STUDENT'S REG. NO.:……………………..………………………

SCHOOL OF BUSINESS
DEPARTMENT OF ACCOUNTING

ACC 101 – 2020/2021 QUIZ 1

TIME ALLOWED: 45 MINUTES

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Instructions: *Circle the letter which corresponds to the correct answer. No cancellations will be tolerated. Use ink.*

1. The general term used to describe the laws, principles, rules and regulations that govern the recording of business transactions and the reporting of financial information is referred to as …
   (a) accounting concepts and conventions
   (b) accounting bases
   (c) accounting standards
   (d) regulatory framework

2. The particular accounting bases adopted by an organisation will form its…
   (a) accounting methods
   (b) accounting standards
   (c) accounting concepts (d) accounting policies

3. The underlying assumptions for the preparation and presentation of periodic financial statements are referred to as …
   (a) the accounting bases
   (b) the accounting standards
   (c) the accounting concepts
   (d) the accounting policies

4. The general objective of financial statements is to provide information about ……………………………………….. of an enterprise that is useful to a wide range of users in making economic decisions.
   (I) financial performance
   (II) financial position
   (III) changes in financial position

   (a) I only
   (b) I and II
   (c) II and III

(d) I, II and III

5. 'Revenue and profits are not anticipated, but are recognised in the income statement only when it can be realised with reasonably certainty'. Which accounting concept portrays this statement?
(a) Continuity
(b) Revenue Recognition
(c) Objectivity
(d) Conservatism

6. The prudence concept supports the historic cost and realization conventions and ensures that where alternative procedures or valuations exist, the one selected should be that which would tend to …… (a) overstate rather than understate profit. (b) understate rather than overstate loss.
(c) understate rather than overstate profit.
(d) overstate profit.

7. Objectivity enables users to place greater …………….. on accounting information than would have been if accounting information were substantially based on the opinions of individuals.
(a) reliance
(b) assumption
(c) cost
(d) standard

8. The accounting treatment of like items should be continuously applied from one accounting period to the next. Which accounting concept portrays this statement?
(a) Continuity
(b) Matching/Accrual
(c) Consistency
(d) Periodicity

9. "Accountants do not count chickens before they are hatched." Which accounting concept best explains this statement?
(a) Conservatism
(b) Continuity
(c) Revenue Recognition
(d) Objectivity

10. Business documents that identify and describe transactions and events entering the accounting process are referred to as ………………………
(a) Financial documents
(b) Resource documents
(c) Source vouchers
(d) Value documents

11. For accounting information to be useful for decision making in terms of its content, all but one of the following fundamental qualities should be present.
(a) Relevance
(b) Comparability
(c) Faithful representation
(d) Reliability

12. Which of the following accounting concepts best explain the statement: "Inventory of goods should be valued at the lower of cost and net realizable value?"
(a) Historical Cost and Conservatism
(b) Continuity and Historical Cost
(c) Revenue Recognition and Historical Cost
(d) Historical Cost and Money Measurement

13. To a seller, the invoice that is issued to a buyer is called a …………….., while to the buyer it is called ………………………
(a) sold invoice, purchased invoice
(b) purchases invoice, sales invoice
(c) sales invoice, purchased invoice
(d) sales invoice, purchases invoice

14. Which of the following statement(s) do not or does not correspond with the accounting concept or conventions which describe them/it?
I. Adjustments are made to the provision for doubtful debt accounts at the end of each year at 5% of credit sales for the year: **Prudence**
II. A company uses the lower of cost and net realizable value for valuing its physical inventory: **Conservatism**
III. During the year, inflation of 5% occurred, however, no adjustment for this change is made in the books in respect of the assets: **Prudence**

(a) III only
(b) II and III
(c) I, II and III (d) II only

15. The ………………………………. is a representation of the assets, liabilities and capital of an entity.

(a) Income statement
(b) Statement of cash flows for the reporting period
(c) Statement of financial position
(d) Value added statement

16. In which journal will an entity record the purchases returns?

(a) Returns inwards journal
(b) Returns outwards day book
(c) Returns book
(d) Returns inwards day book

