed assets EXCEPT.

a) Number of units output method
b) Number of service hours method
c) Sum of year digit method
d) Fair value method

26. The bank debits the customer's account in pass book in case of:

a) Dividend received
b) Interest on overdraft
c) Interest on deposits
d) All of the given options

27. Income due at the end of the period is treated as:

a) Liability
b) Expenses
c) Assets
d) Drawings

28. When the company deposits the cash in its bank account, then what is the nature of the deposited amount.

a) It is the liability of the bank
b) It is the expense of the bank
c) It is the equity of the bank
d) It is the asset of the bank

29. Advance payment at the end of the period is treated as:

a) Liability
b) Income

c) Assets
d) Drawing

30. ABC Corporation has recently purchased a new production plant. It will be initially measured at

a) Cost
b) Fair value
c) Market value
d) Whichever value is available

31. Rent receivable account should be debited due to:

a) Opening balance
b) Closing balance
c) Balance sheet
d) Cash paid

32. The bank credits the customer's account in pass book in case of:

a) Dividend received
b) Interest on overdraft
c) Interest on deposits
d) All of the given options

33. In case of discount allowed to debtors, is credited.

a) Trade discount account
b) Doubtful debts account
c) Debtors account
d) Creditors account

34. In case of decrease in provision for doubtful debt, is debited.

a) Receivable account
b) Doubtful debts account
c) Payable account
d) Provision for doubtful debts account

35. Expense payable at the end of the period is treated as:

a) Liability
b) Drawings
c) Income
d) Asset

36.If a fixed asset is purchased for Rs. 100,000 and payment is made through Cheque; then which one of the following account will be debited?

a) Fixed asset account
b) Cash account
c) Bank account
d) Debtor account

37.ABC Corporation has recently purchased a used production plant. Its purchased price is RS. 100,000; cost incurred to remove plant from site RS.4, 000 and installation cost is RS. 5,000. It will be initially recognized in books at Rs……

a) RS 100,000
b) Rs 104,000
c) Rs 105,000
d) Rs 109,000

38. The favorable balance as per pass book is:

a) Credit balance as per bank statement
b) Credit balance as per cash book

c) Debit balance as per bank statement
d) Unfavorable balance as per bank statement

39. Which one of the following is TRUE regarding Discount Received from a creditor?

a) It is an expense
b) It is an income
c) It is a cash payment
d) It is a cash receipt

40. In the page reference column of a ledger account, is written from which this entry is posted.

a) Page number of the journal
b) Page number of the ledger
c) Page number of the balance sheet
d) Closing balance of account

41. Goods purchased on account increase:

a) Cash
b) Debtor
c) Revenues
d) Creditors

42. is posted in the debit side of debtors amount.

a) Balance b/f of debtors
b) Balance c/f of debtors
c) Cash purchase
d) Cash sales

43. ABC & Co purchased goods for resale purposes on cash. Which one of the following account head will decrease?

a) Creditors
b) Debtor
c) Cash
d) Capital

44. Which of the following accounts will be affected when business acquires building on cash of RS. 500,000?

a) Capital account
b) Expense account
c) Building account
d) Bank account

45. Is debited for closing the salaries expense for the period.

a) Salaries income
b) Salaries expense
c) Accrued salaries
d) Income statement

46. Increase in liability can cause increase in:

a) Equity
b) Goods
c) Receivable
d) Profits

47. Which of the following is a condition that changes the financial position of entity?

a) Recording provision
b) Loss by fire
c) Purchased on cash
d) Placing purchase order

48. Bank reconciliation statement is a:

a) Memorandum statements
b) Ledger accounts
c) Part of cash body
d) Part of journal

49. In case of increase in provision for doubtful debt,

a) Receivable account
b) bad debts account
c) provision account
d) payable account

50. The inventory account falls under which of the following classification of accounts?

a) Assets
b) Liability
c) Income
d) Expenses

51. Owner's Equity=?

a) Capital – revenues
b) Capital + expenses
c) Capital + drawing
d) Capital + profits

52. Increase in liability can cause increase in:

a) Equity
b) Goods
c) Receivable
d) Profit

53. Is posted in credit side of debtors account

a) Sales return
b) Purchase return
c) Transportation wards
d) Transportation outwards

54. Which of the following best describes a 'Trial balance'?

a) List of ledger balances
b) List of accounting heads
c) List of all assets and liabilities
d) List of cash inflows and outflows

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b) List of accounting heads
c) List of all assets and liabilities
d) List of cash inflows and outflows

56. Select the most suitable equation which properly represents the derivation of fundamental Accounting Equation.

a) Assets = Owner's Equity
b) Assets + Liabilities = Owner's Equity
c) Cash = Assets
e) Assets – Liabilities = Owner's Equity

57. Which of the following is CORRECT if closing stock is only given in trial balance?

It has been already been deducted from purchases
It will not be shown in credit side of trading account
It will be shown in Balance Sheet
All of the given

58. Loss on the sale of plant and machinery should be written off against:

Sales premium account
Depreciation fund account

Sales account
Plant and machinery

59. Normally single entry book keeping is followed by the:
Small businesses only
Governments only
Large scale businesses only
Both Small businesses and Governments

60. Debts that are not collectable and wothless to the creditor are known as:
Bad debts
Good debts
Doubtful debts
Provision for doubtful debts

61. An accounting system in which risk of fraud or its non discovery is less is known as:
Double Entry Accounting system
Single Entry Accounting system
Cash System of Accounting
Accrual Accounting system

62. A Debtor Control Account is a part of:
Double Entry book keeping system
Single entry book keeping system
Cash accounting system
All of the given

63. Budget is another name of _____in Accounting.
Guest Strategy
Statement of Cash Flow
Financial Forecast
Expected life of Asset

64. _____is the art of recording, classifying and summarizing the transactions and events of a business and interpreting the results thereof
Book-keeping
Accounting
Management
Auditing

65. Which of the following particular/s is/are included in payment voucher?
Name of organization
Cash payment
Date
All of the given

66. When closing stock is given in trial balance, then it will effect:
Trading account only
Balance sheet only
Owner's equity only

Both Trading account and Balance sheet

67. A sum of Rs. 8,000 paid as wages to repair the office furniture should be debited to:
    - Repair Account
    - Furniture Account
    - Cash Account
    - Office expense Account

68. The amount of depreciation charged under straight line method:
    - Decreases every year
    - Remains constant every year
    - Increases every year
    - First increases than decreases

69. In a single entry system, it is NOT possible to prepare:
    - Trial balance
    - Statement of affairs
    - Balance Sheet
    - Sales accounts

70. Which would be the value of Total Factory Cost, if cost of raw material, direct labor, and manufacturing overhead are Rs.80,000, Rs.50,000, and Rs.60,000 respectively?
    - Rs. 130,000
    - Rs. 110,000
    - Rs. 140,000
    - Rs. 190,000

71. In Book keeping, _____is the first document to record an entry:
    - Journal
    - Ledger
    - Voucher
    - Trial Balance

72. An accounting system is used by a business to:
    - Analyze transactions
    - Handle routine bookkeeping tasks
    - Structure information
    - All of the given

73. ABC & Co. purchased a typewriter for Rs. 5,000 and paid by cheque. Which of the following accounts would be affected from this transaction?
    I) Assets II) Liabilities III) Expenses IV) Revenues
    - I and IV
    - I and II
    - II and III
    - I only

74. In accounting, which of the following account will be credited if the bad debts are recovered in cash?
    - Cash a/c
    - Bad debt recovered a/c
    - Doubtful debts a/c
    - Provision for bad debts a/c
75. A transaction that has been recorded in wrong account of the same class instead of being recorded in the right account, this is called:
    - Error of Omission
    - Error of Commission
    - Error of Principle
    - Error of Original entry
76. Budget is a plan of income, expenses & other financial operations for:
    - Current period
    - Future period
    - Past period
    - None of the given
77. Goods of Rs. 1,000 purchased from Mr. "A" were recorded in sales book. The rectification of this errer will:
    - Increase the gross profit
    - Reduce the gross profit
    - Have no effect on gross Profit
    - None of the given
78. The proper classification of inventory account is:
    - Assets
    - Expenses
    - Revenues
    - Expenses
79. Under the diminishing balance method, depreciation is calculated on:
    - The original cost
    - The scrap value
    - Book value
    - Both original cost and Scrap value
80. If debit side of a ledger is greater than credit side, the balance will be called as:
    - Debit Balance
    - Credit Balance
    - Excess Balance
    - None of the given

81. Total depreciation of an asset can not exceed its:
    - Scrap value
    - Residual value
    - Market value
    - Depreciable value
82. An amount of Rs. 200 received from Mr. "P" but credited to Mr. "Q" would affect:
    - Accounts of P & Q
    - Only Cash Account
    - Only P's account
    - Only Q's account
83. Inventory is considered a current asset because it:
    - Often reflects the most current trends and styles
    - Was purchased during the current year, usually
    - Will be converted into cash in the course of the company's operating cycle
    - Can be returned to the supplier for a cash refund
84. A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Prime cost will be:
    - Rs. 150,000
    - Rs. 175,000
    - Rs. 125,000
    - Rs. 225,000
85. Partnership means a lawful business owned by at least:
    - Two or more persons
    - Five or more persons
    - Seven or more persons
    - Nine or more persons
86. Which of the following assets are shown at written down value in balance sheet?
    - Current assets
    - Liquid assets
    - Floating assets
    - Fixed assets
87. Which of the following is a liability of the business?
    - Prepaid insurance expense
    - Depreciation
    - Rent received but not yet earned
    - Drawings
88. The proper classification of fees earned account is:
    - Assets
    - Liabilities

Revenues
Expenses

89. Prepayments are included in:
current assets
non current assets
sales
other income

90. Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities?
Rs. 49,000
Rs. 55,000
Rs. 125,000
Rs. 115,700

91. What does single entry accounting mean?
It means to record debit only
It means to record one side of entry only
It means to record cash only
It means to record credit only

92. If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?
Rs. 1, 95,000 Losses
Rs. 1, 95,000 Profits
Rs 1, 05,000 Profits
Rs1, 05,000 Losses

93. Salaries paid to employees Rs. 15,000. The effect of this transaction would be:
An increase in Asset Decrease in Asset
Decrease in Liability Decrease in Asset
Increase in Expense Decrease in Asset
Decrease in Expense Decrease in Capital
ABC & Co. purchased office equipment on account. Which of the following accounts would be affected from this transaction?
I) Assets II) Liabilities III) Expenses IV) Revenues
I and IV
II and III
I and II
III and IV

94. What will be debited, If Mr. "A" started business with Rs. 2, 00,000.
Capital account
Cash account
Mr. A's account
Business account

95. What will be the amount of depreciation charged in 3rd year using straight line method if cost of machine is Rs. 400,000, useful life is 5 years, residual value is Rs. 25,000 and sale price of machine is Rs. 35,000?
    Rs. 69,000
    Rs. 55,000
    Rs. 75,000
    Rs. 80,000
96. Cost of goods manufactured + opening finished goods – ending finished goods =?
    Total factory cost
    Cost of goods sold
    Prime cost
    Conversion cost
97. If adjusted bank book balance is required before preparation of bank reconciliation statement, which of the following items need NOT to be adjusted?
    Interest on bank deposit was credited by bank but not debited in bank book Rs. 1,000
    Cheques deposited but not cleared
    Direct payment by a customer into the bank
    Bank charges deducted by the bank
    ABC & Co. received dividend on shares. Which of the following accounts would be affected from this transaction?
        I) Assets II) Liabilities III) Expenses IV) Revenues
    I and IV
    I and II
    II and III
    I and III
98. 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
    Rs. 102,885 other assets
    Rs. 102,885 current liabilities
    Rs. 99,885 current liabilities
    Rs. 99,385 other assets
99. Which of the following is NOT correct?
    Decrease in Assets will be debit
    Decrease in Liabilities will be debit
    Decrease in Expenses will be credit
    Decrease in Revenue will be debit

When there is no disagreement between cash book and bank statement then the favourable balance as per cash book (bank column) can be a:

Debit balance as per cash book

Credit balance as per cash book

Debit balance as per bank statement

Unfavourable balance as per bank statement

100. For every debit there must be a credit with an equal amount. This is also called as:

Separate Entity Concept

Single Entry Book-Keeping

Matching Concept

Dual Aspect Concept

101. In accounting accumulated depreciation is:

Treated as a reserve

Treated as a contra asset

Treated as a surplus

Treated as an expense

102. Amount generated from sales in a business is called:

Income

Net Income

Gross Profit

Operating profit

103. Generally Accepted Accounting Principles (GAAP) are necessary because financial statements

are publicly available

should be standardized

should be understandable

All of the given

104. The main purpose of _____is to ascertain true result of the business operation during particular period of time.

Cost Accounting

Financial Accounting

Managerial Accounting

Tax Accounting

105. Partial Payment of loan from bank is made Rs 50000. The effects of this transaction are:

Decrease in Asset Increase in Asset

Decrease in Liability Increase in Asset

Decrease in Liability Decrease in Asset

Decrease in Liability Increase in Expense

106. General reserves are shown in:
Profit & loss account
Balance sheet
Cash flow statement
Bank statement

107. What is nature of Capital account?
Debit
Credit
Expenses
Loss

108. Net profit = Gross profit -Operating
Expenses
Product Cost
Deferred Expenses
Direct Cost

109. Following information is extracted from Mr. A's balance sheet: Cash Rs.100 Accounts Receivable 500 Accounts Payable 2 00 Bank Loans 1,000 Based on the information provided, what are Mr. A's assets?
Rs.200
Rs. 600
Rs. 900
Rs. 1700

110. Which of the following docmuent has the conclusive evidence that the seperate legal entity has been formed:
memorandum of association
articles of association
certificate of commencement of business
certificate of incorporation of the business

111. In a partnership business, there's a profit of 450,000 and A, B, and C are partners with profit/loss sharing ratio of two-ninth, three-ninth and four-ninth respectively, then how much would be the profit of the each partner?
A: 75,000, B: 170,000, C: 205,000
A: 70,000, B: 175,00, C: 205,000
A:100,000, B: 150,000, C: 200,000
A: 105,000, B: 145,000, C: 200,000

112. Depriciation is mainly a process of _____of cost of Fixed Asset over the useful life.
Allocation
Valuation
Calculation
None of the given

113. The proper classification of Suppliers account is:
Assets
Expenses
Revenues
Liabilities
114. The "provisions for bad debt" account is:
asset account
contra-asset account
expense account
liability account
115. Commercial Accounting is done through a system that is known as:
Single entry system of Accounting
Accrual system of Accounting
Double Entry system of Accounting
Cash system of Accounting
116. _____is the basic part of an item, which is processed to make a complete item:
Factory overhead
Raw material
Finished goods
Work in process
117. Which of the following is used to calculate Gross Profit?
Expenses + Revenues
Assets – Liabilities
Revenue – Labor
Net Revenue – Cost of Goods Sold
118. Which of the following should NOT be recorded in journal voucher?
Receipt of cash
Depreciation
Charge of interest payable
Correction of errors
119. The proper classification of Cost of Goods Sold account is:
Assets
Expenses
Revenues
Liabilities
120. The amount of depreciation charged on Furniture will be debited to:
Furniture Account
Depreciation Account
Accumulated Depreciation A/c
Cash Account
121. "Share Premium" account is which type of the reserve:

general reserve
capital reserve
specific reserve
None of the given

122. The entry for Revaluation of an asset, in case of gain on revaluation will be:
Debit: Revaluation Reserve A/c Credit: Cost of Asset A/c
Debit: Revaluation Reserve A/c Credit: Accumulated Depreciation A/c
Debit: Cost of Asset A/c Credit: Revaluation Reserve A/c
Debit: Profit & Loss A/c Credit: Cost of Asset A/c
If, Cost of machine = Rs.400, 000 Useful life = 5 years Residual value = Rs.25, 000 Sale price = Rs.40, 000 Rate of depreciation = 40%
What will be book value of machine after four years using straight line method?
Rs.75, 000
Rs.40, 000
Rs.55, 000
Rs.100, 000

123. A company's merchandise, raw materials, and finished and unfinished products which have not yet been sold are known as:
Sales
Purchases
Inventory
Work in process

124. Which of the following should be credited on sale of completed goods on cash basis in manufacturing concern?
Material account
Sales account
Finished goods account
Cash account

125. The first step in the posting process is:
Recording the ledger account number in the journal
Recording the date in the ledger account
Recording the journal page number in the ledger account
Recording the explanation in journal

126. Outsider's claim against the assets of the business is called:
Capital
Liability
Expense
Income

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

Journalizing
Posting
Balancing
Analyzing

128. Revenues, expenses and net profit are found on a:
Statement of Cash Flows
Income Statement
Statement of Owner's Equity
Balance Sheet

129. The total of all costs incurred to convert raw material into finished goods is known as:
Prime cost
Conversion cost
Sunk cost
Opportunity cost

130. A statement which is prepared at the end of financial year of a manufacturing concern showing a brief summary of the whole process is called as:
Statement of owner's equity
Balance Sheet
Cost of Goods sold statement
Income Statement

131. Machinery purchased on Credit for Rs 15000 will have an effect on which of the following accounts?
Purchases Account & Accounts Payable Account
Machinery Account & Cash Account
Purchases Account & Cash Account
Machinery Account & Accounts Payable Account

132. Which of the following should be shown on debit column of Trial Balance by considering the balance as normal?
Sales on cash basis
Sales on credit basis
Utility expenses
Creditors/payables

133. What will be debited, if Mohsin commenced business with cash?
Cash account
Capital account
Drawings account
Proprietor account

134. The total cost of an asset minus accumulated depreciation is called as _____.
Current market Value

Historical Cost
Book Value
Replacement Cost

135. 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?
Rs. 201,000
Rs. 111, 000
Rs. 290, 000
Rs. 291, 000

136. Consider the following data: Particulars Rs. Assets? Owner's equity 35,000 Liabilities 90,000
Rs. 35,000
Rs. 55,000
Rs. 1, 25,000
Rs. 1, 05,000

137. What will be the effect on accounting equation if cash is invested by the owner in business?
Increases cash and decreases equity
Increases cash and increases equity
Decreases cash and increases equity
Decreases cash and increases dividends

138. A Balance Sheet discloses the financial position of a firm:
For a certain given period
At a particular point of time
After the fixed date
None of the given options

139. Which of the following entry will be recorded for discount received in a control account?
Discount Received (Dr) and Creditors Control A/c (Cr)
Discount Received (Dr) and Creditors A/c (Cr)
Creditors Control A/c (Dr) and Discount Received (Cr)
Debtors A/c (Dr) and Discount Received (Cr)

140. Another name of net income or positive financial return is:
Profit
Contribution Margin
Revenue
Credit

141. Which of the following is Not an Asset Account?
Plant & Machinery
Loan to XYZ co.
Cash at Bank

Loan from ABC co.

142. Which of the following should be shown on credit side of cash account?
Collection from customers
Sales on cash basis
Sales on cedit basis
Payment of loan

143. According to diminishing balance method of charging depreciation:
The amount of depreciation remains constant every year
The rate percent as well as amount reduces every year
The amount of depreciation reduces year to year
The rate percent of depreciation declines year to year

144. Which of the following account summarizes the profitability of business for a specific accounting period?
Profit & Loss account
Cash flow statement
Receipt & Payment account
Balance Sheet

145. Which of the following would be debited for incurred expenses to complete the fixed asset whose payment is made through cash?
Relevant fixed asset account
Cash account
Capital work in progress account
Incomplete fixed asset account

146. Which one of the following is INCORRECT about closing Stock?
It is added into current assets
It is deducted from Material available for use
It becomes opening stock of next year
It reduces the resources of business

147. 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 Liaibilities?
Rs. 201,000
Rs. 111, 000
Rs. 290, 000
Rs. 291, 000

148. Which of the following methods of inventory valuation shows a lower cost of goods sold when prices are rising with the passage of time?
FIFO method
LIFO method
Weight average method
Specific identification method

149. In the partnership business, all of the following statements are true except which of the following?

a partnership business is much like that of a proprietorship
if the partnership business does not specify otherwise, profits will be shared equally by the partners
The liability of the partner is limited
there is no partnership income tax, the individual partners pay personal income tax on their portion of partnership profits

150. All of the following are Non-commercial (Non-Profit Oriented) organizations, EXCEPT:
NGO's (Non-government Organizations)
Trusts
Limited Companies
Societies

151. The journal entry to record purchase of furniture on credit would include a:
Credit to furniture A/c
Credit to Cash A/c
Credit to Payables A/c
Credit to Receivables A/c

152. How many directors are there in the private limited company:
1
2
3
4

153. In which of the following statement/s closing stock is/are shown?
Profit and loss account
Balance sheet
Income statement
All of the given

154. What is the next step to Journalizing in Accounting cycle?
Recording
Posting
Balancing
Analyzing

155. Which of the following is CORRECT for Provision for Doubtful Debts?
It is shown in balance Sheet
It is a definite loss to the business
It is not shown in balance sheet
No provision is necessary for it

156. Which of the following is the "right issue" of shares:
shares issued to the general public for subscription
shares issued to the subscribers of the company

shares issued to the existing shareholder in proportion to the current shares held by the shareholders
shares issued to the directors of the company

157. A wrong entry on the debit side of the Cash Book would lead to:
Cash Book showing less Balance
Cash Book showing more Balance
Cash withdrawal
Purchases

158. Bank Reconciliation Statement is:
A memorandum statement
A ledger account
A part of cash book
A part of journal

159. The expenses which are NOT paid out of Gross Profit is classified as:
Direct Expenses
General Expenses
Financial Expenses
Selling Expenses

160. Which of the following is the first book to record a transaction?
Trial Balance
Journal
Trial Balance
Balance Sheet

161. Which of the following should be credited on sale of completed goods on credit basis in manufacturing concern?
Debitors account
Sales account
Creditors account
Cash account

162. ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total assets is Rs 175,000. What will be the amount of Current Liabilities?
Rs. 20,000
Rs. 150,000
Rs. 10,000
Rs. 25,000

163. Which of the following expenses are called financial expenses?
Payment of rent & Salary expense
Markup on loan& Bank Charges
Interest & advertisement expense
Wages and Depreciation expense

164. Which of the following is the best explanation of capital expenditure?

It is recurring and regular and it occurs repeatedly
Neither an asset is acquired not the value of an asset is increased
It does not occur again and again. It is non-recurring and irregular
Its effect is temporary, i.e. the benefit is received within the accounting year

165. Which of the following particular is NOT included in journal voucher?
Name of organization
Bank receipt number
Debit amount
Credit amount

166. Which of the following is the example of current liability?
Notes payable
Notes receivable
Accounts receivable
Prepaid expenses

167. A transaction in which Cash A/c and Bank A/c are involved, is recorded on both the sides of Double Column Cash Book, it is called _____.
Rectifying Entry
Adjusting Entry
Contra Entry
Closing Entry

168. Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title (3) Amount
1 only
1 & 2 only
1 & 3 only
1, 2 & 3

169. What should be credited, if rent paid in cash?
Landlord's account
Rent account
Cash account
Accounts receivable account

170. Working capital Rs. 20,000, Current liabilities Rs. 30,000 and fixed assets Rs. 100,000; calculate current assets?
Rs. 10,000
Rs. 50,000
Rs. 110,000
Rs. 120,000

171. Following are the parts of the debtors control account except:
credit sales
sales return
cash sales

cash/checque received

172. What is the nature of a revenue account?
Asset
Debit
Credit
Expense

173. In which of the following statement opening stock is shown?
Profit and loss account
Balance sheet
Cash flow statement
Owner's equity

174. Which of the following is/are the example/s of Intangible Asset?
Copy rights
Good will
Patent rights
All of the given

175. At the end of accounting period a list of all ledger balances is prepared. This list is called _____.
Journal
Ledger
Cash Book
Trial Balance

176. 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

177. What is nature of Capital account?

Select correct option:
Debit

Credit
Expenses
Loss

178. The amount charged to depreciation goes on declining in: Select correct option:

Depreciation fixed method
Annuity method
Written-down value method
Straight line depreciation method

179. The total of all costs incurred to convert raw material into finished goods is known as: Select correct option:

Prime cost
Conversion
cost Sunk cost
Opportunity
cost

180. Amount generated from sales in a business is called: Select correct option:

Income Net
Income Gross
Profit
Operating
profit

181. Cost of goods manufactured - opening work in process + ending work in process =? Select correct option:

Cost of goods
sold Prime cost
Conversion cost
Total factory
cost

182. Which of the following is the example of current liability? Select correct option:

Notes payable
Notes receivable
Accounts
receivable Prepaid
expenses

183. What will be debited, if business sold goods for Rs.10, 000 on credit? Select correct option:

Cash account

Sales account

184. Accounts receivable account

Purchases account

185. Which of the following particular is NOT included in journal voucher? Select correct option:

Name of organization
Bank receipt number
Debit amount
Credit amount

186. Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000 Liabilities 90,000 Select correct option:

Rs. 35,000
Rs. 55,000
Rs.1,25,000
Rs.1,05,000

187. What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?

Select correct option: Rs.130, 000

Rs.110, 000
Rs.140, 000
Rs.190, 000

188. The main purpose of _____is to ascertain true result of the business operation during particular period of time.

Cost Accounting
Financial
Accounting
Managerial
Accounting Tax
Accounting

189. If cost of sales is Rs. 90,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will be net result?

Rs. 5,000 Losses
Rs.10, 000 Profits
Rs 1, 95,000 Profits
Rs 1,95,000 Losses

190. What is the next step to Journalizing in Accounting cycle? Select correct option:

Recording

Posting
Balancing
Analyzing

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

191. Net Profit = Income - _____

Liabilities
Assets
Expenses
Capital

192. 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

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

Capital account
Sundry creditors account
Accounts payable account
All of the given options

194. In case of Income and Expenditure account, Excess of income over expenses in a specified accounting period is called:

Select correct option:
Profit
Loss
Surplus
Deficit

195. Which of the following Organization converts raw material into finished goods? Select correct option:

Trading concern
Manufacturing concern
Merchandising concern
Service concern

196. 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

197. Which one of the following is INCORRECT about closing Stock? Select correct option:

It is added into current assets
It is deducted from
Material available for use It becomes
opening stock of next year
It reduces the resources of business

198. Budget is a plan of income, expenses & other financial operations for: Select correct option:

Currentperiodd
Future period
Past period
None of the given options

199. 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 ?

