MCQ for 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

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 = …………………
   a) Sales, Purchases
   b) Sales, Sales return
   c) **Purchases, Cost of goods produced**
   d) Purchases, Cost of goods sold

19. Financial accounting is concerned with –
   a) Recording of business expenses and revenue
   b) Recording of costs of products and services
   c) **Recording of day to day business transactions**
   d) None of the above

20. The nature of financial accounting is:
   a) **Historical**
   b) Forward looking
   c) Analytical
   d) Social

21. The main object of cost accounting is:
   a) To record day to day transactions of the business
   b) To reveal managerial efficiency
   c) **To ascertain true cost of products and services**
   d) To determine tender price

22. Cost accounting emerged mainly on account of:
   a) Statutory requirements
   b) Competition in the market
   c) Labour unrest
   d) **Limitations of financial accounting**

23. Advantages of cost accounting accrue:
   a) Only to workers
   b) Only to government
   c) Only to consumers
   d) **To management, workers, consumers and government**

24. Cost accounting is applied to:
a) Public undertakings only  
b) Large business enterprise only  
c) Small business concerns only  
d) Manufacturing and service concern

25. Marginal costing is concerned with:  
a) Fixed cost  
**b) Variable cost**  
c) Semi variable cost  
d) None of the above

26. …………….....is a person or item for which cost may be ascertained.  
a) Cost unit  
**b) Cost centre**  
c) Cost object  
d) Cost estimation

27. Salary paid to factory manager is an item of:  
a) Prime cost  
**b) Factory overhead**  
c) Selling overhead  
d) Office overhead

28. ……………….cost refers to those cost which have already been incurred and cannot be altered by any decision in the future.  
a) Opportunity cost  
**b) Sunk Cost**  
c) Incremental cost  
d) Decremental cost

29. Amortization of intangible Asset Such as Goodwill which has indefinite life is an example of accounting concept  
a) **Conservatism Concept**  
b) Continuity Concept  
c) Realisation Concept  
d) Measurement Concept

30. If loan have been guaranteed by managers and directors is called as  
a) Loan  
b) Unsecured Loan  
**c) Secured Loan**  
d) Advance by Manager & director

31. ………………cost will still be incurred although a plant is shut down temporarily.  
a) Cost of raw material  
b) Advertising  
**c) Depreciation**
d) Carriage

32. Accounting principles are generally based upon:
   a) Practicability
   b) Subjectivity
   c) Convenience in recording
   d) None of the above

33. The system of recording based on dual aspect concept is called:
   a) Double account system
   b) **Double entry system**
   c) Single entry system
   d) All the above

34. The practice of appending notes regarding contingent liabilities in accounting statements is in
    pursuance to:
   a) Convention of consistency
   b) Money measurement concept
   c) Convention of conservatism
   d) Convention of disclosure

35. Sales are equal to:
   a) Cost of goods sold + gross profit
   b) Cost of goods sold - gross profit
   c) Gross profit - Cost of goods sold
   d) None of the above

36. Interest on drawings is:
   a) Expenditure for the business
   b) Cost for the business
   c) **Gain for the business**
   d) None of the above

37. Goods given as samples should be credited to:
   a) Advertisement account
   b) Sales account
   c) **Purchase account**
   d) None of the above

38. Outstanding salaries are shown as:
   a) Added to Salaries while preparing P & La/c
   b) Shown in liability side of Balance sheet under current Liability
   c) **(a) & (b) above**
   d) None of the above
39. Income tax paid by a sole proprietor on his business income should be:
   a) Debited to trading account
   b) Debited to profit and loss account
   c) **Deducted from capital account in the balance sheet**
   d) None of the above

40. All direct & indirect expenses related to business are charged:
   a) Profit and loss account
   b) Trading account
   c) **Trading account Profit and Loss account**
   d) Directly to Balance sheet

41. According to schedule VI Companies Act which item is not shown on Asset side of Balance sheet
   a) Investment
   b) Current Loan & Advances
   c) **Provision**
   d) Lease Holds

42. Trade Payables are recorded in…………….
   a) Asset side of B/S
   b) **Liability side of B/S**
   c) P & L a/c
   d) None of the above

43. Investment of X company profit in shares of other company PQR Pvt. Ltd are recorded in…………….
   a) **Asset side of Balance Sheet**
   b) Liability side of Balance Sheet
   c) Profit & Loss a/c
   d) Not recorded in Balance Sheet

44. Preliminary expenses are recorded in……………….
   a) Equity and liabilities-Liability side of B/S
   b) Current liabilities- Liability side of B/S
   c) Fixed assets- Asset side of B/S
   d) **Asset side of B/S**

45. Variable cost per unit
   a) Remains fixed
   b) **Fluctuates with volume of production**
c) Varies in consideration with the volume of sales
d) None of the above

