

Accounting for Business Decision

1. Managerial accounting information is generally prepared for
 - A. Shareholders
 - B. Creditors
 - C. Managers
 - D. Regulatory agencies
2. Which of the following is not an internal user of management information?
 - A. Creditor
 - B. Department manager
 - C. Controller
 - D. Treasurer
3. Management accounting is applicable to:
 - A. Service entities
 - B. Manufacturing entities
 - C. Non-profit entities
 - D. All of these
4. Creating Provision against fluctuation in the price of investment is an example of which accounting convention:
 - A. Convention of conservatism
 - B. Convention of full disclosure
 - C. Convention of materiality
 - D. Convention of consistency
5. The work of factory employees that can be physically associated with converting raw material into finished goods is classified as:
 - A. Manufacturing overhead
 - B. Indirect materials
 - C. Indirect labour
 - D. Direct labour
6. Double entry system is used in which type of accounting:
 - A. Cost
 - B. Financial
 - C. Management
 - D. All of these
7. Management accounting concentrates on
 - A. Opening books of account
 - B. Preparation of financial statements
 - C. Control of business activities
 - D. None of these
8. Which type of asset class includes those assets which have only definite use and become valueless when the yield is over?
 - A. Fixed asset
 - B. Current asset
 - C. Fictitious asset
 - D. Wasting asset
9. An accounting that deals with the accounting and reporting of information to management regarding the detail information is:
 - A. Financial accounting
 - B. Management accounting
 - C. Cost accounting
 - D. Real accounting
10. The primary objective of management accounting is:
 - A. Prepare final A/c
 - B. Provide management complete and true information
 - C. Both A & B
 - D. None of these
11. Bad debt amount should be credited to:
 - A. Debtors account
 - B. Bad debts account
 - C. Sales account
 - D. Creditors account
12. Identify which is wrong rule?
 - A. Nominal account – debit all expenses & losses
 - B. Real account – credit what comes in
 - C. Nominal account – credit all incomes & gains
 - D. Personal account – debit the receiver
13. Cost of goods sold = opening stock + net purchases + expenses on purchases – sales Which part of formula is wrong?
 - A. opening stock
 - B. net purchases
 - C. expenses on purchases
 - D. sales
14. Return of goods by a customer should be debited to
 - A. Customers account
 - B. Sales return account
 - C. Goods account
 - D. Purchase account
15. Sales made to Mahesh for cash should be debited to
 - A. Cash account
 - B. Mahesh account
 - C. Sales account
 - D. Purchase account
16. Rent paid to landlord should be credited to:
 - A. Landlords account
 - B. Rent account
 - C. Cash account
 - D. Expense account
17. Cash discount allowed to a debtor should be credited to:
 - A. Discount account
 - B. Customer's account
 - C. Sales account
 - D. Cash account

18. Opening stock + + Direct Expenses (Carriage on Raw material) – Closing Stock =
- Sales, Purchases
 - Sales, Sales return
 - Purchases, Cost of goods produced
 - Purchases, Cost of goods sold
19. Financial accounting is concerned with:
- Recording of business expenses and revenue
 - Recording of costs of products and services
 - Recording of day to day business transactions
 - None of the above
20. The nature of financial accounting is:
- Historical
 - Forward looking
 - Analytical
 - Social
21. The main object of cost accounting is:
- To record day to day transactions of the business
 - To reveal managerial efficiency
 - To ascertain true cost of products and services
 - To determine tender price
22. Cost accounting emerged mainly on account of:
- Statutory requirements
 - Competition in the market
 - Labour unrest
 - Limitations of financial accounting
23. Advantages of cost accounting accrue:
- Only to workers
 - Only to government
 - Only to consumers
 - To management, workers, consumers and government
24. Cost accounting is applied to:
- Public undertakings only
 - Large business enterprise only
 - Small business concerns only
 - Manufacturing and service concern
25. Marginal costing is concerned with:
- Fixed cost
 - Variable cost
 - Semi-variable cost
 - None of the above
26. is a person or item for which cost may be ascertained.
- Cost unit
 - Cost centre
 - Cost object
 - Cost estimation
27. Salary paid to factory manager is an item of:
- Prime cost
 - Factory overhead
 - Selling overhead
 - Office overhead
28. cost refers to those cost which have already been incurred and cannot be altered by any decision in the future.
- Opportunity cost
 - Sunk cost
 - Incremental cost
 - Decremental cost
29. Amortization of intangible Asset such as Goodwill which has indefinite life is an example of accounting concept:
- Conservatism Concept
 - Continuity Concept
 - Realisation Concept
 - Measurement Concept
30. If loan have been guaranteed by managers and directors is called as:
- Loan
 - Unsecured Loan
 - Secured Loan
 - Advance by Manager & Director
31. cost will still be incurred although a plant is shut down temporarily.
- Cost of raw material
 - Advertising
 - Depreciation
 - Carriage
32. Accounting principles are generally based upon:
- Practicability
 - Subjectivity
 - Convenience in recording
 - None of the above
33. The system of recording based on dual aspect concept is called:
- Double account system
 - Double entry system
 - Single entry system
 - All the above
34. The practice of appending notes regarding contingent liabilities in accounting statements is in pursuance to:
- Convention of consistency
 - Money measurement concept
 - Convention of conservatism
 - Convention of disclosure
35. Sales are equal to:
- Cost of goods sold + gross profit
 - Cost of goods sold – gross profit
 - Gross profit – Cost of goods sold
 - None of the above
36. Interest on drawings is:
- Expenditure for the business
 - Cost for the business
 - Gain for the business
 - None of the above
37. Goods given as samples should be credited to:
- Advertisement account
 - Sales account
 - Purchase account
 - None of the above