Rs. 12,000
Rs. 11,000
Rs. 110,000
Rs. 111,000

200. Which of the following account summarizes the profitability of business for a specific accounting period?

Profit & Loss account
Cash flow statement
Receipt & Payment account
Balance Sheet

201. Which of the following asset is NOT depreciated? Select correct option:

Factory
Buildings Office
Equipment Plant & Machinery
Land

202. What will be debited, if Mohsin commenced business with cash? Select correct option:

Cash account
Capital account
Drawings account
Proprietor account

203. Which of the following is Not a part of General Ledger? Select correct option:

Activity Book
Purchase Return
Book Purchase
Book Sales Book

204. Debit signifies:

Increase in Asset account
Decrease in liability account
Decrease in capital account
All of the given options

Under the diminishing balance method, depreciation is calculated on:
The original cost
The scrap value
Book value
Both original cost and Scrap value

205. The amount charged to depreciation goes on declining in: Select correct option:

Depreciation fixed method
Annuity method
Written-down value method

206. 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

207. What will be the effect on accounting equation if cash is received from a tenant as office rent? Select correct option:

Increase cash and decrease equity
Increase cash and increase equity
Decrease cash and increase equity
Decrease cash and increase dividends

208. Which one of the following is INCORRECT about closing Stock? Select correct option:

It is added into current assets
It is deducted from Material available for use
It becomes opening stock of next year
It reduces the resources of business

209. Which of the following is a FIRST product of accounting cycle? Select correct option:

Voucher General
Journal General
Ledger Financial
Statements

210. If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will gross profit?

Rs. 5,000
Rs. 95,000
Rs. 1, 00,000
Rs.1, 05,000

Which of the following are recorded in Cash Book? Select correct option:

Receipts and payments
Profits and losses
Assets and liabilities
Capital and Expenditures

211. Net Profit = Income - _____

Liabilities
Assets
Expenses
Capital

212. Which of the following particular/s is/are included in payment voucher? Select correct option:

Name of organization
Cash payment Date

All of the given options

213. Cost of goods manufactured + opening finished goods – ending finished goods =? Select correct option:

Total factory cost
Cost of goods sold
Prime cost
Conversion cost

214. Which of the following account is normally NOT exists in the balance sheet of the manufacturing concern?

Work in Process
Inventory Raw Materials Inventory
Merchandise Inventory
Finished Goods Inventory

215. If cost of sales is Rs. 90,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will be net result?

Rs. 5,000 Losses
Rs.10, 000 Profits
Rs 1, 95,000 Profits
Rs 1, 95,000 Losses

All the statements are correct about Journal voucher EXCEPT: Select correct option:
Financial data is picked only from journal vouchers to Journal
These are used to record all transaction other than cash & bank
These are used to make corrections or adjustments to previous Receipt
Format of journal voucher is different from other vouchers

216. In case of Income and Expenditure account, Excess of income over expenses in a specified accounting period is called:

Profit
Loss
Surplus
Deficit

217. The investment of Rs. 10,000 made by the owner in business will have an effect on which of the following accounts?

Cash Account & Capital Account
Cash Account & Expense Account
Capital Account & Revenue Account
Capital Account & Expense Account

218. Outsider"s claim against the assets of the business is called: Select correct option:

Capital
Liability
Expense
Income

219. Consider the following data: Particulars Rs. Assets 75,500 Owner's equity ? Liabilities 40,200 Select correct option:

Rs. 35,300
Rs. 55,000
Rs. 125,000
Rs. 115,700

220. What will be debited, if business bought goods on credit from Mr. Ali? Select correct option:

Purchases account
Mr. Ali account
Cash account
Sales account

221. In the cost of goods sold statement, the sum of labor cost and the factory over head is known as: Select correct option:

Conversion cost
Prime cost
Total factory cost
Cost of goods manufactured

222. Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000 Liabilities 90,000 Select correct option:

Rs. 35,000
Rs. 55,000
Rs. 1, 25,000
Rs. 1, 05,000

223. 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

224. Which of the following is fiscal Year of Government of Pakistan? Select correct option:

1st January to 31st December

1st June to 31st May
1st July to 30th June
1st October to 30th September

225.

226. Which of the following is/are inventory valuation method(s)? Select correct option:

FIFO LIFO
Weighted average
All of the given options

227. The investment of Rs. 10,000 made by the owner in business will have an effect on which of the following accounts?

Select correct option:
Cash Account & Capital Account
Cash Account & Expense Account
Capital Account & Revenue Account
Capital Account & Expense Account

228. What will be debited, if business purchased Furniture on cash? Select correct option:

Furniture account
Cash account
Business account
Bank account

229. Cost of goods manufactured + opening finished goods – ending finished goods =?

Total factory cost
Cost of goods sold
Prime cost
Conversion cost

230. Which of the following contents are included in the Cost of goods sold? Select correct option:

Opening stock
Purchases Freight in
All of the given options

231. 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 20,000 Closing written down value (WDV) ? Select correct option:

Rs. 1,30,000
Rs. 1, 50,000

Rs. 1, 20,000
Rs. 70,000

232. What will be debited, If Mr. "A" started business with Rs. 2, 00,000.

233. Select correct option: Capital account

Cash account
Mr. A"s account

Business account

234. In cost of goods sold statement the „cost of goods manufactured" is equal to:

Total factory cost + Opening work in process + Ending work in process
Total factory cost + Opening work in process – Ending work in process
Total factory cost - Opening work in process + Ending work in process
Ending work in process +Total factory cost – Opening work in process

235. What is nature of Capital account?

Credit
Expenses
Loss

236. The amount charged to depreciation goes on declining in: Select correct option:

Depreciation fixed method
Annuity method Written-down value method Straight line depreciation method

MGT101 MID-Term BY Attiq Kundi

R E C A L =Revenue, Expense, Capital, Assets, Liability

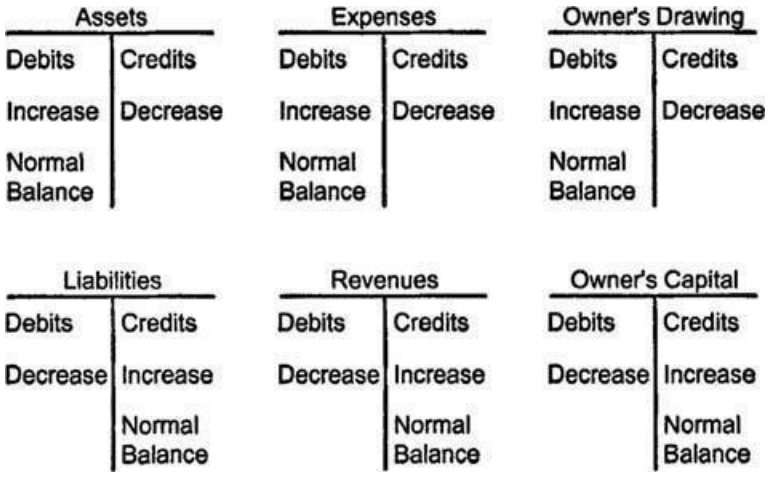
		Decrease		Increase	
R	Revenue	D	Debit	C	Credit
E	Expense	C	Credit	D	Debit
C	Capital	D	Debit	C	Credit
A	Assets	C	Credit	D	Debit
L	Liability	D	Debit	C	Credit

Increase in Asset & Expense is Debit

Increase in Revenue, Capital & Liability is Credit

Decrease in Asset & Expense is Credit

Decrease in Revenue, Capital & Liability is Debit



Golden Rules of Accounting

Real, Nominal & Personal Accounts

Real Accounts –

"Acount which relate to the assets or Liabilities of the business, Such as Cash A/c, Goods A/c, Furniture A/c and so on"

Debit what comes in

Credit what goes out

Bought furniture for credit from Mr Ali

Furniture Account (Real account)
Mr ali Account (personal account)

Since furniture is bougth we can say that it is coming in thus furniture account is debited based on the principle. "debit what comes in "

Sold good to Mr Umer on credit

Good Account = Real account
Mr Umer Account = Personal account

Since we are selling good , we can say that it is going out thus we can sy that good account/Sale is to be credited based on the principle" Credit what goes out "

Whether a particular real account (element) effected by an accounting transaction is to be debited or credited we need to identify whether the element is coming in to the organization or going out of it.

In case of Real Accounts - Debit what comes in and credit what goes out.

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Owner's equity Rs. 22,500 Total Liabilities Rs. 80, 385 Cash Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500?

a) Rs. 102,885 other assets
b) Rs. 102,885 current liabilities
c) Rs. 99,885 current liabilities
d) Rs. 99,385 other assets

188. If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?

a) Rs. 183, 500
b) Rs. 167, 000
c) Rs. 200, 000
d) Rs. 230, 000

189. Which of the following is NOT correct?

a) Decrease in Assets will be credit
b) Decrease in Liabilities will be credit
c) Decrease in Expenses will be credit
d) Decrease in Revenue will be debit

190. Debit signifies:

a) Increase in Asset account
b) Decrease in liability account.
c) Decrease in capital account
d) All of the given options

191. When total liabilities are subtracted from total assets the remaining amount is known as:

a) Equity or net assets
b) Net income or net loss.
c) Total expenses
d) Total revenue

Cash Rs. 22,500 Debtors Rs. 500 Total Assets Rs. 80, 385 Accounts payable Rs. 1,000 Total liabilities Rs. 20,000?.

a) Rs. 60,385 owner's equity
b) Rs. 61,385 owner's equity
c) Rs. 99,885 owner's equity
d) Rs. 99,385 owner's equity

193. Which one of the following cannot be classified as Revenue Income?

a) Goods sold for cash
b) Goods sold on credit
c) Income from the sale of services
d) Income from the sale of fixed assets

194. What will be debited, If Mr. "A" started business with Rs. 2, 00,000.

a) Capital account
b) Cash account
c) Mr. A's account
d) Business account

195. 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?

a) Rs. 41,000
b) Rs. 51,000
c) Rs. 61,000
d) Rs. 65,000

196. Which of the following is / are the particular/s of a cash book? (1) Date oftransaction (2) Account title (3) Amount

a) 1 only
b) 1 & 2 only
c) 1 & 3 only
d) 1, 2 & 3

197. 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?

a) Rs. 201,000
b) Rs. 111, 000
c) Rs. 290, 000
d) Rs. 291, 000

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

a) Separate Legal Entity
b) Limited Liability of shareholders
c) Easy formation
d) Common Seal

199. After specific intervals sum of purchases return journal is posted to the debit side of ------

Purchases return Account

200. Which of the following main accounting heads would be affected on receipt of rent?

Income

201. If resources in business are supplied by the owners only the financial position looks like

Assets = liabilities + equity

202. Post reference column of a journal entry is

Page number of relevant ledger account

203. Which of the following is NOT correct?

a) Decrease in Assets will be debit
b) Decrease in Liabilities will be debit
c) Decrease in Expenses will be credit
d) Decrease in Revenue will be debit

204. Increase in an expense is recorded on the:

a) Left or credit side of the account
b) Right or debit side of the account
c) Left or debit side of the account
d) Right or credit side of the account

205. Which one of the following is NOT a feature of sole proprietorship business.

a) Easy Formation
b) Easy Dissolution
c) Unlimited Liability
d) Separate Legal Entity

206. All of the following are components of financial statements EXCEPT.

a) Statement of Profit or Loss and other Comprehensive Income
b) Trial Balance
c) Statement of Cash Flows
d) Statement of Changes in equity

207. All of the following are contra accounts EXCEPT.

a) Drawings
b) Sales return
c) Purchases
d) Provision of doubtful debts

208. Which of the following are recorded in sales journal?

a) Cash sales transactions
b) Credit sales transactions
c) Credit sales return transactions
d) Both credit and cash sales transactions

209. Which of the following is TRUE?

a) Nature of Incomes is Credit
b) Nature of Expenses is Debit
c) Nature of Owners' Equity is Credit
d) All of the given options

210. Which of the following should be debited in bank statement?

a) Amount deposited in bank
b) Interest on deposit
c) Amount withdrawn from bank
d) Dividend received on behalf of customer

211. "5/10. n/30" is an

example of:

a) Bulk purchase discount
b) Regular customer discount
c) Season end discount
d) Settlement discount

212. The process of picking up an amount from journal and placing into the debit or credit side of relevant ledger account in ledger is known as:

a) Journalizing
b) Posting
c) Balancing
d) Crediting

213. Which of the following is used to check the arithmetic accuracy of bookkeeping?

a) Chart of accounts
b) Trial balance
c) Profit & loss account
d) Balance sheet

214. All of the following are examples of current assets EXCEPT:

a. Bank overdraft
b. Cash at bank
c. Cash at hand
d. Accounts receivables

215. Which of the following is/are prepared for a specific period?

a) Statement of Profit or Loss
b) Statement of Financial Position
c) All financial statements
d) None of the given options

216. Posting is done in ---

a) Invoice
b) Journal
c) Ledger
d) Trial balance

217. Which of the following represents the basic ideology of income statements?

a) Profit = Income – Expenses
b) Profit = Income + Expenses
c) Assets = Owners equity + Liabilities
d) Assets = Owners equity – Liabilities

218. Which of the following is also known as balance sheet?

a) Statement of cash flow
b) Statement of financial position
c) Statement of changes in equity
d) Statement of profit or loss

219. Which of the following (s) the part of cost of goods sold?

a) Opening stock
b) Purchases
c) Closing stock
d) All of the given items

220. In _____ledger accounts produce balance continuously throughout the accounting period like after each Dr/Cr posting.

a) Running balance style
b) T account style
c) Report style
d) All of the given options

221. Which of the following is a contra account?

a) Sales
b) Purchase return
c) Capital
d) Debt

222. Which of the following is an example of a current liability?

a) Bank overdraft
b) Furniture
c) Closing stock

d) Discount received

223. Which is also known as day book?

a) Journal
b) Ledger
c) Trial balance
d) Balance sheet

224. Which of the following refers to the resources of entity

a) Sum of total assets
b) Sum of total liability
c) Sum of total assets and owner equity
d) Sum of All

225. Which of the following errors can be deducted through a trial balance

a) Omission of complete transaction from recording
b) Arithmetic accuracy of bookkeeping
c) Giving Dr and Cr effect to wrong accounting head
d) Passing correct journal entry with wrong amount

226. When a company deposit a cash in its bank account then what is the nature of the deposited account?

a) It is the liability of the bank
b) It is the expense of the bank
c) It is the equity of the bank
d) It is the asset of the bank

227. is the list of the names of accounts that business accountant identifies from the journal and prepares for recording transaction in its general ledger.

a) Trial balance
b) Profit and loss account
c) Chart of accounts
d) None of the given options

228. Sales – Cost of goods sold =?

a) Gross profit
b) Operating profit
c) Net profit
d) Current assets

229. Which of the following is the 'Contra Account'?

a) Purchases
b) Drawings
c) Capital
d) Debit

230. Which of the following is NOT an operating expense?

a) Stationary
b) Repairs
c) Salaries & Wages
d) Loan from bank

231. Post reference Column of a journal is:

a) Ever occurring after transaction takes place
b) Page number of relevant ledger account
c) Name of person recording the journal entry
d) None of the given options

232. ABC& Co made its monthly office rent payment. Which of the following accounts would be affected from this transaction?

a) Assets and expenses
b) Liabilities and assets
c) Expenses and liabilities
d) Revenue and assets

233. Which of the following is/are the examples of the intangible asset?

a) Copy rights
b) Good will

c) Patent rights
d) All of the above

234. An expenditure whose benefit is finished or enjoyed immediately is called a) Expenses
b) Liability
c) Cost
d) Income

235. All of the following are recognized as capital expenses except
a) Purchase of land
b) Acquiring office building
c) Acquiring furniture
d) Disbursement of fuel bill

236. Net profit = Income - _____
a) Liabilities
b) Assets
c) Expenses
d) Capital

237. All of the following are liabilities EXCEPT:
a) Prepaid insurance
b) Accrued rent
c) Accounts payable
d) Loan from bank

238. Increase in liability can cause increase in:
a) Receivables
b) Profits
c) Goods
d) Equity

239. Machinery purchased on Credit for Rs. 17,000 will have an effect on which of the following accounts?

a) Machinery account & creditor account
b) Machinery account & accounts receivable account
c) Purchases account & accounts receivable account
d) Purchases account & accounts payable account

240. Withdrawal by the owner for personal use reduces:
a) Cash
b) Revenues
c) Loss
d) Liabilities

241. An event can be classify as monetary:
a) Losing a match
b) Purchases on cash
c) Placing purchase order
d) Winning a trophy

242. ABC & Company purchased good for resale purposes on cash. Which one of the following account head will decrease?
a) Capital
b) Cash
c) Creditor
d) Debtor

243. In journal, transactions are recorded in _____.
a) Alphabetical order
b) All of the given options
c) Chronological order
d) Random order

244. The commission earned accounts falls under which of the following classification of accounts?
a) Assets
b) Liability

c) Income
d) Expenses

245. The fees earned account will fall under which of the following classification of accounts?
a) Assets
b) Expenses
c) Liabilities
d) Revenues

246. Which of the following accounts will be affected when we acquire building and paid rupees Rs. 500,000?
a) Capital account
b) Bank account
c) Expense account
d) Cash account

247. All of the following are parts of journal entry EXCEPT:
a) Narration
b) Closing balance
c) Date
d) Post reference

248. When a business purchases goods from ABC & Co. and promises to pay the amount at certain future time period, ABC &Co. is recorded as:
a) Creditors of the business
b) Equity of the business
c) Assets of the business
d) Debtors of the business

249. Owner's Equity = ?
a) Capital + expenses
b) Capital – losses
c) Capital + drawing
d) Capital + losses

250. Trade discount is recorded in the books of:

a) Buyer
b) Both seller and buyer
c) Seller
d) Neither seller nor buyer

251. Outsider's claim against the assets of the business is also called _____for entity.

a) Liabilities
b) Income
c) Resources
d) Expense

252. Cash received from sale is recorded in cash register only. It is an example of which of following?

a) Commercial Accounting
b) Double Entry Book Keeping
c) Accrual Accounting
d) Single Entry Book Keeping

253. is a list of the names of accounts that business accountant identifies from the journal and prepares for recording transactions in its general ledger.

a) Profit & loss account
b) Trial balance
c) None of the given options
d) Chart of accounts

254. Machinery purchased on Credit for Rs. 15,000 will have an effect on which of the following accounts?

a) Machinery Account & Creditor Account
b) Machinery Account & Accounts Receivable Account
c) Purchase Account & Accounts Payable Account
d) Purchase Account & Accounts Receivable Account

255. Debit note is issued by the buyer when _____are returned.

a) Cash sales
b) Credit Purchases
c) Credit Sales
d) Cash Purchases

256. Which of the following is WRONG?

a) Nature of owner's equity is credit
b) Nature of Assets is debit
c) Nature of Income is debit
d) Nature of Expenses is debit

257. In the post reference column of journal, _____is written in which its effect is to be posted.

a) Page number of the balance sheet
b) Closing balance of account
c) Page number of the ledger
d) Page number of the Journal

258. The person who is responsible for maintaining a journal is known as:

a) Bookkeeper
b) Internal auditor
c) Chief financial officer
d) Financial manager

259. Which of the following is an asset?

a) Wages
b) Account payable
c) Sales
d) Prepaid Insurance

260. Which of the following best describes a 'Trial balance'?

a) List of ledger balances
b) List of all assets and liabilities

c) List of cash inflows and outflows
d) List of accounting heads

261. "5/10, n/30" is an example of:
   a) Regular customer discount
   b) Settlement discount
   c) Season end discount
   d) Bulk purchase discount

262. An event can be classified as non-monetary:
   a) Purchase on cash
   b) Placing purchase order
   c) Selling on credit
   d) Loss by accident

263. Owner's equity=?
a) Capital-revenues
b) Capital+ loses
c) Capital+ expenses
d) Capital – drawings

264. After specific intervals sum of purchases return journal is posted to the debit side of_____
   a) Total creditors account
   b) Total debtors account
   c) Purchases return account
   d) None of the given option

265. If resources in business are supplied by the owner and out siders, then accounting equation looks like as__
   a) Assets= liabilities
   b) Assets= liabilities – capital
   c) Assets= liabilities+ capital
   d) Assets= capital

266. In the post reference column of a ledger account____is written from which this entry is posted

a) Page number of the balance sheet
b) Page number of the journal
c) Page number of the ledger
d) Closing balance of account

267. A book that keeps separate record for each account is known as

a) Voucher
b) Trial balance
c) General ledger
d) General journal

268. The term debit is derived from_____language.

a) English
b) Latin
c) Chinese
d) French

269. Goods sold on credit increase

a) Liabilities
b) Creditors
c) Expenses
d) Revenues

270. Sales journal is totaled after_____

a) The preparation of income statement
b) Each transaction of balance sheet
c) The preparation of balance sheet
d) A specific interval

271. An event can be classified as monetary

a) Losing a match
b) Winning a trophy

c) Purchases on cash
d) Placing place order

272. Total assets- total liabilities=?

a) Resource
b) Owner's equity
c) Cost of sales
d) Expenses

273. The main purpose of _____is to a certain true and fair result of the business operations during a particular period of time, for external reporting only

a. Financial accounting
b. Tax accounting
c. Cost accounting
d. Managerial accounting

274. Settlement discount is recorded in the books of

a) Both seller and buyer
b) Seller only
c) Buyer only
d) Neither seller nor buyer

275. When a company deposit a cash in its bank account then what is the nature of the deposited account?

a) It is the liability of the bank
b) It is the expense of the bank
c) It is the equity of the bank
d) It is the asset of the bank

276. is the list of the names of accounts that business accountant identifies from the journal and prepares for recording transaction in its general ledger.

a) Trial balance
b) Profit and loss account
c) Chart of accounts
d) None of the given options

277. Sales – Cost of good sold =?

a) Gross profit
b) Operating profit
c) Gross profit
d) Current assets

278. Which of the following represents the basic ideology of income statement?

a) Profit = Incomes – Expenses
b) Profit = Incomes + Expenses
c) Assets = Owners equity + Liabilities
d) Assets = Owners equity – Liabilities

279. Which of the following is the 'Contra Account'?

a) Sales
b) Purchases return
c) Capital
d) Debit

280. Post reference Column of a journal is:

a) Ever occurring after transaction takes place
b) Page number of relevant ledger account
c) Name of person recording the journal entry
d) None of the given options

281. Which of the following represents the basic ideology of a balance sheet?

a) Profit = income – expenses
b) Profit = income + expenses
c) Assets = owner's equity + liabilities
d) Assets = owner's equity – liabilities

282. A ledger account with full details is prepared in which of the following two styles:

a) Direct account style and indirect account style
b) T account style and running balance account style
c) Report style and indirect account style

d) T account style and indirect account style

283. ___is a part of owner's equity.

a) Drawing
b) Liabilities
c) Inventory
d) Accounts receivable

284. Which of the following refers to source of an entity?

a) Sum of owner's equity and total assets
b) Sum of total liabilities only
c) Sum of owner's equity and total liabilities
d) Sum of total assets, owner's equity and total liabilities

285. Which of the following normally provide economic benefits to the entity for than one accounting year?

a) Current asset
b) Fixed asset
c) Current liability
d) All of the give option

286. Which of the following is/are a reconciling items that cause disagreements between cash book and pass book.

a) Credit transfers
b) Direct debits
c) Un-presented cheques
d) All of the given option

287. Which of the following is NOT to be adjusted in cash book?

a) Interest on bank deposit
b) Direct payment by a customer in to the account
c) Bank charges deducted by the bank
d) Cheques issued but presented for payment

288. When the company deposits the cash in bank account, then what is the nature of the deposited amount?

a) It is the liability of the bank
b) It is the expense of the bank
c) It is equity of the bank
d) It is the asset of the bank

289. Which of the following best describes that chart of account?

a) List of ledger balances
b) List of accounting heads
c) List of all assets liabilities
d) List of cash inflow and outflows

290. Furniture is purchased for Rs. 55000 from Mr. ABC on credit basis. The effects of this transaction are:

a) Increase in assets increase in liability
b) Increase in assets decrease in liability
c) Increase in assets decrease in assets
d) Decrease in assets increase in liability

291. in the art of recording, classifying and summarizing the transactions and events of a business and interpreting the results there of.

a) Accounting
b) Auditing
c) Management
d) Book keeping

292. Withdrawals by the owner for personal use reduces:

a) Loss
b) Equity
c) Revenues
d) Liabilities

293. Identify the two accounting heads that are affected from the transaction of rent received in cash.

a) Rent income and bank account
b) Rent expense and cash account
c) Rent income and cash account
d) Rent expenses and bank account

294. After specific intervals, sum of sales journal is posted to the debit side of _____.

a) Total debtors account
b) Sales account
c) None of these
d) Total creditors account

295. The normal balance of income account is similar to.

a) Assets account
b) Expenses account
c) Liabilities account
d) Drawings account

296. Which of the following is TRUE regarding a cash account?

a) None of these
b) It always shows a debit balance
c) It can show either debit or credit balance
d) It always shows a credit balance

297. Outsider claim against the assets of the business is also considered as _____for entity.

a) Expense
b) Drawings
c) Income
d) Sources

298. Trade discount is recorded in the books of:

a) Both seller and buyer
b) Seller
c) Buyer

d) Neither seller nor buyer

299. Which of the following main accounting heads would be affected on receipt of rent?

a) Asset
b) Expense
c) Liability
d) Capital

Personal accounts-

"the elements or accounts which represent person and organization"

Debit the benefit receiver

Credit the benefit giver

<u>Paid cash to Mr ibrahm</u>

Cash account = Real account
Mr Ibrahim = Personal account

Since cash is being paid , we can say that Mr, Ibrahim is receiving (benefit) from the organization. Thus we say that Mr. Ibrahim account is to be debited based on the principle " debit the benefit receiver"

<u>Bought goods on credit form Mr Ali</u>

Good account = Real account
Mr Ali = Personal account

Since the good are being bought on credit we can say that mr ali is giving (benefit) to the organization . thus we say that mr ali account is to be credited based on the principle "credit the benefit giver"

Thought to be applied – Is he/she/it giving or is he /she/it taking
To decide whether a particular personal account (element) affected by an accounting transaction is to be debited or credited, we need to identify whether the element is giving the benefit to the organization or taking the benefit form the organization.

<u>In case of Personal Account - Debit the receiver and Credit the giver.</u>

Revenue or Nominal Accounts

"Accounts which relate to Income or Expense, Such as Purchase, Sales, Interest Received, Salary and wages and so on "
the elements or accounts which represents expenses ,losses, incomes ,gains
In dealing with nominal accounts in a transaction we generally come across situations where the elements is related to either an expenditure/loss or income/gain to the organization.

Debit all expenses and losses

Credit all incomes and gains

Paid wages to workers
Cash =Real account
Wages account = Nominal account

Since wages are being paid, it amounts to an expenditure for the organization. Thus we say that wages account is to be debited based on the principle "debit all expense and losses"

Credit all incomes and gains

Received commission form M/s Chemicals by cheque

Bank account (Personal account)
M/s Commission account (Nominal account)

Since commission is being received it amounts to an income for the organization , we say that commission account to be credited based on the principle "credit all income and gains"

Thought to be applied – is it an expenditure /loss or is it an income/gain
To decide whether a particular nominal account (element) effected by an accounting transaction is to be debited or credit, we need to identify whether it represents an expenditure (or loss) or an income (or gain) to the organization.

In case of Nominal Account- Debit all expenses and losses and Credit all income and liabilities.

PAPER # 01

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

WDV opening balance	1, 00, 00
Add	
Purchase machine during the year	50,000
Less	
Depreciation during the year	(21000)
=	
Closing WDV	129000

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

Tot l Liabilities	Rs. 80, 385	
Cash in hand	Rs. 1,000	
Cash at bank	Rs. 2,000	
Del tors	Rs. 500	

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

Assets = Cash in hand, Cash in bank, Debtors = 3500

Assets = Liabilities + owner equity

3500=80,385+22500

3500=102885

102885-3500 = 99385 other assets

Assets	
Cash in hand	1000
Cash in bank	2000
Debtors	500
Total	3500
Total Liabilities	80385
Owner's equity	22500
Total	102885

Cash in hand	1000
Cash in bank	2000
Debtors	500
Other assets	99385
Total	102885
Total Liabilities	80385
Owner's equity	22500
Total	102885

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

Bank Reconciliation Statement is prepared by:

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

The bank reconciliation statement is prepared at the end of every month or the specified accounting period by the accountants

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

The bank reconciliation statement represents a comparison between the bank book balance and the bank statement at a specific moment in time.

The bank reconciliation statement is a memorandum statement and is neither the part of books of accounts nor the financial statements.

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

Revenue Expenditure
Revenue expenditure incurred on fixed assets include costs that are aimed at 'maintaining' rather than enhancing the earning capacity of the assets.
Revenue costs therefore comprise of the following:

- Repair costs
- Maintenance charges
- Repainting costs
- **Renewal expenses**

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000

Less	
Closing stock of raw material	(85,000)
=	
Cost of Material Consumed	215,000

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

Written down value = current worth of fixed *asset*

Written down value of asset at the last year – sale price = profit/loss

Or

Sale - WDV

15,000 – 75000 = (60,000)

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

Purchase A/c Dr

Cash A/c Cr

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. 60,00

Sale - Cost of good sold = Gross Profit

95,000 – 60,000 = 35,000

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

Sale - Cost of good sold = Gross Profit

95,000 – 60,000 = 35,000

Gross profit – operating expenses =Profit/Loss

35,000 – 20,000 = 15, 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 creditor's 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

Salaries account Dr

Cash Account Cr

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

Purchases Account Dr

Mr. Ali account Cr

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**

Profit and loss

Favorable balance or credit balance,

unfavorable balance or debit balance

The net profit belongs to the ownership of the business which is represented by the Capital account. Therefore, the net profits or losses are ultimately transferred to the Capital account. Profits increase capital and losses decrease capital. Unfavorable balance is subtracted from capital and favorable balance is added in capital.