46. The books to be compulsorily maintained by a company are:

a) Cash book and ledger
b) Sales and purchase book
c) Journal
d) Both a and b
e) **All of a, b, c above**

47. Carriage outward is charged to

a) **Debit side Profit & Loss a/c**
b) Debit side Trading a/c
c) Credit side of Profit & Loss a/c
d) Credit side of trading a/c

48. Cash Purchases:

a) Increases assets
b) Results in no change in the total assets
c) **Decreases assets**
d) Increases liability

49. Purchases of goods on credit from A is recorded as:

a) Debit purchases a/c; credit cash a/c
b) Debit A a/c ;credit purchases a/c
c) **Debit purchases a/c ; credit A a/c**
d) Debit A a/c ; credit stock a/c

50. Which of the following is not an example of real a/c:

a) Machinery
b) Building
c) Cash
d) **Creditor**

51. Payment received from debtor:

a) Decreases the total assets
b) Increases the total assets
c) **Results in no change in total assets**
d) Increase the total liabilities

52. Payment of salary is recorded by:

a) **Debiting salary a/c; crediting cash a/c**
b) Debiting cash a/c; crediting salary a/c

c) Debiting employee a/c ; crediting cash a/c

d) 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

a) Double Entry Bookkeeping
b) **Matching Concept**
c) Consistency
d) Money measurement Concept

54. Which of the following is not a fixed asset?

a) Building
b) **Bank Balance**
c) Plant Patents
d) Goodwill

55. The basic concepts related to P&L a/c are:

a) Realization Concept
b) Matching Concept
c) Cost Concept
d) **Both a and b above**

56. P&L a/c is prepared for a period of one year by following:

a) Consistency concept
b) Conservatism concept
c) **Accounting period concept**
d) Cost Concept

57. Insurance prepaid is shown as:

a) **Current assets**
b) Current liabilities
c) Fixed asset
d) 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 a and c above
e) **Both b and c above**

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 b  
e) 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 know by

a) Preparing trial balance  
b) Preparing respective ledger of account  
c) Preparing trading a/c  
d) **Preparation trading & 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. Bookkeeping is an.........................of correctly recording of business transition.  
   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 the above

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:
   a) Accrual concept
   b) Cost concept
   c) Continuity concept
   d) Money measurement concept

81. Proposed dividends" is shown in the Balance Sheet of a company under the head:
   a) Provisions
   b) Reserves and Surplus
   c) Current Liabilities
   d) Other Liabilities

82. Fixed assets and current assets are categorized as per concept of:
   a) Separate entity
   b) Going concern
   c) Consistency
   d) Time period

83. Proprietor (owner) is treated as creditor of business due to:
   a) Periodicity concept
   b) Materiality Principle
   c) Entity Concept
   d) Consistency concept

84. Which financial statement represents the accounting equation
       ASSETS = LIABILITIES + OWNER’S EQUITY

   a) Income Statement
   b) Cash Flow Statement
   c) Balance Sheet
   d) Fund Flow Statement

85. Which of the following is a liability?
   a) Loan from Mr.Y
   b) loan to Mr.y
   c) Both (a) (b)
   d) None of these

86. Which of the following are correct?

   Account to be debited Account to be credited
Bought office wooden table for cash  office wooden table  cash
Ramesh sold goods on credited to Ram sales  cash
Introduce capital by cheque  capital  Bank
Paid to creditor Sita by cheque  Sita  Bank

a)  (ii) (iii)(i)
b)  (iii)(iv)(ii)
c)  (i)(iii)(iv)
d)  (i)(iv)

87. Accounting does not record non-financial transactions because of:
   a)  Accrual concept
   b)  Cost concept
   c)  Continuity concept
   d)  Money measurement concept

88. Fixed assets and current assets are categorized as per concept of:
   a)  Separate entity
   b)  Going concern
   c)  Consistency
   d)  Time period

89. Which of the following is correct
   a)  Profit does not alter capital
   b)  Capital can only come from profit
   c)  Profit reduces capital
   d)  Profit increases capital

90. Which of the following best describes a trial balance?
   a)  It is a list of balances on the books
   b)  It is a special account
   c)  Shows the financial position of a business
   d)  Shows all the entries in the books

91. Net profit is calculated in
   a)  Trading a/c
   b)  Balancesheet
c) Profit & loss a/c
d) Trial balance.

92. The concept of separate entity is applicable to which of following types of businesses?
   a. Sole proprietorship
   b. Corporation
   c. Partnership
   d. 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?
   a) Fiscal year
   b) Calendar year
   c) Accounting period
   d) Accrual period

94. Interest, rent, electricity bill are types of account
   a) Personal a/c
   b) Impersonal a/c
   c) Real a/c
   d) Nominal a/c