38. Outstanding salaries are shown as:
- Added to salaries while preparing Profit & Loss account
 - Shown in liability side of Balance sheet under Current Liability
 - A & B above
 - None of the above
39. Income tax paid by a sole proprietor on his business income should be:
- Debited to trading account
 - Debited to profit and loss account
 - Deducted from capital account in the balance sheet
 - None of the above
40. All direct & indirect expenses related to business are charged:
- Profit and loss account
 - Trading account
 - Trading account and Profit & Loss account
 - Directly to Balance sheet
41. According to schedule VI Companies Act which item is not shown on Asset side of Balance sheet:
- Investment
 - Current Loan & Advances
 - Provision
 - Lease Holds
42. Trade Payables are recorded in
- Asset side of B/S
 - Liability side of B/S
 - P & L A/c
 - None of the above
43. Investment of X company profit in shares of other company PQR Pvt. Ltd are recorded in
- Asset side of Balance sheet
 - Liability side of Balance sheet
 - Profit & Loss A/c
 - Not recorded in Balance sheet
44. Preliminary expenses are recorded in
- Equity and liabilities – Liability side of B/S
 - Current liabilities – Liability side of B/S
 - Fixed assets – Asset side of B/S
 - Asset side of B/S
45. Variable cost per unit:
- Remains fixed
 - Fluctuates with volume of production
 - Varies in consideration with the volume of sales
 - None of the above
46. The books to be compulsorily maintained by a company are:
- Cash book and ledger
 - Sales and purchase book
 - Journal
 - All of the above
47. Carriage outward is charged to:
- Debit side Profit & Loss A/c
 - Debit side Trading A/c
 - Credit side of Profit & Loss A/c
 - Credit side of Trading A/c
48. Cash Purchases:
- Increases assets
 - Results in no change in the total assets
 - Decreases assets
 - Increases liability
49. Purchases of goods on credit from A is recorded as:
- Debit purchases A/c; credit cash A/c
 - Debit A A/c; credit purchases A/c
 - Debit purchases A/c; credit A A/c
 - Debit A A/c; credit stock A/c
50. Which of the following is not an example of real a/c:
- Machinery
 - Building
 - Cash
 - Creditor
51. Payment received from debtor:
- Decreases the total assets
 - Increases the total assets
 - Results in no change in total assets
 - Increase the total liabilities
52. Payment of salary is recorded by:
- Debiting salary A/c; crediting cash A/c
 - Debiting cash A/c; crediting salary A/c
 - Debiting employee A/c; crediting cash A/c
 - Debiting employee A/c; crediting salary A/c
53. Cost of asset should always be equal to the cost of the liabilities. This concept is:
- Double Entry Book-keeping
 - Matching Concept
 - Consistency
 - Money Measurement Concept
54. Which of the following is not a fixed asset?
- Building
 - Bank Balance
 - Plant Patents
 - Goodwill
55. The basic concepts related to P & L A/c are:
- Realization Concept
 - Matching Concept
 - Cost Concept
 - Both A and B above
56. P & L A/c is prepared for a period of one year by following:
- Consistency concept
 - Conservatism concept
 - Accounting period concept
 - Cost concept
57. Insurance prepaid is shown as:
- Current assets
 - Current liabilities
 - Fixed asset
 - Fixed liability