This capital account is increased with a credit and decreased with a debit and normally has a credit balance.

Profit is added in the capital account because it increases the retained earnings and thus increases the owner‘s equity of the business and vice versa

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

A BANK OVERDRAFT is when someone is able to spend more than what is actually in their bank account .Bank overdraft or running finance provided by the bank and is the labiality of the company.

Accounts receivable , notes receivable and prepaid expenses are the current assets.

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

A nonprofit group, by its very nature, does not make a profit. For example charities, clubs, associations and other non-profit oriented organizations, that do not prepare trading and profit and loss accounts. Instead they prepare receipts and payments accounts or income and expenditure accounts.

Nonprofit financial statements often consist of:

Business Financial Statement	Equivalent Nonprofit Statement
Income Statement	Statement of Activities
Balance Sheet	Statement of Financial Position
Cash Flow Statement	Statement of Cash Flows

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

Trial balance is a listing of the accounts in your general ledger and their balances as of a specified date. Since the basic accounting system relies on double-entry bookkeeping, a trial balance will have the same total debit amount as it has total credit amounts. Both sides of trial balance i.e. Debit side and credit side must be equal. If both sides are not equal, there are some errors in the books of accounts. Trial balance shows the mathematical accuracy of the books oaccounts.

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

The Voucher
Voucher is documentary evidence in a specific format that records the details of a transaction. It is accompanied by the evidence of transaction.

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

Accounts- summary record of all transactions
The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as *accounts*.

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

Increase in liability = Cr / Right hand side

Decrease in liability =Dr / Left hand side

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

Cash is asset and due to payment decrease is cash or asset

Payable are paid hence liability is reduced

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

Commercial Accounting
Commercial Accounting is done through a system that is known as Double entry 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

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**

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

Income / Revenue is **the value of goods or services** that a business charges from its customers

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

Double entry or commercial accounting system records both aspects of transaction i.e. receipt or payment and source of receipt or payment. It also records credit transactions

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

The information as to profitability is provided by the Profit and Loss Account. The information as to availability of funds or **financial health is provided by the balance sheet**. But the balance sheet is prepared on a specific date and can provide information of financial position as on that date only

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

Accounts
The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as *accounts*.

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

The realization principle is the concept that revenue can only be recognized once the underlying goods or services associated with the revenue have been delivered or rendered, respectively.

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

Money measurement concept

All transactions of the business are recorded in terms of money, It provides a common unit of

Measurement.

Money Measurement Concept in accounting, also known as Measurability Concept, means that only transactions and events that are capable of being measured in monetary terms are recognized in the financial statements. Money Measurement Concept in accounting, also known as Measurability Concept, means that only transactions and events that are capable of being measured in monetary terms are recognized in the financial statements.

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

Expenses
Expenses are the costs incurred to earn revenue.

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

Accrual Accounting
It is the accounting system in which events are **recorded as and when they occur**.

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

Bookkeeping is the recording of all financial transactions undertaken by an individual or organization

In short, bookkeeping is "keeping records of what is bought, sold, owed, and owned; what money comes in, what goes out, and what is left."

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

Cheques issued but not presented for payment:

When a business man issues cheque to its creditors he immediately enters them on the credit side of the cash book reducing the balance of cash but the pass book/bank balance will remain the same because the cheques have not been presented for payament in the bank and hence cash book will show less balance and bank book will show more 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

Capital Expenditure is shown on the Balance Sheet, while Revenue Expenditure is an expense in the Profit and Loss account. It is important to classify these types of expenditure correctly in the accounting system. For example: if the cost of the car was shown as an expense in the Profit and Loss account, then the net profit would be reduced, meanwhile, the Balance Sheet would not show the car as a Fixed Asset. Therefore, incorrect treatment ofexpenditure will result:

IF		
Capital Expenditure treated as Revenue Expenditure	Increase Expenses Decrease Net Profit	Decrease in Fixed Assets in the Balance Sheet
Revenue Expenditure treated as Capital Expenditure	Decrease Expenses Increase Net Profit	Increase in Fixed Assets in the Balance Sheet.

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

The Policy for charging depreciation is selected by:

► Manufacturer

► Trader

Management

► Accountant

Which method of depreciation is choose and how much depreciation rate is charege and the value of fixed assests on which depreciation will be charged it is decided by the policy of the company /management.

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

Residual value, salvage value and scrap value are three terms that refer to the expected value at the end of the useful life of the property, plant and equipment used in a business

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

Owner's equity rises when a company generates a profit and retains part of it after paying dividends.

The statement of retained earnings is also known as the RETAINED EARNINGS STATEMENT, the STATEMENT OF SHAREHOLDERS' EQUITY, the STATEMENT OF OWNERS' EQUITY, and the EQUITY STATEMENT

The calculation is:

Beginning retained earnings + Net income during the period - Dividends paid = Ending retained earnings

Rearrange

Net income during the period= Ending retained earnings+Dividends paid - Beginning retained earnings

Net income during the period = 5,000 +1,500 – 7,500 = (1,000)

Profit is added in the capital account because it increases the retained earnings and thus increases the owner‘s equity of the business and vice versa

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

Under the cash basis of accounting…

1. Revenues are reported on the income statement in the period in which the cash is received from customers.

2. Expenses are reported on the income statement when the cash is paid out

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

Current liabilities are short term loans and due within one year and deducted form assets in working captial

Working capital = Current Asset – Current Liabilities

Long-term liabilities are existing obligations or debts due after one year

PAPER # 02

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

Opening written down value of machine	=375000
Add	
Cost of new machine	=50000
Less	
Depreciation during the year	= (11000)
=	
Closing written down value (WDV) of the Machines	=414000

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

Opening written down value of machine	=100,000
Add	
Cost of new machine	=50,000
Less	
Depreciation during the year	= (21,000)
=	
Closing written down value (WDV) of the Machines	=129,000

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

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life.

The idea of depreciation is to spread the cost of that capital asset over the period of *its* "useful life

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

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

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**

Accountancy is the main subject accounting is one of its branches. The word "accountancy" is far extensive; i.e. the scope of accountancy is far a wide and extensive compared to accounting. It covers the entire body of theory and practice, e.g. bookkeeping, accounting, costing, auditing, taxation etc.

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

Bank statement is the detail of transactions in one's account provided by the bank.

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

Balance as per cash book (Dr) Favorable balance Add

- ✓ Cheques issued but not presented for payment/un-presented cheques
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected/ un-credited cheques
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book

- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

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

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.
IAS 16.6 and IAS 40.5 define fair value as ―the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.‖
Fair value
―the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.‖

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

10 * 10= 100

35 * 11 =385

40 * 12=480

10+35+40=85 unit sold

Ending inventory = Third purchase. 20 x 13 =260

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

Year 1 Depreciation = 40% of 400,000 = 160,000

Year 1 WDV =4000,000-160,000= 240,000

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

Sale price -Written down value = Profit/Loss

50,000-25,000= 25,000 profit

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

a) General Journal
b) Balance Sheet
c) Profit and Loss account
d) None of the given options

Outsider's claim against the assets of the business is called

a) Capital
b) Liability

c) Expense
d) Income

7. An expenditure whose benefit is finished or enjoyed immediately is called:

a) Expense
b) Liability
c) Cost
d) Income

8. Increase in an expense is recorded on the:

a) left or credit side of the account
b) Right or debit side of the account
c) Left or debit side of the account
d) Right or credit side of the account

9. Which of the following is Not a part of General Ledger?

a) Activity Book
b) Purchase Return Book
c) Purchase Book
d) Sales Book

10. What will be debited, If Mr. "A" started business with Rs. 2, 00,000.

a) Capital account
b) Cash account
c) Mr. A's account
d) Business account

11. What will be debited, if Mohsin commenced business with cash?

a) Cash account
b) Capital account
c) Drawings account
d) Proprietor account

12. Cash book is a part of _____.

Voucher
General Journal

General Ledger
Trial Balance

13. When income is reduced or decreased, that amount is recorded on:

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

14. What will be debited, if business sold goods for Rs.10, 000 on credit?

Cash account
Sales account
Accounts receivable account
Purchases account

15. A company's merchandise, raw materials, and finished and unfinished products which have not yet been sold are known as:

Sales
Purchases
Inventory
Work in process

16. What is nature of Capital account?

Debit
Credit
Expenses
Loss

17. The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as:

Going-concern concept
Separate entity principle
Realization principle
Objectivity principle

18. Which of the following is NOT correct?

Decrease in Assets will be credit
Decrease in Liabilities will be debit
Decrease in Expenses will be credit
Decrease in Revenue will be credit

19. 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

a) Rs. 60,385 owner's equity
b) Rs. 61,385 owner's equity
c) Rs. 99,885 owner's equity
d) Rs. 99,385 owner's equity

20. An event can be classified as non-monetary:

a) Purchase on cash

b) Placing purchase Oder

c) Lose Accident

d) Selling on credit

21. Which voucher is used as proof that debtor MR. A has created his/her outstanding amount or balance?

A) Cash Payment voucher

b) Bank payment voucher

c) Petty Cash voucher

d) Cash receipt voucher

22. Which one the following is wrong?

a) Nature of owner equity is credit

b) Nature of assets is Debit

c) Nature of expense is Debit

d) Nature of income is Debit

23. In _____, ledger accounts produce balance continually throughout the according period like after each Cr/Dr Posting.

a) Report style

b) Running balance style

c) T account style

d) All of the given option

24. Post reference Colum of a journal entry is:

a) None of these

b) Event occurring after transaction takes place

c) Nam recording the journal entry

d) Page no of relevant ledger account

25. which of the following account is /are ”credit” if sold goods on credit to ABC cooperation for Rs.8000 and for cash Rs.4000?

a) Cash Account

b) Debtor Account

c) Both debtor and cash Account

d) Sale Account

26. Which of the following represent the deadline between two persons which change the financial position of the business?

a) Message

b) Event

c) Transaction

d) Communication

27. Bank overdraft will fail under which of the following Classification of account?

a) Revenue

b) Liabilities

c) Assets

d) Expenses

28. Commission paid will fall down under which of the following classification of accounts:

a) Revenue

b) Expenses

c) Assets

d) Liabilities

29. All of the following contra accounts except:

A) Drawing

b) Purchase

c) Sale return

d) Provision for doubtful debt

30. Credit note is issued by the seller when_____are returned

a) Credit sale

b) Credit purchase

c) Cash purchase

d) Debit sale

31. The Normal Balance of capital account is similar to:

a) Expense Account

b) Income Account

c) Asset Account

d) Drawing Account

32. Outcome claim against the assets of the business is also consider as _____for entity?

a) Source

b) Income

c) Expense

d) Liabilities

33. What is nature of Capital account?

a. Debit
b. Credit
c. Expenses
d. Loss

34. Increase in liabilities can cause increase in?
Select the correct option:

a. Equity
b. Expenses
c. Purchase
d. Profit

35. Good purchased on cash decrease?

a. Expenses
b. Purchase
c. Profit
d. Cash

36. Payable amount of the business represent?

a. Loan given
b. Assets
c. Liabilities
d. Drawing

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

Conversiton Cost = Direct Labor cost +FOH (factory overhead cost)

Conversiton cost =2000+1000 = 3,000

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)**

Page 82

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

Capital is often called the owner's net worth.

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**

Working capital is money available to a company for day-to-day operations.

This ratio measure both company's efficiency and its short term financial health

Formula =Working capital= current assets- current liabilities

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

Current asset are greater than current liabilities = positive working capital

Current asset are less than current liabilities = negative working capital

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

Bank overdraft is the running finance that is provided by the bank to the organization.

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** PROFIT & LOSS ITEM
- 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

Working capital= current assets- current liabilities

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

Financial Statements are the end product of the whole accounting process. These show us the profitability of the business concern and the financial position of the entity at a specified date.
The information as to profitability is provided by the Profit and Loss Account. The information as to availability of funds or financial health is provided by the balance sheet. But the balance sheet is prepared on a specific date and can provide information of financial position as on that date only. Cash flow, on the other hand provides more detailed information about the movement of funds during the period. With the help of cash flow

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**

The most commonly used groupings of expenses are as follows:
o Cost of goods sold
o Administration expenses
o Selling expenses
o Financial expenses

Sale
Less :CGS
= Gross Profit
Less : Administration expenses
Less : Selling expenses
Less: Financial expenses

= Net Profit /Loss

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

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. 2nd part is called **Profit & Loss account** in which Net Profit is calculated.

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)**

Bank Book (Bank Account Number) Account Code 02							
Date	Voucher Number	Chq. No.	Narration / Particulars	Ledger Code	Receipt Amount	Payment Amount	Balance Dr/(Cr)

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

Cash book and bank book are part of general ledger **Cash Book**
All cash transactions (receipts and payments) are recorded in the cash book. Cash book balance shows the amount of cash in hand at a particular time.

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**

RECAL

		Decrease		Increase	
R	Revenue	D	Dr	C	Cr
E	Expense	C		D	
C	Capital	D		C	
A	Assets	C		D	
L	Liability	D		C	

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

Intangible Assets that have no physical existence. Example . Good will, Right to receive money

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

Assets = liability + owner equity

Owner equity = assets – liability

Owner equity =50,000-10,000= 40,000

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

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.

Financial year (A period of 12 month duration)
In Pakistan, financial year starts from 1st of July and ends on 30th of June

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**

A company's revenue usually includes revenue from both cash 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 10th year only

► **Over 10 years**

► Nothing can be said about it

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life.

Machinery is an asset and its cost is spread over its useful life.

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

Net Profit =? - Expenses

► Liabilities

► Assets

► Capital

► **Income**

Net Profit = Income – Expenses

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

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

► Sale

► **Cost**

► Debt

► Revenue

PAPER # 03

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**

Financial accounting is an art of

Recording (Journal)

Classfying (Ledger)

Summarizing (Trial balance)

Reporting(P & L , Balance sheet)

Analysis (Intrepretation of financial statements)

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

Depreciable assets are assets which

(i) are expected to be used during more than one accounting period; and

(ii) have a limited useful life; and

(iii) are held by an enterprise for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.

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

A Deferred expense or prepayment, prepaid expense
If a company prepays its expenses, it usually has the next 12 months to use up that asset. A prepaid expense is an advance payment made.. Because the advance payment is for a future expense that has not occurred, it is classified as a current asset on the balance sheet of a business.
Prepaid insurrance
Prepaid rent
Prepaid tax
Prepaid legal fee
etc

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

Three basic transactions account for most of the changes that occur in shareholders' equity:

1. Sale of stock to investors
2. Recognition of periodic net income or loss
3. Declaration of cash dividends to shareholder

Invested capital is the amount received by the corporation after the sale of its stock to investors.

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**

Cash , Furniture, Vehicle are assets and normal balance

=Dr Captial A/C = Cr Balance

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

Balance as per cash book (Dr) Favorable balance Add

- ✓ Cheques issued but not presented for payment/un-presented cheques
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected/ un-credited cheques
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

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

Any expenditure which is not incurred repeatedly and regularly (non-recurring) is a capital expenditure, while any expenditure which is incurred again and again (recurring) is a revenue expenditure e.g., motor car is not bought again and again, but petrol required to drive it is to be bought at regular intervals

Moving machinery. Generally, the cost of moving machinery from one city to another is a deductible expense. So is the cost of moving machinery from one plant to another, or from one part of your plant to another. You can deduct the cost of installing the machinery in the new location. However, you must capitalize the costs of installing or moving newly purchased machinery.

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**

Any expenditure incurred to improve the concern or to increase the profit-earning capacity of the concern is a capital expenditure.

Capital expenditures are expenditures creating future benefits. A capital expenditure is incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset to extend its useful life.

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
value of the ending inventory	?

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

Ending Inventory

20x13=260

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

Consider the following inventory record:

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

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 Opening Stock Add purchases Total material available for sale Less closing ** Cost of good sold	105		1,225 100 1125 1225 ? ?

80 Unit sold

10 x 10 =100

35 x 11=385

35 x 12=420

Closing inventery /Unsold Units

5x12 =60

20x13=260

25 units unsold , Closing inventory =25 at cost 320

60+260 =320

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 Opening Stock	105		1,225 100

	Add purchases Total material available for sale			1125 1225
	Less closing **	5x12 20x13		320
	Cost of good sold			905

- ► 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?

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

Depreciation Straight line method

Cost of asset – Residual Value/ Estimated useful life

400,000 – 25,000/5

=75,000

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	**?**

Particulars	Depreciation	WDV
Dep at cost		1,00,000
Dep of the year 1	15,000	85,000
Dep of the year 2	15,000	70,000
Dep of the year 3	15,000	55,000
Dep of the year 4	15,000	40,000
Dep of the year 5	15,000	25,000

WDV or book val e after five year =25,000

Or

15000 x 5=75,000

100,000-75,000 =25,000

- **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

Depreciation is the wear and tear associated with the use of an asset. The depreciation of fixed assets is the decrease in their purchase price, or value, due to their usage.

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)**

Land is recorded at cost, other fixed assets are recorded at Book Value

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

Opening raw material + purchases = material avialable for use – ending /closing raw materail inventory = raw material consumed/cost of raw material consumed

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 =	?

- ► **Rs.130, 000**
- ► Rs.110, 000
- ► Rs.140, 000
- ► Rs.190, 000

Prime cost = Direct material + Direct labour + other direct cost

Prime cost =80,000+50,000

Prime cost =130,000

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

Total factory cost	6,000
Add	
Opening work in process	2,000
=	
Cost of good to be manufactured	8,000
Less	
Closing work in process	2,500
=	
Cost of good manufactured	5,500

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

Merchandise inventory is the goods owned by the business organization which are held for sale to the consumers. In a trading form of business organization, the primary function of the business is the sale of a product.

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

Sale	200,000
Less	
Cost of Sale	95,000
=	
Gross Profit	105,000
Less	
Operating expensis	100,000
=	
Net Profit	5,000

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

Sale Return Account Dr

Customer's Account Cr

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

Furniture Account Dr

Cash Account Cr

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

Cash Account Dr

Capital Account Cr

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)

Mr. "B" / Accounts Receivable Dr

Sales 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** profit & loss item

► 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

Receipt & Payment Account
A receipt & payment account is the summarized record of actual cash receipts and actual cash payment of the organization for a given period of time. This is a report that provides cash movement during the reported period.

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

Profit & Loss Account
Profit & Loss account is an account that summarizes the profitability of the organization for a specific accounting period.
Profit & Loss account has two parts
First part is called Trading account in which Gross Profit is calculated
2nd part is called Profit & Loss account in which Net Profit is calculated

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

The General Journal
The Journal is used to record financial transactions in chronological (day-to-day) order

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

Increase in Liability = Cr / right hand side

Decrease in liability = Dr/Left hand side

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

The nature of an asset is best described as:
An economic resource owned by a business and expected to benefit future operations

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

Asset= liabilities + owner equity

Owner equity = assest- liabilities

Owner equity =50,000 -10,000 =40,000

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

Capital expenditure.

All expenditure incurred in acquiring fixed assets, or improving the existing ones by increasing its efficiency (e.g. by providing substitution, alteration or renovation), or effecting economy in operation of existing assets (e.g. by attaching power motor to hand driven machine) are called capital expenditure.

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

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

- ► Cost Accounting for internal use
- ► **Financial Accounting** for external use
- ► Management Accounting use of decision making by top mangers
- ► Tax Accounting

PAPER # 04

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

Net Profit + Expenses= _____

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

Net Profit = Income – Expenses

Net proit + Expense = 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

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful lifeIt. is a process of charging the cost of fixed asset to profit & loss account.

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

Depreciation is an allocation process in order to achieve the matching principle

Matching principle. This principle requires that the asset's cost be allocated to Depreciation Expense over the life of the asset

The calculation and reporting of depreciation is based upon two accounting principles

Cost principle. **This** principle requires that the Depreciation Expense reported on the income statement, and the asset amount that is reported on the balance sheet, should be based on the historical (original) cost of the asset.

Matching principle. **This** principle requires that the asset's cost be **allocated** to Depreciation Expense over the life of the asset. In effect the cost of the asset is divided up with some of the cost being reported on each of the income statements issued during the life of the asset. By assigning a portion of the asset's cost to various income statements, the accountant is matching a portion of the asset's cost with each period in which the asset is used. Hopefully this also means that the asset's cost is being matched with the **revenues** earned by using the asset.

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

Cash book and bank book are part of general ledger

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

Balance as per cash book (Dr) Favorable balance Add

- ✓ Cheques issued but not presented for payment
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

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

Since there are timing differences between when data is entered in the banks systems and when data is entered in the individual's system, there is sometimes a normal discrepancy between account balances. The goal of reconciliation is to determine if the discrepancy is due to error 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

Revenue expenditure is expenditure incurred in the running / management of the business. Capital Expenditure is shown on the Balance Sheet, while Revenue Expenditure is an expense in the Profit and Loss account. Revenue expense reduce the funds and profit of the current year.

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

Reducing Balance Method charges depreciation at a higher rate in the earlier years of an asset. The amount of depreciation reduces as the life of the asset progresses

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**

400 x 21.00 = 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**

Ending inverntory

5 x 12 = 60
20 x 13 =260

60+ 260 =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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	_____
Raw Material available for used	300,000
Less	
Closing stock of raw material	85,000
=	_____
Cost of Material Consumed	215,000

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

Depreciation Charge Account Dr

Accumulated Depreciation account Cr

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

Straight line method :

Fixed amount is charged every year irrespective of the written down value of the asset.

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

Particulars	Depreciation	WDV
Depreciation at cost		1,00,000
Dep of the year 1	5.000	95,000
Dep of the year 2	5,000	90,000
Dep of the year 3	5,000	85,000

Dep of the year 4	5,000	80,000
Dep of the year 5	5,000	75,000

Or
5000 x 5 = 25,000
100,000 -25,000 =75,000

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

Book value /WDV on 5th year	75,000
Sale price after 5 years	50,000
Loss on sale	(25,000)

Sale – WDV= Profit/loss

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

15,000 - 75,000 = (60,000) loss

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

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

Totally factory cost = Cost of Material Consumed+ Conversion Cost

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

Salaries / wages paid to labor and supervisors/officers working for the manufacturing of goods become a part of Cost of Goods Sold
And Trading Acocunt - Sale – CGS = Gross profit

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

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 300
o Salaries of employees 2500

o General office expenses
o Repair & maintenance of office equipment & vehicles

Cost of goods sold is the cost incurred in purchasing or manufacturing the product

Purchase of raw material/goods

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

Captial Account Dr

Cash Account Cr

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

Vehicle Account Dr

Cash Account Cr

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

Current Liabilities – These are the obligations of the business that are payable within twelve months of the balance sheet date. Creditors and all accrued expenses are the examples of current liabilities of the business because business is expected to pay these back within one accounting period

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

Cash book and bank book are part of general ledger.

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

Cash Book
All cash transactions (receipts and payments) are recorded in the cash book. Cash book balance shows the amount of cash in hand at a particular time.

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

Commercial Accounting
Commercial Accounting is done through a system that is known as Double entry 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

PAPER # 05

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

Expenditures incurred annually are known as:

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

Any expenditure that benefits the business for several accounting years, is regarded as a capital expenditure; any expenditure that benefits the business only for one accounting year is considered a revenue expenditure.

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**

In case of Income and Expenditure account, Surplus/Deficit is to be find and in case of Profit and loss account, profit or loss is to be found.

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

The joint stock company has the following feature:
• Creation of Law

- **Separate Legal Entity**
- **Limited Liability**
- Transferability of shares
- Number of Members
- **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

Opening WDV of machine	200,000
Add	
Cost of new machine purchased during the year	50,000
Less	
Depreciation during the Year	25,000
=	
Closing WDV of machiness	**225,000**

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

- ► 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

Name Of Organization			
Journal Voucher			
			Date: No:
Description	Code	**DebitAmount**	**Credit Amount**
Total:			
Narration:			
Prepared By:			Checked by:

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

When the process is completed and the goods are prepared, all the value of work in process is charged to finished goods 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

ERRORS IN CASH BOOK

Errors or omissions in the cash book can lead to a difference between the balance as per bank statement and the balance as per cash book. For instance, an entity may incorrectly record the bank deposits or withdrawals in another accounting ledger or it may record the entry by a wrong amount. Likewise, a bank deposit or withdrawal may be completely omitted from the cash book. Such discrepancies would cause the balance shown in the bank statement to be higher or lower than cash book balance depending on the nature of the error or the omission. **The difference needs to be eliminated by adjusting the cash book of the company before the preparation a bank reconciliation**.

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

Sale proceeds of goods are an example of:

- Revenue expense
- Capital expense
- Capital receipt
- **Revenue receipt**

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.

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

Ending inventory

20 x 13=260

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200, 000
=	
Material Available for use	300,000
Less	
Closing stock of raw material	85,000
=	
Cost of Material Consumed	215,000

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

Straight line method or **Original cost method** or Fixed installment method

Reducing Balance Method

Under this method, depreciation is calculated on written down value/ **Book Value**

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

Depreciation = (cost – Residual value) / Expected useful life of the asset
Deprecation = 400,000 – 25,000 /5
Depreciation =375,000/5
Depreciation =75,000

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

75,000-50,000 =(25,000)

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

Conversion Cost =Direct labor cost +Factory overhead cost

Conversion cost =30,000 +60,000 = 90,000

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

Purchase A/c Dr
Cash A/c Cr

Question No: 20(Marks: 1)

-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

Financial statements present the results of operations and the financial position of the company

The balance sheet / Statement of financial position tells you whether the company can pay its bills on time, its financial flexibility to acquire capital and its ability to distribute cash in the form of dividends to the company's owners.

The income statement (also known as the profit and loss statement or P&L) tells you both the earnings and profitability of a business.

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

Sale- CGS = Gross profit – operating expense = net profit/loss

100,000- 95,000 =5,000 -200,000 = (195,000)

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

Sale- CGS = Gross profit – operating expense = net profit/loss

95,000-60,000 =35,000 -20,000 = 15,000

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

Bank overdraft is the liability of the organization. Bank overdraft is the running finance that is provided by the bank to the organization.

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

---

(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

---

1) Title of account

2) Amount of transaction

3) Date of transaction

► (1) & (2) only

► (2) & (3) only

► (1) & (3) only

► **(1), (2) & (3)**

Usually the ledger is required to provide following information:
o **Title of account**
o Ledger page number, called Ledger Folio / Account Code
o Date of transaction
o Voucher number
o Narration / particulars of transaction
o Amount of transaction

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

Double entry accounting is based on the fact that every financial transaction has equal and opposite effects in at least two different accounts.

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

Word "Credit" is derived from _____language.

► **Latin**

► English

► French

► Chinese

Debit and Credit are two Latin words and as such it is difficult to say what do these mean.

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

PAPER # 06

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

Net Profit + Expenses= _____

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

Net Profit = Income – Expenses

Net profit + Expenses = 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**

Land is recorded at cost .

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

Depreciation, as the term is used in accounting, is the allocation of the cost of a tangible plant asset to expense in the periods in which services are receives from the asset. In short, the basic purpose of depreciation is to achieve the matching principle that is to offset the revenue of the accounting period with the cost of the goods and services being consumed in the effort to generate the revenue

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

Assets =34,500

Liabilities

Account payable 1000

Other liability 11500

Total liabilities =12500

Assets = liabilities + owner equity

34,500 = 12500 + ?

Owner equity = assets – liabilities

Owner equity =34500 – 12500 =22,000

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

Prepaid Expenses are amounts that are paid in advance to a vender or creditor for goods and services

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

Balance as per cash book (Dr)

Add

- ✓ Cheques issued but not presented for payment
- ✓ Interest allowed by the bank
- ✓ Interest on invemetment and divident collected by bank
- ✓ Direct payment in to bank by custoemrs
- ✓ Cheques paid in to bank but ommitted to be recorded in the cash book
- ✓ Any wrong entery in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Undercast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected
- ✓ Cheques paid in to bank for collection but dishonoured by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book
- ✓ Discounted bill dishourned but not recorded in cash book
- ✓ Balance as per pass book (Cr)

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

Sold

10 x 10 =100

35 x 11= 385

40 x 12 = 480

100+385+480 =965 =Cost of good sold

Ending inventory /Unsold

20 x 13 =260

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**

10 x 10 =100

35 x 11=385

35 x 40=420

10+35+35 =80 unit sold

100+385+420 =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

WDV/book value – Sale price = Profit /Loss

75,000 -50,000 = (25,000) loss

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

Finished Goods
Finished goods contain items that are ready for sale, but could not be sold at the end of accounting period.

