

Financial Statements 1

Choose the correct option in the following questions

Question 1.

The financial statements consist of:

- (a) Trial balance
- (b) Profit and Loss account
- (c) Balance sheet
- (d) (a) & (c)
- (e) (b) & (c)

▼ Answer

Answer: (e) (b) & (c)

Question 2.

Choose the correct chronological order of ascertainment of the following profits from the profit and loss account:

- (a) Operating Profit, Net Profit, Gross Profit
- (b) Operating Profit, Gross Profit, Net Profit
- (c) Gross Profit, Operating Profit, Net Profit
- (d) Gross Profit, Net Profit, Operating Profit

▼ Answer

Answer: (c) Gross Profit, Operating Profit, Net Profit

Question 3.

While calculating operating profit, the following are not taken into account.

- (a) Normal transactions
- (b) Abnormal items
- (c) Expenses of a purely financial nature
- (d) (b) & (c)
- (e) (a) & (c)

▼ Answer

Answer: (c) Expenses of a purely financial nature

Question 4.

Which of the following is correct:

- (a) Operating profit = Operating profit – Non-operating expenses – Non-operating incomes
- (b) Operating profit = Net profit + Non-operating expenses + Non-operating incomes
- (c) Operating profit = Net profit + Non-operating expenses – Non-operating incomes
- (d) Operating profit = Net profit – Non-operating expenses + Non-operating incomes

▼ Answer

Answer: (c) Operating profit = Net profit + Non-operating expenses – Non-operating incomes

State True or False

Question 1.

Gross profit is total revenue.

▼ Answer

Answer: (e) (b) & (c)

Question 2.

In trading and profit and loss account, opening stock appears on the debit side because it forms the part of the cost of sales for the current accounting year.

▼ Answer

Answer: (e) (b) & (c)

Question 3.

Rent, rates and taxes is an example of direct expenses.

▼ Answer

Answer: (e) (b) & (c)

Question 4.

If the total of the credit side of the profit and loss account is more than the total of the debit side, the difference is the net profit.

▼ Answer

Answer: (e) (b) & (c)

Match the items given under 'A' with the correct items under 'B'

Column A	Column B
I. Closing stock is credited to	(a) Trial balance
II. Accuracy of book of account is tested by	(b) Trading account
III. On returning the goods to seller, the buyer sends	(c) Credit note
IV. The financial position is determined by	(d) Balance sheet
V. On receiving the returned goods from the buyer, the seller sends	(e) Debit note

▼ Answer

Answer:

Column A	Column B
I. Closing stock is credited to	(b) Trading account
II. Accuracy of book of account is tested by	(a) Trial balance
III. On returning the goods to seller, the buyer sends	(e) Debit note
IV. The financial position is determined by	(d) Balance sheet
V. On receiving the returned goods from the buyer, the seller sends	(c) Credit note