58. Outstanding salary is shown as:
 A. An asset in the balance sheet
 B. A liability
 C. By adjusting it in the P & L A/c
 D. Both B and C
59. Reserve for doubtful debts appearing in the trial balance should be:
 A. Credited to P & L A/c
 B. Shown as liability side in balance sheet
 C. Reduced from related asset in the balance sheet
 D. Both A and C
60. All those to whom business owes money are:
 A. Debtors B. Investors
 C. Creditors D. Shareholders
61. According to which concept business is treated as a unit apart from owner:
 A. Dual concept B. Divider concept
 C. Entity concept D. Landlord concept
62. Authorized capital, also known as:
 A. Nominal capital B. Paid up capital
 C. Issues capital D. None of these
63. True & Fair profit and loss A/c of a company is known by:
 A. Preparing trial balance
 B. Preparing respective ledger of account
 C. Preparing trading A/c
 D. Preparing trading and profit & loss A/c
64. Credit balance of profit & loss A/c shown on:
 A. Asset side of balance sheet
 B. Liability side of balance sheet
 C. Not shown in balance sheet
 D. Half on asset side and half on liability side
65. Under which concept it is assumed that the enterprises has neither the intention nor the necessity of liquidation or of curtailing materiality the scale of operation?
 A. Revenue realization concept
 B. Matching cost concept
 C. Going concern concept
 D. None of these
66. Making the provision for doubtful debts and discount on debtors in anticipation of actual bad debts and discount is an example for which concept?
 A. Conservatism concept
 B. Continuity concept
 C. Realization concept
 D. All of these
67. Financial accounting use data:
 A. Projected data B. External data only
 C. Historic data D. Manager data only
68. Payment received from Debtor:
 A. Decreases the Total Assets
 B. Increases the Total Assets
 C. Results in no change in the Total Assets
 D. Increases the Total Liabilities
69. Book-keeping is an of correctly recording of business transaction.
 A. Art and Science B. Art
 C. Science D. Art or Science
70. Journal Entries are known as book of Entry.
 A. Original B. Duplicate
 C. Personal D. Nominal
71. What comes in is to be debited, what goes out is to be credited?
 A. Rules of Personal B. Rules of Real
 C. Rules of Nominal D. All of these
72. Which of the following account balance will be shown on debit side of Trial Balance?
 A. Outstanding expenses B. Cash A/c
 C. Short-term loan D. Creditors
73. The reduction in the value of the fixed assets which can arise due to time factor is:
 A. Discount B. Depreciation
 C. Reduction D. None of these
74. If closing stock appears in the trial balance, it should be:
 A. Credited to the trading account
 B. Credited to the profit and loss account
 C. Deducted from the purchases in the trading account
 D. Shown on the liability side of the balance sheet
75. Outstanding expenses are charged to:
 A. Asset side of balance sheet
 B. Liability side of balance sheet
 C. Not charged to balance sheet
 D. None of these
76. Liabilities in balance sheet include the following items:
 A. Long-term loan B. Short-term loan
 C. Owner's fund D. All of these
77. Prepaid expense is treated as:
 A. Current asset B. Current liability
 C. Short-term liability D. None of these
78. Cost accounting aims at ascertain of product.
 A. Cost B. Net profit
 C. Gross profit D. Selling price
79. The purpose of financial accounts is reporting to:
 A. Management only B. Government only
 C. Investor only D. All of these

80. Accounting does not record non-financial transactions because of:
- Accrual concept
 - Cost concept
 - Continuity concept
 - Money measurement concept
81. 'Proposed dividends' is shown in the Balance Sheet of a company under the head:
- Provisions
 - Reserves and Surplus
 - Current Liabilities
 - Other Liabilities
82. Fixed assets and current assets are categorized as per concept of:
- Separate entity
 - Going concern
 - Consistency
 - Time period
83. Proprietor (owner) is treated as creditor of business due to:
- Periodicity Concept
 - Materiality Principle
 - Entity Concept
 - Consistency Concept
84. Which financial statement represents the accounting equation
 $ASSETS = LIABILITIES + OWNER'S EQUITY$?
- Income Statement
 - Cash Flow Statement
 - Balance Sheet
 - Fund Flow Statement
85. Which of the following is a liability?
- Loan from Mr. Y
 - Loan to Mr. Y
 - Both A & B
 - None of these
86. Calculate the prime cost from the following information:
- Direct material purchased: ₹ 1,00,000
 Direct material consumed: ₹ 90,000
 Direct labour: ₹ 60,000
 Direct expenses: ₹ 20,000
 Manufacturing overheads: ₹ 30,000
- ₹ 1,80,000
 - ₹ 2,00,000
 - ₹ 1,70,000
 - ₹ 2,10,000
87. Accounting does not record non-financial transactions because of:
- Accrual concept
 - Cost concept
 - Continuity concept
 - Money measurement concept
88. Fixed assets and current assets are categorized as per concept of:
- Separate entity
 - Going concern
 - Consistency
 - Time period
89. Which of the following is correct?
- Profit does not alter capital
 - Capital can only come from profit
 - Profit reduces capital
 - Profit increases capital
90. Which of the following best describes a trial balance?
- It is a list of balances on the books
 - It is a special account
 - Shows the financial position of a business
 - Shows all the entries in the books
91. Net profit is calculated in:
- Trading A/c
 - Balance sheet
 - Profit & loss A/c
 - Trial balance
92. The concept of separate entity is applicable to which of following types of businesses?
- Sole proprietorship
 - Corporation
 - Partnership
 - All of them
93. Which of the following is time span into which the total life of a business is divided for the purpose of preparing financial statements?
- Fiscal year
 - Calendar year
 - Accounting period
 - Accrual period
94. Interest, rent, electricity bill are types of account
- Personal A/c
 - Impersonal A/c
 - Real A/c
 - Nominal A/c
95. Which of the following should not be called sales?
- Good sold on credit
 - Office fixtures sold
 - Sale of item previously included in purchase
 - Good sold for cash
96. Material concept tell about:
- Disclosure of loss
 - Disclosure of profit
 - Disclosure of all information which are important for investor
 - Disclosure of all information which are important for management
97. Which of the following is not regarded as the fundamental accounting concept?
- The going concern concept
 - The separate entity concept
 - The prudence (conservatism) concept
 - Correction concept
98. Using "lower of cost and net realisable value (Market Value)" for the purpose of inventory valuation is the implementation of which of the following concepts?
- The going concern concept
 - The separate entity concept
 - The prudence concept
 - Matching concept
99. The concept of separate entity is applicable to which of following types of businesses?
- Sole proprietorship
 - Corporation
 - Partnership
 - All of them