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

Purchase Account	Dr	
Cash Account		Cr

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

Work in Process
In manufacturing concern, raw material is put into process to convert it into finished goods. At the end of the year, some part of raw material remains under process. It is neither in shape of raw material nor in shape of finished goods. Such items are taken in stock as work in process

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

Sale Return Account Dr

Customer‘s Account Cr

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

Furniture Account Dr

Cash Account Cr

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**

Vehicle Account Dr

Bank Account Cr

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

Purchase asset = Dr

Bank payment = Cr

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

Accrued expenses are the example of:

► **Current liabilities**

► Long term liabilities

► Deferred costs

► Capital expenses

Accrued expenses are the examples of current liabilities of the business because business is expected to pay these back within one accounting period.

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

Prepaid Expenses is a Current Asset for our business. **Prepaid Expenses** are amounts that are paid in advance to a vender or creditor for goods and services

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

Balance sheet is prepared on a specific date and can provide information of financial position as on that date only

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

Posting: The process of transferring entries from a journal of original entry to a ledger book.

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)**

Usually the ledger is required to provide following information:
o Title of account
o Ledger page number, called Ledger Folio / Account Code
o Date of transaction
o Voucher number
o Narration / particulars of transaction
o Amount of transaction

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

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

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

Credit side < debit side = debit balance

Credit side > debit side = 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

Intangible assets which have no physical existence like goodwill, patents and copyrights etc.

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

Any account that provides a benefit is **Credit.**
OR
Anything to which the business has a responsibility to return a benefit in future is **Credit**.

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

Profit is the excess of income over expenses in a specified accounting period.

Profit= Income - expenses

37. Which voucher is used as proof that creditor Mr. A outstanding amount has cleared?

b. Cash Payment voucher
c. Bank Receipt voucher
d. Petty cash voucher
e. Cash receipt voucher

38. What will be debited If Mr. "A" started business with Rs. 2, 00,000.
    a. Capital account
    b. Cash account
    c. Mr. A's account
    d. Business account

39. Which of the following particular/s is/are included in payment voucher?

    a. Name of organization
    b. Cash payment
    c. Date
    d. All of the given

40. Which of the following is (are) item (s) of cost of goods sold statement?

a) Purchase of raw material
b) Any tax/freight paid on purchases
c) Any expense incurred on carriage/transportation of raw material purchased items
d) All of the given options

41. Which of the following voucher is used to record transactions that do not affect bank & cash?

    a) Journal Voucher
    b) Receipt Voucher
    c) Payment Voucher
    d) Nominal Voucher

42.

    a) Rs. 400
    b) Rs. 2,500
    c) Rs. 2,900
    d) Rs.20, 900

43. What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?

    a) Rs.130, 000
    b) Rs.110, 000
    c) Rs.140, 000
    d) Rs.190, 000

44. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

a) Bank statement
b) Income statement
c) Financial statement
d) Bank Reconciliation statement

48.

a. Furniture account
b. Cash account
c. Business account
d. Bank account

49. Expenditure incurred in acquiring the patent right for the business is an example of:

a) Revenue expenditure

50. Total assets - Total liabilities =?

a) Owner's Equity

54. In which of the following statement opening stock is shown?

a) Profit and loss account
b) Balance sheet
c) Cash flow statement
d) Owner's equity

55. The profitability of its business operations for a period of time

a) Its financial position at the end of an accounting period
b) Its cash receipts and cash payments during an accounting period (Not Sure)
c) None of the given options

56. Which of the following is (are) example(s) of non distributable profit?

a) General reserve
b) Accumulated profit and loss (credit balance)
c) Revaluation reserves
d) None of the given options (Not sure)

57. Which of the following Organization converts raw material into finished goods?

a) Trading concern
b) Manufacturing concern
c) Merchandising concern
d) Service concern

58. In firms cash flow statements, which of the following would appear as a cash outflow?

a) The payments for share in a company whose shares are treated on a stock exchange
b) A decrease in trade debtors over the course of an accounting period
c) Money received as a result of issuing new shares
d) Money received as result of selling fixed assets (Not sure)

59. Which of the following particular/s is/are included in receipt voucher?

a) Name of organization
b) Bank receipt
c) Date
d) All of the given options

60. Which of the following assets is most likely to appreciate rather than depreciate?

b) Creditors account
c) Cash account
d) Capital account

65. Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:

a) Only carriage account
b) Only machinery account
c) Both carriage and machinery account
d) None of the given options

66. Cost of goods manufactured - opening work in process + ending work in process =?

a) Cost of goods sold
b) Prime cost
c) Conversion cost
Total factory cost

d)

67. If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?

Rs. 1, 95,000 Losses

a)

b) Rs. 1, 95,000 Profits
c) Rs 1, 05,000 Profits
d) Rs1, 05,000 Losses

68. What is the proper order of the following steps in the accounting process? I. Prepare and analyze the trial balance II. Record relevant transactions and events in a journal III. Analyze each transaction and event from source documents IV. Post journal information

to ledger accounts

a) III. IV. I. II.
b) I. II. III. IV.
III. II. IV. I. ***c)***
d) III. II. I. IV.

69. All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:

a) Bank Charges
b) Interest on Overdraft
c) Un-presented Cheques
d) Direct Receipts

70. Which of the following is Not an Asset Account?

a) Plant & Machinery
b) Loan to XYZ co.
c) Cash at Bank
d) Loan from ABC co.

71. A balance of pass book written in brackets ( ) by the bank is known as:

a) Favorable balance for customer
b) Unfavorable balance for bank
c) Unfavorable balance for customer
d) None of the above

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

Production worker's wages ***a)***

b) Depreciation expenses
c) A piece of wood for the production of chair
d) Polish and finishing material for chair
e) other are non direct or factroy

73. Expenditure incurred in acquiring the patent right for the business is an example of:

a) Revenue expenditure

Capital expenditure **b)**

c) Deferred revenue expenditure
d) Administrative expenditure

74. Cash book is a part of _____.

a) Voucher
b) General Journal
c) General Ledger
d) Trial Balance

75. What will be the entry of disposal of an asset at cost price?

a) Debit Fixed Asset Disposal and Credit Fixed Asset Cost
b) Debit Accumulated Dep. and Credit Fixed Asset Disposal
c) Debit Cash / Bank and Credit Fixed Asset Disposal
d) None of the given options

76. ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?

a) Rs. 20,000
b) Rs. 150,000
Rs. 10,000 **c)**
d) Rs. 25,000

77. A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Conversion cost will be:

a) Rs. 150,000
b) Rs. 175,000
Rs. 125,000 **c)**
d) Rs. 225,000

78. The Sales Returns Day Book would include:

a) Goods bought on credit
b) Fixed Assets bought that are inappropriate for business
Stock that customers have returned. **c)**
d) Goods bought on credit that are returned to the original supplier

79. Total Sales are calculated by adding:

a) Cash sales and cash received from debtors
b) Credit sales and cash received from debtors
c) Cash sales and credit sales (Right Answer)
d) Cash ales and credit purchases

80. In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

a) Conversion cost
b) Prime cost
c) Total factory cost
d) Cost of goods manufactured

81. Outsider's claim against the assets of the business is called:

a) Capital
b) Liability
c) Expense
d) Income

82. Which of the following particular/s is/are included in payment voucher?

a) Name of organization
b) Cash payment
c) Date
All of the given options ***d)***

83. Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:

Mr. B is Debit Sales Returns is Credit ***a)***

b) Sales Returns is Debit Mr. B is Credit
c) Mr. B is Debit Accounts Receivable Credit
d) Purchases Return Debit Mr. B is Credit

84. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible

discrepancies is known as:

a) Bank statement
b) Income statement
c) Financial statement
Bank Reconciliation statement ***d)***

85. Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs. 245,000 Purchases Rs. 250,000 Freight Inward Rs. 5,000 Closing Stock Rs. 25,000 What will be the amount of Opening Stock?

a) Rs. 15,000
b) Rs. 10,000
c) Rs. 25,000
d) Rs. 20,000

. Bank Balance will fall under which of the following classification of account?

a) Assets
b) Liabilities
c) Revenues
d) Expenses

After some intervals, the sum of sales is posted to the debit side of .....?

a) Total Debitor Account
b) Sales Account
c) Total Creditors Account
d) None of the given Options

87.

88. Outsider claim against assets of the business is also called for the entity?

a) Income
b) Resource
c) Expense

d) LiabilitiesThe favorable balance as per pass book is: Credit balance as per bank statement

91. Expense account is closed at the end of the accounting period in:

Income account

92. _____is posted in debit side of debtors account.

Credit sales

93. In case of creating the provision for discount on debts,_____is debited.

Discount allowed account

94. All of the following are the deprecation methods for tangible fixed assets EXCEPT:

Fair value method

95. The favorable balance as per cash book (bank column) is:

Unfavorable balance as per bank statement

96. ABC Corporation has recently purchased a new production plant. It will be initially measured at _____.

Cost

97. _____is posted in credit side of debtors account.

Credit purchases

98. Which of the following is a Tangible fixed asset?

All of the given options

99. Which of the following needs NOT to be adjusted in cash book?

Cheques deposited but not credited

100. Which of the following should be debited in bank statement?

Interest on overdraft

101. _____ is charged to profit and lost account.

Bad debts account

102. Comparison of bank column of cash book and bank statement is needed while preparing:

Bank reconciliation statement

103. If cost of equipment is Rs. 108,000, useful life is 10 years and its residual value is Rs. 8,000. Then Depreciation for the year using straight line method is

Rs. 10,000

104. If cost of a plant is Rs. 120,000. Total estimated hours are 15,000 and residual value is Rs, 20,000. Then depreciation rate per hour is _____.

Rs. 6.67 per hour

105. _____is posted in credit side of debtors account.

Sales return

106. Income account is closed at the end of the accounting period in:

Income statement

107. In case of writing off debtors as bad debt, _____ is credited.

Debtors account

108. All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:

Un-presented Cheques

109. The bank debits the customer's account in pass book in case of:

Interest on Overdraft

110. _____ is posted in debit side of receivable account.

Balance b/f of receivable

111. _____is posted in credit side of debtors account.

Purchase return

112. Income receivable at the end of the period is treated as:

Assets

113. Irrecoverable debts are also known as:

Bad debts

114. The Cheques that have been deposited into the bank but not cleared until the end of the period is called as:

Un-Credited (Not Sure)

115. Which of the following should be debited in bank statement?

Amount deposited in bank

116. In case of goods sold on credit basis, _____is debited.

Debtors account

117. In case of creating the provision for discount on debts, _____is debited.

Discount allowed account

118. _____is posted in the debit side of debtors account.

Balance b/f of debtors

119. If an assets is exchanged with another asset and commercial substance does not exit, the cost of asset taken through exchange is _____of assets given up.

Carrying value

120. Which of the following is TRUE regarding tangible fixed assets?

All of the given options

121. Rent income account should debited due to:

Rent receivable opening

122. Which of the following should be credited in bank column of cash book?

Dividend received on behalf of customer

123. Income received during the period should be mentioned on:

Income side of balance sheet

124. Which of the following is a Tangible fixed asset?

All of the given option

125. _____is posted in debit side of debtors account.

No answer

126. The bank debits the customer's account in pass book in case of:

All of the given options

127. _____is posted in credit side of debtors account.

No answer

128. At the end of the accounting period, income and expense account are closed in:

Income statement

129. In case of recovery of bad debts,_____is credited.

Bank account

130. Which of the following can be attributed as "Useful life" a tangible fixed asset?

All of the given options

131. A debit balance is the Bank Statement indicates:

Bank overdraft

132. Expenses paid in advance at the end of the period is treated as:

Assets

133. A debit balance in the bank Statement indicates:

Bank overdraft

134. In case of creating provision for doubtful debt, _____is credited.

Provision for doubtful debts account

135. In case of creating provision for doubtful debt, _____is debited.

Bad debts account

136. The useful life of tangible fixed assets is:

More than one year

137. Advance receipt at the end of the period is treated as:

Liability

138. What should be credited, if salary is paid to Sohail?

a) Sohail account
b) Salaries account
c) Cash account
d) Drawings account

139. Which of the following is NOT correct?

a) Decrease in Assets will be credit
b) Decrease in Liabilities will be debit
c) Decrease in Expenses will be debit
d) Decrease in Revenue will be debit

140. Which of the following is/are the example/s of Intangible Asset?

a) Copy rights
b) Good will
c) Patent rights
d) All of the given options

141. Which of the following is a FIRST product of accounting cycle?

a) Voucher
b) General Journal
c) General Ledger
d) Financial Statements

142. What will be debited, if Mohsin commenced business with cash?

a) Cash account
b) Capital account
c) Drawings account
d) Proprietor account

143. Assets are divided in which of the following categories in balance sheet.

a) Current assets, Long term assets and capital assets
b) Current assets, Long term assets and fixed assets
c) Current assets, Quick assets and business debts

d) Current assets, Fixed assets and deferred cost

144. 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 ?

a) Rs. 12,000
b) Rs. 11,000
c) Rs. 110,000
d) Rs. 111,000

145. What will be debited, if business purchased Vehicle on cash?

a) Vehicle account
b) Cash account
c) Business account
d) Bank account

146. Franchise rights, goodwill and patents are the examples of:

a) Liquid assets
b) Tangible assets
c) Intangible assets
d) Current assets

147. Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000 Liabilities 90,000

a) Rs. 35,000
b) Rs. 55,000
c) Rs. 1, 25,000
d) Rs. 1, 05,000

148. What should be credited, if rent paid in cash?

a) Landlords account
b) Rent account
c) Cash account
d) Accounts receivable account

149. Consider the following data: Particulars Rs. Assets 75,500 Owner's equity ? Liabilities 40,200

a) Rs. 35,300
b) Rs. 55,000
c) Rs. 125,000
d) Rs. 115,700

150. 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 ?

a) Rs. 22,000
b) Rs.24, 000
c) Rs. 45,000
d) Rs. 46,000

151. 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

a) 1 only
b) 1 & 2 only
c) 2 & 3 only
d) 1, 2 & 3

152. Which one of the following will result in increase in revenues?

a) Purchased fixed asset
b) Received discount
c) Payment to creditors
d) Return of goods, sold on credit

153. Amount generated from sales in a business is called:

a) Income
b) Net Income
c) Gross Profit
d) Operating profit

154. The expenses which are NOT paid out of Gross Profit is classified as:

a) Direct Expenses
b) General Expenses
c) Financial Expenses
d) Selling Expenses

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

a) Journalizing
b) Posting
c) Balancing
d) Analyzing

156. Which of the following is NOT correct?

a) Decrease in Assets will be credit
b) Decrease in Liabilities will be credit
c) Decrease in Expenses will be credit
d) Decrease in Revenue will be debit

157. 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?

a) Rs. 201,000
b) Rs. 111, 000
c) Rs. 290, 000
d) Rs. 291, 000

158. The expenses which are NOT paid out of Gross Profit is classified as:

a) Direct Expenses
b) General Expenses
c) Financial Expenses
d) Selling Expenses

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

a) Separate Legal Entity

b) Limited Liability of shareholders
c) Easy formation
d) Common Seal

160. Any expense that gives benefit for a period of less than twelve months is called _____.
a) Capital Expense
b) Revenue Expense
c) Revenue Receipt
d) Deferred Expense

161. The process of transferring journal entry information to the ledger is called:
a) Journalizing
b) Posting
c) Balancing
d) Analyzing

162. Total assets - Total liabilities =?
a) Owners' Equity
b) Expenses
c) Retained earnings
d) Retained earnings

163. Net profit = Gross profit -a)
Operating Expenses
b) Product Cost
c) Deferred Expenses
d) Direct Cost

164. Debit signifies:
a) Increase in Asset account
b) Decrease in liability account
c) Decrease in capital account
d) All of the given options

165. The term "Debit" is drived from_____language.

a) Latin
b) English
c) French
d) Chinese

166. A book that keeps separate record for each account is known as:

a) Trial Balance
b) Voucher
c) General Journal
d) General Ledger

167. Which one of the following is called the book of primary Entry?

a) General Journal
b) General Ledger
c) Trial Balance
d) Profit and loss account

168. In an account if credit side > debit side, the balance is known as:

a) Negative Balance
b) Debit Balance
c) Credit Balance
d) Positive Balance

169. Normally single entry book keeping is followed by the:

a) Small businesses only
b) Governments only
c) Large scale businesses only
d) Both Small businesses and Governments

170. What will be debited, if business sold goods for Rs.10, 000 on credit?

a) Cash account
b) Sales account

c) Accounts receivable account
d) Purchases account

171. An expenditure whose benefit is finished or enjoyed immediately is called:
a) Expense
b) Liability
c) Cost
d) Income

172. What should be debited, if Sales made to Mahmood for cash?
a) Cash account
b) Mahood account
c) Sales account
d) Purchases account

173. Which of the following is NOT a characteristic of Journal?
a) Transactions are recorded in chronological order
b) Transaction is first recorded in Journal from Voucher
c) It is also called "The original book of entry"
d) None of the given options

174. Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?
a) Rs. 35,000
b) Rs. 1, 75,000
c) Rs. 7, 35,000
d) Rs. 1, 05,000

175. Which of the following is Not a part of General Ledger?
a) Activity Book
b) Purchase Return Book
c) Purchase Book
d) Sales Book

176. What will be debited, if business bought goods on credit from Mr. Ali?

a) Purchases account
b) Mr. Ali account
c) Cash account
d) Sales account

177. 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 ?

a) Rs. 22,000
b) Rs.24, 000
c) Rs. 45,000
d) Rs. 46,000

178. Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?

a) Rs. 49,000
b) Rs. 55,000
c) Rs. 125,000
d) Rs. 115,700

179. Consider the following data: Particulars Rs. Assets 1, 05,000 Owner's equity 70,000 Liabilities ?

a) Rs. 35,000
b) Rs. 1, 75,000
c) Rs. 7, 35,000
d) Rs. 1, 05,000

180. Which of the following is NOT correct?

a) Decrease in Assets will be debit
b) Decrease in Liabilities will be debit
c) Decrease in Expenses will be credit
d) Decrease in Revenue will be debit

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

a) General Journal
b) Balance Sheet
c) Profit and Loss account d)
None of the given options

182. Which one of the following will result in increase in revenues?

a) Purchased fixed asset b)
Received discount
c) Payment to creditors
d) Return of goods, sold on credit

183. The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as:

a) Going-concern concept
b) Separate entity principle
c) Realization principle
d) Objectivity principle

184. In an account if debit side > credit side, the balance is known as the:

a) Negative Balance b)
Debit balance
c) Positive Balance
d) Credit balance

185. 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 ?

a) Rs. 12,000
b) Rs. 11,000
c) Rs. 110,000
d) Rs. 111,000

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

PAPER # 07

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

Why we use financial accounting

Business need

Accounting need

Financial need

Managerial need

The need for recording financial transactions arises because the individual or business wants to know the performance of the business and to assist the person in making decisions related to the business. *Accounting* is the backbone of the *business financial* world.

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

Which of the following shows a debit balance under normal circumstances?

Capital

Asset

Liability

Profit

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

Normally the practice of Book Keeping under Single Entry System is followed by:

Smalle business only

Governments only

Large scale businesses only

Both small businesses and governments

This is the conventional style of keeping records of financial transactions. In single entry book keeping system, as it is clear from the name, **only one aspect of the transaction is recorded**. This actually is not a system but is a procedure by which small business concerns, like retailers and small shopkeepers, keep record of their sale / income

Question No: 4 (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: 5 (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

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**

Question No: 6 (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: 7 (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: 8 (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: 9 (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

Ending inventory

20 x 13 =260

Question No: 10 (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

Depreciation = Cost – Residual value/estimated useful life Depreciation =400,000 -25,000/5

Depreciation=75,000

Question No: 11 (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: 12 (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 Accoun

Question No: 13 (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:14 (Marks: 1) - Please choose one

Which of the following entities is not profit oriented entity?

Sole - proprietorship

Partnership

Companies

Trust

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

Which concept of an accounting describes that for every debit there is a credit?

Dual aspect concept

Matching concept

Separate entity concept

Money measurement concept

Dual Aspect of Transactions
For every debit there is an equal credit

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

Which of the following is the act of recording each transaction in the Journal?

Journalizing

Posting

Folioing

Transferring

The process of recording each transaction in a journal is called journalizing. The process of transferring journal entry information to the ledger is called posting

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

Which of the following account would be debited when direct material is purchased on cash of Rs. 2,000?

Indirect material

FOH

Material/stock

Cash

Material/ Stock Account Dr

Cash Account Cr

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

Which one of the following methods for inventory valuation may increase income tax due during the period of inflation?

FIFO Method

Weighted Average Method

Specific Identification Method

LIFO Method

FIFO
If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. **The income tax is larger.** Value of unsold inventory is also higher.
LIFO
If costs are increasing, then recently acquired items are more expensive. This increases the cost of goods sold (COGS) under LIFO and decreases the net profit. **The income tax is smaller.** Value of unsold inventory is lower.

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

Which of the following is another name of salvage value?

Face value

Fair value

Break up value

Book value

Salvage value/ residual value/ scrap value/ break-up value: The estimated value that an asset will realize upon its sale at the end of its useful life.

Question No: 20 (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

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life. It is a process of charging the cost of fixed asset to profit & loss account

Question No: 21 (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: 22 (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: 23 (Marks: 1) - Please choose one

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

Mr. Been / Accounts Receivable account (Dr) and sales account (Cr)

Cash account (Dr) and sales account (Cr)

Sales account (Dr) and Mr. Been / Accounts Receivable account (Cr)

Goods Sold account (Dr) and Mr. Been / Accounts Receivable account (Cr)

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

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

Voucher?

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

(1) & (2) only

(1) & (3) only

(2) & (3) only

(1), (2) & (3)

Question No: 25 (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

Work in Process
In manufacturing concern, raw material is put into process to convert it into finished goods. At the end of the year, some part of raw material remains under process. It is neither in shape of raw material nor in shape of finished goods. Such items are taken in stock as work in proc

Question No: 26 (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: 27 (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

Balance Sheet shows the Financial State of Affairs of the entity at a given date

Question No: 28 (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: 29 (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

PAPER # 08

Question No: 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: 2 - Please choose one

What is the nature of an expense account?

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

Nature of Accounts

Assest and expense = Dr Nature

Capital, Liability and owner equity = Cr Nature

Question No: 3 - Please choose one

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ► Profit
- ► Loss
- ► **Surplus**
- ► Deficit

In case of Income and Expenditure account, Surplus/Deficit is to be find and in case of Profit and loss

account, profit or loss is to be found.

Income and Expenditure account

Excess of income over expenses = Surplus

Excess of expneses over Income = Deficit

Profit and loss account

Excess of income over expenses = Profit

Excess of expneses over Income = Loss

Question No: 4 - 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: 5 - 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: 6 - 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

Sale – CGS = Gross profit – operating expenes = Net profit

95,000-60,000=35,000 -20,000 =15,000

Question No: 7 - 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: 8 - 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

Straight line method =Cost- Residual value/ Expected useful life of asset

Question No: 9 - 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

Ending inventory

20 x 13 = 260

Question No: 10 - 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: 11 - Please choose one

Accountancy covers which of the following area(s):

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

Question No: 12 - Please choose one

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

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner‘s equity	Rs. 1, 000

- Rs. 12,000 liabilities
- Rs. 11,000 liabilities
- **Rs. 1, 10,000 liabilities**
- Rs. 1, 11,000 liabilities

Cash & debtor, other assets = assets 1,00,000+10,000+1,000 =111,000

Assets = liabilities + owner equity

111,000 = ? + 1,000

111,000 =110,000+1,000

111,000=111,000

Or

Assets = liabilities + owner equity

Rearrange

Liabilities = Asets – owner equity

Liabilities =111,000 -1,000

Liabilities=110,000

Question No: 13 - Please choose one

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

- ► **Rs. 60,385 owner's equity**
- ► Rs. 61,385 owner's equity
- ► Rs. 99,885 owner's equity
- ► Rs. 99,385 owner's equity

Assets = liabilities + owner equity

Owner equity = assets – liabilities

Owner equity =80,385 – 20,000

Owner equity =60,385

Question No: 14 - Please choose one

Particulars	**Rs.**
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	**?**

- **Rs.130, 000**
- Rs.110, 000
- Rs.140, 000
- Rs.190, 000

Prime cost = direct material cost + direct labor costs + other direct production cost

Prime cost =80,000 + 50,000 + 0

Prime cost =130,000

Question No: 15 - Please choose one

Mr. B provided the following information at the end of the month:

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

Based on the information provided, what are the total assets of Mr. B?

- Rs.200
- **Rs. 600**
- Rs. 800
- Rs. 1,700

Asset = Cash + Accounts Receivable

Asset = 100+500

Assets=600

Liabilities = Accounts payable, Bank loans

Question No: 16 - Please choose one

Which of the following is an example of liability in a business enterprise?

- ► **Accounts payable**
- ► Accounts receivable
- ► Commission received
- ► Commission paid

Question No: 17 - Please choose one

Which of the following system of recording transactions is based on dual aspect concept of accounting?

- ► **Double entry system**
- ► Cash accounting system
- ► Single entry system
- ► Management system

Question No: 18 - Please choose one

Which of the following shows a debit balance under normal circumstances?

- ► Asset
- ► Expenses
- ► **Both assets and expenses**
- ► Revenue

Question No: 19 - Please choose one

Which of the following account would be credited in case of goods given away as charity?

- ► Charity account

► **Purchases account**

► Sales account

► Assets account

Charity is an expense so it will be debited because expense account is debited for increase... Good is an asset. It is decreasing so good accounts should be credited as per the rule of assets . Goods given as charity must have been charged at cost price so it is preferable to credit purchase account instead of good account. Purchase account is debited when there is increase in stock of goods due to purchase. In this case the stock will decrease so purchases account should be credited.

Charity A/c Dr

Purchase A/c Cr

Question No: 20 - Please choose one

If two sides of an account are equal, that account will shows a/an:

► **Zero balance**

► Debit balance

► Credit balance

► Opening balance

Question No: 21 - Please choose one

Which of the following statement is **TRUE** about Trial Balance?

► It shows the balance of assets a/c only

► It shows the balance of revenue and expenses a/c only

► It shows the balance of capital and liabilities a/c only

► **It shows the balance of all types of accounts**

Question No: 22 - Please choose one

Which of the following account would be credited when goods are given as charity?

- ► Charity a/c
- ► Free sample a/c
- ► **Purchases a/c**
- ► Sales a/c

Purchases account always shows debit balance. It is debited for both cash and credit purchases. In the following cases, goods are valued at cost or purchase price so purchase account is credited

- Goods given as charity
- Good taken/withdrawn by proprietor
- Loss of good by theft
- Loss of good by fire
- Free distribution of goods as sample
- Distribution of goods to employee free sample

Question No: 23 - Please choose one

Which of the following is used to record the receipts of cash or cheque?

- ► Journal Voucher
- ► **Receipt Voucher**
- ► Payment Voucher
- ► Cash voucher

Receipt Voucher

Receipt voucher is used to record cash or bank receipt. Receipt vouchers are of two types:

• Cash receipt voucher

• Bank receipt voucher

Question No: 24 - Please choose one

What types of transactions are recorded in journal vouchers?

- ► Cash transactions

► Bank transactions

► Both Cash & Bank transactions

► **None of the given options**

Written-down value is also called book value or net book value. It is calculated by subtracting accumulated depreciation or amortization from the asset's original value.

Question No: 25 - Please choose one

Which of the following account would be credited when Rs.5, 000 were paid to vendor?

► Cash

► **Voucher payable**

► Sundry debtors

► Personal account of customer

An *INVOICE* from a vendor is the bill that is received by the purchaser of goods or services from an outside supplier. The vendor invoice lists the quantities of items, brief descriptions, prices, total amount due, credit terms, where to remit payment, etc.

