

MGT101

Final Term (Live Quiz)

PAID VU LMS HANDLING by Mam Mehwish

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Question 1: In a manufacturing concern, rent of office building is included in _____.

- Cost of sales
 - Preliminary expense
 - Cost of goods sold
 - **Operating expense ✓**
-

Question 2: Capital introduced by the owner is a _____.

- Revenue Expenditure
 - Capital Expenditure
 - **Capital Receipt ✓**
 - Revenue Receipt
-

Question 3: If Work in Process closing inventory is provided as additional information, other than trial balance, then that inventory is treated in:

- Profit and loss account only
 - **Both profit & loss account and balance sheet ✓**
 - Expense only
 - Balance Sheet only
-

Question 4: Bank charges of Rs. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

- **Understated by Rs. 1,000** ✓
 - Understated by Rs. 2,000
 - Overstated by Rs. 1,000
 - No effect
-

Question 5: Accumulated depreciation of furniture is a/an _____.

- Liability account
 - **Contra asset account** ✓
 - Expense account
 - Asset account
-

Question 6: A purchase of plant and machinery is a _____.

- **Capital Expenditure** ✓
 - Revenue Receipt
 - Revenue Expenditure
 - Capital Receipt
-

Question 7: Purchases Rs. 500, Carriage outward Rs. 50, Gross Sales Rs. 700, and Gross Profit Rs. 100. Net Purchases =?

- Rs. 500
 - Rs. 550
 - Rs. 650
 - **Rs. 600** ✓
-

Question 8: Carriage inward should be the part of:

- Indirect cost
 - **Direct cost** ✓
 - Admin expense
 - Selling expense
-

Question 9: A payment of Rs. 1,000 to a creditor Mr. A is recorded in the account of another creditor Mr. B. What will be its effect on net profit?

- Understated by Rs. 1,000
 - Understated by Rs. 2,000
 - Overstated by Rs. 1,000
 - **No effect** ✓
-

Question 10: Discount allowed to a debtor is credited under the main head:

- Liabilities
 - Income
 - Assets
 - **Expenses** ✓
-

Question 2:

Unconsumed shipping supplies are considered as:

- Admin expense
 - Selling expense
 - **Current asset** ✓
 - Financial expense
-

Question 3:

Carriage inward should be the part of:

- Admin expense
 - **Direct cost** ✓
 - Selling expense
 - Indirect cost
-

Question 4:

Which of the following should be debited on sale of completed goods on credit basis in manufacturing concern?

- Cash account

- **Debtors account** ✓
 - Creditors account
 - Sales account
-

Question 5:

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

- Trading concern
 - **Manufacturing concern** ✓
 - Merchandising concern
 - Service concern
-

Question 6:

Which of the following should be debited on purchase of raw material on cash basis in manufacturing concern?

- Cash account
 - Purchases account
 - Finished goods account
 - **Material account** ✓
-

Question 7:

Net realizable value of inventory =

- Selling Price + Further Costs to Sell
 - Cost of purchase + conversion cost
 - **Selling Price – Further Costs to Sell** ✓
 - Cost of purchase - conversion cost
-

Question 8:

Direct cost is also known as:

- **Prime cost** ✓
- Factory overhead cost
- Conversion cost

- Cost of sales
-

Question 9:

Which of the following is an error of principle?

- **Purchase of vehicle is recorded in repairs account ✓**
 - A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
 - A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B
 - Bank charges being deducted by the bank without our knowledge
-

Question 10:

Bank charges of Rs. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

- Overstated by Rs. 1,000
- **Understated by Rs. 1,000 ✓**
- Understated by Rs. 2,000
- No effect

Question 1:

Unearned income at the end of the period is treated as:

- ☐ Liability
- ☒ Assets
- ☐ Expense
- ☐ Drawings

Question 2:

While preparing a Creditors Control Account, Credit side shows the items that will cause:

- ☐ Both increase and decrease in creditors' balance
- ☐ Increase in creditors' balance
- ☒ Decrease in creditors' balance
- ☐ Increase in debtors' balance

Question 3:

All of the following are the depreciation methods for tangible fixed assets EXCEPT:

- ☐ Number of units output method
- ☒ Fair value method
- ☐ Number of service hours method
- ☐ Sum of years digit method

Question 4:

Income earned but not received till the end of the accounting period is treated in balance sheet as:

- ☐ Liability
- ☐ Capital
- ☒ Asset
- ☐ Drawing

Question 5:

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

- ☐ Cash account
- ☒ Fixed asset account
- ☐ Bank account
- ☐ Debtor account

Question 6:

Prepaid expense at the end of the period is treated as:

- ☒ Asset
- ☐ Drawing
- ☐ Liability
- ☐ Income

Question 7:

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

- ☒ Income statement
- ☐ General Journal
- ☐ Balance sheet
- ☐ Income account

Question 8:

A debtors' control account is used to record all the transactions related to:

- ☐ Cash purchases
- ☐ Credit purchases
- ☐ Cash sales
- ☒ Credit sales

Question 9:

In case of goods sold on credit basis, _____ is credited.

- ☐ Payable account
- ☐ Bank account
- ☒ Receivable account
- ☐ Sales account

Question 10:

Control accounts are usually maintained by:

- ☐ Partnerships
- ☐ Non-profit businesses
- ☐ Sole proprietors
- ☒ Large organizations

Question #1: Unconsumed shipping supplies are considered as:

Selling expense

Current asset ☒

Financial expense

Admin expense

Question #2: Opening indirect material inventory is adjusted with _____ of indirect material, to calculate the cost of sales.

Sales

Income

Liabilities

Purchases ☒

Question #3: Purchases Rs. 500, Returns inwards Rs. 50, Gross Sales Rs. 700 and Gross Profit Rs. 100, Net Purchases =?

Rs. 450 ☒

Rs. 650

Rs. 550

Rs. 500

Question #4: Bank charges of RS. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

Understated by Rs. 1,000 ☒

No effect

Overstated by Rs. 1,000

Understated by Rs. 2,000

Question #5: Salaries expense of Rs. 5,000 is recorded as Rs. 500. What will be its effect on net profit?

Understated by Rs. 4,500 ☒

Overstated by Rs. 5,000

No effect

Overstated by Rs. 4,500

Question #6: Income = ?

Loss + expenses

Profit – expenses ☒

Expenses – profit

Assets + profit

Question #7: Which of the following is a Revenue receipt?

Long term loan from bank

Sales revenue ☒

Payment of salaries

Purchase of a building

Question #8: Work in process closing inventory is a/an:

Asset ☒

Expense

Liability

Income

Question #9: Service fee received is a _____.

Capital Expenditure

Revenue Receipt ☒

Revenue Expenditure

Capital Receipt

Question #10: Which of the following should be debited on return of raw material to supplier in manufacturing concern?

Purchase account ☒

Material account

Debtors account

Voucher payable account

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1. A payables ledger control account had a closing balance of Rs.9,000. A discount received of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Rs. 10,000 credit

Rs. 9,500 credit

Rs. 8,500 credit ☒

Rs. 8,000 credit

2. Expenses paid during the period should be mentioned in:

Expense side of balance sheet

Receipt side of cash book

Payment side of balance sheet

Payment side of cash book ☒

3. Debtors which might become bad in future is known as__.

Bad debt

Doubtful debt ☒

Long term debts

Sundry debtors

4. In case of increase in provision for doubtful debt, _____ is credited.

Receivable account

Payable account

Doubtful debts account

Provision for doubtful debts account ☒

5. Matching principle is applied in:

None of the given options

Accrual basis ☒

Cash basis

Both accrual and cash basis

6. Rent income account should be debited due to:

Balance sheet account

Rental income received

Rent receivable opening ☒

Rent receivable closing

7. While preparing a Debtors Control Account, Credit side posted items cause:

Both increase and decrease in debtors' balance

Increase in debtors' balance

Increase in creditors' balance

Decrease in debtors' balance ☒

8. _____ is posted in the debit side of debtors account.