100. The revenue recognition principal dictates that all types of incomes should be recorded or recognized when:
- Cash is received
 - At the end of accounting period
 - When they are earned
 - When interest is paid
101. The allocation of owner's private expenses to his/her business violates which of the following?
- Accrual concept
 - Matching concept
 - Separate business entity concept
 - Consistency concept
102. The going concern concept assumes that:
- The entity continue running for foreseeable future
 - The entity continue running until the end of accounting period
 - The entity will close its operating in 10 years
 - The entity can't be liquidated
103. Which of the following is time span into which the total life of a business is divided for the purpose of preparing financial statements?
- Fiscal year
 - Calendar year
 - Accounting period
 - Accrual period
104. Showing purchased office equipments in financial statements is the application of which accounting concept?
- Historical cost convention
 - Materiality
 - Prudence
 - Matching concept
105. Information about an item is if its omission or misstatement might influence the financial decision of the users taken on the basis of that information
- Concrete
 - Complete
 - Immaterial
 - Material
106. "Financial information should be neutral and bias free" is the dictation of which one of the following?
- Completeness concept
 - Faithful representation concept
 - Objectivity concept
 - Duality concept
107. Accounting principles are divided into two types. These are
- Accounting Concepts
 - Accounting Conventions
 - Accounting Standards
 - Accounting Concepts & Accounting Conventions
108. Which of the following is not related with Money Measurement Concept?
- All business transaction should be expressed only in money
 - The transactions which cannot be expressed in money, will not be recorded in accounting books
 - Business is treated as separate from the proprietor
 - None of these
109. Which of the following equation is related with Dual Aspect Concept?
- Total Assets = Total Liabilities
 - Total Assets = Capital + Outsider's Liabilities
 - Capital = Total Assets – Outsider's Liabilities
 - All of the above
110. If the total assets of the company amount to ₹ 1,50,000 and owner's equity is ₹ 70,000, the amount of liabilities will be:
- | | |
|-------------|---------------|
| A. ₹ 70,000 | B. ₹ 80,000 |
| C. ₹ 90,000 | D. ₹ 1,00,000 |
111. Profit from sale of assets is example for:
- Revenue Profit
 - Capital Profit
 - Loss
 - None of these
112. Depreciation is a charge against:
- Profit
 - Assets
 - Company
 - Books of A/c
113. Which expenses is a Capital Nature?
- Depreciation
 - Wages
 - Salary
 - Stationary
114. Balance Sheet is a statement of
- Assets
 - Liabilities
 - Capital
 - All of these
115. Accounting is the process of matching.....
- Benefits & Costs
 - Revenues & Costs
 - Cash Inflow & Cash Outflow
 - Potential & Real Performance
116. Which one of the following is not an example of Intangible Assets?
- Patents
 - Trademarks
 - Copyright
 - Land
117. The prime function of accounting is to:
- To record economic data
 - Provide the information basis of action
 - Classifying and recording business transaction
 - Attainment of economic goal
118. The basic function of financial accounting is to:
- Record all business transaction
 - Interpret financial data