A *VOUCHER* is an internal document used in a company's accounts payable department in order to collect and organize the necessary documentation and approvals before paying a vendor invoice. The unpaid vouchers provide the detail for the total amount reported as **vouchers payable or accounts payable.**

Question No: 26 - 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

Manufacturing Cost = Labor + Materials + Overhead

Direct Material

+Direct Labor

+Other direct production cost

=Prime cost

Prime Cost

+Factory overhead cost

Total Production Cost/Manufacturing Cost

Prime cost + FOH = Manufacturing Cost

30,000 +5,000 = 35, 000

Question No: 27 - Please choose one

Depreciation of office building is charged to:

- Cost of Goods Sold
- **Administrative Expenses**
- Selling Expenses
- Financial expenses

Depreciation account is charged to profit & loss account under the heading of Administrative Expenses.

Question No: 28 - Please choose one

Which of the following is a book value of an asset after deducting the accumulated depreciation from the original cost of an asset?

- ► Residual value
- ► **Written down value**
- ► Face value
- ► Fair value

Written-down value is also called book value or net book value. It is calculated by subtracting accumulated depreciation or amortization from the asset's original value.

Question No: 29 - Please choose one

Cost of asset	Rs. 100,000
Life of asset	5 years
Depreciation for 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. 100,000 profit

75,000 -15,000 = (60,000) loss

Question No: 30 - Please choose one

Which of the following **CANNOT** easily be converted into cash?

- ► Cash at bank
- ► Marketable securities
- ► Accounts receivable

► **Property, plant and equipment**

Current assets include cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash.

The term*FIXED ASSETS* refers to assets that can not be converted in to cash easily- most notably a company's property, plant and equipment.

Question No: 31 - Please choose one

What would be the Book value of asset, if its Original cost is Rs. 100,000; Accumulated depreciation is Rs. 40,000 at the end of current year; and Depreciation expense of previous year is Rs. 20,000.

► Rs. 140,000

► Rs. 160,000

► Rs. 80,000

► **Rs. 60,000**

Book value is obtained by deducting accumulated depreciation from original cost of the asset

Book value = Cost of asset – accumulated depreciation

Book value = 100,000 – 40,000

Book value =60,000

Question No: 32 - Please choose one

Particulars	**Rs.**
Opening written down value of machine	**?**
Cost of machine purchased during the year	50,000
Depreciation during the year	20,000
Closing written down value of the Machine	430,000

► **Rs. 400,000**

► Rs. 500,000

► Rs. 470,000

► Rs. 70,000

As

Opening WDV of machine + Cost of machine purchase during the year – Depreciation during the year = Closing WDV

Rearrange

Opening WDV of machine = Closing WDV + Depreciaiton – Cost of maching purchase during the year

Opening WDV of machine = 430,000 + 20,000 – 50,000

Opening WDV of machine = 450,000 – 50,000

Opening WDV of machine = 400,000

Question No: 33 - Please choose one

The loss on the sale of fixed assets is a:

► Normal loss

► Ordinary loss

► **Capital loss**

► Revenue loss

The amount of loss suffered due to the sale of fixed assets, shares and debentures at a price less than their book value or face value is capital loss. It does not occur in the normal course of the business. It occurs in the course of selling assets and raising capital. Usually, it is shown on the asset side of the balance sheet and written off out of the capital profit.

Items relating to capital loss

Loss on sale of fixed assests

Discount on issue of share and debentures

Question No: 34 - Please choose one

Which of the following contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement?

- ► **Bank reconciliation statement**
- ► Cash statement
- ► Balance statement
- ► Bank statement

Bank Reconciliation statement is statement which contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement. The preprartion of bank reconciliation statement is not a part of the double entry bookkeeping system.it is just a procedure to prove the cash book balance.

PAPER # 09

Question No: 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

Any account that obtains a benefit is Debit.

Question No: 2 - 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: 3 - Please choose one

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

► **Intangible Asset**

► Liquid Asset

► Current Asset

► Fixed Asset

Question No: 4 - Please choose one

The favorable balance of Profit and Loss account should be:

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

The net profit belongs to the ownership of the business which is represented by the Capital account. Therefore, the net profits or losses are ultimately transferred to the Capital account.

Profit is added in the capital account because it increases the retained earnings and thus increases the owner‘s equity of the business and vice versa

Question No: 5 - 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

Sale – CGS= gorss profit - operating expense = Net profit/loss

100,000 -95,000 =5,000 -200,000= (195,000)

Sales 600,000

Less Cost of goods sold

Gross profit

Less Operating expenses

Selling and marketing

Distribution

Administrative

Operating profit

Less Financial Expenses

Interest on loan

Profit before tax

Less Income Tax

Net profit

Question No: 6 - Please choose one

Which of the following particular is **NOT** included in the specimen of a payment voucher?

- ► Name of organization
- ► Cash payment amount
- ► Date of transaction
- ► **Bank receipt**

Question No: 7 - 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: 8 - Please choose one

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

- ► **Conversion cost**
- ► Prime cost
- ► Total factory cost
- ► Cost of goods manufactured

Conversion Cost = Direct labor cost +Factory overhead cost

Question No: 9 - 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: 10 - 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

Depreciation = 5,000 x 5 =25000

WDV /Book value =1,00,000 -25000=75,000

Question No: 11 - Please choose one

Interest on loan paid by business is an example of :

- Deferred expense
- **Revenue expense**
- Capital expense
- None of the given options

Interest on Loan – is normally revenue expenditure but when the loan is taken to purchase an asset its interest is treated as Capital and is added to cost of the asset

Question No: 12 - Please choose one

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

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

stock company has the following feature:

• Creation of Law

• Separate Legal Entity

• Limited Liability

• Transferability of shares

• Number of Members

• Common Seal

Question No: 13 - Please choose one

When income exceeds expenses in a specific time period is known as:

- ► Savings
- ► **Net profit**
- ► Gross profit
- ► Operating profit

Question No: 14 - 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: 15 - Please choose one

Accounting is concerned with which of the following?

- ► Recording data
- ► Classifying data
- ► Summarizing data
- ► **Communicating what has been learned from the data**

Accounting is termed as the analysis, classification and recording of financial transactions, and the ascertainment of how such transactions affect the performance and financial position of a business.

Accounting is therefore concerned with:

• recording of data

• classification and summary of data

• communicating what has been learned from the data.

Question No: 16 - Please choose one

Expenditure is revenue in nature when it:

- ► **Benefits the current period**
- ► Benefits the future period
- ► Belong to the previous period
- ► None of the given options

Question No: 17 - Please choose one

Which of the following is the act of recording each transaction in the Journal?

- ► **Journalizing**
- ► Posting
- ► Folioing

► Transferring

Question No: 18 - Please choose one

Wages of workmen employed for setting up new machinery should be debited to:

► Expenses account

► Wages account

► Salaries account

► **Machinery account**

The cost of installation is part of the cost of the asset. An asset‘s cost is considered to be all of the costs of getting an asset in place and ready for use. Therefore, the labor cost of installing a new machine is considered to be part of the asset‘s cost and not an immediate expense of the period.

Question No: 19 - Please choose one

A purchase of furniture for cash should be debited to:

► Cash account

► **Furniture account**

► Purchases account

► Fixture account

Question No: 20 - 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: 21 - Please choose one

The cash book in book-keeping records:

- All cash and credit purchase of goods
- Only cash payments
- **All receipts and payments in cash**
- All cash and credit sale of goods

Cash Book

All cash transactions (receipts and payments) are recorded in the cash book.

Question No: 22 - Please choose one

Cash book and bank book are the integral part of:

- **General ledger**
- Bank statement
- Voucher
- Transaction

Cash book and bank book are part of general ledger

Question No: 23 - Please choose one

Which of the following journal entry will be recorded, if the cash is deposited in the bank?

- **Bank account (Dr) and Cash account (Cr)**
- Cash account (Dr) and Bank account (Cr)
- Bank account (Dr) and Profit & Loss account (Cr)
- Cost of goods Sold account (Dr) and Bank account (Cr)

Question No: 24 - Please choose one

Which of the following is used to record the payments of cash or cheque?

- Journal Voucher
- Receipt Voucher
- **Payment Voucher**
- Cash voucher

Payment voucher is used to record a payment of cash or cheque. Payment vouchers are of two types:

• Cash Payment voucher

• Bank Payment voucher

Question No: 25 - Please choose one

Which one of the following is the type of stock for trading concerns?

► Raw Material

► Work in Process

► Finished Goods

► **Stock in Trade**

Question No: 26 - Please choose one

If:

- Manufacturing Cost is Rs. 30,000
- Opening Work in Process Inventory is Rs. 5,000
- Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

► Rs. 35,000

► **Rs. 25,000**

► Rs. 15,000

► Rs. 20,000

Manufacturing Cost + Opening WIP – Closing WIP = Cost of good manufactured

30,000+5,000 -10,000 = 25,000

Question No: 27 - Please choose one

If:

- Manufacturing Cost is Rs. 15,000
- Opening Work in Process Inventory is Rs. 5,000
- Cost of Goods Manufactured is Rs. 5,000

Then:

What is the amount of closing Work in Process inventory?

► Rs. 10,000

► Rs. 20,000

► **Rs. 15,000**

► Rs. 30,000

Manufacturing Cost + Opening WIP inventory – Closing WIP = Cost of good manufactured

Rearrange

Closing WIP = Manufacturing cost + Opening WIP -Cost of good manufactured

Closing WIP =15,000 + 5,000 – 5,000

Closing WIP = 15,000

Question No: 28 - 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

Manufacturing Cost + Opening WIP inventory – Closing WIP = Cost of good manufactured

Rearrange

Opening WIP inventory = Cost of good manufactured + Closing WIP – Manufacturing Cost

Opening WIP inventory=35,000 + 10,000 – 30,000

Opening WIP Inventory =15,000

Question No: 29 - Please choose one

Which of the following is another name of straight line method of depreciation?

- ► Written down value method
- ► Diminishing balance method
- ► **Original cost method**
- ► Sum of year digit method

STRAIGHT LINE METHOD is also known as fixed installment METHOD and ORIGINAL COST METHOD.

Question No: 30 - Please choose one

Which of the following is the unexpired portion of the cost of an asset?

- ► Carrying value
- ► Depreciable value
- ► Original cost
- ► **Residual value**

Residual value is the cost of the asset after the expiry of its useful life.

Question No: 31 - Please choose one

Loss on revaluation account is charged to:

- ► **Profit and loss account immediately**
- ► Capital account
- ► Revaluation reserve account
- ► Liability account

If an asset is revalued at higher cost than its original cost, the excess amount will be treated as profit on revaluation of fixed assets and it is credited to Revaluation Reserve Account.

Question No: 32 - Please choose one

Distinction between capital and revenue items is important for the preparation of:

- Income statement only
- Balance sheet only
- **Final accounts**
- Bank statement

When preparing final accounts it is important to distinguish between capital and revenue expenditure.

Question No: 33 - Please choose one

Which of the following is **TRUE** about revenue receipt?

- It has long term effects
- It does not occur again and again
- It is shown in balance sheet
- **It is shown in income statement**

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

Sample Income statment

Income/Sales/Revenue

Less: Cost of sales

Gross profit

Less: Administration expenses

Selling expenses

Question No: 34 - Please choose one

Which of the following is/are **TRUE** about the revaluation of fixed assets?

- Revaluation should be carried out at a regular interval
- Revaluation should be carried out by an expert.

► The change in value should be permanent.

► **All of the given options**

Revaluation should be carried out by an expert

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

PAPER # 10

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

As Prime cost = direct labor+direct materail +Other direct production cost

Total factory cost = Prime cost + FOH

Total factory cost =6,000 + 2,000 +2,500

Total factory cost =10500

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

ACCOUNTING is the universal LANGUAGE OF business

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

Cost of material available for use – Clsoing stock = Cost of material consumed

Rearrange

Closing Stock = Cost of materail available for use –Cost of materail Consumed

Clsoing Stock =10,000 – 9,500 = 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

Total Production Cost/Manufacturing=Prime Cost +Factory overhead cost
Rearrange
Prime cost = Manufacturing cost – FOH
Prime cost =30,000 – 5,000
Prime Cost = 25,000

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

Manufacturing Cost /Production Cost = Prime cost +FOH

Manufacturing Cost /Production Cost = 30,000+ 5,000 = 35,000

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

Manufacturing cost + opening WIP –Closing WIP = cost of good manufactured

Rearrange

Opening WIP = Cost of good manufacture – Manufacturing cost + Cosing WIP

Opening WIP = 35,000 – 30,000 +10,000

Opening WIP =5,000+10,000

Opening WIP =15,000

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

Depreciation = cost – residual value/estimated useful life of asset

Depreciation =400,000 – 0 /5 Residual value = 0

Dereciation = 400,000/5

Depreciation=80,000

WDV =80,000

WDV –Sale price =80,000-40,000 =(40,000)

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

TRANSPORTATION OUT is part of cost of selling therefore included as selling expense

Direct costs include materials and installation. Varities of sales taxes, import/export duties , and other special fees indirectly affect the cost of material.

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

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

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

If pass book /Bank book show debit balance its shows bank has debited our account with more amount than what it has credited. Excess of debit over the credit will mean that we are the debtors of the bank or in other word bank is aur creditor. We have to pay to the bank the amount overdrawn, so it will be a minus balance.

PAPER # 11

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

Which of the following account/s will be affected under the rule of accrual accounting, when furniture is purchased on cash?

- ► Only Cash Account
- ► Only Furniture Account
- ► **Cash & Furniture Account**
- ► Only Purchases Account

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

Obligations to pay cash or un-earned incomes by the business are the:

- ► Expenses
- ► **Assets**
- ► Liabilities
- ► Equities

Liabilities are obligations (to pay cash, render services, or deliver goods) to other parties.
When customer pay in advance, the firm has an obligation to the customer

Question No: 3 (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

The General Journal

The Journal is used to record financial transactions in chronological (day-to-day) order

Question No: 4 (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: 5 (Marks: 1) - Please choose one

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- Profit
- Loss
- **Surplus**
- Deficit

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

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

- **Rs. 5,000**
- Rs. 25,000
- Rs. 55,000
- Rs. 60,000

Sale – CGS= Gross profit – Operating expenses = net profit /net loss 90,000 -60,000 =30,000 – 25,000 = 5,000 profit

Question No: 7 (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: 8 (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: 9 (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**

Prime cost + Factory overhead Cost = Total factory cost

Opening inventory of materail + net purchasese = materail available for use – clsoing stock of material = Direct materail consumed/ cost of material consumed

Direct materail consumed + Direct Labor = Prime Cost

Prime cost + FOH = Total Factory Cost

Question No: 10 (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**

400 x 21.00 = 8,400

Question No: 11 (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: 12 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revaluation of fixed assets?

- Revaluation should be made after regular intervals
- Change in value should be permanent
- Only relevant asset should be revalued in the whole class of asset
- **The profit or loss will be transferred to revaluation account**

Page 131

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

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

- **Rs.130, 000**
- Rs.110, 000
- Rs.140, 000
- Rs.190, 000

Prime Cost=Direct Material+Direct Labor +Other direct production cost

Prime cost =80,000+50,000 =130,000

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

Conversion Cost =Direct labor cost+Factory overhead cost

Conversiton cost = 2,000+1,000 =3,000

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

Which of the following is the recording phase of an accounting system?

- Financial Accounting
- Cost Accounting
- Management Accounting
- **Book-keeping**

BOOKKEEPING: The systematic recording of a company's financial transactions.

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

Which of the following are the obligations or debts of the business?

- Withdrawals
- Expenses
- Assets
- **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

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

The accounting equation is based on:

- **Dual aspect concept**
- Money measurement concept
- Going concern concept
- Separate entity concept

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

The book in which accounts are maintained is called:

- Day book
- Journal
- **Ledger**
- Sales book

Advantages of ledger:

Transactions relating to different persons or concerns are recorded in the account of each person or concern separately. As a result, complete and reliable information is available in respect of each and every account.

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

Which one of the following is called the king of all books of account?

- The cash book
- Journal
- **Ledger**
- Trial balance

Ledger is called the king of all books of accounts because all entries from the books of original entry must be posted to the various accounts in the ledger. It should be noted that journal contains a chronological record while ledger contains a classified record of all transactions.

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

Any mistake in ledger can easily be detected with the help of:

- ► **Journal**
- ► Compound entry
- ► Single entry
- ► Memorandum entry

Advantages of journal:

1. Each transaction is recorded as soon as it takes place. So there is no possibility of any transaction being omitted from the books of account.
2. Since the transactions are kept recorded in journal, chronologically with narration, it can be easily ascertained when and why a transaction has taken place.
3. For each and every transaction which of the two concerned accounts will be debited and which account credited, are clearly written in journal. So, there is no possibility of committing any mistake in writing the ledger.
4. Since all the debits of transaction are recorded in journal, it is not necessary to repeat them in ledger. As a result ledger is kept tidy and brief.
5. Journal shows the complete story of a transaction in one entry.
6. **Any mistake in ledger can be easily detected with the help of journal**

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

Which of the following account would be credited in case of loss of goods by fire?

- ► **Purchase account**
- ► Sales account
- ► Loss by fire account
- ► Capital account

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

Which of the following is a book of original entry in which all the vouchers are recorded at first?

- ► **General Journal**
- ► General Ledger
- ► Trial Balance

► Balance Sheet

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

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

The cash book in book-keeping records:

► All cash and credit purchase of goods

► Only cash payments

► **All receipts and payments in cash**

► All cash and credit sale of goods

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

Which of the following journal entry will be recorded, if the cash is deposited in the bank?

► **Bank account (Dr) and Cash account (Cr)**

► Cash account (Dr) and Bank account (Cr)

► Bank account (Dr) and Profit & Loss account (Cr)

► Cost of goods Sold account (Dr) and Bank account (Cr)

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

What is the best condition to finance a business?

► Fully financed from your own resource

► Fully relied on financial institutions

► **Investment through own resources as well as rely on financial instructions**

► None of the given options

The owners of the business may feel that their business can flourish, if there are more funds. These funds can be arranged from their own resources, if possible, or they can ask a bank or financial institution for funds.

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

Which of the following is/are the method(s) for calculating the cost of inventory?

- ► FIFO Method
- ► Weighted Average Method
- ► LIFO Method
- ► **All of the given options**

Methods of Stock valuation

- First in first out (FIFO)
- Last in first out (LIFO)
- Weighted average

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

Which of the following account would be debited in case of depreciation charged to fixed assets?

- ► Accumulated depreciation – Fixes assets
- ► Fixed assets
- ► **Depreciation expense**
- ► Depletion

Depreciation expense account contains the depreciation of the current year. Accumulated depreciation contains the depreciation of the asset from the financial year in which it was bought up to the present financial year. .

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

Depreciation of office building is charged to:

- ► Cost of Goods Sold
- ► **Administrative Expenses**
- ► Selling Expenses
- ► Financial expenses

Depreciation account is charged to profit & loss account under the heading of Administrative Expenses

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

Written down value of an asset = ----------.

- ► Original cost – Accumulated depreciation
- ► Original cost – Appreciation
- ► **Book value – Accumulated depreciation**
- ► Original cost – Salvage value

WDV = Original cost of fixed asset – Accumulated Depreciation

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

If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what would be the value of accumulated depreciation at the end of 2nd year?

- ► Rs. 20,000
- ► **Rs. 40,000**
- ► Rs. 80,000
- ► Rs. 60,000

Particulal	Depreciation	Accumulated Depreciation
Year 1 Dep	20% 100,000=20,000	20,000
Year 2 Dep	20% 100,000=20,000	40,000

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

If:

Cost of machine = Rs. 420,000
Useful life = 5 years
Residual value = Rs. 20,000

Sale price at the end of 5th 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. 20,000**
- ► Loss of Rs. 20,000

Sale – Residul value

40,000 -20,000 = 20,000

Question No: 32 (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

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

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

Which of the following is/are **TRUE** about the revaluation of fixed assets?

- ► Revaluation should be carried out at a regular interval
- ► Revaluation should be carried out by an expert.
- ► The change in value should be permanent.
- ► **All of the given options**

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

Favourable balance of the cash book means:

- ► Credit balance in cash book
- ► Debit balance in pass book
- ► **Debit balance in cash book**
- ► Unfavorable balance in pass book

The debit balance of a cashbook is referred to as a favorable balance while credit balance is considered as an unfavorable balance of the cashbook

PAPER # 12

Question No: 1
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: 2
Word ―Credit‖ is derived from _____language.

- **Latin**
- English
- French
- Chinese

Question No: 3
In an account, if credit side < debit side then the balance is known as:

- Negative Balance
- **Debit Balance**
- Positive Balance
- Credit Balance

Question No: 4
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: 5
Which of the following organizations do NOT prepare Income & Expenditure account?

- Public limited companies
- Private limited companies
- Partnership firms
  All of the given options

Question No: 6 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: 7

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

Sale – CGS =Gross profit – operating expense = profit/loss

Question No: 8

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: 9

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	80,000
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

Opening raw material inventory + Purchases – Ending raw material inventory

Question No: 10

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

85 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. 992

10 x 10 = 100
35 x 11 =385
40 x12 = 480
85 unit sold of Rs =965 Cost of goods sold

Question No: 11

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

Sale proceeds of goods are an example of:

- Revenue expense
- Capital expense
- Capital receipt
- **Revenue receipt**

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.

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

Question No: 13

Accounting is the language of:

- **Business**
- School
- Proprietor
- Management

Question No: 14

Depreciable value of an asset is equal to:

- Cost + scrap value
- Cost + market price
- **Cost – scrap value**
- None of the given option

Question No: 15

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

Opening WDV + Cost of new machine purchased – Depreciation during the year =Closing WDV

Question No: 16

An estimate of the income and expenses needed to carry out business plans for a fiscal year is known as:

- **Budgeting**
- Costing
- Management
- Auditing

Budget. *AN ESTIMATE OF THE INCOME AND EXPENSES NEEDED TO CARRY OUT* programs for *a FISCAL YEAR.*

Question No: 17

Which of the following is concerned with to maintain the books of accounts in a systematic way?

- **Accounting**
- Recording
- Book-keeping
- Summarizing

Financial accounting means systematic way of maintaining books of Accounts & Transactions..

Question No: 18

Which of the following statement is **TRUE**?

- Cash in hand is always equal to Profit due to accruals
- Cash in hand is always greater than Profit due to accruals
- Cash in hand is always Lessor than Profit due to accruals
- **Cash in hand is different from Profit due to accruals**

Question No: 19

Which of the following system of recording transactions is based on dual aspect concept of accounting?

- **Double entry system**
- Cash accounting system
- Single entry system
- Management system

Question No: 20

Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?

- Decrease in income is Debit
- Increase in asset is Debit
- **All of the given options**
- Increase in income is Credit

Question No: 21

Sales of goods to Mr. X for cash should be debited to:

- X‘s account
- Sales account
- **Cash account**
- Drawings account

Question No: 22

Which of the following period is known as a fiscal Year of the Government of Pakistan?

- 1st January to 31st December
- 1st June to 31st May
- **1st July to 30th June**

- 1st October to 30th September

Question No: 23

Which of the following is/are **NOT** the example of intangible assets?

- Copyright
- Goodwill
- Patent
- **Land**

Question No: 24

Which of the following account would be credited when goods are given as charity?

- Charity a/c
- Free sample a/c
- **Purchases a/c**
- Sales a/c

Question No: 25

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: 26

Which of the following account would be debited, when goods are return to suppliers?

- **Voucher payable account**
- Stock account
- Purchases account
- Sales account

A credit to Accounts Payable will increase the balance in Accounts Payable, and a debit to Accounts Payable will decrease the balance.

Question No: 27 Which of the following account would be debited when Rs.5, 000 were paid to vendor?

- Cash
- **Voucher payable**
- Sundry debtors
- Personal account of customer

An *INVOICE* from a vendor is the bill that is received by the purchaser of goods or services from an outside supplier. The vendor invoice lists the quantities of items, brief descriptions, prices, total amount due, credit terms, where to remit payment, etc.

A *VOUCHER* is an internal document used in a company’s accounts payable department in order to collect and organize the necessary documentation and approvals before paying a

vendor invoice. The unpaid vouchers provide the detail for the total amount reported as **vouchers payable or accounts payable.**

Question No: 28

If:

Manufacturing Cost is Rs. 30,000
Opening Work in Process Inventory is Rs. 5,000
Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

- Rs. 35,000
- **Rs. 25,000**
- Rs. 15,000
- Rs. 20,000

Manufacturing Cost / Production cost / Total factory cost	
Manufacturing cost	30,000
Add	
Opening work in process inventory	5,000
=	
Cost of Goods to be manufactured	
Less	
Closing working in process inventory	10,000
=	
Cost of Goods Manufactured	25,000

Question No: 29

Which one of the following is **TRUE** with respect to ―FIFO‖ in inventory valuation?

- First-In-Freight-Out
- Freight-In-First-Out
- **First-In-First-Out**
- Freight-In-Freight-Out

Question No: 30

Which one of the following is another name of carrying cost of an asset?

- **Book Value**
- Residual Value
- Fair Value
- Break up Value

Also known as book value, carrying value is the worth of an asset that is reflected in the accounting records of a busines

Question No: 31

Which of the following represents tangible resources with long life used in operation of the business?

- Current assets
- **Fixed assets**
- Absolute assets
- Liquid assets

Fixed assets are considered tangible entities used for business operations but are not consumed during operation. A fixed asset is also known as a long-term, tangible or capital resource

Question No: 32

What is the treatment of Accumulated Depreciation in accounting?

- **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
- Written in balance sheet as a reduction in relevant fixed asset

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the timeof purchase of the asset to the present time. This is the amount that has been charged to profit and loss account from the year of purchase to the present year.

Question No: 33

Which of the following is a total depreciation recorded on an asset since its acquisition?

- **Accumulated Depreciation**
- Depreciation
- Amortization
- Depletion

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the time

of purchase of the asset to the present time.

Question No: 34

Which of the following contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement?

- **Bank reconciliation statement**
- Cash statement
- Balance statement
- Bank statement

PAPER # 13

Question No: 1
An organization operating with the objective of making profit from the sale of goods or services is called:

- Transaction
- **Business**
- Society
- Trust

Question No: 2
We can say that the business is in profit, when:

- Assets exceed Expenditure
- Assets exceed Liabilities
- **Income exceeds Expenditure**
- Income exceeds Liabilities

Question No: 3
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: 4 Income of the business includes:

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

Question No: 5 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: 6
Which of the following is NOT true about Double Entry System?

- Both credit and debit transactions are recorded
- Accurate profit and loss is calculated
- Financial statements can be made directly from the accounts

► **Non cash transaction are not recorded under this system**

Question No: 7 Economic resources owned by a business and expected to benefit for the future operations are called:

► Expenses
► **Assets**
► Capital
► Liabilities

Question No: 8

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

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

Question No: 10

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

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

Vouchers are the documentary evidence of each financial transaction. Normally three types of vouchers are used:

• Receipt voucher

• Payment voucher

• Journal voucher

Question No: 11 The original book of entry, in which all vouchers are first recorded, is called:

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

Question No: 12

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: 13

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: 14

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: 15

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: 16

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: 17 Which of the following is NOT a type of voucher?

- Journal Voucher
- Receipt Voucher
- Payment Voucher

Drawings Voucher

Question No: 18

Following are the inventories of Manufacturing Concern EXCEPT:

- Raw material

- Work in process
- Finished goods
- **Merchandise inventory**

Question No: 19

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: 20

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: 21

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

- **Conversion cost**
- Prime cost
- Total factory cost
- Cost of goods manufactured

Conversion Cost =Direct labor cost +Factory overhead cost

Question No: 22

In cost of goods sold statement the _cost of goods manufactured‘ is equal to:

- Total factory cost + Opening work in process + Ending work in process
- **Total factory cost + Opening work in process – Ending work in process**
- Total factory cost - Opening work in process + Ending work in process
- Ending work in process +Total factory cost – Opening work in process

Question No: 23

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

Sale –WDV
50,000 -75,000 = (25,000)

Question No: 24

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

- Machinery account
- **Depreciation account**
- Cash account
- Capital account

Question No: 25

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	
Material available for use	300,000
Less	
Closing stock of raw material	85,000
=	
Material Consumed/Cost of material consumed	215,000

Question No: 26 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

Ending Inventory
2 0 x 13 =260

Question No: 27

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

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

Cost of moving machinery to a new location. Normally, only the cost of one installation should be capitalized for any piece of equipment. Thus the original installation and any accumulated depreciation relating thereto should be removed from the accounts and the new installation costs (i.e., cost of moving) should be capitalized. In cases where this is not possible and the cost of moving is substantial, it is capitalized and depreciated appropriately over the period during which it makes a contribution to operations.

