We have a collection of top finance and accounting interview questions compiled with real-life experiences and research with working professionals. They are a must-read for all job seekers especially freshers and intermediate level candidates with an experience range of 0-4 years.

These finance and accounting interview questions will act as a great refresher for someone trying to brush up their accounting fundamentals as well. Don't forget to collect your bonus item at the end of this article!

Our research involved over 100 aspirants who went through a technical or written interview in companies such as **EY, KPMG, Deloitte, PWC,** Grant Thornton, **Ameriprise Financial, American Express, FIS,** Fluor Corporation, **Genpact,** Bechtel, Citigroup, **Accenture,** Agilent, UHG, UBS, **Bank of America, HCL,** Sapient, Blackstone, **HSBC, FIS, WNS, XL Catlin, BT,** Boston Consulting Group, **Royal Bank of Scotland, Whirlpool,** GE, EXL, BlackRock, etc.

1. What are the three Golden Rules of Accounting?

First things first this is the most basic yet the easiest one to be taken for granted, know this well.

In bookkeeping, three golden rules of accounting are,

Personal Account – Debit the receiver, Credit the giver

Real Account – Debit what comes in, Credit what goes out

Nominal Account – Debit all expenses & losses, Credit all incomes & gains

Understand this with examples here **Three Golden Rules of Accounting with examples**

2. What are the three main types of accounts?

They are **Real**, **Personal** and **Nominal** but wait.. if don't want to sound artificial and stand out from the crowd then make sure you are explaining your answer in brief (one line about each is ideal)

Real – All assets in business either tangible or intangible classify as real accounts.

Personal – Accounts related to a person, entity or any legal body, etc. are called personal accounts.

Nominal – All accounts related to expenses & losses or incomes & gains fall under this category.

3. Why is Depreciation not Charged on Land?

Oh! this is a classic and one that fascinates the operations manager more than often. There is no scope for leaving this one out from any list of finance and accounting interview questions.

The reason why you will never see depreciation being charged on land is **that land has an infinite useful life.** Without knowing how many years a fixed asset will last depreciation cannot be charged.

The formula to calculate straight-line depreciation is **(Cost of Fixed Asset – Scrap Value)/Useful life** and you don't have a number to fill the denominator here.

4. What is Amortization?

Amortization is only done for Intangible assets, unlike depreciation which is for tangible assets. **Reduction in value by prorating the cost of an intangible asset over multiple accounting periods** is called amortization.

Example – A small-sized technology company Unreal Corp. spends 500,000 on R&D which is expected to sustain for 5 years so it may decide to amortize this & show 1,00,000 each year for 5 years in the financial statements.

If you may wish to deep dive into the topic here is our detailed article on **Amortization with an example**

5. Why is Closing Stock not Shown in Trial Balance?

Not all goods purchased in beginning & during the accounting period are sold until the end of that period, this results in a remainder balance known as closing stock.

Closing stock is a part of purchases & **trial balance** already includes purchases, hence **if the closing stock is shown as a separate item it will double count and result in an error.**

Example – Purchases for a period = 60,000, Closing Stock (remainder out of purchases) = 10,000, if both of these items are separately shown inside trial balance the effect will double up & trial balance will error out.

This one also stands tall among top finance and accounting interview questions asked in technical rounds by hiring managers.

6. What are the three main Financial Statements?

This is another very common question asked in finance and accounting interviews, especially with entry-level roles. Three main financial statements are **Income Statement**, **Balance Sheet**, and **Cash Flow Statement.**

Again, follow the i.e. to add one brief statement to each one of them, but don't over-talk it will only make you vulnerable to more questions.

Income Statement – It presents a summarized view of revenue, income, profit, and loss of a particular accounting period.

Balance Sheet – B/S would show them as on date assets, liabilities & capital position of a business.

Cash Flow Statement – It shows the movement of cash and cash equivalents for a business during an accounting period.

Learn more on **Three Main Financial Statements, Details and their Format**

7. What is Capital, type of account & where is it shown in the financial statements?

Also called net worth or owner's equity, capital is the money brought in by the owner of the business as an investment to start the operations. Capital is a **Personal Account** as it belongs to an individual or a firm (owner).

Capital is shown on the **liability side of a balance sheet.**

Here is our detailed article on **Capital along with its Journal Entry** here.

8. What are Fictitious Assets?

Bind this to your memory **fictitious assets are not assets** they are fake or deceptive they are actually expenses & losses which for some reason couldn't be written off during the accounting period incurred. They are written off in multiple future accounting periods.

Examples – Preliminary expenses, promotional expenses of a business, discount allowed on the issue of shares, the loss incurred on issue of debentures, etc.

Fictitious assets are **shown in the balance sheet on the asset side.**

9. What is the Journal Entry for Goods Given in Charity?

When a business decides to give goods in charity it also needs to account for those goods in the appropriate financial statement(s), in this case, purchases are reduced with the exact cost of goods donated.

Journal entry

Charity Account	Debit
To Purchases Account	Credit

10. What is the Journal Entry for Free Samples?

When a business wants to advertise a new product or a new line of product it may decide to distribute free samples to the customer. In this case purchase a/c is credited and advertisement a/c is debited.

Journal entry

Advertisement Account	Debit
To Purchases Account	Credit

11. What is Depreciation, different types of depreciation & its journal entry?

The reduction in the value of a tangible fixed asset due to normal usage, wear and tear, new technology or unfavourable market conditions is called Depreciation.