- C. Assist the management in performing function effectively
D. None of these
- 119.** Management Accounting provides invaluable services to management in performing:
A. All management function
B. Interpret financial data
C. Controlling function
D. None of these
- 120.** Book-keeping is mainly concerned with:
A. Recording of financial data relating to business operation
B. Designing the systems in recording classifying, summarizing the recorded data
C. Interpreting the data for internal and external users
D. None of these
- 121.** Accounting principles are generally based on:
A. Practicability
B. Subjectivity
C. Convenience in recording
D. None of these
- 122.** The system of recording transaction based on dual aspect concept is called:
A. Double account system
B. Double entry system
C. Single entry system
D. None of these
- 123.** The practice of appending notes regarding contingent liabilities in accounting statement is pursuant of:
A. Convention of consistency
B. Money measurement concept
C. Convention of conservatism
D. Convention of disclosure
- 124.** According to the money measurement concept, the following will be recorded in the books of accounts of the business:
A. Health of the managing director of the company
B. Quality of company goods
C. Value of plant and machinery
D. Health of labour in factory
- 125.** The convention of conservatism when applied to the balance sheet result in:
A. Understand the asset
B. Understand the liabilities
C. Overstatement of capital
D. None of these
- 126.** The convention of conservatism is applicable:
A. In providing for discount on creditors
B. In making provision for bad doubtful debts
C. Providing depreciation
D. None of these
- 127.** The amount brought in by the proprietor in the business should be credited to:
A. Cash A/c
B. Capital A/c
C. Drawing A/c
D. Bank A/c
- 128.** The amount of salary paid to Suresh should be debited to:
A. The account of Suresh
B. Salaries A/c
C. Cash A/c
D. Bank A/c
- 129.** The return of goods by the customer should be debited to:
A. Customer A/c
B. Sales return A/c
C. Goods A/c
D. Purchase return A/c
- 130.** Sales made by Mahesh for cash should be debited to:
A. Cash A/c
B. Mahesh A/c
C. Sales A/c
D. Sales return A/c
- 131.** The rent paid to land lord to be credited to:
A. Land lord A/c
B. Rent A/c
C. Cash A/c
D. Tenant A/c
- 132.** The cash discount allowed to a debtor should be credited to:
A. Discount A/c
B. Customer A/c
C. Sales A/c
D. None of these
- 133.** In case of a debt becoming bad, the amount should be credited to:
A. Debtors Accounts
B. Bad debts A/c
C. Sales A/c
D. None of these
- 134.** The primary objective of cost accounting is:
A. Ascertain the cost of goods and services
B. Ascertain the profit
C. Presentation of all data
D. None of these
- 135.** Creating provision against fluctuation in the price of investment is application of accounting concept:
A. Convention of conservatism
B. Convention of full disclosure
C. Convention of consistency
D. None of these
- 136.** Accountant should follow the same principles of accounting continuously is as per which accounting convention:
A. Convention of conservatism
B. Convention of full disclosure
C. Convention of consistency
D. None of these

137. Accounting principles are which are adopted by the accountant universally while recording accounting transaction.
 A. Rules of action or conduct
 B. Which you can change as per accountant
 C. Which keep changing every year
 D. None of these
138. The convention of disclosure implies that all material information should be:
 A. Disclosed in the account
 B. Disclosed in the accounts which is required to owner
 C. Not disclosed
 D. None of these
139. In accounting all business transaction are recorded as having:
 A. Single aspect B. Dual aspect
 C. Triple aspect D. None of these
140. Custom and traditions which guide the accountant while preparing the accounting statements:
 A. Accounting convention
 B. Accounting concepts
 C. Accounting principles
 D. None of these
141. Rules of action or conduct adopted by the accountants universally while recording accounting transaction:
 A. Accounting convention
 B. Accounting concepts
 C. Accounting principles
 D. None of these
142. Basic assumptions or conditions upon which the science of accounting is based:
 A. Accounting convention
 B. Accounting concepts
 C. Accounting principles
 D. None of these
143. A system in which accounting entries are made on the basis of amounts having become due for payment or receipt is called:
 A. Cash concept
 B. Accrual concept
 C. Matching concept
 D. On-going concept
144. Debit the receiver credit the giver rule for:
 A. Real A/c B. Personal A/c
 C. Nominal A/c D. None of these
145. Debit what come in Credit what goes out rule for:
 A. Real A/c B. Personal A/c
 C. Nominal A/c D. None of these
146. Debit all expenses and losses Credit all gains and income.
 A. Real A/c B. Personal A/c
 C. Nominal A/c D. None of these
147. A book containing a chronological record of business transaction & original record:
 A. Journal B. Ledger
 C. Trial balance D. None of these
148. Transferring the debit and credit item from the journal to the respective accounts is called:
 A. Compound journal B. Ledger
 C. Trial balance D. None of these
149. A statement containing the various ledgers balances on particular date:
 A. Compound journal B. Ledger
 C. Trial balance D. None of these
150. The transferring of debit and credit items from journal to the respective accounts in the ledger is called as:
 A. Ledger B. Posting
 C. Forward journal D. None of these
151. Which of the following items would not fall under the definition of an asset?
 A. Land B. Machine
 C. Cash D. Owner Equity
152. Which one of the following items would fall under the definition of a liability?
 A. Cash B. Debtor
 C. Owner's equity D. None of these
153. Which of the following statements are *false*?
 A. All liability is a debt for your business
 B. Debtors are asset for business
 C. The accounting equation shows how much of your assets belong to the owner, and how much belong to people outside business
 D. None of the above
154. A business has the following items in it:
 Land ₹ 1,00,000
 Machinery ₹ 20,000
 Cash ₹ 10,000
 Debt ₹ 0
 Owner's equity?
 What is the value of owner's equity?
 A. ₹ 1020000 B. ₹ 1010000
 C. ₹ 1030000 D. None of the above
155. A business has the following items in it:
 Owners' equity ₹ 6,00,000
 Liabilities ₹ 14,00,000
 What is the value of Assets?
 A. 600,000 B. 1,400,000
 C. 2,000,000 D. None of these