Question No: 28

Interest on loan paid by business is an example of :

- Deferred expense
- **Revenue expense**
- Capital expense
- None of the given options

Interest on Loan – is normally revenue expenditure but when the loan is taken to purchase an asset its interest is treated as Capital and is added to cost of the asset**.**

Question No: 29

A form that allow individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

- Bank statement
- Income statement
- Financial statement
- **Bank Reconciliation statement**

Question No: 30

Bank Reconciliation Statement is prepared by:

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

Question No: 31

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: 32

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: 33

Consider the following data:

Particulars	Rs.
Assets	8,20,000
Owner's equity	3,80,000
Liabilities	?

- Rs. 1, 98,000
- Rs. 49,000
- Rs. 55,000
- **Rs. 4, 40,000**

Assets = liabilities + owner equity
Liabilities = Owner equity- Assets
Liabilities =380,000 - 820,000
Liabilities =440,000

Question No: 34

In accounting accumulated depreciation is:

- Treated as a reserve
- **Treated as a contra asset**
- Treated as a surplus
- Treated as an expense

The first contra asset account is the accumulated depreciation account. It is associated with an asset account and is used to _adjust‘ that account. Increases in contra asset accounts means larger _adjustments‘ to the assets.

Question No: 35

Which of the following is CORRECT regarding depreciation?

- It refers to the end life of an asset

- It refers to the increase in value of asset
- It is another name of Impairment
- **It is a systematic allocation of depreciable amount of an asset over its estimated useful life**

Question No: 36

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

Opening written down value of machine	2,00,000
Add	
Cost of new machine purchased during the year	50,000
Less	
Depreciation during the year	25,000
=	
Closing written down value (WDV) of machines	225,000

Question No: 37

Which of the following statement is the detail of transaction in one‘s account provided by the bank?

- **Bank statement**
- Bank reconciliation statement
- Income statement
- Financial statement

Bank statement is the detail of transactions in one‘s account provided by the bank

Question No: 38

Net Profit + Expenses= _____

- Liabilities
- Assets
- Capital
- **Income**

Net Profit = Income – Expenses
Net Profit +Expenses = Income

Question No: 39

If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what is the depreciation rate under reducing balance method?

- ► 10%
- ► 22%
- ► **42%**
- ► 52%

$$\text{Rate} = 1 - \sqrt[n]{RV / C}$$

Where:
"RV" = Residual Value
"C" = Cost
"n" = Life of Asset

Rate = 1- 0.2^1/3

Question No: 40

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

Total factory cost	6,000
Add	
Opening WIP	2,000
=	
Cost of good to be manufactured	8,000
Less	
Closing WIP	2,500
=	
Cost of good manufactured	5,500

PAPER # 14

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

Opening written down value of machine	375,000
Add	
Cost of machine purchase	50,000
Less	
Depreciation during the year	11,000
=	
Closing written down value (WDV) of the Machines	414,000

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

Opening written down value of machine	100,000
Add	
Cost of machine purchase	50,000
Less	
Depreciation during the year	21,000
=	
Closing written down value (WDV) of the Machines	129,000

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

► 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

► 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

Fair value
—the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm‘s length transaction.‖

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

Ending inventory

20 x 13=260

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

Annual Depreciation = 40%

Year 1 Depreciation = 40 % of 400,000 = 160,000

Year 1 WDV = 400,000 – 160,000 = 240,000

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

Sale – WDV

50,000 -25,000 = 25,000 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

Conversion Cost = Direct Labor + FOH

Conversion Cost =2,000+1,000

Conversion Cost =3,000

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)**

Page 82

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 liabilites

► 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 types of expenses are paid out of Gross Profit?

► Selling Expenses

► General Expenses

► Financial Expenses

► **All of the given**

PAPER # 15

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

Particulars	Rs.
Opening written down value of machine	3,00,000
Cost of machine purchased during the year	50,000
Depreciation during the year	9,000
closing written down value (WDV) of the Machine	?

Rs. 3, 41,000

Rs. 3, 50,000

Rs. 3, 59,000

Rs. 59,000

Opening written down value of machine	300,000
Add	
Cost of machine purchase during the year	50,000
Less	
Depreciation during the year	9,000
=	
Closing written down value (WDV) of the Machines	341,000

Question No: 2 (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

Opening written down value of machine	200,000
Add	
Cost of machine purchase during the year	50,000
Less	
Depreciation during the year	25,000
=	
Closing written down value (WDV) of the Machines	225,00

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

Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

Rs. 49,000

Rs. 55,000

Rs. 1, 25,000

Rs. 1, 03,000

Assets = Liabilities + owner equity

Liabilities = assets – owner equity

Liabilities =198,000 -95,000

Libailities =103,000

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

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

Rs. 60,385 owner's equity

Rs. 61,385 owner's equity

Rs. 99,885 owner's equity

Rs. 99,385 owner's equity

Total asset = Total liabilities + total owner equity

Total owner equity = total asset– total liabilities

Total owner equity =80,385- 20,000

Total owner equity=60,385

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

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

Furniture	Rs. 90,000
Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner‘s equity	Rs. 90, 000

Rs. 2, 01,000 liabilities

Rs. 1, 11, 000 liabilities

Rs. 2, 90, 000 liabilities

Rs. 2, 91, 000 liabilities

Assets = Cash+ furniture+ debtors +other assets =201,000

Total asset = Total liabilities + total owner equity

Assets – owner equity = Liabilities

201,000-90,000=111,000

Liabilities =111,000

Check

Assest = liabilities + owner equity

201,000 =111,000+90,000

201,000 = 201,000

Question No: 6 (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

When production is completed

Debit: Finished Goods Stock Account

Credit: Work in process account

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

Which of the following assets are shown at written down value in balance sheet?

Current assets

Liquid assets

Floating assets

Fixed assets

Written-down value reflects the asset's present worth from an accounting perspective. An asset's written-down value will appear on the company's balance sheet. Land is recorded and cost and other fixed asset are recorded at book value.

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

Which of the following asset is **NOT** depreciated?

Factory Buildings

Office Equipment

Plant & Machinery

Land

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**

Question No: 9 (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: 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

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

Revenue expenditure is recorded as expenses in the Income Statement.

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

Ending inventory

20 x 13 =260

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

10 x10 =100

35 x 11=385

35 x 12= 420

420+385+100=905 Cost of good sold

Question No: 14 (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

Annual Depreciation = 40%

Year 1 Depreciation = 40 % of 400,000 = 160,000

Year 1 WDV = 400,000 – 160,000 = 240,000

Question No: 15 (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

Depreciation of 5 year =5000 x 5 =25,000

WDV after 5 year = 100,000-25,000 =75,000

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

Sale – WDV

50,000 -75,000 = (25,000)

Question No: 17 (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

Sale – WDV

15,000 -75,000 = (60,000)

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

The total of all costs incurred to convert raw material into finished goods is known as:

Prime cost

Conversion cost

Sunk cost

Opportunity cost

Conversion cost it is the cost incurred to convert raw material to finished goods.

Question No: 19 (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: 20 (Marks: 1) - Please choose one

If the working capital and the current assets of company XYZ are Rs. 5,000 and Rs.15,000 respectively, calculate the current liabilities.

Rs. 5,000

Rs. 10,000

Rs. 15,000

Rs. 20,000

Working Capital = current asset – current liabilities

Current liabilities = Current assets- Working capital

Current liabilities = 15,000- 5,000

Working capital=10,000

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

Salaries and wages major portion is of salaries it should be debited to profit and loss account. If the item is wages and salaries it should be charge to trading account because the first itme wages refers to trading account.

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

Capital is often called the owner‘s net worth.

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 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

Sale – CGS = Gross profit – operating expense = net profit /loss

200,000 -95,000=105,000-100,000=5,000 profit

Question No: 25 (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: 26 (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: 27 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if the payment of furniture purchased is made through cheque?

Furniture account (Dr) and Bank account (Cr)

Furniture account (Dr) and Profit & Loss account (Cr)

Furniture account (Dr) and Cash account (Cr)

Cash account (Dr) and Furniture account (Cr)

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

Which one of the following statement is **CORRECT** about Long term liabilities?

These are due within one year

These are consist of all debts, payable after 12 months

In working capital, these are deducted from current assets

All of the given options

Question No: 29 (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: 30 (Marks: 1) - Please choose one

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

Deficit

Surplus

Profit

Loss

Question No: 31 (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: 32 (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: 33 (Marks: 1) - Please choose one

Which of the following period is known as a fiscal Year of the Government of Pakistan?

1st January to 31st December

1st June to 31st May

1st July to 30th June

1st October to 30th September

Question No: 34 (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: 35 (Marks: 1) - Please choose one

Obligations to pay cash or un-earned incomes by the business are the:

Assets

Liabilities

Equities

Expenses

Question No: 36 (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: 37 (Marks: 1) - Please choose one

Word ―Credit‖ is derived from _____language.

Latin

English

French

Chinese

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

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

Separate Entity Concept

Matching Concept

Going Concern Concept

Materiality Concept

Question No: 39 (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: 40 (Marks: 1) - Please choose one

An accounting system is used by a business to:

Analyze transactions

Handle routine book-keeping tasks

Structure information

All of the given options

PAPER # 16

Question No: 1

Vehicles which are used to supply finished products are called business _____.

Tangible assets

Intangible assets

Capital

Liabilities

Tangible Assets that have physical existence (are further divided into Fixed Assets and Current Assets)
Intangible Assets that have no physical existence

Question No: 2

An asset on the balance sheet which is expected to be sold or used within one year is known as:

Tangible asset

Current asset

Fixed asset

Long term asset

Current assets include assets that are expected to be used within one year or the operating cycle,

Assets that are reasonably expected to be converted into cash within one year in the normal course of business. Current assets include cash, accounts receivable, inventory, marketable securities, Cash in hand, Cash at Bank, prepaid expenses etc and other liquid assets that can be readily converted to cash.

Question No: 3

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: 4

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

Trading concern

Manufacturing concern

Merchandising concern

Service concern

In manufacturing concern, (an organization that converts raw material into finished product by putting it in a process) stock consists of: o Raw material

o Work in process
o Finished goods

Question No: 5

In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

Conversion cost

Prime cost

Total factory cost

Cost of goods manufactured

Prime cost = Direct material + Direct labour + other direct cost

Question No: 6

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	
Raw Material available for used	300,000
Less	
Closing stock of raw material	85,000
=	
Cost of Material Consumed	215,000

Question No: 7

Stock of Trading concern consists of:

Raw material

Work in process

Merchandise inventory

All of the given options

Merchandise inventory is the goods owned by the business organization which are held for sale to the consumers. In a trading form of business organization, the primary function of the business is the sale of a product.

Question No: 8

Consider the following data:

Particulars	**Rs.**
Assets	**?**
Owner's equity	**1,50,000**
Liabilities	**1,00,000**

Rs. 49,000

Rs. 55,000

Rs. 50,000

Rs. 2, 50,000

Assets = Liabilities + Owner equity

Assets =150,000+100,000

Question No: 9

What is the treatment of Accumulated Depreciation in Balance Sheet?

It may treated as a deficit

It may treated as a surplus

It may treated as a revenue

None of the given options

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the time of purchase of the asset to the present time. This is the amount that has been charged to profit and loss account from the year of purchase to the present year. Accumulated depreciation is subtracted from the asset's cost to arrive at the net book value that appears on the face of the balance sheet.

Accumulated depreciation is a contra-asset account. It is presented in the balance sheet as a deduction to the related fixed asset

Question No: 10

Which one of the following is equal to the carrying cost of an asset?

Original cost minus Accumulated depreciation

Original cost plus Accumulated depreciation

Original cost minus Residual value

Written down value minus Accumulated depreciation

Also known as book value, carrying value is the worth of an asset that is reflected in the accounting records of a business

Written Down Value / Book Value – Cost minus Accumulated Depreciation

Question No: 11

Which of the following statement is TRUE with respect to Book-keeping?

It does not give the complete picture of financial condition of a business unit

It gives the complete picture of financial condition of a business unit

It provides information for taking managerial decision

It is the summarizing phase of an accounting system

Bookkeeping

Bookkeeping is an integral part of accounting
Book keeping: it is process concerned with recording of transaction
Book keeping: It constitutes as a base of accounting
Book keeping: Financial statement do not form part of this process
Book keeping: Managerial decision cannot be taken with the help of these records
Book-keeping: There is no sub-fields of book-keeping Book-keeping: Financial position of the business cannot be ascertained through book-keeping records

Accounting: It is a process concerned with summarizing of recorded transactions
Accounting: Financial statements are prepared in this process on the basis of book keeping records.
Accounting: It is concerned as a language of the business

Accounting: Management takes decisions on the basis of these records.
Accounting: It has several sub-fields like financial accounting, management accounting, cost accounting etc.
Accounting: Financial position of the business is ascertained on the basis of the accounting reports

Question No: 12

Which of the following is an Organization‘s plan of a future period expressed in money terms?

Budget

Cost

Expense

Planning

A budget is a plan expressed in quantitative, usually monetary term, covering a specific period of time, usually one year. In other words a budget is a systematic plan for the utilization of manpower and material resources.

Question No: 13

Which of the following is not incurred repeatedly and regularly?

Capital expenditure

Revenue expenditure

Short term expenditure

Current expenditure

Any expenditure which is not incurred repeatedly and regularly (non-recurring) is a capital expenditure

Question No: 14

Which of the following system of recording transactions is based on dual aspect concept of accounting?

Double entry system

Cash accounting system

Single entry system

Management system

Question No: 15

Which one of the following is called the king of all books of account?

The cash book

Journal

Ledger

Trial balance

Ledger is called the king of all books of accounts because all entries from the books of original entry must be posted to the various accounts in the ledger. It should be noted that journal contains a chronological record while ledger contains a classified record of all transactions

Question No: 16

Which of the following shows the credit balance under normal circumstances?

Revenue

Capital

Liability

All of the given options

Question No: 17

Any mistake in ledger can easily be detected with the help of:

Journal

Compound entry

Single entry

Memorandum entry

Any mistake in ledger can be easily detected with the help of journal

Question No: 18

Cash book is a part of:

Voucher

Transaction

General Ledger

Trial Balance

Cash book and bank book are part of general ledger

Question No: 19

Trial balance shows:

Both debit and credit balance

Only debit balance

Only credit balance

Debit or Credit balance

Trial balance is a listing of the accounts in your general ledger and their balances as of a specified date. Since the basic accounting system relies on double-entry bookkeeping, a trial balance will have the same total debit amount as it has total credit amounts. Both sides of trial balance i.e. Debit side and credit side must be equal. If both sides are not equal, there are some errors in the books of accounts. Trial balance shows the mathematical accuracy of the books of accounts.

Question No: 20

Which of the following statement is TRUE about a Profit & Loss Account?

It is prepared to show the financial performance of a business

It is prepared to show the financial position of a business

It is prepared at a particular point of time

It constrains all types of accounts

the income statement, sometimes referred to as the statement of profits and losses, reports a business entity's various revenues, costs and expenses, as well as net income .Thus, an income statement is a summary of a business entity's financial performance during a given accounting period

The profit and loss statement is a statement showing the firm's financial performance and shows information on the different transactions and activities, expenses, income and profit that has been paid off and earned.

Question No: 21

Which of the following statement is/are TRUE about a Profit & Loss Account?

All of the given options

It is prepared to show the financial performance of a business

It is prepared for a particular period of time

It is prepared after the preparation of trial balance

An adjusted trial balance is a trial balance that shows the balances of all accounts, including those that have been adjusted, at the end of an accounting period. It is the main basis for the preparation of financial statement, To verify that debits equal credits in the general ledger after the entries are posted, another trial balance is prepared. This trial balance is called an adjusted trial balance

Question No: 22

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

Accounts Receivable

Accounts Payable

Sales Revenue **Profit & Loss Statement item**

Marketable Securities

Question No: 23

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

Sale – CGS = Gross profit

CGS=Opening stock+ Purchases -Closing stock

Let Sale =200, opening stock = 100 , purchases =50 , Closing stock =10

CGS =100 +50 – 10 = 140

Sale – CSG =Gross profit

200 -140 = 60 gross profit

If closing stock decrease let 10 to 5

CGS =100+50-5 =145

Slae –CGS =Gross profit

200- 145 = 55gross profit

if closing stock increase the gross profit will increse and vice versa.

Question No: 24

Which of the following is written evidence used for supporting the transactions?

Voucher

General Journal

General Ledger

Account

Vouchers are the documentary evidence of each financial

Question No: 25

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

1. Name of the organization

2. Cash code

3. Date of transaction

(1) & (2) only

(1) & (3) only

(2) & (3) only

(1), (2) & (3)

Page 82

Question No: 26

Which of the following represent(s) the Cost of goods sold?

Cost of goods Manufactured + Opening Finished Goods Inventory – Closing Finished Goods Inventory

All of the given options

Sales – Gross Profit

Opening Stock + Purchases – Closing Stock

Question No: 27

Which one of the following methods for inventory valuation may overstate the income during the periods of rising prices?

Specific Identification Method

FIFO Method

LIFO Method

Weighted Average Method

FIFO
If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. **The income tax is larger.** Value of unsold inventory is also higher.

Question No: 28

Which of the following is a method of calculating depreciation?

Straight Line Method

Direct Method

Indirect Method

Equity method

Question No: 29

Purpose of charging depreciation expense is the application of:

Matching principle

Dual aspect concept

Separate entity concept

Money measurement concept

Purpose of depreciation is to achieve the matching principle that is to offset the revenue of the accounting period with the cost of the goods and services being consumed in the effort to generate the revenue

Question No: 30

If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what would be the value of accumulated depreciation at the end of 2nd year?

Rs. 20,000

Rs. 40,000

Rs. 80,000

Rs. 60,000

Particular	Depreciation	Accumulated Depreciation
Year 1 Dep	20% of 100,000 =20,000	
Year 2 Dep	20% of 100,000 =20,000	20,000+20,000 =40,000

Question No: 31

Under the straight line method of depreciation, deprecation expense is calculated on:

Salvage value of asset

Original cost of asset

Book value of asset

Fair value of asset

Straight line method or Original cost method or Fixed installment method

Question No: 32

Particulars	Rs.
Opening written down value of machine	350,000
Cost of machine purchased during the year	50,000
Depreciation during the year	13,000

Book value of Machine at the year end	?

Rs. 387,000

Rs. 400,000

Rs. 413,000

Rs. 63,000

Particulars	Rs.
Opening written down value of machine	350,000
Add	
Cost of machine purchased during the year	50,000
Less	
Depreciation during the year	13,000
=	
Book value of Machine at the year end	387,000

Question No: 33

Which of the following is/are TRUE about the revaluation of fixed assets?

Revaluation should be carried out at a regular interval

Revaluation should be carried out by an expert.

The change in value should be permanent.

All of the given options

Question No: 34

When Bank Statement shows a debit balance it means:

Favourable balance as per cash book

Debit balance as per cash book

Favourable balance as per bank statement

Overdraft as per bank statement

The credit balance of a bank statement is known as a favorable balance while debit balance is considered as an unfavorable balance

Overdraft is debited in bank statement since in case of overdraft banks treat the customers same like debtors. On the other hand, the person or organization that has obtained the overdraft records overdraft as a liability and treat bank as a creditor which is why overdraft is credited in cash book.

PAPER # 17

Question No: 1
Double entry accounting system includes:
► Accrual accounting only
► Cash accounting only
►**Both Cash accrual accounting**
► None of the given options

Question No: 2
According to the double entry system of accounting, an account that obtains benefit is:
► **Dedit**
► Credit
► Income
► No need to show as accounting record

Question No: 3
Vehicles which are used to supply finished products are called business _____.
► **Tangible assets**
► Intangible assets
► Capital
► Liabilities

Question No: 4
Accrued expenses are the example of:
► **Current Liabilities**
► Long term liabilities
► Deferred costs
► Capital expenses

Accrued Expenses
When an expense or other payable is accrued, it also creates a current liability but it is not recorded as Creditors. It is shown separately as accrued expenses or expenses payable

Question No: 5
Which of the following is **NOT** an example of Current Asset?
► **Bank Over draft**
► Accounts Receivable
► Notes Receivable
► Prepaid Expenses

Question No: 6
The unfavorable balance of Profit and Loss account should be:
► Added in liabilities

► Subtracted from current assets
► Subtracted from liabilities
► **Subtracted from Capital**

Profit is added in the capital account because it increases the retained earnings and thus increases the owner‘s equity of the business and vice versa

Question No: 7
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: 8
If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?
► **Rs. 5,000**
► Rs. 25,000
► Rs. 55,000
► Rs. 60,000

Sale – CGS= Gross profit – Operating expenses = net profit /net loss
90,000 -60,000 =30,000 – 25,000 = 5,000 profit

Question No: 9
The amount of depreciation charged on machinery will be debited to:
► Machinery account
► **Depreciation account**
► Cash account
► Capital account

Depreciation Charge Account Dr
Accumulated Depreciation account Cr

Question No: 10
A form that allow individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:
► Bank statement
► Income statement
► Financial statement
► **Bank Reconciliation statement**

Question No: 11
Which of the following assets are shown at written down value in balance sheet?
► Current assets
► Liquid assets
► Floating assets
► **Fixed assets**

But land is recorded at cost and other fixed asset are recorded at book value/WDV.

Question No: 12
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: 13
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

Total Foctory/Production/Manufacturing Cost +Opening WIP - Closing WIP = Cost of good Manufactured

Cost of good Manufactured =
Total Foctory/Production/Manufacturing Cost +Opening WIP - Closing WIP = Cost of good Manufactured
6,000 +2,000 – 2500 = 5,500

Question No: 14
Which of the following are the obligations or debts of the business?
► Withdrawals
► Expenses
► Assets
► **Liabilities**

Question No: 15
Which of the following is an example of expense in business enterprises?
► Accounts payable
► Accounts receivable

► Salary received
► **Salary Paid**

Question No: 16
Which of the following statement is **TRUE** under double entry system of accounting?
► **It is possible to verify the arithmetical accuracy of books through Trial Balance.**
► It is not possible to verify the arithmetical accuracy of books through Trial Balance.
► It is the system of incomplete records
► It is not possible to prepare the financial statements

A Trial Balance is prepared to check the arithmetical accuracy of the books of accounts

Question No: 17
Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?
► Decrease in income is Debit
► Increase in asset is Debit
► **All of the given options**
► Increase in income is Credit

Question No: 18
Which of the following account would be credited in case of goods given away as charity?
► Charity account
► **Purchases account**
► Sales account
► Assets account

Question No: 19
Which of the following is also called "The original book of entry"?
► **General Journal**
► General Ledger
► Trial Balance
► Profit and Loss Account

The General 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

Question No: 20
Which of the following is the excess of net sales over net cost of purchases including all expenses relating to purchases?
► **Gross profit**
► Operating profit

► Net profit
► Revenue

Sale – Cost of Good Sold = Gross profit
The contents of cost of goods sold are:
Opening stock
Plus: purchases
Plus: Freight/ carriage paid on purchases
Less: closing stock

Question No: 21
―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: 22
Which of the following is an alternate term used for ―Capital‖?
► Opening capital
► **Owner's net worth**
► Working capital
► Closing capital

Question No: 23
What is the best condition to finance a business?

► Fully relied on financial institutions
► Fully financial from your own resource
► **Investment through own resources as well as rely on financial instructions**
► None of the given options

Question No: 24
Which of the following is used to record the receipts of cash or cheque?
► Journal Voucher
► **Receipt Voucher**
► Payment Voucher
► Cash voucher

Receipt Voucher
Receipt voucher is used to record cash or bank receipt. Receipt vouchers are of two types:
• Cash receipt voucher
• Bank receipt voucher

Question No: 25
Which one of the following is the type of stock for trading concerns?
► Raw Material
► Work in Process
► Finished Goods
► **Stock in Trade**

INVENTORIES (STOCK-IN-TRADE)
Assets that a business buys and holds for resale = merchandise inventory. STOCK IN TRADE means stocks available for trading

Question No: 26
Which of the following account would be credited on completion of goods?
► **Work In Process**
► Finished Goods
► Stock account
► Sales account

When the process is completed and the goods are prepared, all the value of work in process is charged to finished goods account
Debit: Finished Goods Account
Credit: Work in process Account

Question No: 27
If:
- Manufacturing Cost is Rs. 30,000
- Opening Work in Process Inventory is Rs. 5,000
- Closing Work in Process Inventory is Rs. 10,000

Then:
What is the amount of Cost of Goods Manufactured?
► Rs. 35,000
► **Rs. 25,000**
► Rs. 15,000
► Rs. 20,000

Manufacturing Cost / Production cost / Total factory cost	
Manufacturing cost	30,000
Add	
Opening work in process inventory	5,000
=	
Cost of Goods to be manufactured	
Less	
Closing working in process inventory	10,000
=	
Cost of Goods Manufactured	25,000

Question No: 28

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 Conversion Cost?

► **Rs. 15,000**
► Rs. 20,000
► Rs. 35,000
► Rs. 45,000

Conversion Cost: + Direct Labor Cost + Factory Overheads

1-Find prime Cost
Manufacturing Cost = Prime cost +FOH
30,000 =prime cost +5,000
Prime cost =30,000 -5,000
Prime cost =25,000

2-Find Direct labor cost
Prime cost = Direct Labor + Direct Material
25,000 =Direct Labor +15,000
Direct Labor=25,000-1500
Direct labor=10,000
3-Conversion Cost

Conversion Cost =Direct Labor cost + Factory Overheads
cost Conversion Cost =10,000+5,000 Conversion Cost
=15,000

Question No: 29

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

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

Question No: 30

All of the following are Fixed assets **EXCEPT**:

► Machinery

► Freehold land
► **Marketable securities**
► Leasehold land

Marketable securities are current asset

Question No: 31
Which one of the following is **NOT** a fixed asset?
► Vehicles
► Office equipment
► Land
► **Inventory**

Inventory is current asset

Question No: 32
What is the treatment of Depreciation in accounting?
► Written in balance sheet under the head of fixed assets
► Written in balance sheet under the head of current assets
► **Charged to profit and loss account**
► Written in balance sheet under the head of liabilities

Depreciation for the year‘ and is charged to profit & loss account.

Question No: 33
A business sells a fixed asset during the year. The following information is known:
- Original cost Rs. 500
- Accumulated depreciation on the date of sale Rs. 240
- Profit on sale Rs. 70

What would be the proceeds from the sale of the fixed asset?
► Rs. 170
► **Rs. 190**
► Rs. 300
► Rs. 310

Original cost – Accumulated Depreciation = WDV /Book value 500 – 240 = 260

Book value - Sale = Profit
260 –Sale =70
Sale =260-70 =190

Question No: 34

Particulars	**Rs.**
Opening written down value of machine	375,000

Cost of machine bought during the year	50,000
Depreciation during the year	11,000
Written down value of the Machine at the year end	**?**

► **Rs. 414,000**
► Rs. 425,000
► Rs. 61,000
► Rs. 386,000

Particulars	**Rs.**
Opening written down value of machine	375,000
Add	
Cost of machine bought during the year	50,000
Less	
Depreciation during the year	11,000
=	
Written down value of the Machine at the year end	414,000

PAPER # 18

Question No: 1

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: 2

The expenses that give benefit for a period of more than twelve months are called _____.