95. Which of the following should not be called sales?
   a) Good sold on credit
   b) Office fixtures sold
   c) Sale of item previously included in purchase
   d) Good sold for cash

96. Material concept tell about
   a) Disclosure of loss
   b) Disclosure of profit
   c) Disclosure of all information which are important for investor
   d) Disclosure of all information which are important for management

97. Which of the following is not regarded as the fundamental accounting concept?
   a. The going concern concept
   b. The separate entity concept
   c. The prudence (conservatism) concept
   d. 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?
   a) The going concern concept
   b) The separate entity concept
c) The prudence concept
d) Matching concept

99. The concept of separate entity is applicable to which of following types of businesses?
a) Sole proprietorship
b) Corporation
c) Partnership
d) All of them

100. The revenue recognition principal dictates that all types of incomes should be recorded or recognized when

a) Cash is received
b) At the end of accounting period
c) When they are earned
d) When interest is paid

101. The allocation of owner's private expenses to his/her business violates which of the following?
a) Accrual concept
b) Matching concept
c) Separate business entity concept
d) Consistency concept

102. The going concern concept assumes that

a) The entity continue running for foreseeable future
b) The entity continue running until the end of accounting period
c) The entity will close its operating in 10 years
d) 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?
a) Fiscal year
b) Calendar year
c) Accounting period
d) Accrual period

104. Showing purchased office equipments in financial statements is the application of which accounting concept?
a) Historical cost convention
b) Materiality
c) Prudence
d) 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
   
   a) Concrete  
   b) Complete  
   c) Immaterial  
   d) Material

106. "Financial information should be neutral and bias free" is the dictation of which one of the following?
   
   a) Completeness concept  
   b) Faithful representation Concept  
   c) Objectivity Concept  
   d) Duality Concept

107. Accounting principles are divided into two types. These are ---
   
   a) Accounting Concepts  
   b) Accounting Conventions  
   c) Accounting Standards  
   d) Accounting Concepts & Accounting Conventions

108. Which of the following is not related with Money Measurement Concept ?
   
   a) All business transaction should be expressed only in money  
   b) The transactions which cannot be expressed in money, will not be recorded in accounting books  
   c) Business is treated as separate from the proprietor  
   d) None of These

109. Which of the following equation is related with Dual Aspect Concept ?
   
   a) Total Assets = Total Liabilities  
   b) Total Assets = Capital + Outsider’s Liabilities  
   c) Capital = Total Assets - Outsider’s Liabilities  
   d) All of the above

110. If the total assets of the company amount to Rs 1,50,000 and owner’s equity is Rs 70,000, the amount of liabilities will be –
   
   a) Rs 70,000  
   b) Rs 80,000  
   c) Rs 90,000  
   d) Rs 1,00,000

111. Profit from sale of assets is example for –
   
   a) Revenue Profit  
   b) Capital Profit
c) Loss  
d) None of these

112. Depreciation is a charge against –

a) Profit  
b) Assets  
c) Company  
d) Books of A/c

113. Which expenses is a Capital Nature?

a) Depreciation  
b) Wages  
c) Salary  
d) Stationary

114. Balance Sheet is a statement of……………

a) Assets  
b) Liabilities  
c) Capital  
d) All of these

115. Accounting is the process of matching………

a) Benefits & Costs  
b) Revenues & Costs  
c) Cash Inflow & Cash Outflow  
d) Potential & Real Performance

116. Which one of the following is not an example of Intangible Assets?

a) Patents  
b) Trade Marks  
c) Copyright  
d) Land

117. The prime function of accounting is to

a) To record economic data  
b) Provide the information basis of action  
c) Classifying and recording business transaction  
d) Attainment of economic goal

118. The basic function of financial accounting is to

a) Record all business transaction  
b) Interpret financial data
c) Assist the management in performing function effectively

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

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 landlord to be credited to
   a) Landlord 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

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 u 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) Debtor are a 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 Rs.1,000,000
- Machinery Rs.20,000
- Cash Rs.10,000
- Debt Rs.0
- Owner’s equity?

What is the value of owner’s equity?

a) Rs.1020000  
b) Rs.1010000  
c) Rs.1030000  
d) None of the above

155. A business has the following items in it:
- Owners’ equity Rs.6,00,000
- Liabilities Rs.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 Rs.1,500,000
- Machinery Rs.80,000
- Cash Rs.20,000
- Owners equity Rs.900,000
- Loan Rs.500,000
- Creditors?

a) Rs.200,000  
b) Rs.700,000  
c) Rs.800,000  
d) Rs1, 100,000

157. A business has following items in it
Land ?
Vehicles Rs.600,000
Debtors Rs. 1,20,000
Cash Rs.30,000
Owners’Equity Rs.1,000,000
Loan 5,00,000
Creditors Rs.50,000

What is the value of the land............... 

e)  1,000,000  
f)  1,550,000  
g) 800,000  
h) 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 = OwnerEquity  
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 share holder.