156. A business has the following items in it:

| | |
|---------------|-------------|
| Land | ₹ 1,500,000 |
| Machinery | ₹ 80,000 |
| Cash | ₹ 20,000 |
| Owners equity | ₹ 900,000 |
| Loan | ₹ 500,000 |

Creditors?

- A. ₹ 200,000 B. ₹ 700,000
C. ₹ 800,000 D. ₹ 1,100,000

157. A business has following items in it

| | |
|----------------|-------------|
| Land? | |
| Vehicles | ₹ 600,000 |
| Debtors | ₹ 1,20,000 |
| Cash | ₹ 30,000 |
| Owners' Equity | ₹ 1,000,000 |
| Loan | ₹ 5,00,000 |
| Creditors | ₹ 50,000 |

What is the value of the land?

- A. 1,000,000 B. 1,550,000
C. 800,000 D. None of these

158. Which of the following equations properly represents a derivation of the fundamental accounting equation?

- (a) Assets + Liabilities = Owner Equity
(b) Asset = Owner Equity
(c) Cash = Assets
(d) Assets – Liabilities = Owner Equity
A. Only (a) B. Both (a) & (b)
C. All (a), (b), (c), (d) D. None of these

159. Retained earnings will change over time because of several factors. Which of the following factors would explain an increase in retained earnings?

- A. Net loss
B. Net income
C. Dividend
D. Investment by shareholder

160. Which of these items would be accounted for as an expense?

- A. Repayment of bank loan
B. Dividend to stock holders
C. The purchase of land
D. Payment of current period rent

161. Which of the following would not be included on a balance sheet?

- A. Accounts payable B. Accounts receivable
C. Sales D. Cash

162. XYZ Ltd. has provided the following information about its balance sheet:

| | |
|---------------------|-------|
| Cash | ₹ 100 |
| Accounts Receivable | ₹ 500 |
| Stock holder equity | ₹ 700 |

| | |
|------------------|---------|
| Accounts Payable | ₹ 200 |
| Bank Loan | ₹ 1,000 |

Based on the information provided, how much are XYZ Ltd. total liabilities?

- A. ₹ 200 B. ₹ 1900
C. ₹ 1200 D. ₹ 1700

163. The full disclosure principle, as adopted by the accounting profession, is best described by which of the following?

- A. All information related to an entity's business and operating objectives is required to be disclosed in the financial statements
B. Information about each account balance appearing in the financial statements is to be included in the notes to the financial statements
C. Enough information should be disclosed in the financial statements so a person wishing to invest in the stock of the company can make a profitable decision
D. Disclosure of any financial facts significant enough to influence the judgment of an informed reader

164. Which of the following is a real (permanent) account?

- A. Goodwill
B. Sales
C. Accounts Receivable
D. Both Goodwill and Accounts Receivable

165. Which of the following statements is *not* an objective of financial reporting?

- A. Provide information that is useful in investment and credit decisions.
B. Provide information regarding policy of organisation
C. Provide information that is useful in assessing cash flow prospective
D. None of these

166. The Cash account on the balance sheet should not include which of the following items?

- A. Travel advances to employees
B. Currency
C. Money orders
D. Deposits in transit

167. Of the following account types, which would be increased by a debit?

- A. Liabilities and expenses
B. Assets and equity
C. Assets and expenses
D. Equity and revenues

