

CHAPATER WISE QUESTION BANK.
Chapter – 1
Introduction to Accounting

Section-A: One Mark Questions:

I: Fill in the blanks:-

01. _____ is the first book on double entry book keeping.
02. _____ has written a book called 'SUMMA' in 1494
03. The term 'Debit' comes from the Italian word _____
04. The term 'Debit' comes from the Latin words _____ & _____
05. The term 'Credit' comes from the Italian word _____
06. The term 'Credit' comes from the Latin word _____
07. Koutilya, a minister in Chandragupta's Kingdom wrote a book on economics named _____
08. Business Organization involves _____ events.
09. Determining the transaction to be recorded is _____
10. Quantification of business transactions in to financial terms using monetary unit is called _____
11. Recording is made in a _____ order
12. Accounting is the language of _____
13. Accounting begins with the identification of transaction and ends with the _____
14. Information in financial reports is based on _____ Transactions
15. _____ are the internal users of an organization
16. A _____ would most likely use an entity's financial report to determine whether or not the business entity is eligible for a loan.
17. _____ has assisted in decreasing the time-gap in issuing financial reports to users
18. _____ users are groups outside the business entity, who use the information to make decisions about the business entity
19. Information is said to be relevant if it is _____
20. Accounting measures a business transaction in terms of _____ units
21. Identified and measured economic events should be recorded in _____ order
22. Sub-disciplines within the accounting discipline are: financial accounting, Cost accounting and _____

II: Multiple Choice Questions:-

1. Which of the following is not a business transaction.
 - a) Bought furniture for Rs.10,000 for business
 - b) Paid `5,000 as salaries of employees
 - c) Paid `20,000 towards son's fees from Personal Bank account
 - d) Paid `2,000 towards son's fees from the business
2. Deepti wants to buy a building for her business. Which of the following is the relevant data for her decision?
 - a) Similar business acquired the required building in 2010 for `10,00,000
 - b) Building cost details of 2003
 - c) Building cost details of 1998
 - d) Similar building cost in August 2005 `25,00,000
3. Which is the last step of accounting as a process of information
 - a) Recording of data in books of accounts
 - b) Preparation of summaries in the form of financial statements
 - c) Communication of information
 - d) Analysis and interpretation of information
4. Which qualitative characteristics of accounting information is reflected when accounting information is clearly presented
 - a) Understandability
 - b) Relevance
 - c) Comparability
 - d) Reliability
5. Use of common unit of measurement and common format of reporting promotes
 - a) Comparability
 - b) Understand ability
 - c) Relevance
 - d) Reliability
6. Management accounting
 - a) Is a clerical work
 - b) Is accounting for future
 - c) Is a recording technique of management related transactions
 - d) Is an analysis of the past business activities

7. Which of the following shows the financial position of the business
- a) Profit and Loss account
 - b) Total Debtors account
 - c) Balance sheet
 - d) Funds flow statement
8. Which of the following is not a sub-field of accounting
- a) Management accounting
 - b) Cost accounting
 - c) Social responsible accounting
 - d) None of these
9. Functions of accounting include
- a) Keeping systematic record
 - b) Protecting properties of the business
 - c) Ascertain the profit and loss
 - d) All of these
10. Accounting records transactions in terms of
- a) Selling units
 - b) Monetary units
 - c) Production units
 - d) None of the above
11. Accounting is basically concerned with
- a) Forecasting
 - b) Measurement
 - c) Management
 - d) None of the above
12. It is the Language of business
- a) Accounting
 - b) Financial statements
 - c) Accounting assumptions
 - d) Book-keeping
13. Financial statements are a part of
- a) Accounting
 - b) Book-keeping
 - c) Both
 - d) None

14. Financial statement users include
- a) Share holders
 - b) Government
 - c) Vendors
 - d) All of the above
15. All of the following are functions of accounting, except ...
- a) Decision making
 - b) Measurement
 - c) Forecasting
 - d) Ledger posting
16. Financial statements do not consider
- a) Assets expressed in monetary terms
 - b) Liabilities expressed in monetary terms
 - c) Only Assets expressed in non monetary terms
 - d) Assets and Liabilities expressed in non monetary terms

III: True or False:-

- 01. Accounting is the process of recording and classifying business financial transactions.
- 02. Business organisations is not involves economic events.
- 03. The financial information to make important decisions to the users.
- 04. It provides information for judging management's ability to utilise resources effectively in meeting goals.
- 05. Financial accounting assists in analysing only the expenditure for ascertaining the cost of various products manufactured or services provided by the firm.
- 06. Qualitative characteristics are the attributes of accounting information which tend to enhance its understand ability and usefulness.
- 07. A reliable information should be free from error or bias.
- 08. Profit represents excess of revenue over expenses.
- 09. Accounting information relates to the present transactions.
- 10. The owners of business are keen to have an idea about the net results of their business operations periodically.
- 11. Entity is reality that has a definite individual existence.
- 12. Current assets are assets on a long-term basis.
- 13. Long-term liabilities are those that are usually payable before a period of one year.
- 14. Discount is the deduction in the price of the goods sold.
- 15. Voucher is not a documentary evidence of a transaction.
- 16. Drawings increase the investment of the owners.

IV: Very Short Answer Questions:-

1. Expand APB
2. Expand AICPA
3. Expand AAA
4. What is accounting?
5. Who are the external users of business information?
6. What is revenue?
7. What is entity?
8. What is transaction?
9. What is profit?
10. What is capital?
11. What is gain?
12. What is loss?
13. Who are Debtors?
14. Who are Creditors?
15. What is purchases?
16. What is voucher?
17. What is trade discount?
18. What is cash discount?

Section-B:Short Answer Questions for Two Marks:-

1. Define Accounting.
2. What is the end product of Accounting?
3. State any two objectives of Accounting.
4. Name any two users of Accounting
5. State the nature of Accounting information required by long term lenders
6. Who are the external users of information?
7. Enumerate any two information needs of management
8. Give any two examples of revenues.
9. Distinguish between Debtors and Creditors
10. Distinguish between profit and gain
11. Accounting information should be comparable. Do you agree with the statement? Give two reasons
12. If the accounting information is not clearly presented, which of the qualitative characteristics of accounting information are violated?
13. The role of Accounting has changed over the period of time. Do you agree? Explain in two sentences.
14. Give two examples of fixed assets
15. Give two examples of revenue
16. Give two examples of expenses
17. Give two examples of short term liability
18. What is revenue?

19. What are expenses?
20. What is entity?
21. What is transaction?
22. State two types of transactions.
23. What are cash transactions? Give an example
24. What are credit transactions? Give an example
25. State any two types of assets.
26. What are fixed assets?
27. What are current assets?
28. What are long term liabilities?
29. What are short term liabilities?
30. What is capital?
31. What do you mean by sales?
32. What is expenditure?
33. What is capital expenditure?
34. What is revenue expenditure?
35. Give two examples of capital expenditure
36. What is profit?
37. What is gain?
38. What is loss?
39. What is discount?
40. What is trade discount?
41. What is cash discount?
42. Distinguish between trade discount and cash discount.
43. What is voucher?
44. What do you mean by goods?
45. What do you mean by drawings?
46. What is purchase?
47. What are sales?
48. What is stock (inventory)?
49. Who is a Debtor?
50. Who is a Creditor?

Section-E: Practical Oriented Question for Five Marks:-

1. Draw a diagram of Accounting Process.