Balance c/f of debtors

Cash purchase

Balance b/f of debtors ☒

Cash sales

9. All of the following items appear on credit side of Trade receivable control account EXCEPT:

Cash received from debtors

Discount allowed

Cheques dishonored

Bad debts ☒

10. In case of decrease in provision for doubtful debt, _____ is credited.

Provision account ✓

Payable account

Bad debts account

Receivable account

Question 1:

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

- Expenses
 - Drawings
 - **Assets ✓**
 - Liability
-

Question 2:

Rent receivable account should be debited due to:

- Balance b/f ✓
 - Balance sheet
 - Cash received
 - Balance c/f
-

Question 3:

Income earned but not received till the end of the accounting period is treated in balance sheet as:

- Capital
 - **Asset ✓**
 - Drawing
 - Liability
-

Question 4:

_____ is posted in debit side of debtors account.

- **Credit sales ✓**

- Credit purchase
 - Cash purchase
 - Cash sales
-

Question 5:

_____ is the systematic allocation of the depreciable amount of an asset over its useful life.

- Fair value
 - Cost
 - Market value
 - **Depreciation ✓**
-

Question 6:

In case of creating the provision for discount on debts, _____ is debited.

- **Provision account ✓**
 - Receivable account
 - Discount received account
 - Discount allowed account
-

Question 7:

_____ is posted in credit side of debtors account.

- Total sales
 - Return outwards
 - **Return inwards ✓**
 - Cash sales
-

Question 8:

Which of the following can be attributed as 'Useful life' of a tangible fixed asset?

- **All of the given options ✓**
- Number of production units expected to be obtained from the asset
- Period over which the asset is expected to be used
- Number of hours expected to put the asset in production

Question 9:

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

- **Income statement ✓**
 - General Journal
 - Balance sheet
 - Income account
-

Question 10:

True and fair performance of any business entity is measurable under:

- **Accrual basis ✓**
- Both accrual and cash basis
- Cash basis
- None of the given options

Which of the following should be debited on sale of completed goods on cash basis in manufacturing concern?

- **Cash account ✓**
- Sales account
- Material account
- Finished goods account

 **Under periodic system of recording inventory, purchase of inventory is recognized as:**

- Income
- **Asset ✓**
- Expense
- Stock

 **All of the following items appear on debit side of Trade receivable control account EXCEPT:**

- Cheques dishonored
- Interest charged to debtors ✓
- Discount allowed

- Credit sales

🏢 **Unconsumed shipping supplies are considered as:**

- Financial expense
- Current asset ✓
- Admin expense
- Selling expense

🏢 **Control accounts are usually maintained by:**

- Non-profit businesses
- Sole proprietors
- Partnerships
- Large organizations ✓

🏢 **Unconsumed office supplies are considered as:**

- Admin expense
- Selling expense
- Inventory ✓
- Financial expense

🏢 **When the sum of more than one error cancels the accounting effect of each other, it is called:**

- Compensating error ✓
- Error of principle
- Error of omission
- Error of original entry

🏢 **In a manufacturing concern, salary of supervisor is included in:**

- Operating expense
- Administrative expense ✓
- Selling expenses
- Cost of goods sold

🏢 **All of the following items may appear in Trade payable control account EXCEPT:**

- Cash paid to creditors
- Cash purchases ✓

- Discount received
- Credit purchases

🏢 In a manufacturing concern, rent of office building is included in:

- Cost of sales
- Preliminary expense
- Cost of goods sold
- Operating expense ✓

🏢 Under one account method, a separate ledger account of particular income is not maintained.

- False
- True ✓

🏢 While preparing a Debtors Control Account, Debit side posted items cause:

- Increase in debtors' balance ✓
- Both increase and decrease in debtors' balance
- Decrease in debtors' balance
- Increase in creditors' balance

🏢 If the cost of a plant is Rs. 90,000, total estimated output is 30,000 units and its residual value is Rs. 10,000. Then Depreciation rate per unit is:

- Rs. 1.1 per unit
- Rs. 2.67 per unit ✓
- Rs. 9 per unit
- Rs. 3 per unit

🏢 Advance payment at the end of the period is treated as:

- Liability
- Assets ✓
- Drawings
- Income

🏢 ____ is debited for closing the commission income for the period.

- Accrued commission
- Commission expense

- Commission income
- **Income statement ✓**

🏢 In case of decrease in provision for doubtful debt, ___ is credited.

- Receivable account
- **Provision account ✓**
- Bad debts account
- Payable account

🏢 Interest credited by the bank will be:

- Debited in bank column of cash book
- **Credited in bank column of cash book ✓**
- Credited in cash column of cash book
- Debited in cash column of cash book

🏢 ___ is posted in the credit side of debtors' account.

- Credit purchases
- Cash purchases
- **Receipts from debtors ✓**
- Trade discount

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

- **Interest on deposit ✓**
- Interest on overdraft
- Dividend received on behalf of customer
- Amount deposited in bank

🏢 Which of the following can be attributed as 'Useful life' of a tangible fixed asset?

- Number of production units expected to be obtained from the asset
- Number of hours expected to put the asset in production
- **All of the given options ✓**
- Period over which the asset is expected to be used

1. Which of the following is an error of omission?

Options:

- A) Option A
- B) Option B
- C) Option C
- D) Option D

Correct Option: A

2. Sales return account is a/an _____.

Options:

- A) Inventory
- B) Marketing expenses
- C) Admin Expenses
- D) Selling expenses

Correct Option: A

3. Unconsumed direct supplies are considered as:

Options:

- A) Inventory
- B) Marketing expenses
- C) Admin expense D) Cost of sales

Correct Option: A

4. All of the following items may appear in Trade payable control account EXCEPT:

Options:

- A) Cash purchases
- B) Discount received
- C) Credit purchases
- D) Cash paid to creditors

Correct Option: B

5. In a manufacturing concern, rent of office building is included in _____.

Options:

- A) Preliminary expense
- B) Cost of sales
- C) Operating expense
- D) Cost of goods sold

Correct Option: C

6. Consumed direct supplies are considered as:

Options:

- A) Financial expense
- B) Admin expense
- C) Selling expense
- D) Cost of sales

Correct Option: D

7. While preparing a Debtors Control Account, Credit side posted items cause:

Options:

- A) Both increase and decrease in debtors' balance
- B) Increase in creditors' balance
- C) Increase in debtors' balance
- D) Decrease in debtors' balance

Correct Option: D

8. Electricity expense is a_____.

Options:

- A) Revenue Expenditure
- B) Capital Receipt
- C) Capital Expenditure D) Revenue Receipt

Correct Option: A

9. Discount received from a creditor is Debited under main head:

Options:

- A) Income
- B) Expenses
- C) Liabilities
- D) Assets

Correct Option: B

10. In a trading concern, salaries of marketing staff is included in _____.

Options:

- A) Cost of sales
- B) Cost of goods sold
- C) Preliminary expense
- D) Operating expense

Correct Option: D

1. Unconsumed office supplies are considered as:

- A) Admin expense

-
-
-

- B) Selling expense
- C) Financial expense
- D) Inventory

- **Correct Option:** D) Inventory

2. A purchase of plant and machinery is a_____.

- A) Capital Receipt
- B) Revenue Receipt
- C) Capital Expenditure
- D) Revenue Expenditure

- **Correct Option:** C) Capital Expenditure

3. A payables ledger control account had a closing balance of Rs.9,000. A credit sales of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

- A) Rs. 8,500 credit
- B) Rs. 9,000 credit
- C) Rs. 10,000 credit
- D) Rs. 8,000 credit

- **Correct Option:** C) Rs. 10,000 credit

4. A new accountant of ABC Corporation has prepared the trial balance. But there is a difference in the total of both sides of the trial balance; such a difference can be due to:

- A) Over casting of a ledger account
- B) Under casting of a ledger account
- C) Omission of a particular account's balance in the trial balance

-
-
-

- D) All of the given options

- **Correct Option:** D) All of the given options

5. A sole proprietor can prepare the following financial statements as final accounts:

A) Balance sheet & statement of cash flows

B) Balance sheet & notes to the financial statements

C) Balance sheet & statement of changes in equity

- D) Balance sheet & income statement

- **Correct Option:** D) Balance sheet & income statement

6. Purchase return account is a/an _____.

- A) Income item

- B) Contra item

- C) Liability item

- D) Expense item

- **Correct Option:** D) Expense item

7. Discount received from a creditor is credited under the main head:

- A) Income

- B) Assets

- C) Expenses

- D) Liabilities

- **Correct Option:** A) Income

8. Which of the following is/are the function of financial accounting?

-
-
-

- A) Posting
- B) Recording
- C) Recording
- D) All of the given options
- **Correct Option:** D) All of the given options

9. Mr. X receives a discount of Rs. 50 from a supplier. The discount is debited to the discount allowed account. What will be its effect on net profit?