168. The following comments all relate to the recording process. Which of these statements is correct?

- A. The general ledger is a chronological record of transactions

- B. The general ledger is posted from transactions recorded in the general journal
- C. The trial balance provides the primary source document for recording transactions into the general journal
- D. Transposition is the transfer of information from the general journal to the general ledger
- 169.** The following comments each relate to the recording of journal entries. Which statement is true?
- A. For any given journal entry, debits must exceed credits
- B. It is customary to record credits on the left and debits on the right
- C. The chart of accounts reveals the amount to debit and credit to the affected accounts
- D. Journalization is the process of converting transactions and events into debit/credit format
- 170.** The trial balance is
- A. is a formal financial statement.
- B. is used to prove that there are no errors in the journal or ledger.
- C. provides a listing of every account in the chart of accounts.
- D. provides a listing of the balance of each account in active use.
- 171.** Which of the following errors will be disclosed in the preparation of a trial balance?
- A. Recording transactions in the wrong account
- B. Duplication of a transaction in the accounting records
- C. Posting only the debit portion of a particular journal entry
- D. Recording the wrong amount for a transaction to both the account debited and the account credited
- 172.** The basic sequence in the accounting process can best be described as:
- A. Transaction, journal entry, source document, ledger account, trial balance
- B. Source document, transaction, ledger account, journal entry, trial balance
- C. Transaction, source document, journal entry, trial balance, ledger account
- D. Transaction, source document, journal entry, ledger account, trial balance
- 173.** Inventory accounts should be classified in which section of a balance sheet?
- A. Current assets
- B. Investments
- C. Property, plant and equipment
- D. Intangible assets
- 174.** Investment in Bonds should be disclosed on the balance sheet
- A. On Liability side of balance sheet
- B. On Assets side of balance sheet
- C. On both side of balance sheet
- D. None of these
- 175.** Contingent liabilities should be recorded in the accounts when:
- A. It is probable that the future event will occur
- B. The amount of the liability can be reasonably estimated
- C. Both A and B
- D. Either A or B
- 176.** Which of the following functions is managerial accounting intended to facilitate?
- A. Planning
- B. Decision making
- C. Control
- D. All of these
- 177.** Which of the following statements about differences between financial and managerial accounting is incorrect?
- A. Managerial accounting information is prepared primarily for external parties such as stockholders and creditors; financial accounting is directed at internal users
- B. Financial accounting is aggregated; managerial accounting is focused on products and departments
- C. Managerial accounting pertains to both past and future items; financial accounting focuses primarily on past transactions and events
- D. Financial accounting is based on generally accepted accounting practices; managerial accounting faces no similar constraining factors
- 178.** Cost accounting information can be used for:
- A. Budget control and evaluation
- B. Determining standard costs and variances
- C. Pricing and inventory valuation decisions
- D. All of these
- 179.** Manufacturing costs are also known as product costs. Which of the following best describes those costs which are considered to be manufacturing costs?
- A. Direct materials, direct labour, and factory overhead
- B. Direct materials and direct labour only
- C. Direct materials, direct labour, factory overhead and administrative overhead
- D. Direct labour and factory overhead
- 180.** A company's telephone bill consisting of a ₹ 200 monthly base amount, plus long distance charges, would be classified as a:
- A. Variable cost
- B. Committed fixed cost
- C. Direct cost
- D. Semi variable cost

205. system records only actual cash receipts and payments.
 A. Cash basis B. Accrual basis
 C. Mercantile basis D. Single entry basis
206. Which of the following is true for: — “In accounts recording is done of ”
 A. only financial transaction
 B. only non-financial transaction
 C. Both A and B
 D. Personal transaction of Proprietor
207. Salary is one of the expenses.
 A. Capital B. Revenue
 C. Direct D. Non-cash
208. Outstanding salary account is a account.
 A. Nominal account
 B. Real account
 C. Artificial person’s account
 D. Representative personal account
209. is a summary of all transactions relating to particular account.
 A. Balance sheet B. Trial balance
 C. Ledger D. Journal
210. Amount brought in by proprietor should be credited to:
 A. cash account B. capital account
 C. drawings account D. creditors account
211. Amount of salary paid to Suresh should be debited to
 A. Account of Suresh B. Salaries account
 C. Cash account D. Outstanding expenses
212. All costs other than direct materials cost, direct labour cost and direct expenses are known as:
 A. Indirect material cost B. Overhead
 C. Indirect labour cost D. Indirect expenses
213. A company’s telephone bill consisting of a ₹ 200 monthly base amount, plus long distance charges, would be classified as a:
 A. Variable cost B. Committed fixed cost
 C. Direct cost D. Semi-variable cost
214. Cost accounting information can be used for:
 A. Budget control and evaluation
 B. Determining standard costs and variances
 C. Pricing and inventory valuation decisions
 D. All of these
215. The work of factory employees that can be physically associated with converting raw material into finished goods is classified as:
 A. Manufacturing overhead
 B. Indirect materials
 C. Indirect labour
 D. Direct labour
216. Which one of the following would not be classified as manufacturing overhead?
 A. Indirect labour
 B. Direct materials
 C. Insurance on factory building
 D. Indirect materials
217. In manufacturing a product, prime costs are:
 A. Raw materials and manufacturing overhead
 B. Indirect materials and manufacturing overhead
 C. Indirect labour and manufacturing overhead
 D. Direct materials and direct labour
218. A manufacturing process requires small amounts of glue. The glue used in the process is classified as:
 A. A prime cost B. An indirect material
 C. A direct material D. Miscellaneous expense
219. Lubricants, used regularly in a production process, are classified as:
 A. Miscellaneous expense
 B. Direct materials
 C. Indirect materials
 D. Immaterial items
220. Because of automation, which component of product cost is declining?
 A. Direct labour
 B. Direct materials
 C. Manufacturing overhead
 D. Advertising
221. Aggregate of direct costs is known as:
 A. Direct material costs B. Direct wages
 C. Direct expenses D. Prime cost
222. Aggregate of prime cost and Factory overhead is known as:
 A. Work on Cost B. Work Cost
 C. Cost of Production D. Direct Cost
223. Salary paid to factory manager is an item of:
 A. Prime Cost B. Factory Overhead
 C. Selling Overhead D. Office Overhead
224. Aggregate of cost of goods sold and selling and distribution overheads is known as:
 A. Total Cost B. Office Cost
 C. Cost of Sales D. Selling Overhead
225. Conversion cost includes cost of converting into
 A. Raw material, WIP
 B. Raw material, Finished goods
 C. WIP, Finished goods
 D. Finished goods, Saleable goods