Capital expenses

Revenue expenses

Preliminary expenses

None of the given options

Capital expenditures are expenditures creating future benefits

Question No: 3

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: 4

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: 5

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)

Usually the ledger is required to provide following information:
o **Title of account**
o Ledger page number, called Ledger Folio / Account Code
o Date of transaction
o Voucher number
o Narration / particulars of transaction
o Amount of transaction

Question No: 6

The favorable balance of Profit and Loss account should be:

Added in liabilities

Subtracted from current assets

Subtracted from liabilities

Added in capital

Profit is added in the capital account because it increases the retained earnings and thus increases the owner‘s equity of the business and vice versa

Question No: 7

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

Rs. 5,000

Rs. 25,000

Rs. 55,000

Rs. 60,000

Sales – CGS =Gross profit – Operating expenses = Net profit /Loss

90,000 – 60 ,000 = 35, 000 – 25,000 = 5,000

Question No: 8

In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

Conversion cost

Prime cost

Total factory cost

Cost of goods manufactured

Prime cost = Direct material consumed + direct labor + other direct cost

Question No: 9

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: 10

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: 11

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: 12

When income exceeds expenses in a specific time period is known as:

Savings

Net profit

Gross profit

Operating profit

Question No: 13

Which of the following is the type of business owned by one person?

Sole- Proprietorship

Partnership

Public Limited Company

Unlimited Company

Sole-Proprietorship- it is the simplest form of business organization, which is owned and controlled by one man‖

Question No: 14

Expenditure is revenue in nature when it:

Benefits the current period

Benefits the future period

Belong to the previous period

None of the given options

―Deferred Revenue Expenditure is an expenditure for which payment has been made but it is assumed that the benefit will extend over a subsequent period or periods.‖ Deferred revenue expenditure is a revenue expenditure by nature.

Question No: 15

Wages of workmen employed for setting up new machinery should be debited to:

Expenses account

Wages account

Salaries account

Machinery account

The cost of installation is part of the cost of the asset. An asset‘s cost is considered to be all of the costs of getting an asset in place and ready for use. Therefore, the labor cost of installing a new machine is considered to be part of the asset‘s cost and not an immediate expense of the period.The cost of the installation labor will include the workers‘ wages and the fringe benefits applicable to those wages.

Purchased price of machine
Add: Duty
Add: Freight charges for shipment of machine 700
Add: Installation of machine 1,000

Machine A/c Dr

Accounts Payable/Cash/Bank Cr

Question No: 16

Which of the following book is prepared for recording cash transactions?

Cash book

Creditors‘ book

Debtors‘ book

None of the given options

All cash transactions (receipts and payments) are recorded in the cash book

Question No: 17

Cash book is:

Ledger account

Subsidiary journal and ledger account

None of the given options

Subsidiary journal

Cash book serves dual role of journal as well as a ledger. As cash book serves the purpose of both journal and ledger it is often said that cash book is a ―Journalized Ledger‖Cash book and bank book are part of general ledger

Question No: 18

Which of the following is the excess of gross profit over all expenses relating to sales and administration?

Operating profit

Net profit

Revenue

Net loss

Question No: 19

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

Accounts Receivable

Accounts Payable

Sales Revenue

Marketable Securities

Question No: 20

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: 21

What is the treatment of depreciation expense in Profit and Loss Account?

Treated as an asset

Treated as an expense

Treated as an income

None of the given options

Depreciation:
In Profit and Loss Account, it is considered as expense and in Balance Sheet it is deducted from theconcerned fixed asset

Question No: 22

Which of the following account would be debited, when goods are sold on credit?

Stock account

Account receivable Account

Accounts payable account

Sales account

Question No: 23

Which of the following account would be debited on completion of goods?

Work In Process

Finished goods

Stock account

Sales account

Question No: 24

Which one of the following statement is **FALSE** about FIFO inventory system during the period of inflation?

Current assets have latest marked values

Volume of profitability becomes higher

Amount of taxes increases

Stock is valued at oldest prices

FIFO

If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. **The income tax is larger.** Value of unsold inventory is also higher.

This is widely used method for determining values of cost of goods sold and closing stock.

•In the FIFO method, oldest available purchase costs are transferred to cost of goods sold. That means the cost if goods sold has a lower value and the profitability of the organization becomes higher.
• As the current stock is valued at recent most prices, the current assets of the company have the latest assessed values.

Question No: 25

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

Total Production Cost/Manufacturing=Prime Cost +Factory overhead cost
Rearrange
Prime cost = Manufacturing cost – FOH
Prime cost =30,000 – 5,000

Prime Cost = 25,000

Question No: 26

Which one of the following methods for inventory valuation is based on the assumption that the first merchandise purchased is the first merchandise sold?

LIFO Method

Weighted Average Method

Specific Identification Method

FIFO Method

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)
As the name suggests, the LIFO method is based on the assumption that the recently purchased merchandise is issued first. The LIFO uses actual purchase cost

Question No: 27

Which of the following is **CORRECT** regarding depreciation?

It is a systematic allocation of depreciable amount of an asset over its estimated useful life

It refers to the end life of an asset

It refers to the increase in value of asset

It is another name of Impairment

Question No: 28

Which of the following represents a possession that has a value in an exchange?

Asset

Liability

Expense

Revenue

Asset: Any possession that has value in an exchange, Assets are the **properties and possessions of the business**

Question No: 29

Which of the following is **NOT** a method of calculating depreciation?

Straight Line Method

Written Down Value Method

Diminishing Balance Method

Specific Identification Method

There are several methods for calculating depreciation. At this stage, we will discuss only two of them namely:
Straight line method or Original cost method or Fixed installment method Reducing balance method or Diminishing balance method or written down method.

Question No: 30

What is the treatment of Accumulated Depreciation in accounting?

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

Written in balance sheet as a reduction in relevant fixed asset

Question No: 31

Which one of the following cost is directly attributable to cost of fixed asset?

Costs of site preparation

Administration and other general overhead cost

Costs of conducting business in a new location or with a new class of customer (including costs of staff training)

All of the given option

The cost of a fixed asset comprises of all amounts incurred in the acquisition of assets and any amounts that can be attributable directly to bringing the asset into running condition. The directly attributable costs include:

Cost of delivery
Costs related with the acquisition of assets, like import duty and stamp duty
Costs incurred while preparing the installation site for the asset
Professional fees, like architects' fees and legal fees

Question No: 32

Particulars	**Rs.**
Opening written down value of machine	2,50,000
Cost of machine purchased during the year	**?**
Depreciation during the year	15,000
Closing written down value (WDV) of the Machine	285,000

Rs. 50,000

Rs. 300,000

Rs. 375,000

Rs. 20,000

Opening WDV + Cost of machine purchase during the year – Depreciation during the year = Closing WDV

Rearrange

Cost of machine purchase during the year = Closing WDV + Depreciation during the year –Opening WDV

Question No: 33

Distinction between capital and revenue items is important for the preparation of:

Income statement only

Balance sheet only

Final accounts

Bank statement

When preparing final accounts it is important to distinguish between capital and revenue expenditure.

Question No: 34

Cash received form the sale of stock in trade is a:

Capital receipt

Final receipt

Credit receipt

Revenue receipt

Revenue Receipts
Receipts which are recurring by nature and which are available for meeting all day to day expenses of a
Business concern is known as _Revenue Receipts‘. For example, sale proceeds of goods/Cash received,, interest received, rent received etc.
If a company sells the stock in trade, the amount received will be called revenue receipts.
If a company sells the building, the amount received will be called capital receipts.

MGT101 MID-Term
BY
Attiq Kundi & group

Drawings account is a/an _____.

Contra item

Expenses =?

Income – profit

All of the following items appear on debit side of Trade receivable control account EXCEPT:

Discount allowed

Mostly, control accounts are maintained for:

All of the given options

Purchases Rs. 500, Returns outward Rs. 50, Gross Sales Rs. 700 and Gross Profit Rs. 100, Net Purchases =?

450

If cost of sales is Rs. 90,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will be net result? Select correct option:

Rs. 5,000 Losses

Work in process closing inventory is a/an:

Asset

Which of the following is Revenue expenditure?

Sales revenue

A payment of Rs. 1,000 to a creditor Mr. A is recorded in the account of another creditor Mr. B. What will be its effect on net profit?

Rs. 1,000 Owner's equity.

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

Manufacturing concern

Capital introduced by the owner is a _____.

Capital Receipt

By Attiq Kundi

Sales Rs. 500, Returns outwards Rs. 50, Gross Profit Rs. 100, Net Sales =?

450

When correct accounting entry is recorded in the books of accounts but the amount in both accounting effect (Dr & Cr) is wrong, it is known as:

Error of commission

Which of the following is an error of original entry?

A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

Mr. X receives a discount of Rs. 50 from a supplier. The discount is debited to discount allowed account. What will be its effect on net profit?

Understated by Rs.100

While preparing a Creditors Control Account, Credit side shows the items that will cause:

Raw material

Service fee received is a _____.

Revenue Expenditure

Work in process closing inventory is a/an:

Asset.

Factory overhead cost = Power & fuel cost + _____.

Indirect material cost

A payables ledger control account had a closing balance of Rs.9,000. A discount received of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Rs. 8,500 credit

Unconsumed shipping supplies are considered as:

Current asset

Sales return account is a/an _____.

Contra item

Unconsumed office supplies are considered as:

By Attiq Kundi

Inventory

Unfinished goods are called:

Rew matrial

If the debit side of trial balance is heavier than the credit side, suspense account will be written on _____.

Credit side

Accumulated depreciation of furniture is a/an _____.

Contra asset account

Which of the following is a Capital receipt?

Long term loan from bank

Discount received from a creditor is Debited under main head:

Assets

While preparing a Debtors Control Account, Debit side posted items cause:

Increase in debtors' balance

An income statement is prepared for a specific period, which is also known as:

Financial health

A minor repair to a photocopy machine was paid in cash. Correct entry was made to cash account but no entry was made to other account. What will be the credit effect of journal entry to rectify this error, if there is suspense account in trial balance?

Cash account

When correct accounting effect (Dr/Cr) is given in the wrong accounting head as well as the wrong main head, it is known as:

Error of commission

Mr. A recorded a cash payment of Rs.300,000 as salaries. Both the salaries and cash account were debited. What would be the credit effect of journal entry to rectify this error, if there is suspense account in trial balance?

Cash account

By Attiq Kundi

Purchase of building costing Rs. 500,000 is recorded in repairs account. What will be its effect on net profit?

Overstated by Rs. 500,000

Control accounts are usually maintained by:

Large organizations

All of the following items may appear in Trade receivable control account EXCEPT:

Cash relievable in debit

A new accountant of ABC Corporation has prepared the trial balance. But there is difference in total of both sides of trial balance, such amount of difference shall be named as:

Suspense account

Bank charges of RS. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

Understated by Rs. 1,000

Which of the following is an error of omission?

Bank charges being deducted by the bank without our knowledge

If someone financial information is completely forgotten to record in the books of original entry, such error is known as:

ERROR OF OMISSION

In a manufacturing concern, rent of the office building is included in:

OPERATING EXPENSES

Expired portion of direct cost is a part of ---------

Cost of sales

If work in process closing inventory is provided as additional information other than trial balance, then that inventory treated as

Balance sheet only

Carriage outward is debited under main head:

By Attiq Kundi

Expenses

All of the following items may appear in Trade payable account Expect: Bad debts
Expired portion of direct cost is treated as:
Expense

In a manufacturing concern, rent of the office building is included in:
OPERATING EXPENSES

Income=profit-expenses

A payable ledger control account had balance of Rs9000.A credit purchase of Rs500 had been omitted to recorded in the control account what should be the correct balance of payable control account?
Rs.9000credit

All of the following items may appear in Trade payable control account Except:
Cash purchases

When correct accounting entry is recorded in the books of accounts but the amount in both accounting effect(Dr&Cr) is wrong. It is known as Error of original entry.

Total factory cost=prime cost+factory overhead cost

Mostly, contra accounts are maintained for: trade receivable, trade payable, Inventory,
All of the given option

If the credit side of the trial balance is heavier than the debit side suspense's account will be written on -------
Both debit and credit side

Carriage inward is debited under main head:
EXPENSES

Unconsumed shipping supplies are considered as:
Current Assets

When correct accounting effect(Dr/Cr) is given in the wrong accounting head but the main head remains correct is known as:
Error of commission

Leather to make in manufacturing concern is:
Raw material

Which of the following is/are the function of financial accounting?

By Attiq Kundi

All of the given options

When correct accounting effect (Dr/Cr) is given in the wrong accounting head as well as the wrong main head, it is known as :
Error of principle

Work in process closing inventory is a/an:
asset

A debtors account is used to record all the transaction related to:
Credit sales

Purchase Rs500, carriage outward rs.50 gross sales rs 700 and gross profit rs 100 net purchase=?
500 RS

Discount allowed to a debtor is debtor under main head:
Expenses

A receivable ledger control account had a closing balance of rs9000.A dishonored cheque of Rs 500had been omitted to record in this control account what should be the correct balance of receivable control account?
9500 debt

Purchase return account is a /an Contra items
Factory overhead is a/an cost

Unfinished goods are called:
WORK IN Process

Salaries expenses of rs 5000 is recorded as rs 500 what will be its effect on net profit?
Overstayed by rs.4500

All of the following items may appear in trade payable account Expect:
Bad debts

Discount received from a creditor is credited under main head:
Income

Capital introduced by the owner is a Capital Receipt.

Factory overhead cost =power & fuel cost + Indirect material cost

By Attiq Kundi

Consumed direct supplies are considered as:
Cost of sales

The unexpired portion of direct cost is treated as:
Assets

A control account is an indivual account that appears in the ----------
general ledger.

Mr. receives a discount of Rs 50 from a supplier. The discounts is debited to discount allowed account. What will effect on net profit?
Understated by rs 100

A creditors control account is used to record all the transaction related to:
credit purchase

While preparing a Debtors Control Account. Credit side posted items cause:
Decreases in debtors Balance

While preparing a Debtors Control Account. Debit side posted items cause:
Increase in debtor's balance

Which of the following Is a revenue receipt?
Sales Revenue

Direct cost is also known as
Prime cost

Office supplies consumed is considered as:
cost of sales

Sales return account is a/an----------
Contra items

Which of the following is a capital receipt?
Long term loan from bank

Bank charges of Rs1000 have been deducted by the bank without our knowledge. what will its effect on net profit?
Overstated by rs 1000

By Attiq Kundi

A new accountant of ABC corporation has prepaid the trial balance. but there is difference I total of both sides of trial balance such difference can be due to: All of the given option

Mostly, control accounts are maintained for:
All of the given options

A purchase of plant and machinery is a ----------
Capital expenditure

If the debit side of trial balance is heavier than the credit side, suspense account will be written on
Credit side

If the credit side of trial balance is heavier than the debit side, suspense account will be written on
Debit side.

All of the following items may appear in Trade receivable control account Expect:
Checkups dishonored

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

Expenditure incurred to acquire the patent right for the business is an example of **:**
Capital expenditure

Loss on revaluation of fixed asset should be charged to**:**
Profit and loss account

When correct accounting entry is recorded in the books of accounts but the amount in both accounting effect (Dr & Cr) is wrong:
Error of original Entry

A new accountant of ABC corporation has prepaid the trial balance. but there is difference in total of both sides of trial balance such difference shall be named as : Suspense account

Discount received from a creditor is Debited under main head:
liabilities

Electricity expense is a____
Revenue Expenditure

Control accounts are maintained for all the following Except:
Deprecations

By Attiq Kundi

All of the following items may appear in Trade receivable control account Expect:
Cash sales

Discount allowed to a debtor is credited under main head:
Assets

All of the following items may appear in Trade receivable control account Expect:
Credit purchase

A control account is an individual account that appears in the ----------
General ledge
Which of the following is an error of commission?
A payment to a debtor MrA is recorded in the the account of another Mr.B

Which of the following should be considered as ready for sales in manufacturing concern?
Finished goods
Mr. A recorded a cash payment of Rs.300,000 as salaries. Both the salaries and cash account were debited. What would be the credit effect of journal entry to rectify this error, if there is suspense account in trial balance?
Cash account

A receivables ledger control account had a closing balance of Rs.9,000. A dishonored cheque of Rs. 500 had been omitted to record in this control account. What should be the correct balance of receivables control account?
Rs. 8,500 credit

In a trading concern, salaries of marketing staff is included in _____.
Operating expense

Purchase return account is a/an _____.
Expense item

Cotton thread to make fabric in manufacturing concern is:
Raw material

Sole proprietor can prepare following financial statements as final accounts:
Balance sheet & income statement

A debtors' control account is used to record all the transactions related to:
Credit sales

Shipping supplies consumed is considered as:
Selling expense

By Attiq Kundi

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

► Rs. 3,600

► **Rs. 4,000 correct**

► Rs. 1,600

► Rs. 2, 400

Explanation:

40,000 x 10%= 4000

NOTE: 1600 are already declared as ACTUAL BAD DEBTS. only DOUBTFUL debts are required

If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what will be the rate of depreciation?

10%

22%

42%

52%

Rate = 1 □n√ RV / C

Where:

□RV□= Residual Value

□C□= Cost

□n□= Life of Asset

Calculate the rate if:

Cost = 100,000

Residual Value (RV) = 20,000

Life = 3 years

Rate = 1 □3 √20000/100000

= 42%

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ► Rs.89, 700
- ► Rs.94, 700
- ► **Rs.95, 300**
- ► Rs.100, 300

profit 95000

less capital interest 2500
add drawing interest 2800
95300

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

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ► Rs.42,350
- ► **Rs.44,150**
- ► Rs.41,600
- ► Rs.40,850

Profit = 85000
Add markup on drawings = 1500 + 1800 = 3300
Total net profit = 88300
Profit share of B = 88300/2 = 44150

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

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ► Rs.40,000
- ► **Rs.43,000**
- ► Rs.130,000
- ► Rs.133,000

Net Profit = 85000
Add markup on Drawings = 3000
Less markup on Capital = 2000
Total Profit of the firm = 85000 + 3000 - 2000 = 86000
Profit of B = 86000 / 2 = 43000

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

Accumulated depreciation is a_____account?

- ► Fixed asset
- ► Current asset
- ► **Contra asset**
- ► Liability

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

Which of the following statement is not true regarding the objective of statement of cash flows?

- ► It is helpful for decision making by management
- ► **It is used for reporting the net profit of the period**
- ► It can be used for estimations for cash flows in future
- ► It is used to determine the liquidity of the business

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

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ► Receivables
- ► Receipts from Capital
- ► Current and intangible assets
- ► **Cash equivalents**

Question No: 46 (Marks: 1) - Please choose one

Which of the following is an example of cash outflow for a company?

- ► Cash collected from customers
- ► **Cash paid for merchandise inventory**
- ► Writing off an uncollectible accounts receivable
- ► Reclassifying accounts payable to notes payable

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

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ► **Individual Partner's Current Account**
- ► Partner's Cash Account
- ► Partner's Bank Account
- ► Partners Capital Account

Question No: 42 (Marks: 1) - Please choose one

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ► **Cost of goods sold**
- ► Indirect cost
- ► Selling cost
- ► Factory over head cost

Question No: 41 (Marks: 1) - Please choose one

XYZ Company has paid up capital of 20,000 shares of Rs. 100 each. The company offers to existing shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 for every 5 shares held. What would be the number of right shares?

- ► 120 right shares
- ► **12,000 right shares**
- ► 15,000 right shares
- ► 25,000 right shares

Total shares = 20000
5 existing shares can buy = 3 new shares
1 existing share can buy = 3/5 new shares
20000 existing shares can buy = 20000 * 3/5 = 12000 new shares = right shares

Question No: 46 (Marks: 1) - Please choose one

Which of the following is an example of Cash flow from operating activities?

- ► Cash payment to acquired fixed assets
- ► Issuing stock
- ► Cash collection as a result of machinery sold
- ► **Cash payment to suppliers for goods and services**

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

Which of the following statement is **TRUE** about the Accounts receivable?

- ► Accounts receivable arises when a company buys goods or services from another party on credit
- ► **Accounts receivable is a miscellaneous category that may include loans to employees**
- ► Accounts receivable are more formal than notes receivable
- ► Accounts receivable are often called trade receivables

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

In cash flow statements, which of the following would appear as a cash outflow?

- ► **The payments for purchases made during the year**
- ► A decrease in trade debtors over the course of an accounting period
- ► Money received as a result of issuing new shares
- ► Money received as result of selling fixed assets

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

The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings 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. 2,000
- ► Net income of Rs. 2,500

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

Which one of the following cost is **NOT** attributable to the fixed assets?

- ► Costs of site preparation
- ► **Administration and other general overhead cost**
- ► Initial delivery and handling charges
- ► Installation and assembly costs

Question No: 44 (Marks: 1) - Please choose one

A company is said to have been registered when:

- ► **It gets certificate of incorporation from registrar of Companies**
- ► It gets certificate of commencement of business from registrar of Companies
- ► It actually starts its business
- ► It filed with the Registrar of Companies certain documents, like memorandum and articles of association

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

Notes to the accounts explain which of the followings

Nature of business of the company
Accounting Policies of the company
Details and explanation of items given in the Profit and Loss Account and Balance Sheet
All of the given options

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

Cash flow from operating activities is generated from:

.

The cash receipts and payments that arise from Fixed and Long Term assets of the organization.

.

Cash generated from daily operations of organization
The cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization
None of the given options

Question No: 47 (Marks: 1) - Please choose one

Particulars	Rs.
Debentures	1, 50,000
Equity Capital	2, 00,000
General Reserve	90, 000
Accumulated profit	60,000

What is debt equity ratio ?
15: 20 (or 3:4)

15:24 (or 5: 8)
15:29
15:35 (or 3: 7)

Total Debt = Debentures = 150000
Total Equity = Equity capital + General Reserve + Accumulated profit
= 200000 + 90000 + 60000 = 350000
Debt: Equity
150000: 350000
15: 35
3:7

Question No: 48 (Marks: 1) - Please choose one
In which situation(s) Partnership is dissolved?
In case of death of partner
At the admission of new partner
If any partner resigned from partnership
All of the given options

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: 50 (Marks: 1) - Please choose one

Which one of the following is equal to the carrying cost of an asset?

- ► **Original cost minus Accumulated depreciation**
- ► Original cost plus Accumulated depreciation
- ► Original cost minus Residual value
- ► Written down value minus Accumulated depreciation

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

Which of the following is an example of operating expense?

- ► Purchasing operating equipment
- ► **Purchasing cleaning services**
- ► Purchasing an investment in another company
- ► Purchasing a computer for the accounting office

Question No: 45 (Marks: 1) - Please choose one
The amount of share premium can be utilized EXCEPT**:**

- ► To write off preliminary expenses
- ► **To meet the expenses of issue of shares**
- ► To distribute among the shareholders
- ► To issue bonus shares

Question No: 46 (Marks: 1) - Please choose one
A company pays cash to purchase the stock of another company in an unrelated industry. The cash outflow can be considered as an:

► Operating activity that will appear on the statement of cash flows
► Operating activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry
► **Investing activity that will appear on the statement of cash flows**
► Investing activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry

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

Which of the following is TRUE **about capital receipt?**

► It decreases value of property or increases value of liability
► It is shown in the income and expenditure account
► It is recurring in nature
► It is not shown in the statement of financial positions

A private limited company can commence its business:

► Immediately on receiving a certificate of incorporation
► Without receiving a certificate of incorporation
► Only when it receives certificate of commencement of business
► Only when it receives both, the certificate of incorporation as well as certificate of commencement of business

---

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

► **Subscribers**
► Shareholders
► Managers
► Directors

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

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

► Rs. 60,385 owner's equity
► Rs. 61,385 owner's equity
► Rs. 99,885 owner's equity
► Rs. 99,385 owner's equity

Identify that which of the following particular(s) would **NOT** be shown in the format of a Cash Book?

(1) Cheque number
(2) Date of transaction
(3) Amount of transaction

- **(1) only**
- (1) & (2) only
- (1) & (3) only
- (2) & (3) only

Question No: 50 (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: 45 (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: 41 (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: 43 (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: 40 (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: 34 (Marks: 1) - Please choose one

If Bad Debts written off are given in adjustment, then which of the following entry for bad debts written off is **CORRECT**?

- Bad debts a/c (Dr) and Trading a/c (Cr)
- Provision for Bad and Doubtful debts a/c (Dr) and Bad debts a/c(Cr)
- **Bad debts a/c (Dr) and debtors a/c (Cr)**
- Trading a/c (Dr) and Bad debts a/c (Cr)

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

Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

- Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)
- Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)
- Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)

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

Which of the following is shown on credit side of creditors control account?

- Bills Receivable
- Return inwards
- Credit purchases
- Discount allowed

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

Which of the following is **NOT** correct about income tax?

- ► Different companies pay tax on different rates
- ► It is treated as an expense and debited in Profit & Loss account
- ► When financial statements are prepared, an estimate of expected tax liability is made
- ► It is treated as an expense and credited in Profit & Loss account

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

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

- ► Rs. 460
- ► Rs. 2,400
- ► Rs. 3,080
- ► Rs. 5,480

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

A financial statement that indicates the success or failure of a business, over a period of time is called:

- ► A cash flow statement
- ► A retained earnings statement
- ► **An income statement**
- ► A balance sheet

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

When closing stock is given in trial balance, then it will effect:

- ► Trading account only
- ► **Balance sheet only**
- ► Owner's equity only
- ► Both Trading account and Balance sheet

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

A firm may earn profit during an accounting period but have less money in the bank at the end of the period then it had at the beginning. Which of the followings, on its own, could explain this?

- ► Not paying invoices received from creditors
- ► The sale of fixed assets during the period
- ► **An increase in trade debtors over the course of the period**
- ► An increase in the depreciation charge relative to the previous accounting period

Question No: 54 (Marks: 1) - Please choos

What is the reason that some short term creditors prefer quick ratio over current ratio as a measure of short-term liquidity?

- Short operating cycle of the company
- Long operating cycle of the company
- Liquidity is not affected by operating cycle
- It is the creditor's choice

Question No: 45 (Marks: 1) - Please choose one

The amount of prepaid insurance that expired in the current accounting period should be reported as_____.

- Prepaid insurance
- Insurance expense
- Insurance payable
- Insurance paid

Question No: 41 (Marks: 1) - Please choose one

Which of the following statement is correct? If a company fails to record estimated bad debts expense,

- Net realizable value is understated
- Expenses are understated
- Revenues are understated
- Receivables are understated

Which of the following is not a cause of difference in balances as per pass book and cash book?

- Error in cash book
- Error in pass book
- Direct deposit
- Un credited cheques

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

Particulars	
Nominal value of each share	Rs.10
No of shares issued	10,000 shares
Net profit	Rs. 20,000
Divined paid	10%
What is the EPS	**?**

- Rs. 1.00
- Rs. 2.00
- Rs. 3.00
- Rs. 4.00

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

Which of the following is (are) **NOT** example(s) of distributable profit?

- None of the given options
- General reserve
- Accumulated profit and loss (credit balance)
- Revaluation reserves

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

The Primary objective of providing depreciation is:

- ► To calculate true profit
- ► To show the asset on market value
- ► To reduce tax Burdon
- ► To provide funds for replacement

Question No: 5 (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: 49 (Marks: 1) - Please choose one

Sanders Construction sold a plant asset that originally cost Rs.80,000 for Rs.52,000 cash. If Sanders correctly reports a Rs.5,000 gain on this sale, the accumulated depreciation on the asset at the date of sale must have been:

- ► Rs.23,000
- ► Rs.28,000
- ► **Rs.33,000**
- ► Some other amount

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

A company is said to have been registered when:

- ► It gets certificate of incorporation from registrar of Companies
- ► It gets certificate of commencement of business from registrar of Companies
- ► It actually starts its business
- ► It filed with the Registrar of Companies articles certain documents, like memorandum and articles of association

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ► **Cost of good sold**
- ► Indirect cost
- ► Selling cost
- ► Factory over head cost

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

The Primary objective of providing depreciation is:

- ► To calculate true profit
- ► To show the asset on market value
- ► To reduce tax Burdon
- ► To provide funds for replacement

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

Which of the following value of the share is authorized by the memorandum of association?

- ► Par value
- ► Face value
- ► Nominal value
- ► All of the given options

Question No: 54 (Marks: 1) - Please choose one

Which of the following is one of the major factors affecting the market value of a company's shares?

- ► Current ratio
- ► Earning per share
- ► Return on investment
- ► Return on asset

Question No: 47 (Marks: 1) - Please choose one

Deferred revenues will become revenue when they are:

- ► Realized
- ► Earned
- ► Incurred
- ► Paid

Question No: 50 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. B?