- A) Overstated by Rs. 100
- B) No effect
- C) Understated by Rs. 50
- D) Understated by Rs. 100
- **Correct Option:** C) Understated by Rs. 50

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

- A. Merchandising concern
- B. Service concern
- C. Trading concern
- D. Manufacturing concern
- Correct Option: D. Manufacturing concern

2. Which of the following should be considered as ready for sales in manufacturing concern?

- A. Raw material
- B. Work in process
- C. Stock in trade

-
-
-

- D. Finished goods
- Correct Option: D. Finished goods

3. Sales return account is a/an _____.

- A. Liability item
- B. Purchase item
- C. Contra item
- D. Expense item
- Correct Option: D. Expense item

4. While preparing a Debtors Control Account, Credit side posted items cause:

- A. Both increase and decrease in debtors' balance
- B. Increase in creditors' balance
- C. Increase in debtors' balance
- D. Decrease in debtors' balance
- Correct Option: D. Decrease in debtors' balance

5. Purchases Rs. 500, Returns inwards Rs. 50, Gross Sales Rs. 700 and Gross Profit Rs. 100, Net Purchases =?

- A. Rs. 550 - B. Rs. 500 - C. Rs. 450
- D. Rs. 650
- Correct Option: C. Rs. 450

6. If some financial information is completely forgotten to record in the books of original entry, such error is known as:

-
-
-

- A. Error of omission
- B. Error of original entry
- C. Error of commission
- D. Error of principle
- Correct Option: A. Error of omission

7. A purchase of plant and machinery is a_____.

- A. Revenue Receipt
- B. Capital Expenditure
- C. Capital Receipt
- D. Revenue Expenditure
- Correct Option: B. Capital Expenditure

8. Which of the following is an error of commission?

- A. Bank charges being deducted by the bank without our knowledge
- B. Purchase of vehicle is recorded in repairs account
- C. A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B
- D. A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
- Correct Option: C. A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

9. Sales Rs. 500, Returns outwards Rs. 50, Gross Profit Rs. 100, Net Sales =?

- A. Rs. 450 - B. Rs. 650 - C. Rs. 550
- D. Rs. 550
- Correct Option: A. Rs. 450

-
-
-

10. A payables ledger control account had a closing balance of Rs. 9,000. A discount received of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

- A. Rs. 8,000 credit
- B. Rs. 9,500 credit
- C. Rs. 8,500 credit
- D. Rs. 10,000 credit
- Correct Option: C. Rs. 8,500 credit

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1. A minor repair to a photocopy machine was paid in cash. Correct entry was made to cash account but no entry was made to other account. What will be the debit effect of journal entry to rectify this error, if there is suspense account in trial balance?

Options:

- A. Photocopy machine repair account
- B. Cash account
- C. Photocopy machine account
- D. Suspense account

Correct Option: D. Suspense account

2. All of the following items may appear in Trade receivable control account EXCEPT:

Options:

- A. Cash received from debtors
- B. Credit Purchases
- C. Bad debts
- D. Discount allowed

Correct Option: B. Credit Purchases

3. Which of the following should be considered as ready for sales in manufacturing concern?

Options:

- A. Work in process
- B. Stock in trade
- C. Finished goods
- D. Raw material

Correct Option: C. Finished goods

4. Carriage outward is Debited under the main head:

Options:

- A. Expenses
- B. Liabilities
- C. Income
- D. Assets

Correct Option: A. Expenses

5. Expired portion of direct cost is treated as:

Options:

- A. Cost
- B. Income
- C. Expense
- D. Liability

Correct Option: C. Expense

6. A receivables ledger control account had a closing balance of Rs.9,000. A dishonored cheque of Rs. 500 had been omitted to record in this control account. What should be the correct balance of receivables control account?

Options:

- A. Rs. 8,500 debit
- B. Rs. 9,500 debit
- C. Rs. 8,000 debit
- D. Rs. 10,000 debit

Correct Option: B. Rs. 9,500 debit

7. Sales Rs. 500, Returns outwards Rs. 50, Gross Profit Rs. 100, Net Sales =?

Options:

- A. Rs. 500
- B. Rs. 500

C. Rs. 450

D. Rs. 550

Correct Option: C. Rs. 450

8. Current year's depreciation of furniture is a/an _____.

Options:

A. Liability account

B. Contra asset account

C. Asset account

D. Expense account

Correct Option: D. Expense account

9. Unconsumed direct supplies are considered as:

Options:

A. Marketing expenses

B. Inventory

C. Admin Expenses

Correct Option: B. Inventory

10. If some financial information is completely forgotten to record in the books of original entry, such error is known as:

Options:

A. Error of omission

B. Error of principle

C. Error of commission

D. Error of original entry

Correct Option: A. Error of omission

1. A payables ledger control account had a closing balance of Rs. 9,000. A credit purchase of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Options:

- A) Rs. 8,500 credit
- B) Rs. 8,000 credit
- C) Rs. 10,000 credit
- D) Rs. 9,500 credit

Correct Option: D) Rs. 9,500 credit

2. Unfinished goods are called:

Options:

- A) Stock in trade
- B) Work in process
- C) Raw material
- D) None of the given options

Correct Option: B) Work in process

3. Leather to make jackets in a manufacturing concern is:

Options:

- A) Finished goods
- B) Raw material
- C) Work in process
- D) Stock in trade

Correct Option: B) Raw material

4. Unconsumed shipping supplies are considered as:

Options:

- A) Financial expense
- B) Admin expense

C) Selling expense

D) Current asset

Correct Option: D) Current asset

5. When the correct accounting effect (Dr/Cr) is given in the wrong accounting head but the main head remains correct, it is known as:

Options:

A) Error of principle

B) Error of omission

C) Error of original entry

D) Error of commission

Correct Option: D) Error of commission

6. Discount received from a creditor is Debited under the main head:

Options:

A) Assets

B) Income

C) Liabilities

D) Expenses

Correct Option: B) Income

7. Drawings account is a/an _____.

Options:

A) Expense item

B) Assets item

C) Liability item

D) Contra item

Correct Option: D) Contra item

8. Bank charges of RS. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

Options:

- A) Understated by Rs. 2,000
- B) No effect
- C) Overstated by Rs. 1,000
- D) Understated by Rs. 1,000

Correct Option: C) Overstated by Rs. 1,000

9. Capital introduced by the owner is a _____.

Options:

- A) Revenue Receipt
- B) Capital Receipt
- C) Capital Expenditure
- D) Revenue Expenditure

Correct Option: B) Capital Receipt

10. A payables ledger control account had a closing balance of Rs. 9,000. A credit sales of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Options:

- A) Rs. 9,000 credit
- B) Rs. 8,500 credit
- C) Rs. 8,000 credit
- D) Rs. 10,000 credit

Correct Option: A) Rs. 9,000 credit

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Question # 1

Non-financial assets under non-current assets are categorized into:

- ☐ Intangible assets
- ☐ Property, plant and equipment
- ☐ Investment property and other long term assets
- ☒ All of the given options

Question # 2

Which of the following IAS deals with investment property?