17. Which of the following statements is true?

(a) A bank statement is a document stating the types of goods that have been sold, their quantity, prices and terms of sales
(b) A credit note is a special invoice sent by a seller to a buyer informing the buyer that his/her account is debited for reasons given on the note.
(c) A credit note is issued by a seller to a buyer when the buyer returns goods to the seller.
(d) Receipts are internally generated document used within an organisation to control cash disbursements and to ensure that a transaction is properly authorised and recorded

18. A chronological record of accounting transaction showing the names of accounts that are to be debited or credited, the amount of the debits and credits and any useful supplementary information about the transaction is known as a …………………………..

(a) Ledger
(b) Voucher
(c) Journal
(d) Record-keeping

19. Except for one, all the following are functions of the books of original entry.

(a) They serve to collect together all transactions of similar nature in order and therefore make it easier to trace transactions when there is the need.

(b) They reduce the volume of entries made in the ledger accounts since only periodic totals need to be posted to the relevant accounts in the ledger.
(c) Different accounting staff can be assigned to different books to work on at the same time, thus taking advantage of division of labour.
(d) The use of the books of original entry makes reference back to original document very difficult

20. The difference between purchases and inventory is that while inventory is an asset purchases is an expense.
(a) True
(b) False

21. The golden rule of double entry states that …
(a) "For every debit entry, there must be a corresponding credit transaction, and for every credit entry, there must be a corresponding debit transaction"
(b) "For every debit transaction, there must be a corresponding credit entry, and for every credit entry, there must be a corresponding debit transaction"
(c) "For every debit entry, there must be a corresponding credit entry, and for every credit entry, there must be a corresponding debit transaction"
(d) "For every debit entry, there must be a corresponding credit entry, and for every credit entry, there must be a corresponding debit entry"

22. A summary of business transactions relating to the same activity recorded in the ledger is called...................................
(a) Ledger
(b) Account
(c) Transaction
(d) Journal

23. Which of the following statements is **not** true?
(a) Accounting information is material if its omission or misstatement could influence the economic decisions that users make on the basis of that information about an entity.
(b) Comparability means using the same accounting principles from year to year within a company.

(c) Relevant accounting information must be capable of making a difference in a decision.
(d) Reliability is the quality of information that gives assurance that it is free of error or bias.

24. Which of the following is a limitation of accounting information?
(a) It ignores monetary information
(b) It contains all the qualitative characteristics.
(c) It is expressed in terms of money although money is not a stable measure.
(d) It is subject to human error.

25. Which of the following is **not** a current asset?
(a) Accounts receivable
(b) Inventory of finished products
(c) Inventory of raw materials
(d) Investment in equity

26. Which of the following evidences the net interest in the assets of a company?
(a) Assets
(b) Equity
(c) Liabilities (d) Revenue

27. An asset is a resource …..
(a) owned by the entity as a result of past events and from which future economic benefits are expected to flow to the entity
(b) controlled by the entity as a result of past events and from which past economic benefits are expected to flow to the entity
(c) controlled by the entity as a result of past events and from which future economic benefits are expected to flow from the entity
(d) controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity

28. What are the accounting standards issued by the IASB called?
(a) Internationally Accepted Accounting Standards
(b) International Financial Accounting Standards
(c) Generally Accepted Accounting Standards
(d) International Financial Reporting Standards

29. The accounting process involves two main aspects. They are
(a) recording transactions and reporting information

(b) recording business transactions and reporting qualitative information
(c) recording transactions and reporting financial information
(d) recording business transactions and reporting financial information

30. The three main branches of accounting include

I. Financial Accounting
II. Costing
III. Management Accounting
IV. Cost Accounting
V. Auditing

(a) I, II and III
(b) I, III and VI
(c) III, IV and V
(d) I, III and IV

ANSWERS

1. D	11. B	21. D
2. D	12. A	22. B
3. C	13. D	23. B
4. D	14. A	24. D
5. D	15. C	25. D
6. C	16. B	26. B
7. A	17. C	27. D
8. C	18. C	28. D
9. A	19. D	29. D
10. C	20. A	30. D