- ► Rs.52,500
- ► Rs.42,500
- ► Rs.41,500
- ► Rs.50,500

Question No: 47 (Marks: 1) - Please choose one

Adjusting costs are reported as:

- ► Revenues
- ► Expenses

► Assets

► Net Income

Question No: 48 (Marks: 1) - Please choose one

Which of the following is also affected when an adjusting entry is passed to accrue an incurred expense?

► Total assets

► Total liabilities

► Current assets

► Total income

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

The statement of changes in equity basically shows the movement of:

► share capital during the year

► Capital reserves during the year

► Revenue Reserves during the year

► All of the given options

Question No: 54 (Marks: 1) - Please choose one

In statement of cash flows, interest payment made on loan from bank is related to:

► Investing activity
► Financing activity
► Operating activity
► Net changes in working capital

Question No: 52 (Marks: 1) - Please choose one

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

► Balance Sheet
► Income Statement
► Statement of cash flows

► Statement of changes in equity

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

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

► Its financial position at the end of an accounting period
► Its cash receipts and cash payments during an accounting period
► Its financial position at the start of an accounting period
► None of the given options

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

Capital account of sole proprietors is affected by which of the following items?

a. Profit & Loss account
b. Drawings account
c. Balances of capital account

► a,b
► b,c
► a,c
► a,b,c

Question No: 52 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

► Sales of machinery
► **Capital invested by the owners**
► Purchase of building for the business use
► Cash received from the disposal of equipment

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

► Rs.89,700
► Rs.94,700
► **Rs.95,300**
► Rs.100,300

Question No: 44 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. A?

► Rs.52,500
► Rs.42,500
► **Rs.43,500**
► Rs.50,500

Question No: 26 (Marks: 1) - Please choose one
Which of the following is an example of operating expense?

- ► Purchasing operating equipment
- ► Purchasing cleaning services
- ► Purchasing an investment in another company
- ► Purchasing a computer for the accounting office

Question No: 3 (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: 54 (Marks: 1) - Please choose one
Which of the following is a detailed record of an individual account in case of large business?
Control Account
Subsidiary Ledger
Balance Sheet

Trial Balance Question No: 43 (Marks: 1) - Please choose one
A firm may earn profit during an accounting period but have less money in the bank at the end of the period then it had at the beginning. Which of the followings, on its own, could explain this?
Not paying invoices received from creditors
The sale of fixed assets during the period
An increase in trade debtors over the course of the period
An increase in the depreciation charge relative to the previous accounting Period

Question No: 2 (Marks: 1) - Please choose one
What does a credit balance in a partner's current account represent to a business?

- ► Current Assets
- ► Current Liability
- ► **Long-term liability**
- ► **Share of profit**

Question No: 3 (Marks: 1) - Please choose one
Which of the following ratio tells about "How a company would repays its loans"

- ► **Mark up cover ratio**
- ► Acid test ratio

► Current ratio
► Debt Equity ratio

Question No: 54 (Marks: 1) - Please choose one
Which of the following is NOT based on the concept of double entry book keeping system?

► Subsidiary Ledgers
► Creditors Control Accounts
► Debtors Control Accounts
► All of the given options

Question No: 44 (Marks: 1) - Please choose one
Deferred cost is classified as:
► Current liability
► Current asset
► Non-current asset
► Non-current liability
A deferred cost can be a liability or expenditure not recorded as a cost of operation for the period in which it was incurred, but to be written off on a later date. Deferred costs can also be prescribed to assets that cannot be reliably recognized as such, but need to be deferred to be matched with future income in order to avoid a distorted net income.

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

When preparing cash flow statements, the repayments of a loan during the year should be included under which of the following heading?
► Operating activities
► **Financing activities**
► Investing activities
► None of the given options

Question No: 44 (Marks: 1) - Please choose one
The company ABC purchased an asset for Rs. 40,000, paying 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:
► Rs. 40,000 cash outflow as investing activity
► **Rs. 30,000 cash outflow as investing activity**
► Rs. 10,000 cash inflow as investing activity
► Rs. 70,000 cash inflow as investing activity

Question No: 38 (Marks: 1) - Please choose one
What is the treatment of Accumulated Depreciation in Balance Sheet?

- It may treated as a deficit
- It may treated as a surplus
- It may treated as a revenue
- **None of the given options**

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

An example of financing activities in the context of cash flow statement is:

- Capital expenditures on purchase of fixed assets
- Long-term deposit
- Financial charges paid
- **Dividend paid**

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

What is the treatment of Accumulated Depreciation in Balance Sheet?

- It may treated as a deficit
- It may treated as a surplus
- It may treated as a revenue
- **None of the given options**

Question No: 47 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.50,000. What will be the profit share of Mr. A?

- Rs.22, 500
- Rs.25, 500
- Rs.27, 500
- Rs.55, 000

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

In cash flow statements, which of the following would appear as an inflow of cash?

- The repayments of a bank loan
- Dividend issue in the current year
- **Money received as result of selling fixed assets**
- The difference between the valuations of old and new fixed assets

Question No: 54 (Marks: 1) - Please choose one

Which of the following ratio cannot be computed for a period in which the company incurs a net loss?

- ► Acid-test ratio doubted
- ► Return on investment
- ► Price-earning ratio
- ► None of the given options

Question No: 45 (Marks: 1) - Please choose one

Expenditures incurred annually on renewal of patent are known as:

- ► **Revenue Expenditures**
- ► Capital Expenditures
- ► Deferred Expenditures
- ► None of the given options

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

How dividend declared is treated in the Balance Sheet of the company?

- ► Provision
- ► **Current liability**
- ► Reserves and surplus
- ► Current assets

Question No: 54 (Marks: 1) - Please choose one

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ► Receivables
- ► Receipts from Capital
- ► Current and intangible assets
- ► **Cash equivalents**

Question No: 49 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the amount of distributable profit?

- ► Rs.81,700
- ► **Rs.88,300**
- ► Rs.131,700
- ► Rs.146,700

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

Which of the following accounts would be increased with a debit?

Contributed Capital
Retained Purchases returns account and sales account Sales account, purchase account and A s account Both of Mr. P's & Mr.Q's Account

Financial Accounting Quiz Question and Answer

1) An event can be classified as non-monetary:

Select the correct option

a) Purchase on cash

b) Placing purchase Oder

c) **Lose Accident**

d) Selling on credit

2) Which voucher is used as proof that debtor MR. A has created his/her outstanding amount or balance?

Select the correct option

A) **Cash Payment voucher**

b) Bank payment voucher

c) Petty Cash voucher

d) Cash receipt voucher

3) Which one the following is wrong?

Select the correct option

a) Nature of owner equity is credit

b) Nature of assets is Debit

c) Nature of expense is Debit

d) **Nature of income is Debit**

4) In _____, ledger accounts produce balance continually throughout the according period like after each Cr/Dr Posting.

Select the correct option

a) Report style

b) **Running balance style**

c) T account style

d) All of the given option

5) Post reference Colum of a journal entry is:

Select the correct option

a) None of these

b) Event occurring after transaction takes place

c) Nam recording the journal entry

d) **Page no of relevant ledger account**

6) which of the following account is /are ”credit” if sold goods on credit to ABC cooperation for Rs.8000 and for cash Rs.4000?

Select the correct option

a) Cash Account

b) Debtor Account

c) Both debtor and cash Account

d) **Sale Account**

7) Which of the following represent the deadline between two persons which change the financial position of the business?

Select the correct option

a) Message

b) Event

c) **Transaction**

d) Communication

8) Bank overdraft will fail under which of the following Classification of account?

Select the correct option

a) Revenue

b) **Liabilities**

c) Assets

d) Expenses

9) Commission paid will fall down under which of the following classification of accounts:

Select the correct option

a) Revenue

b) **Expenses**

c) Assets

d) Liabilities

10) All of the following contra accounts except:

Select the correct option

A) Drawing

b) **Purchase**

c) Sale return

d) Provision for doubtful debt

11) Credit note is issued by the seller when_____are returned

Select the correct option

a) Credit sale

b) **Credit purchase**

c) Cash purchase

d) Debit sale

12) The Normal Balance of capital account is similar to:

Select the correct option

a) Expense Account

b) Income Account

c) **Asset Account**

d) Drawing Account

13) Outcome claim against the assets of the business is also consider as _____for entity?

Select the correct option

a) **Source**

b) Income

c) Expense

d) Liabilities

14) What is nature of Capital account?

Select the correct option

a. Debit
b. **Credit**
c. Expenses
d. Loss

300. Which of the following is a part of owner equity?

a) Drawings
b) Inventory
c) Liabilities
d) Account receivables

301. PIA purchased a computer machine for Rs.150, 000 and paid through cheque. Which of the following accounts would be affected from the transaction?

I) Assets II) Liabilities III) Expenses IV) Revenues

a) II and III
b) I and II
c) I and IV
d) I only

302. CCA & Co. made its monthly office rent payment on cash. Which of the following accounts would be affected from this transaction?

I) Assets II) Liabilities III) Expenses IV) Revenues

a) I and III
b) I and IV
c) II and III
d) I and II

303. Which of the following is a condition that changes the financial position of entity?

a) Purchase on cash
b) Placing purchase order
c) Loss by fire
d) Recording provision

304. Goods sold for Rs. 5000 on settlement terms (5/10), n/30).The amount of settlement discount is.
a) 500
b) 300
c) 250
d) 1000

305. Generally accepted accounting principles (GAAP) are necessary financial statements.
a) Are publicly available
b) Should be standardized
c) Should understandable
d) All of the above

306. Accounting condition means recording --- --.
a) Interview
b) Story
c) Event
d) Adjustments

307. Which of the following are recorded in purchase journal?
a) Cash purchases transactions
b) Credits purchase return transitions
c) Both credit and cash purchase transactions
d) Credit purchases transactions

308. The main purpose of ------ is to ascertain true and fair result of the business operations during a particular period of time, for external reporting only.
a) Tax accounting

b) Financial accounting
c) Cost accounting
d) Managerial accounting

309. Which of the following is an asset?

a) Prepaid insurance
b) Wages
c) Account payable
d) Sales

310. If resources in business are supplied by the outsiders (other than the owner), then accounting equation looks like:

a) Assets = liabilities + capital
b) Assets = liabilities
c) Assets = capital
d) Assets = liabilities – capital

311. When goods are sold to a customer by an entity and customer promises to pay the amount at certain future time period,that customer is known as:

a) Debtor
b) Equity
c) Liabilities
d) Payables

312. Commissions earned account will fall under which of the following classification of accounts?

a) Expenses
b) Revenues
c) Assets
d) Liabilities

313. If resources in business are supplied by the owner(s) only, then financial position looks like:

a) Assets = liabilities – capital
b) Assets = capital

c) Assets = liabilities
d) Assets = liabilities + capital

314. Goods sold on credit increase:
a) Creditors
b) Revenues
c) Expense
d) Liabilities

315. Which of the following is a condition that changes the financial position of entity?
a) Purchases on cash
b) Placing purchase order
c) Loss by fire
d) Recording provision

316. Cash invested by the owner in his business is also considered as --------- for entity.
a) Liabilities
b) Sources
c) Expense
d) Income

317. A business event which can be measured in terms of money and must be recorded in books of accounts is called:
a) Record
b) Transaction
c) Data
d) Information

318. The creditor account will fall under which of the following classification of accounts?
a) Liabilities
b) Expenses
c) Assets
d) Revenues

319. Which of the following accounts will be credited, when we acquire building of Rs 500,000 on cash?

a) Building Account
b) Bank Account
c) Capital Account
d) Cash Account

320. Furniture is published for Rs. 55000 from Mr. ABC on credit basis. The effects of this transaction are

a) Increase Asset Increase liability
b) Increase Asset Decrease in liability
c) Increase Asset Decrease in Asset
d) Decrease in Asset increase in liability

321. When total liabilities are subtracted from total assets the remaining amount is known as

a) Equity or Shareholders equity
b) Total revue
c) Net income or Net loss
d) Total expenses

322. Which voucher is used as proof that creditor Mr. A's outstanding amount has cleared

a) Petty cash voucher
b) Cash payment voucher
c) Bank receipt voucher
d) Cash receipt voucher

323. is the art of recording, classifying and summarizing the transaction and events of business and interpreting the results thereof.

a) Accounting
b) Management
c) Book-keeping
d) Auditing

324. Which of the following is a Contra account?

a) Account receivable
b) Sale
c) Sales return
d) Fixed asset

325. An event which can be measured in terms of money and qualify to be recorded in books of accounts is called:

a) Transaction
b) Information
c) Record
d) Data

326. Which of the following account is Credit if the owner has paid RS. 500 from the business for his personal use?

a) Drawing account
b) Cash account
c) Capital account
d) Bank account

327. Another name of net income or positive financial return is _____.

a) Recourses.
b) Profit
c) Contribution Margin
d) Creditor

328. Which of the following in WRONG?

a) Nature of assets is credit
b) Nature of income is credit
c) Nature of Owners Equity is credit
d) Nature of Expenses is Debit

329. Which if the following is a source from preparation of a Trial Balance?

a) Journal entry
b) Journal
c) Ledger
d) Invoice

330. Identify the liability from the given list.
a) Cash
b) Prepaid Insurance
c) Rent payable
d) Accounts Receivable

331. Which of the following is TRUE regarding an Expense account?
a) It always has a credit balance
b) Debit side of an expense is always greater than its credit side
c) It always shown in balance sheet
d) Credit side of an expenses is always greater than it debit side

332. Which of the following is another name of cash discount?
a) Regular customer discount
b) Season end discount
c) Bulk purchase discount
d) Settlement discount

333. Which voucher is prepared when bank collects money from a debtor Mr. A?
a) Petty cash voucher
b) Bank payment voucher
c) Bank receipt voucher
d) Cash receipt voucher

334. In 'journal folio' column of ledger account, _____is written from which this entry was posted.
a) Code of account in journal
b) Closing balance of account
c) Page number of the ledger

d) Page number of the journal

335. _____ is a list of balances extracted from the ledger, containing final balance of each ledger account.

a) Balance sheet
b) Chart of accounts
c) Profit & loss account
d) Trial balance

336. After specific intervals, sum of sales journal is posted to the credit side of _____.

a) Sales account
b) Total debtors account
c) Total creditors account
d) None of the given options

337. Which of the following is a book of original entries?

a) Ledger
b) Journal
c) Balance sheet
d) Trial balance

338. Goods purchased on account increase:

a) Creditors
b) Debtor
c) Revenues
d) Cash

339. In 'ledger folio' column of journal, _____ is written in which its effect was posted.

a) Page number of the journal
b) Page number of the balance sheet
c) Closing balance of account
d) Page number of the ledger

340. Which of the following is a source for preparation of a trial balance?

a) Invoice
b) Journal entry
c) Journal
d) Ledger

341. Which of the following is a part of owner's equity?

a) Liabilities
b) Inventory
c) Accounts receivable
d) Drawings

342. Commissions paid will fall under which of the following classification of accounts?

a) Expenses
b) Revenues
c) Assets
d) Liabilities

343. Income is recorded when earned either received or not according to:

a) Cost accounting
b) Management accounting
c) Accrual accounting
d) Cash accounting

344. Income is recorded when received either earned or not according to:

a) Accrual accounting
b) Management accounting
c) Cost accounting
d) Cash accoun

345. Expenses are reordered when incurred either paid or not according to

a) Accrual Accounting
b) Management accounting
c) Coast accounting
d) Cash accounting

346. Expenses are recorded when paid either incurred or not according to:

a) Cash accounting
b) Cost accounting
c) Management accounting
d) Accrual accounting

347. Which of the following account is/are 'debit' if "sold goods in credit to ABC Corporation for Rs. 8000 and for cash Rs.4000"?

a) Sales account
b) Debtors account only
c) Cash account only
d) Both debtors and cash accounts

348. Which of the following account is/are 'credit' if "sold goods on credit to ABC Corporation for Rs. 8000 and for cash Rs.4000"?

a) Debtors account
b) Cash account
c) Sales account
d) Both debtors and cash account

349. Goods purchased on cash increase:

a) Creditors
b) Liabilities
c) Expenses
d) Cash

350. Which group of account is credited, when it is decreased?

a) Assets and income
b) Assets and expenses
c) Assets and liability
d) Income and liability

351. Which of the following account will be debited when we acquire building of Rs. 500,000 on cash?

a) Building account
b) Cash account
c) Capital account
d) Bank account

352. Which of the following accounts will be debited when we acquire building of RS 500,000 on credit?

a) Bank account
b) Cash account
c) Building account
d) Capital account

353. All of the below items are directly recorded by bank without intimating the business until the end of month except

a) Bank charges
b) Interest on over draft
c) Un presented cheque
d) Direct receipt

354. The inventory account falls under which of the following classification of accounts?

a) Income
b) Liability
c) Assets
d) Expenses

355. At the closing date of the period, the sum of purchase journal is credited to:

a) Purchase account
b) None of the given option
c) Total creditors account
d) Total debtors account

356. Increase in liability can cause increase in:

a) Receivables
b) Expenses
c) Profit
d) Equity

357. Which of the following is TRUE regarding Discount allowed to a debtor?

a) It is a cash receipt
b) It is an expense
c) It is an income
d) It is a cash payment

358. Which of the following is true regarding a CONTRA Account?

a) It is added into its original accounting head
b) It is always written in balance sheet
c) It is deducted from its original accounting head
d) It is always written in income statement

359. Which of the following account is 'Credit' if "The owner has paid Rs.500 from the business for his personal use"?

360. Journal voucher is used to record transaction in----------

361. Which group of accounts is DEBITED, when it is increased?

Asset and expense accounts

362. Commission earned account will fall under which of the following classification of accounts?

Revenue Accounts

363. In a journal, transactions are recoded in_____.

Chronological order

364. Which of the following best describes the meaning of ‘give something to get something’ in terms of money in business?

365. If the payment of transaction is made on purchases of goods, then the transaction is called:

Credit transaction

366. Income is recognized when earned either received or not according to:

367. Excess of expenses over income in a specified accounting period is called:

Loss

368. If the payment of transaction is postponed for specific future date on purchases of goods then the transaction is called

Cash transaction

369. Abbreviation Dr. is used in accounting for:

Debit

370. Which group of accounts is CREDITED, when it is decreased?

Assets & Expenses

15) Increase in liabilities can cause increase in?
Select the correct option:

a. Equity
b. Expenses
c. Purchase
d. Profit

16) Good purchased on cash decrease?
Select the correct option:

a. Expenses
b. Purchase
c. Profit
d. **Cash**

17) Payable amount of the business represent?
Select the correct option:

a. Loan given
b. Assets
c. **Liabilities**
d. Drawing

18) Which voucher is used as proof that creditor Mr. A outstanding amount has cleared?
Select the correct option:

a. Cash Payment voucher
b. Bank Receipt voucher
c. Petty cash voucher
d. Cash receipt voucher

19) What will be debited If Mr. “A” started business with Rs. 2, 00,000.
Select the correct option:

a) Capital account
b) Cash account

c) Mr. A's account
d) Business account
20) Which of the following particular/s is/are included in payment voucher?

Select the correct option:

a) Name of organization

b) Cash payment

c) Date
d) All of the given

MGT101 - Financial Accounting Quizzes (MCQs) Spring 2019

1. An accounting system in which there is a partial or no record of some of transaction is called (**Single Entry System**)
2. not a characteristic of joint stock company (**Easy formation**)
3. Normal Single Entry book is followed by (**Small business**)
4. Budget is another name of (**Financial Forecast**)
5. Commercial accounting is done through a system known as (**Double Entry System**)
6. Fiscal Year of Govt of Pakistan (**1st july to 30 June**)
7. Normal Balance of revenue account is Similar to (**Liability**)
8. At the end of accounting period a list of all ledger balance is prepared called (**Trial Balance**)
9. All vouchers are recorded in (**General Journal**)
10. Example of Intangible assets (**copyright, goodwill, Patent right**)
11. A wrong entry on the debit side of cash book would lead to (**Cash Book Showing More Balance**)
12. (**General Journal**) is a first book to record a transaction
13. Normal Balance of capital account is Similar to (**Revenue Account**)
14. Inventory account will fall under classification of (**Asset Account**)
15. Non-Commercial organisations are also known as (**Non-Profit Org**)
16. As per flow of transaction which come next to trial balance(**Profit & loss account**)
17. As per flow of transaction which come next to Profit&loss account (**Balance Sheet**)
18. (**Receipts & Payment**) are recorded in cash book
19. Account generated from sales in Buisness called (**income**)
20. Next Step to Journalizing in Account cycle is (**Posting)**

21. **Which of the following is (are) item (s) of cost of goods sold statement?**
Purchase of raw material
Any tax/freight paid on purchases
Any expense incurred on carriage/transportation of raw material purchased items
All of the given options (Right Answer)

Question No. 2 of 20

Which of the following voucher is used to record transactions that do not affect bank & cash?

Journal Voucher (Right Answer)

Receipt Voucher

Payment Voucher

Nominal Voucher

Question No. 3 of 20

Rs. 400

Rs. 2,500

Rs. 2,900 (Right Answer)

Rs.20, 900

Question No. 4 of 20

What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?

Rs.130, 000

Rs.110, 000 (Right Answer)

Rs.140, 000

Rs.190, 000

Question No. 5 of 20

A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

Bank statement

Income statement

Financial statement

Bank Reconciliation statement (Right Answer)

Question No. 6 of 20

Cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date are called:

Current liability

Current assets (Right Answer)

Fixed assets

Long-term assets

Question No. 7 of 20

An accounting system is used by a business to:

Analyze transactions

Handle routine bookkeeping tasks

Structure information

All of the given options (Right Answer)

Question No. 8 of 20

Particulars Rs. Opening written down value of machine 3,75,000 Cost of machine 50,000 Depreciation during the year 11,500 Closing written down value (WDV) of the Machines ?

Rs. 4,13,500 (Right Answer)

Rs. 4, 25,000

Rs. 3, 36,500

Rs. 61,500

Question No. 9 of 20

Furniture account (Right Answer)

Cash account
Business account
Bank account
Expenditure incurred in acquiring the patent right for the business is an example of:
Revenue expenditure (Right Answer)
Capital expenditure
Deferred revenue expenditure
Administrative expenditure

Question No. 11 of 20
Total assets - Total liabilities =?
Owner's Equity (Right Answer)
Expenses
Retained earnings
Net profit

Question No. 12 of 20
What will be debited, if business bought goods on credit from Mr. Ali?
Purchases account (Right Answer)
Mr. Ali account
Cash account
Sales account

Question No. 13 of 20
Prepaid rent given in the Trial Balance will be treated as a (an):
Asset
Liability
Revenue (Right Answer)
Deferred expense

Question No. 14 of 20
A business event which can be measured in terms of money and must be recorded in books of accounts is called:
Condition
Transaction (Right Answer)
Information
Record

Question No. 15 of 20
Which one of the following is NOT a feature of sole proprietorship business.
Easy Formation
Easy Dissolution
Unlimited Liability
Separate Legal Entity (Right Answer)

Question No. 16 of 20
In which of the following statement opening stock is shown?
Profit and loss account
Balance sheet (Right Answer)
Cash flow statement
Owner's equity

Question No. 17 of 20
The profitability of its business operations for a period of time
Its financial position at the end of an accounting period
Its cash receipts and cash payments during an accounting period (Not Sure)

None of the given options

Question No. 18 of 20
Which of the following is (are) example(s) of non distributable profit?
General reserve
Accumulated profit and loss (credit balance)
Revaluation reserves
None of the given options (Not sure)

Question No. 19 of 20
Which of the following Organization converts raw material into finished goods?
Trading concern
Manufacturing concern (Right Answer)
Merchandising concern
Service concern

In firms cash flow statements, which of the following would appear as a cash outflow?
The payments for share in a company whose shares are treated on a stock exchange
A decrease in trade debtors over the course of an accounting period
Money received as a result of issuing new shares
Money received as result of selling fixed assets (Not sure)

Which of the following particular/s is/are included in receipt voucher?
Name of organization
Bank receipt
Date
All of the given options (Right Answer)

Which of the following assets is most likely to appreciate rather than depreciate?
Land (Right Answer)
Motor vehicles
Plant and machinery
Fixtures and fittings

Which of the following item needs to be entered in the Cash Book in order to bring it in line with the entries on the Bank Statement?
A bank charges (Right Answer)
An error on the Bank Statement
An uncredited deposit
An unpresented cheque

Wages paid to laborers working in the manufacturing department is treated as an expense of:
Cost of goods sold (Right Answer)
Administrative expenses
Selling expenses
Marketing expenses

Bad debts written off (given in adjustment) always affect the:
Debtors account (Right Answer)
Creditors account
Cash account
Capital account

Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:
Only carriage account

Only machinery account (Right Answer)
Both carriage and machinery account
None of the given options

Cost of goods manufactured - opening work in process + ending work in process =?
Cost of goods sold
Prime cost
Conversion cost
Total factory cost (Right Answer)

If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?
Rs. 1, 95,000 Losses (Right Answer)
Rs. 1, 95,000 Profits
Rs 1, 05,000 Profits
Rs1, 05,000 Losses

What is the proper order of the following steps in the accounting process? I. Prepare and analyze the trial balance II. Record relevant transactions and events in a journal III. Analyze each transaction and event from source documents IV. Post journal information to ledger accounts
III. IV. I. II.
I. II. III. IV.
III. II. IV. I. (Right Answer)
III. II. I. IV.

All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:
Bank Charges
Interest on Overdraft
Un-presented Cheques (Right Answer)
Direct Receipts

Which of the following is Not an Asset Account?
Plant & Machinery
Loan to XYZ co.
Cash at Bank
Loan from ABC co. (Right Answer)

A balance of pass book written in brackets ( ) by the bank is known as:
Favorable balance for customer(Right Answer)
Unfavorable balance for bank
Unfavorable balance for customer
None of the above

Which of the following is an example of direct materials cost?
Production worker's wages(Right Answer)
Depreciation expenses
A piece of wood for the production of chair
Polish and finishing material for chair
other are non direct or factroy

Question No. 7 of 20
Expenditure incurred in acquiring the patent right for the business is an example of:
Revenue expenditure
Capital expenditure(Right Answer)

Deferred revenue expenditure
Administrative expenditure

Cash book is a part of _____.
Voucher
General Journal
General Ledger (Right Answer)
Trial Balance

What will be the entry of disposal of an asset at cost price?
Debit Fixed Asset Disposal and Credit Fixed Asset Cost
Debit Accumulated Dep. and Credit Fixed Asset Disposal
Debit Cash / Bank and Credit Fixed Asset Disposal
None of the given options

ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?
Rs. 20,000
Rs. 150,000
Rs. 10,000 (Right Answer)
Rs. 25,000

A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Conversion cost will be:
Rs. 150,000
Rs. 175,000
Rs. 125,000 (Right Answer)
Rs. 225,000

The Sales Returns Day Book would include:
Goods bought on credit
Fixed Assets bought that are inappropriate for business
Stock that customers have returned (Right Answer)
Goods bought on credit that are returned to the original supplier

Total Sales are calculated by adding:
Cash sales and cash received from debtors
Credit sales and cash received from debtors
Cash sales and credit sales (Right Answer)
Cash ales and credit purchases

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:
Conversion cost (Right Answer)
Prime cost
Total factory cost
Cost of goods manufactured

Outsider’s claim against the assets of the business is called:
Capital
Liability (Right Answer)
Expense
Income

Which of the following particular/s is/are included in payment voucher?

Name of organization
Cash payment
Date
All of the given options (Right Answer)

Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:
Mr. B is Debit Sales Returns is Credit (Right Answer)
Sales Returns is Debit Mr. B is Credit
Mr. B is Debit Accounts Receivable Credit
Purchases Return Debit Mr. B is Credit

A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:
Bank statement
Income statement
Financial statement
Bank Reconciliation statement (Right Answer)

Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs. 245,000 Purchases Rs. 250,000 Freight Inward Rs. 5,000 Closing Stock Rs. 25,000 What will be the amount of Opening Stock?
Rs. 15,000 (Right Answer)
Rs. 10,000
Rs. 25,000
Rs. 20,000