- ☒ IAS 40
- ☐ IAS 1
- ☐ IAS 2
- ☐ IAS 7

Question # 3

----- is debited in the books of accounts while derecognizing trade receivables.

- ☐ Trade payables account
- ☐ Sales revenue account
- ☐ Cash account
- ☒ Trade receivables account

Question # 4

Which of the following is an example of Contra account?

- ☐ Cash account
- ☒ Accumulated depreciation
- ☐ Bad Debts
- ☐ Sales Account

Question # 5

Which of the following are the main sources of financing assets?

- ☐ Equity and interest

☒ Equity and debt

☐ Prepayments and debt

☐ Debt and accrued income

Question # 6

In which of the following fixed asset valuation model, the fair value is considered:

☐ Present Value model

☐ Cost model

☒ Revaluation model

☐ Current Cost Model

Question # 7

Non-Current Assets are:

☒ All of the above

☐ Property Plant & Equipment

☐ Investment Property

☐ Intangible Assets

Question # 8

Which of the following statement is TRUE about equity financing?

☐ Shareholders have no claim on future profits of the business.

☒ Equity involves raising money by selling interests in the company.

☐ Raising equity capital is less complicated because the company is not required to comply with state.

☐ Shareholders are entitled only to repayment of the agreed-upon principal of the loan plus interest.

Question # 9

Accounting treatment for intangible fixed assets is discussed in which of the following IAS?

☐ IAS 16

☒ IAS 38

✗ IAS 37

✗ IAS 39

Question # 10

Which of the following statement is INCORRECT about equity financing?

✓ Raising equity capital is less complicated because the company is not required to comply with state.

✗ Equity involves raising money by selling interests in the company.

✗ Shareholders have claim on future profits of the business.

✗ It represents the value that would be returned to a company's shareholders if all of the assets were liquidated.

1. The unexpired portion of direct cost is treated as:

- Option 1: Asset

- Option 2: Expense (Correct)

- Option 3

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Option 4: Liability

2. Expenses = ?

- Option 1: Assets + profit
- Option 2: Profit – capital
- Option 3: Income – profit (Correct)
- Option 4: Profit + income

3. A payment of Rs. 1,000 to a creditor Mr. A is recorded in the account of another creditor Mr. B. What will be its effect on net profit?

- Option 1: Overstated by Rs. 1,000 (Correct)
- Option 2: Understated by Rs. 1,000
- Option 3: No effect
- Option 4: Understated by Rs. 2,000

4. All of the following items appear on the credit side of the Trade Receivable Control Account EXCEPT:

- Option 1: Discount allowed
- Option 2: Bad debts
- Option 3: Cheques dishonored (Correct)
- Option 4: Cash received from debtors

5. Purchase of a building costing Rs. 500,000 is recorded in the repairs account. What will be its effect on net profit?

- Option 1: No effect
- Option 2: Overstated by Rs. 500,000

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- Option 3: Understated by Rs. 500,000 (Correct)
- Option 4: Understated by Rs. 500,000

6. Salaries expense of Rs. 5,000 is recorded as Rs. 500. What will be its effect on net profit?

- Option 1: Overstated by Rs. 4,500 (Correct)
- Option 2: No effect
- Option 3: Overstated by Rs. 5,000
- Option 4: Understated by Rs. 500

7. Leather to make jackets in a manufacturing concern is:

- Option 1: Stock in trade
- Option 2: Raw material (Correct)
- Option 3: Work in process
- Option 4: Finished goods

8. Which of the following organizations converts raw material into finished goods?

- Option 1: Merchandising concern
- Option 2: Service concern
- Option 3: Trading concern
- Option 4: Manufacturing concern (Correct)

9. A new accountant of ABC Corporation has prepared the trial balance. But there is a difference in the total of both sides of the trial balance; such difference can be due to:

- Option 1: Omission of a particular account's balance in the trial balance
- Option 2: Undercasting of a ledger account
- Option 3: All of the given options (Correct)
- Option 4: Overcasting of a ledger account

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1. Direct cost is also known as:

- a) Prime cost
- b) Cost of sales
- c) Conversion cost
- d) Factory overhead cost
- Correct Option: a) Prime cost

2. Factory overhead cost = Power & fuel cost + _____.

- a) Direct labor cost
- b) Other direct cost
- c) Indirect material cost
- d) Direct material cost
- Correct Option: b) Other direct cost

3. Mostly, control accounts are maintained for:

- a) Inventory
- b) Trade receivables
- c) Trade payables
- d) All of the given options
- Correct Option: b) Trade receivables

4. Carriage inward is Debited under main head:

- a) Assets

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- b) Liabilities
- c) Income
- d) Expenses
- Correct Option: d) Expenses

5. Office supplies consumed is considered as:

- a) Admin expense
- b) Financial expense
- c) Cost of sales
- d) Selling expense

Correct Option: a) Admin expense

6. A purchase of plant and machinery is a _____.

- a) Capital Receipt
- b) Revenue Expenditure
- c) Capital Expenditure
- d) Revenue Receipt
- Correct Option: c) Capital Expenditure

7. Prime cost = Direct material cost + _____.

- a) Indirect labor cost
- b) Direct labor cost
- c) Direct labor cost
- d) Indirect material cost
- Correct Option: b) Direct labor cost

8. Which of the following is an error of principle?

- - a) Purchase of vehicle is recorded in repairs account
 - b) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B
 - c) Bank charges being deducted by the bank without our knowledge
 - d) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account - Correct Option: a)
- Purchase of vehicle is recorded in repairs account

9. Which of the following is a Capital receipt?

- a) Sales revenue
- b) Payment of salaries
- c) Purchase of a building
- d) Long term loan from bank
- Correct Option: d) Long term loan from bank

10. A payment of Rs. 1,000 to a creditor Mr. A is recorded in the account of another creditor Mr. B. What will be its effect on net profit?

- a) Overstated by Rs. 1,000
- b) No effect
- c) Understated by Rs. 2,000
- d) Understated by Rs. 1,000
- Correct Option: d) Understated by Rs. 1,000

1. In a trading concern, salaries of marketing staff is included in _____.

Options:

- A) Cost of goods sold
- B) Operating expense
- C) Cost of sales
- D) Preliminary expense

Correct Option: B) Operating expense

2. Which of the following is an error of original entry?

Options:

- A) Purchase of vehicle is recorded in repairs account
- B) Bank charges being deducted by the bank without our knowledge
- C) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
- D) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

Correct Option: C) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account

3. If the debit side of trial balance is heavier than the credit side, suspense account will be written on _____.

Options:

- A) Debit side

- B) None of the given options - C) Credit side
- D) Both debit and credit side

Correct Option: C) Credit side

4. A control account is an individual account that appears in the _____.

Options:

- A) Journal
- B) General ledger
- C) Trial balance
- D) Invoice

Correct Option: B) General ledger

5. A minor repair to a photocopy machine was paid in cash. Correct entry was made to cash account but no entry was made to other account. What will be the credit effect of journal entry to rectify this error, if there is suspense account in trial balance?