Journal entry

Depreciation Account	Debit
To Asset Account	Credit

Types of Depreciation

- Straight Line Method
- Diminishing Value Method
- Annuity method
- Machine hour rate method
- Revaluation method
- Sum-of-the-years' digit method

Read more on **Depreciation with examples along with types of depreciation**

12. What are Contingent Liabilities?

Contingent liabilities are those liabilities that **may or may not be incurred by a business depending on the outcome of a future event.** The existence of this kind of liability is completely dependent on the occurrence of a probable event in future.

Example – Let's suppose that Apple files a case of a patent violation on Samsung and Samsung not only realizes that it may have to pay for violations but also estimates how much in total. In this case, Samsung will record the estimated amount in their books of accounts as a **Contingent Liability.**

13. What is the difference between Reserves and Provisions?

Reserves	Provisions
1. Reserves are made to strengthen the financial position of a business and meet unknown liabilities or losses.	1. Provisions are made to meet specific liability or contingency, e.g. a provision for doubtful debts.
2. Reserves are only made when the business is profitable.	2. Provisions are made irrespective of profits earned or losses incurred by a business.
3. They can be used to distribute dividends to shareholders.	3. They cannot be used to distribute dividends as they are made for specific liability.
4. They are made by debiting P&L Appropriation Account.	4. They are made by debiting P&L Account.
5. It is not mandatory to create reserves for the business; it is mainly done for prudence.	5. Legally, it is mandatory to create provisions.
6. Reserves are shown on the liability side of a balance sheet.	6. Provisions are either shown on the liability side of a balance sheet or as a deduction from the asset concerned.

14. What are Accruals?

Another very frequently discussed topic in the list of finance and accounting interview questions is accruals. They are expenses and revenues that have been incurred or earned but have not been recorded in the books of accounts. Adjustment entries are incorporated in the financial statements to report these at the end of an accounting period.

Accrued Expense is an expense which has been incurred, but has not been recorded in the books of accounts presently. It will require an adjustment entry in the books of accounts to reflect this in the financial statements.

Accrued Income is an income which has been earned, but has not been recorded in the books of accounts presently. Similar to accrued expenses, an adjustment entry will be required in this case too.

There is some more **explanation on Accruals along with a couple of examples** here.

15. What is a Contra Account?

It is an account which is used to reduce or offset the value of an associated account. It holds the opposite sign for a particular type of account.

If an account has a debit balance (e.g for an Asset a/c), then there will be a credit balance in its contra account. The opposite is true for a liability account.

Example for contra accounts

Account	Balance
Fixed Asset	Debit
Accumulated Depreciation	Credit

Read more on **Contra Account with more details and examples.**

16. What are Drawings, what type of account is it & its journal entry?

When a proprietor withdraws cash or goods from its own business for personal use it is termed as drawings. It reduces capital invested and is a temporary account which is cleared at the end of each accounting period.

“Drawings” is a **Personal Account** & is shown on the liability side of a balance sheet.

Journal entry for cash withdrawn

Drawings Account	Debit
To Cash Account	Credit

Journal entry for goods withdrawn

Drawings Account	Debit
To Purchases Account	Credit

17. What is a Bank Reconciliation Statement & why is it prepared?

Almost all compilations of finance and accounting interview questions include at least one question on BRS, this topic is deemed important.

Bank Reconciliation Statement or BRS refers to a statement which is made to reconcile bank balance shown on the bank statement or passbook with the bank balance shown in the cash book.

Both internal source i.e. the cash book and external source i.e. the bank statement/passbook are reconciled with each other, then all the mismatches are identified and properly recorded.

Reasons for preparing a BRS

Scope	Comments
Mistakes and Errors	Bank reconciliation statement helps to detect any errors and mistakes in cash or a passbook.
Explains Delay	Any delay in clearance or collection of checks can be identified.
Fraud Detection	Timely reconciliations help prevent and find any frauds related to cash.

More on **Bank Reconciliation Statement and reasons to prepare a BRS**

18. What is Deferred Revenue Expenditure?

Another one among the list of commonly asked finance and accounting interview questions is Deferred Revenue Expenditure. It is an expenditure which is revenue in nature and **incurred during an accounting period, but its benefits are to be derived from a number of following accounting periods.**

The part of the amount which is charged to the profit and loss account in the current accounting period is reduced from the total expenditure and the rest is shown on the balance sheet as an asset.

Example – A small business spends 1,50,000 on advertising which is unusually large for them. The benefits from it are expected to be derived over 3 years so the company decides to divide the expense over 3 yearly payments of 50K. This type of expense is amortized.

Year 1 (Current Period)	50,000
Year 2	50,000
Year 3	50,000

19. What is the difference between Trade Discount & Cash Discount?

Trade Discount	Cash Discount
1. It is a discount provided by the supplier of goods/services on list or catalog prices of the goods supplied.	1. It is a discount allowed by supplier of goods or services to the buyer from the invoice price.
2. It is provided due to business consideration such as trade practices, large quantity orders, etc.	2. It is provided as an incentive or a motivation in return for paying a bill within a specified time.
3. Trade discount is **not** separately shown in the books of accounts, and all transactions recorded in purchases or sales book are in net amount only.	3. Cash discount is shown separately in the book, it is shown as an expense in the Profit and Loss A/C.
4. Trade discount is allowed on both credit and cash transactions.	4. Cash discount is only allowed on cash payments.
5. Trade discount is given on the basis of a purchase.	5. Cash discount is given on the basis of payment.

20. What is a Credit Note and Debit Note?

Be ready for this question in accounting interviews for roles related to Accounts Payable and Accounts Receivable.

Debit Note – When a **buyer returns goods** to the seller, he sends a debit note as an intimation to the seller of the amount and quantity being returned and requesting the return of money.

Credit Note – When a **seller receives goods** ***(returned)*** from the buyer, he prepares and sends a credit note as an intimation to the buyer showing that the money for the related goods is being returned in the form of a credit note.