ANSWERS

| | | | | | | | | | |
|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| C | A | D | A | D | B | C | D | B | B |
| 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| A | B | D | B | A | C | B | C | C | A |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 | 28 | 29 | 30 |
| C | D | D | D | B | B | B | B | A | C |
| 31 | 32 | 33 | 34 | 35 | 36 | 37 | 38 | 39 | 40 |
| C | A | B | D | A | C | C | C | C | C |
| 41 | 42 | 43 | 44 | 45 | 46 | 47 | 48 | 49 | 50 |
| C | B | A | D | B | D | A | C | C | D |
| 51 | 52 | 53 | 54 | 55 | 56 | 57 | 58 | 59 | 60 |
| C | A | B | B | D | C | A | D | D | C |
| 61 | 62 | 63 | 64 | 65 | 66 | 67 | 68 | 69 | 70 |
| C | A | D | B | C | A | C | C | B | A |
| 71 | 72 | 73 | 74 | 75 | 76 | 77 | 78 | 79 | 80 |
| B | D | B | A | B | D | A | A | D | D |
| 81 | 82 | 83 | 84 | 85 | 86 | 87 | 88 | 89 | 90 |
| A | B | C | C | A | C | D | B | D | A |
| 91 | 92 | 93 | 94 | 95 | 96 | 97 | 98 | 99 | 100 |
| C | D | C | D | A, B | C | D | C | D | C |
| 101 | 102 | 103 | 104 | 105 | 106 | 107 | 108 | 109 | 110 |
| C | A | C | B | D | C | D | B | D | B |
| 111 | 112 | 113 | 114 | 115 | 116 | 117 | 118 | 119 | 120 |
| B | A | A | D | B | D | C | B | A | A |
| 121 | 122 | 123 | 124 | 125 | 126 | 127 | 128 | 129 | 130 |
| A | B | C | C | A | B | B | B | B | A |
| 131 | 132 | 133 | 134 | 135 | 136 | 137 | 138 | 139 | 140 |
| C | B | A | A | A | C | A | A | B | C |
| 141 | 142 | 143 | 144 | 145 | 146 | 147 | 148 | 149 | 150 |
| C | B | B | B | A | C | A | B | C | B |
| 151 | 152 | 153 | 154 | 155 | 156 | 157 | 158 | 159 | 160 |
| D | C | D | C | C | A | C | D | B | D |
| 161 | 162 | 163 | 164 | 165 | 166 | 167 | 168 | 169 | 170 |
| C | B | D | D | B | A | C | B | D | D |
| 171 | 172 | 173 | 174 | 175 | 176 | 177 | 178 | 179 | 180 |
| C | D | A | B | C | D | A | D | C | D |
| 181 | 182 | 183 | 184 | 185 | 186 | 187 | 188 | 189 | 190 |
| B | B | A | B | C | C | C | A | D | D |
| 191 | 192 | 193 | 194 | 195 | 196 | 197 | 198 | 199 | 200 |
| B | A | C | C | B | D | D | A | A | C |
| 201 | 202 | 203 | 204 | 205 | 206 | 207 | 208 | 209 | 210 |
| A | C | B | B | A | A | B | D | C | B |
| 211 | 212 | 213 | 214 | 215 | 216 | 217 | 218 | 219 | 220 |
| B | B | D | D | D | B | D | B | C | A |
| 221 | 222 | 223 | 224 | 225 | | | | | |
| D | B | B | A | B | | | | | |