Options:

- A) Photocopy machine repair account
- B) Photocopy machine account
- C) Suspense account
- D) Cash account

Correct Option: C) Suspense account

6. Work in process closing inventory is a/an:

Options:

- A) Income
- B) Liability
- C) Expense
- D) Asset

Correct Option: D) Asset

7. Income = ?

Options:

- A) Profit – expenses
- B) Expenses – profit
- C) Assets + profit
- D) Profit + expenses

Correct Option: A) Profit - Expenses

8. Sales Rs. 500, Returns outwards Rs. 50, Gross Profit Rs. 100, Net Sales =?

Options:

- A) Rs. 550
- B) Rs. 650
- C) Rs. 500
- D) Rs. 450

Correct Option: A) Rs. 550

9. Prime cost = _____.

Options:

- A) Direct material cost + Indirect material cost
- B) Direct labor cost
- C) Other indirect cost
- D) Indirect labor cost

Correct Option: B) Direct labor cost

10. A receivables ledger control account had a closing balance of Rs.9,000. A cheque received from a debtor of Rs. 500 had been omitted to record in this control account. What should be the correct balance of receivables control account?

Options:

- A) Rs. 8,000 debit - B) Rs. 8,500 debit - C) Rs. 9,500 debit
- D) Rs. 10,000 debit

Correct Option: C) Rs. 9,500 debit

1. The unexpired portion of direct cost is treated as:

- A) Asset (Correct Option)

2. When the correct accounting entry is recorded in the books of accounts but the amount in both accounting effect (Dr & Cr) is wrong, it is known as:

- A) Error of principle (Correct Option)

3. Unfinished goods are called:

- C) Work in process (Correct Option)

4. Carriage outward is debited under the main head:

- B) Expenses (Correct Option)

5. While preparing a Creditors Control Account, the credit side shows the items that will cause: -

- D) Increase in creditors' balance (Correct Option)

6. Discount allowed to a debtor is debited under the main head:

- B) Expenses (Correct Option)

7. A minor repair to a photocopy machine was paid in cash. Correct entry was made to the cash account but no entry was made to the other account. What will be the debit effect of the journal entry to rectify this error, if there is a suspense account in the trial balance? - C) Photocopy machine repair account (Correct Option)

8. Purchase return account is a/an _____.

- A) Expense item

9. A purchase of plant and machinery is a_____.

- D) Capital Expenditure (Correct Option)

10. All of the following items appear on the debit side of Trade payable control account EXCEPT:

- A) Cash paid to creditors

1. Purchase return account is a/an _____.

a) Expense item

b) Contra item

c) Liability item

d) Income item

Correct Option: c) Liability item

2. Discount received from a creditor is Credited under the main head:

a) Assets

b) Liabilities

c) Expenses

d) Income

Correct Option: b) Liabilities

3. Consumed direct supplies are considered as:

a) Admin expense

b) Selling expense

c) Cost of sales

d) Financial expense

Correct Option: c) Cost of sales

4. Leather to make jackets in a manufacturing concern is:

a) Stock in trade

b) Work in process

- c) Raw material
- d) None of the given options

Correct Option: c) Raw material

5. If the debit side of the trial balance is heavier than the credit side, the suspense account will be written on _____.

- a) Credit side
- b) Debit side
- c) None of the given options
- d) Both debit and credit side

Correct Option: a) Credit side

6. Unfinished goods are called:

- a) Work in process
- b) Stock in trade
- c) Raw material
- d) None of the given options

Correct Option: a) Work in process

7. All of the following items appear on the credit side of the Trade receivable control account EXCEPT:

- a) Cheques dishonored
- b) Cash received from debtors
- c) Discount allowed
- d) Bad debts

Correct Option: b) Cash received from debtors

8. Which of the following is an error of omission?

- a) Bank charges being deducted by the bank without our knowledge
- b) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
- c) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

d) Purchase of a vehicle is recorded in the repairs account

Correct Option: c) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

9. A payment of Rs. 1,000 to a creditor Mr. A is recorded in the account of another creditor Mr. B. What will be its effect on net profit?

a) Overstated by Rs. 1,000

b) Understated by Rs. 2,000

c) Understated by Rs. 1,000

d) No effect

Correct Option: d) No effect

10. Current year's depreciation of furniture is a/an _____.

a) Liability account

b) Contra asset account

c) Expense account

d) Asset account

Correct Option: c) Expense account

1. The unexpired portion of direct cost is treated as:

A) Expense

B) Income

C) Liability

D) Asset

Correct Option: C) Liability

2. Which of the following is an error of original entry?

A) Bank charges being deducted by the bank without our knowledge

B) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

C) Purchase of vehicle is recorded in repairs account

D) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account

Correct Option: B) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

3. Purchase of building costing Rs. 500,000 is recorded in repairs account. What will be its effect on net profit?

- A) Understated by Rs. 1,000,000
- B) No effect
- C) Overstated by Rs. 500,000
- D) Understated by Rs. 500,000

Correct Option: C) Overstated by Rs. 500,000

4. Sole proprietor can prepare following financial statements as final accounts:

- A) Balance sheet & income statement
- B) Balance sheet & notes to the financial statements
- C) Balance sheet & statement of changes in equity
- D) Balance sheet & statement of cash flows

Correct Option: A) Balance sheet & income statement

5. Current year's depreciation of furniture is a/an _____.

- A) Expense account
- B) Liability account
- C) Asset account
- D) Contra asset account

Correct Option: A) Expense account

6. A payables ledger control account had a closing balance of Rs. 9,000. A cash purchase of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

- A) Rs. 9,000 credit
- B) Rs. 8,000 credit
- C) Rs. 8,500 credit
- D) Rs. 10,000 credit

Correct Option: C) Rs. 8,500 credit

7. Unconsumed direct supplies are considered as:

- A) Inventory
- B) Admin Expenses
- C) Marketing expenses
- D) Selling expenses

Correct Option: A) Inventory

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

- A) Service concern
- B) Trading concern
- C) Merchandising concern
- D) Manufacturing concern

Correct Option: D) Manufacturing concern

9. Unfinished goods are called:

- A) Raw material
- B) None of the given options
- C) Work in process
- D) Stock in trade

Correct Option: C) Work in process

10. Which of the following is an error of principle?

- A) Bank charges being deducted by the bank without our knowledge
- B) A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
- C) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B
- D) Purchase of vehicle is recorded in repairs account

Correct Option: C) A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

1. A new accountant of ABC Corporation has prepared the trial balance. But there is a difference in the total of both sides of the trial balance; such difference can be due to:

Options:

- A. Omission of a particular account's balance in trial balance
- B. Overcasting of a ledger account
- C. Undercasting of a ledger account
- D. All of the given options

Correct Option: D. All of the given options

2. A minor repair to a photocopy machine was paid in cash. Correct entry was made to cash account but no entry was made to other account. What will be the debit effect of the journal entry to rectify this error, if there is a suspense account in the trial balance?

Options:

- A. Photocopy machine account
- B. Cash account
- C. Photocopy machine repair account
- D. Suspense account

Correct Option: A. Photocopy machine account

3. Sales Rs. 500, Returns inwards Rs. 50, Gross Profit Rs. 100, Net Sales =?

Options:

- A. Rs. 550
- B. Rs. 500
- C. Rs. 450
- D. Rs. 650

Correct Option: C. Rs. 450

4. Which of the following organization converts raw material into finished goods?

Options:

- A. Service concern
- B. Manufacturing concern
- C. Trading concern
- D. Merchandising concern

Correct Option: B. Manufacturing concern

5. A receivables ledger control account had a closing balance of Rs. 9,000. A dishonored cheque of Rs. 500 had been omitted to record in this control account. What should be the correct balance of the receivables control account?

Options:

- A. Rs. 8,500 debit
- B. Rs. 10,000 debit
- C. Rs. 9,500 debit
- D. Rs. 8,000 debit

Correct Option: C. Rs. 9,500 debit

6. Which of the following is a Revenue receipt?

Options:

- A. Sales revenue
- B. Longterm loan from the bank
- C. Payment of salaries
- D. Purchase of a building

Correct Option: A. Sales revenue

7. Bank charges of Rs. 1,000 have been deducted by the bank without our knowledge. What will be its effect on net profit?