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  Rs.100  
Accounts Receivable Rs.500  
Stock holder equity Rs.700  
Accounts Payable Rs.200  
Bank Loan  Rs.1,000

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

a) Rs.200  
b) Rs.1,900  
c) Rs.1,200  
d) Rs.1,700

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:


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

175. 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

176. 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).

177. Which of the following functions is managerial accounting intended to facilitate?

a) Planning  
b) Decision making  
c) Control  
d) All of these

178. 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.

179. 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

180. 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 labor, and factory overhead.  
b. Direct materials and direct labor only.  
c. **Direct materials, direct labor, factory overhead, and administrative overhead.**  
d. Direct labor and factory overhead.

181. A company's telephone bill consisting of a Rs.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**
182. Accounting principles are

   a) As definite as principles of physics and chemistry
   b) Unlike principles of physical sciences.
   c) Verifiable through observations and records
   d) Thoughts of accountant

183. Accounting concepts are based on

   a) Certain assumptions
   b) Certain facts and figures
   c) Certain accounting records
   d) Practice experience

184. Business entity concept distinguishes between:

   a) Individual and business
   b) Business and business
   c) Owners
   d) Debtors and creditors

184. The cost concept records the figures at

   a) Market values
   b) Actual amount paid
   c) Actual amount or market values whichever is less.
   d) MRP maximum retail price

185. Going concern concept assumes

   a) Business as a dissolving concern
   b) Business on relishing values
   c) Business as a going concern
   d) Asset = liability

186. Financial account provide summary of:

   a) Asset
   b) Liability
   c) Accounts

187. Financial statements are:

   a) Estimates of facets
   b) Anticipated facts
   c) recorded facts

188. Retained earnings statement depicts:
a) Appropriation of profits  
b) Estimates of profits  
c) Estimates of costs

189. User of financial statement is:

a) Management  
b) Creditors  
c) Bankers  
d) All of the above

190.Current liability does not include

a) Sundry creditors  
b) Acceptances  
c) Unclaimed dividend  
d) Short term investment

191. Financial accounting deals with:

a) Determination of cost  
b) Determination of profit  
c) Determination of price  
d) Determination of selling price

192. Financial account record only

a) Actual figures  
b) Budgeted figures  
c) Standard figures  
d) Management Figure

193. The term Management Accounting was first used in

a) 1910  
b) 1939  
c) 1950  
d) 1960

194. Management Accounting relates to

a) Recording of accounting data  
b) Recording of cost data  
c) Presentation of account data  
d) None of the above

195 The use of management accounting is

a) Compulsory
b) Optional
c) Obligation
d) Statutory requirement

196. Content of income statement
a) Trading account
b) Profit and loss account
c) Balance sheet
d) All of the above

197. Which does not comes under the head of asset:
 a) Fixed asset
 b) Investment
 c) Current asset
d) Owners equity

198. Financial account state the…………………..position of a concern.
 a) Financial
 b) Economic
 c) Non financial
d) None of these

199. Which items does not come under the balance sheet
 a) sales
 b) Share capital
 c) Reserves and surplus
d) Unsecured loan

200. The word accounting can be classified in to:
 a) Financial accounting and management accounting
 b) Financial accounting and cost accounting
c) Financial accounting, management accounting and cost accounting
d) Cannot be classified

201. If a company has contingent liabilities, they appear in the …………..
 a) Balance Sheet
 b) Director’s Report
c) Foot note down the balance sheet
d) Chairman’s report 

202. Modern Method of Accounting was introduced by
203. The work of a book keeper is ________ in nature.
   a) Analytical
   b) **Clerical**
   c) Executive
   d) Non-executive

204. Depreciation is a __________.
   a) Cash operating expenditure
   b) **Non cash operating expenditure**
   c) Cash non-operating expenditure
   d) Non cash non-operating expenditure

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
   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 Rs.200 monthly base amount, plus long distance charges, would be classified as a:
   
   e. Variable cost  
   f. Committed fixed cost  
   g. Direct cost  
   h. 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:
   
   e) Manufacturing overhead  
   f) Indirect materials  
   g) Indirect labour  
   h) 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

226. Sunk costs are:
(a) relevant for decision making
(b) Not relevant for decision making
(c) cost to be incurred in future
(d) future costs

227. Calculate the prime cost from the following information:
Direct material purchased: Rs. 1,00,000
Direct material consumed: Rs. 90,000
Direct labour: Rs. 60,000
Direct expenses: Rs. 20,000
Manufacturing overheads: Rs. 30,000
(a) Rs. 1,80,000
(b) Rs. 2,00,000
(c) Rs. 1,70,000
(d) Rs. 2,10,000