Options:

- A. Understated by Rs. 1,000

- B. No effect
- C. Understated by Rs. 2,000
- D. Overstated by Rs. 1,000

Correct Option: A. Understated by Rs. 1,000

8. Salaries expense of Rs. 5,000 is recorded as Rs. 500. What will be its effect on net profit?

Options:

- A. Overstated by Rs. 4,500
- B. No effect
- C. Overstated by Rs. 5,000
- D. Understated by Rs. 4,500

Correct Option: A. Overstated by Rs. 4,500

9. Which of the following is an error of commission?

Options:

- A. A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B
- B. A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account
- C. Bank charges being deducted by the bank without our knowledge
- D. Purchase of a vehicle is recorded in the repairs account

Correct Option: A. A payment to a debtor Mr. A is recorded in the account of another debtor Mr. B

10. When the correct accounting effect (Dr/Cr) is given in the wrong accounting head but the main head remains correct, it is known as:

Options:

- A. Error of original entry
- B. Error of omission
- C. Error of commission
- D. Error of principle

Correct Option: D. Error of principle

1. Which of the following is NOT related to the concept of Unions?

- A) To pursue individual interest
- B) Acting collectively
- C) Organization of workers
- D) Seeking mutual interest

****Correct Option: A****

2. When one party perceives that its interests are negatively affected by another party, it is called...

- A) Conflict
- B) Influence
- C) Power
- D) Risk

****Correct Option: A****

3. The marketing manager of organization ABC always welcomes conflict and tactfully deals with it in a peaceful way as he thinks it is the source of creativity and innovation. His philosophy refers to:

- A) Mechanical View
- B) Human Relations View
- C) Interactionist View

****Correct Option: C****

4. Which of the following is a factor that can help prevent employees from creating a union?

- A) Arbitrary Management Decision Making
- B) Lack of recognition
- C) Equity
- D) Use of fear

****Correct Option: C****

5. The communication flowing from subordinates to superiors is known as:

- A) Upward communication

- B) Downward communication
- C) Horizontal communication
- D) Diagonal communication

****Correct Option: A****

6. In which of the following HR functions is communication involved?

- A) Training and development
- B) Recruiting
- C) Orientation
- D) All of these

****Correct Option: D****

7. Identify the type of conflict that exists between Mr. A and Mr. B; they are working as partners and disagree over content and goals of work.

- A) Relationship conflict
- B) Partnership conflict
- C) Task conflict
- D) Process conflict

****Correct Option: C****

8. Communication is the exchange of information between people; it is a...

- A) Clear process
- B) Continuous process
- C) Comprehensive process
- D) Complete process

****Correct Option: B****

9. There are two managers in an organization leading their respective departments. The manager of the Finance department dislikes conflict, while the manager of the HR department considers it natural and accepts it. The philosophy of the HR Manager refers to:

- A) Traditional View
- B) Interactionist View

C) Human Relations View

D) Mechanical View

****Correct Option: B****

10. Identify the odd one: Decoder, Encoder, Sender, Source

A) Decoder

B) Encoder

C) Sender

D) Source

****Correct Option: D****

1. Rent income account should be debited due to:

- a) Rental income received

- b) Balance sheet account

- c) Rent receivable opening

- d) Rent receivable closing

- ****Correct Option: a) Rental income received****

2. Which of the following might be a reason when a Bank Statement shows a greater balance than the Cash Book balance?

- a) Cheque deposited but not yet credited

- b) None of the given options

- c) Cheque issued but not yet presented

- d) Unrecorded bank charges in cash book

- ****Correct Option: c) Cheque issued but not yet presented****

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

- a) Period over which the asset is expected to be used

- b) Number of hours expected to put the asset in production
- c) All of the given options
- d) Number of production units expected to be obtained from the asset
- **Correct Option: a) Period over which the asset is expected to be used**

4. If the cost of a plant is Rs. 90,000, the total estimated output is 30,000 units, and units produced during the year 2019 are 7,000, then calculate depreciation for the year 2019 if depreciation rate per unit is Rs. 3.

- a) Rs. 180,000
- b) Rs. 21,000
- c) Rs. 270,000

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d) Rs. 90,000

****Correct Option: b) Rs. 21,000****

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

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

6. Income received in advance at the end of the period is treated as:

- a) Asset
- b) Income
- c) Liability
- d) Drawings
- ****Correct Option: c) Liability****

7. Which of the following is considered as an asset for the entity?

- a) Debit balance as per cash book (bank column)
- b) Overdrawn balance as per bank statement
- c) Debit balance as per bank statement
- d) Credit balance as per cash book (bank column)
- ****Correct Option: a) Debit balance as per cash book (bank column)****

8. _____ is posted on the credit side of debtors account.

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- a) Cash purchases
- b) Receipts from debtors
- c) Credit purchases
- d) Trade discount

****Correct Option: c) Credit purchases****

9. _____ is posted on the credit side of debtors account.

- a) None of the given options
- b) Balance b/f of debtors
- c) Cash sales
- d) Credit sales

****Correct Option: d) Credit sales****

10. A payables ledger control account had a closing balance of Rs. 9,000. A cash purchase of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

- a) Rs. 8,000 credit
- b) Rs. 10,000 credit
- c) Rs. 9,000 credit
- d) Rs. 8,500 credit

****Correct Option: d) Rs. 8,500 credit****

1. Bank Reconciliation Statement is a:

- A) part of cash book
- B) part of journal ledger accounts
- C) memorandum statements
- D) None of the above

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- Correct Option: C) memorandum statements

2. If cost of a plant is Rs. 90,000, total estimated output is 30,000 units and its residual value is Rs. 10,000. Then Depreciation rate per unit is _____.

- A) Rs. 1.11 per unit
- B) Rs. 9 per unit
- C) Rs. 3 per unit
- D) Rs. 2.67 per unit

- Correct Option: C) Rs. 3 per unit

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

- A) These are to be used for just one year
 - B) Their cost can be measured reliably
 - C) These are held for re-sale in the normal course of trading
 - D) There is no probability of inflow of economic benefits in future
- Correct Option: B) Their cost can be measured reliably

4. Income earned but not received till the end of the accounting period is treated in balance sheet as:

- A) Asset
- B) Capital
- C) Liability
- D) Drawing

- Correct Option: A) Asset

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

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- A) Payable account
- B) Doubtful debts account
- C) Provision account
- D) Debtors account
- Correct Option: B) Doubtful debts account

6. In case of goods sold on credit basis, _____ is debited.

- A) Debtors account
- B) Debit account
- C) Bank account
- D) Credit account

Correct Option: A) Debtors account

7. If a fixed asset is purchased for Rs. 100,000 and payment is made through cheque; then which of the following account will be credited?

- A) Debtor account
- B) Fixed asset account
- C) Cash account
- D) Bank account
- Correct Option: D) Bank account

8. Which of the following is considered as liability for the bank?

- A) Debit balance as per cash book (bank column)
- B) Debit balance as per bank statement
- C) Overdrawn balance as per bank statement
- D) Credit balance as per cash book (bank column)

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- Correct Option: C) Overdrawn balance as per bank statement

9. Rent income account should be debited due to:

- A) Rent receivable closing
- B) Balance sheet account
- C) Rent receivable opening
- D) Rental income received

- Correct Option: C) Rent receivable opening

10. In case of goods sold on credit basis, _____ is debited.

- A) Debtors account
- B) Debit account
- C) Bank account
- D) Credit account

Correct Option: A) Debtors account

1. Which of the following is considered as liability for the bank?

- Unfavorable balance as per cash book (bank column)
- Debit balance as per bank statement
- Overdrawn balance as per bank statement (CORRECT OPTION)
- Favorable balance as per cash book (bank column)

2. All of the following are depreciation methods for tangible fixed assets EXCEPT:

- Number of service hours method
- Fair value method (CORRECT OPTION)
- Number of units output method
- Sum of years digit method

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3. If a fixed asset is purchased for Rs. 100,000 and payment is made through cheque; then which of the following account will be credited?

- Bank account (CORRECT OPTION)
- Fixed asset account
- Debtor account
- Cash account

4. Income received in advance at the end of the period is treated as:

- Income
- Asset
- Liability (CORRECT OPTION)
- Drawings

5. _____ is posted in the debit side of debtors account.

- Cash purchase
- Balance c/f of debtors
- Cash sales
- Balance b/f of debtors (CORRECT OPTION)

6. True and fair performance of any business entity is measurable under:

- Accrual basis
- Cash basis
- None of the given options
- Both accrual and cash basis (CORRECT OPTION)

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7. In case of creating the provision for discount on debts, _____ is debited.

- Receivable account
- Discount received account
- Discount allowed account (CORRECT OPTION)

8. The favorable balance as per passbook is:

- Debit balance as per bank statement
- Credit balance as per bank statement (CORRECT OPTION)
- Unfavorable balance as per bank statement
- Credit balance as per cash book

9. Income earned but not received till the end of the accounting period is treated in balance sheet as:

- Capital
- Drawing
- Asset (CORRECT OPTION)
- Liability

10. A debit balance in the Bank Statement indicates:

- Cash in hand
- Bank overdraft (CORRECT OPTION)
- Overpayment to creditors -

Overpayment to creditors 1.

Matching principle is applied in:

Options:

- Cash basis
- Both accrual and cash basis

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- Accrual basis
- None of the given options

Correct Option: Accrual basis

2. A payables ledger control account had a closing balance of Rs.9,000. A cash purchase of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Options:

- Rs. 8,000 credit
- Rs. 9,000 credit
- Rs. 10,000 credit
- Rs. 8,500 credit

Correct Option: Rs. 8,500 credit

3. _____ is posted in the credit side of the debtor's account.

Options:

- Cash sales and credit sales
- Cash purchases and credit purchases
- Sales return and discount allowed
- Purchases return and discount allowed

Correct Option: Sales return and discount allowed

4. Income received in advance at the end of the period is treated as:

Options:

- Asset
- Liability
- Drawings
- Income

Correct Option: Liability

5. A receivables ledger control account had a closing balance of Rs.9,000. Credit purchases of Rs. 500 had been omitted to record in this control account. What should be the correct balance of receivables control account?

Options:

- Rs. 8,500 debit
- Rs. 8,500 debit
- Rs. 9,500 debit
- Rs. 8,000 debit

Correct Option: Rs. 8,500 debit

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

Options:

- General Journal
- Income statement
- Income account
- Balance sheet

Correct Option: Income statement

7. Expenses incurred but not yet paid till the end of the accounting period are treated in the balance sheet as:

Options:

- Liability
- Asset
- Drawing
- Capital

Correct Option: Liability

8. All of the following are depreciation methods for tangible fixed assets EXCEPT:

Options:

- Indirect method
- Sum of years digit method
- Reducing balance method
- Straight line method

Correct Option: Indirect method

9. In case of a discount allowed to debtors, _____ is debited.

Options:

- Discount allowed account
- Doubtful debts account
- Receivable account
- Trade discount account

Correct Option: Discount allowed account

10. Which of the following is considered as a liability for the bank?

Options:

- Credit balance as per cash book (bank column)
- Debit balance as per cash book (bank column)
- Debit balance as per bank statement
- Overdrawn balance as per bank statement

Correct Option: Debit balance as per bank statement

1. _____ is posted in debit side of debtors account.

- Cash sales
- Credit purchase
- Credit sales (Correct Option)
- Cash purchase

2. In case of discount allowed to debtors, _____ is debited.

- Receivable account
- Doubtful debts account
- Discount allowed account (Correct Option)
- Trade discount account

3. Which of the following is/are an adjusting item(s) that cause disagreement(s) between cash book and pass book?

- Bank charges not recorded in cash book
- All of the given options (Correct Option)
- Cheques deposited but not yet credited
- Cheques issued but not yet presented

4. Which of the following is/are a reconciling item(s) that cause disagreement(s) between cash book and pass book?

- All of the given options (Correct Option)
- Un-credited cheques
- Credit transfers

5. _____ is posted in credit side of debtors account.

- Balance b/f of debtors (Correct Option)
- None of the given options

- Purchases return
- Trade discount

6. Irrecoverable debts are also known as:

- Short-term debts
- Bad debts (Correct Option)
- Long-term debts
- Doubtful debts

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

- Drawings
- Income
- Liability
- Assets (Correct Option)

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

- Liability
- Drawings
- Expense
- Assets (Correct Option)

9. A receivables ledger control account had a closing balance of Rs. 9,000. A dishonored cheque of Rs. 500 had been omitted to record in this control account. What should be the correct balance of the receivables control account?

- Rs. 8,000 debit
- Rs. 9,500 debit (Correct Option)
- Rs. 10,000 debit
- Rs. 8,500 debit

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

- Dividend received on behalf of a customer (Correct Option)
- Interest on deposit
- Amount deposited in the bank
- Amount withdrawn from the bank

1. A creditors' control account is used to record all the transactions related to:

- A) Credit purchases
- B) Cash purchases
- C) Credit sales
- D) Cash sales
- Correct Option: A) Credit purchases

2. _____ is posted in the credit side of the debtors' account.

- A) Trade discount
- B) Credit purchases
- C) Cash purchases
- D) Receipts from debtors
- Correct Option: D) Receipts from debtors

3. All of the following items may appear in the Trade receivable control account EXCEPT:

- A) Credit purchases
- B) Discount allowed
- C) Bad debts
- D) Cash received from debtors
- Correct Option: D) Cash received from debtors

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

- A) Doubtful debts account
- B) Payable account
- C) Debtors account
- D) Provision account
- Correct Option: A) Doubtful debts account

5. Which of the following might be a reason when a Bank Statement shows a greater balance than the Cash Book balance?

- A) Cheque issued but not yet presented
- B) Cheque deposited but not yet credited
- C) Unrecorded bank charges in cash book
- D) None of the given options
- Correct Option: A) Cheque issued but not yet presented

6. In the case of goods sold on a credit basis, _____ is credited.

- A) Payable account
- B) Receivable account
- C) Bank account
- D) Sales account
- Correct Option: B) Receivable account

7. Which of the following is/are reconciling item(s) that cause disagreement(s) between the cash book and passbook?

- A) Credit transfers
- B) Direct debits
- C) Unpresented cheques
- D) All the given options

- Correct Option: D) All the given options

8. In the case of a discount allowed to debtors, _____ is debited.

- A) Discount allowed account

- B) Trade discount account

- C) Receivable account

- D) Doubtful debts account

- Correct Option: A) Discount allowed account

9. If the cost of equipment is Rs. 108,000, useful life is 10 years, and its residual value is Rs. 8,000, then Depreciation for the 3rd year using the straight-line method is _____.

- A) Rs. 8,000

- B) Rs. 10,000

- C) Rs. 8,820

- D) Rs. 9,800

- Correct Option: B) Rs. 10,000

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

- A) Amount withdrawn from the bank

- B) Dividend received on behalf of the customer

- C) Amount deposited in the bank

- D) Interest on deposit

- Correct Option: A) Amount withdrawn from the bank

1. If cost of a plant is Rs. 90,000, total estimated hours are 11,000 and number of hours worked during year 2019 are 8,000. Then calculate depreciation for year 2019 if depreciation rate per hour is Rs. 6.

Options:

A. Rs. 30,000

- B. Rs. 48,000 (Correct)
- C. Rs. 66,000
- D. Rs. 540,000

2. Bank Reconciliation Statement is prepared by _____ of the business.

Options:

- A. Bankers
- B. Accountant (Correct)
- C. Statutory auditor
- D. Manager

3. Which of the following is a debit entry on the Bank Statement that might not appear in the Cash Book?

Options:

- A. An unpresented cheque
- B. An uncredited cheque (Correct)
- C. A standing order
- D. A credit transfer

4. _____ is the systematic allocation of the depreciable amount of an asset over its useful life.

Options:

- A. Cost
- B. Market value
- C. Depreciation (Correct)
- D. Fair value

5. Irrecoverable debts are also known as:

Options:

- A. Doubtful debts
- B. Bad debts (Correct)
- C. Short-term debts
- D. Long-term debts

6. A payables ledger control account had a closing balance of Rs. 9,000. A discount received of Rs. 500 had been omitted to record in this control account. What should be the correct balance of payables control account?

Options:

- A. Rs. 8,000 credit
- B. Rs. 10,000 credit
- C. Rs. 9,500 credit
- D. Rs. 8,500 credit (Correct)

7. Bank Reconciliation Statement is a:

Options:

- A. Ledger account
- B. Part of cash book
- C. Memorandum statement (Correct)
- D. Part of journal

8. All of the following items may appear in Trade receivable control account EXCEPT:

Options:

- A. Bad debts
- B. Cash received from debtors
- C. Discount allowed
- D. Cash sales (Correct)

9. _____ is posted in the credit side of debtors account.

Options:

- A. Total sales
- B. Return inwards (Correct)
- C. Return outwards
- D. Cash sales

10. _____ is posted in the credit side of debtors account.

Options:

- A. Cash purchases and credit purchases
- B. Cash sales and credit sales
- C. Purchases return and discount allowed
- D. Sales return and discount allowed (Correct)

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

Options:

- A. Interest on bank deposit
- B. Cheques deposited but not credited
- C. Bank charges deducted by the bank
- D. Direct payment by a customer into the bank

Correct Option: C

2. All of the following are the depreciation methods for tangible fixed assets EXCEPT:

Options:

- A. Sum of years digit method
- B. Indirect method
- C. Straight line method
- D. Reducing balance method

Correct Option: C

3. All of the following items may appear in Trade payable control account EXCEPT:

Options:

- A. Cash purchases
- B. Credit purchases
- C. Cash paid to creditors
- D. Discount received

Correct Option: C

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

Options:

- A. Interest on deposit
- B. Amount deposited in the bank
- C. Interest on overdraft
- D. Dividend received on behalf of customer

Correct Option: D

5. Which of the following entries should be passed to record dividend received from SIA & Co by bank, on behalf of the customer to update the cash book?

Options:

- A. Dr. SIA Account and Cr. Bank Account
- B. Dr. Bank Account and Cr. SIA Account
- C. Dr. Bank Account and Cr. Dividends Account
- D. Dr. Dividends Account and Cr. Bank Account

Correct Option: D

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

Options:

- A. Whichever value is available
- B. Market value
- C. Cost
- D. Fair value

Correct Option: C

7. While preparing a Debtors Control Account, Debit side posted items cause:

Options:

- A. Both increase and decrease in debtors' balance
- B. Increase in debtors' balance
- C. Decrease in debtors' balance
- D. Increase in creditors' balance

Correct Option: B

8. _____ is debited for closing the commission income for the period.

Options:

- A. Commission income
- B. Accrued commission

- C. Income statement
- D. Commission expense

Correct Option: C

9. _____ is posted on the credit side of the debtors' account.

Options:

- A. Transportation outwards
- B. Transportation inwards
- C. Purchase return
- D. Sales return

Correct Option: D

10. All of the following items may appear in Trade receivable control account EXCEPT:

Options:

- A. Bad debts
- B. Cash sales
- C. Discount allowed
- D. Cash received from debtors

Correct Option: B

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

- A. Balance sheet
- B. Income statement
- C. Income account
- D. General Journal

Correct Option: B. Income statement

2. While preparing a Debtors Control Account, Debit side posted items cause:

- A. Decrease in debtors' balance

- B. Increase in debtors' balance
- C. Increase in creditors' balance
- D. Both increase and decrease in debtors' balance

Correct Option: B. Increase in debtors' balance

3. All of the following items appear on the debit side of Trade receivable control account EXCEPT:

- A. Cheques dishonored
- B. Credit sales
- C. Discount allowed
- D. Interest charged to debtors

Correct Option: A. Cheques dishonored

4. If a fixed asset is purchased for Rs. 100,000 and payment is made through cheque; then which of the following account will be credited?

- A. Bank account
- B. Fixed asset account
- C. Cash account
- D. Debtor account

Correct Option: A. Bank account

5. Control accounts are usually maintained by:

- A. Sole proprietors
- B. Large organizations
- C. Non-profit businesses
- D. Partnerships

Correct Option: B. Large organizations

6. If the cost of a plant is Rs. 90,000, the total estimated output is 30,000 units, and units produced during the year 2019 are 7,000, then calculate depreciation for the year 2019 if depreciation rate per unit is Rs. 3.

- A. Rs. 90,000
- B. Rs. 270,000
- C. Rs. 21,000
- D. Rs. 180,000

Correct Option: C. Rs. 21,000

7. If the cost of equipment is Rs. 108,000, useful life is 10 years, and its residual value is Rs. 8,000, then depreciation for the year using the straight-line method is _____.

- A. Rs. 100,000
- B. Rs. 800
- C. Rs. 10,800
- D. Rs. 10,000

Correct Option: D. Rs. 10,000

8. Which of the following is considered as an asset for the entity?

- A. Overdrawn balance as per the bank statement
- B. Unfavorable balance as per cash book (bank column)
- C. Favorable balance as per cash book (bank column)
- D. Debit balance as per bank statement

Correct Option: C. Favorable balance as per cash book (bank column)

9. In case of creating the provision for discount on debts, _____ is debited.

- A. Discount allowed account
- B. Discount received account
- C. Provision account

Correct Option: C. Provision account

10. Control accounts are maintained for all of the following EXCEPT:

- A. Depreciation
- B. Trade receivables
- C. Inventory
- D. Trade payables

Correct Option: A. Depreciation

1. Expenses paid but the benefit is not received till the end of the accounting period is treated in balance sheet as: - A) Capital

- B) Liability
- C) Drawing
- D) Asset
- Correct Answer: B) Liability

2. Which of the following might be a reason when a Bank Statement shows a greater balance than the Cash Book balance?

- A) Cheque deposited but not yet credited
- B) Unrecorded bank charges in cash book
- C) None of the given options
- D) Cheque issued but not yet presented
- Correct Answer: D) Cheque issued but not yet presented

3. In case of discount allowed to debtors, _____ is debited.

- A) Doubtful debts account
- B) Discount allowed account
- C) Receivable account
- D) Trade discount account
- Correct Answer: B) Discount allowed account

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

- A) Fixed asset account
- B) Bank account
- C) Cash account
- D) Debtor account
- Correct Answer: A) Fixed asset account

5. Irrecoverable debts are also known as:

- A) Short term debts
- B) Bad debts
- C) Doubtful debts
- D) Long term debts
- Correct Answer: B) Bad debts

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

- A) These are to be used for just one year
- B) There is no probability of inflow of economic benefits in the future
- C) Their cost can be measured reliably
- D) These are held for resale in the normal course of trading
- Correct Answer: C) Their cost can be measured reliably

7. Income received but not yet earned till the end of the accounting period is treated in the balance sheet as:

- A) Liability
- B) Drawing
- C) Capital
- D) Asset
- Correct Answer: A) Liability

8. _____ is posted in the credit side of the debtor's account.

- A) Receipts from debtors
- B) Sales return account
- C) Discount allowed account
- Correct Answer: C) Discount allowed account

9. All of the following are the depreciation methods for tangible fixed assets EXCEPT:

- A) Straight line method
- B) Reducing balance method
- C) Indirect method
- D) Sum of years digit method
- Correct Answer: C) Indirect method

10. Expenses paid during the period should be mentioned in:

- A) Receipt side of cash book
- B) Payment side of cash book
- C) Payment side of the balance sheet
- D) Expense side of the balance sheet
- Correct Answer: B) Payment side of cash book

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