Objective Type Quiz: UNIT - IV: Financial Accounting
Topic: Accounting Concepts, Conventions, and Accounting Equation

1. Which of the following is NOT an accounting concept?
a) Going Concern
b) Matching
c) Conservatism
d) Monopoly
Answer: d) Monopoly

2. The Going Concern Concept assumes that a business will:
a) Operate for a definite period.
b) Continue indefinitely.
c) Liquidate immediately.
d) Focus only on profit-making.
Answer: b) Continue indefinitely

3. According to the Conservatism Convention, which statement is true?
a) All profits must be recognized immediately.
b) All future losses should be ignored.
c) Record liabilities only when they are certain.
d) Anticipate no profits but provide for all probable losses.
Answer: d) Anticipate no profits but provide for all probable losses

4. Which accounting equation is correct?
a) Assets = Liabilities + Revenue
b) Assets = Liabilities + Capital
c) Liabilities = Assets + Capital
d) Capital = Liabilities + Revenue
Answer: b) Assets = Liabilities + Capital

5. Under the Matching Concept, expenses are recognized when:
a) Cash is paid for them.
b) They are incurred, regardless of revenue.
c) They are matched with the revenue they helped to earn.
d) At the end of the accounting period.
Answer: c) They are matched with the revenue they helped to earn

6. The Accounting Convention of Materiality refers to:
a) Recording all small transactions in detail.
b) Recording only transactions that are significant to financial decisions.
c) Ignoring all expenses.
d) Emphasizing the qualitative aspects of transactions.
Answer: b) Recording only transactions that are significant to financial decisions

7. What happens to the accounting equation when a business takes a loan?
a) Assets increase, and liabilities increase.
b) Assets decrease, and liabilities increase.
c) Liabilities increase, and capital decreases.
d) Assets and liabilities remain constant.
Answer: a) Assets increase, and liabilities increase

8. Which of the following BEST explains the Dual Aspect Concept?
a) Every transaction affects only one account.
b) Each transaction has two aspects, debit and credit.
c) The business is separate from its owners.
d) Revenue and expenses must match.
Answer: b) Each transaction has two aspects, debit and credit

9. The concept that suggests financial statements should be prepared in a way that ensures comparability over periods is:
a) Consistency
b) Prudence
c) Accrual
d) Materiality
Answer: a) Consistency

10. Which of the following transactions affects only the Capital account in the accounting equation?
a) Purchase of machinery for cash.
b) Introduction of additional capital by the owner.
c) Taking a loan from a bank.
d) Paying outstanding expenses.
Answer: b) Introduction of additional capital by the owner

Quiz: Double-Entry System of Accounting & Rules for Maintaining Books of Accounts

1. The Double-Entry System of Accounting ensures that every transaction affects:
a) Only one account.
b) Two or more accounts.
c) The capital account only.
d) Only income and expenses.
Answer: b) Two or more accounts

2. In a double-entry system, the total of debits must always equal the total of:
a) Assets
b) Credits
c) Liabilities
d) Capital
Answer: b) Credits

3. Which of the following BEST defines the Double-Entry System?
a) A system that tracks income and expenses only.
b) A system where each transaction has a corresponding debit and credit.
c) A system that records cash transactions only.
d) A system that focuses only on the balance sheet.
Answer: b) A system where each transaction has a corresponding debit and credit

4. Which of the following is NOT a rule of the double-entry system?
a) Debit what comes in, credit what goes out.
b) Debit all incomes, credit all expenses.
c) Debit the receiver, credit the giver.
d) Debit all expenses, credit all incomes.
Answer: b) Debit all incomes, credit all expenses

5. Under the Golden Rules of Accounting, which account is governed by the rule "Debit what comes in, credit what goes out"?
a) Personal Account
b) Real Account
c) Nominal Account
d) Capital Account
Answer: b) Real Account

6. Which of the following is an example of a Personal Account?
a) Machinery Account
b) Rent Account
c) Bank Account
d) Cash Account
Answer: c) Bank Account

7. If goods are sold for cash, which accounts are affected?
a) Cash Account and Sales Account
b) Purchases Account and Cash Account
c) Sales Account and Capital Account
d) Purchases Account and Sales Account
Answer: a) Cash Account and Sales Account

8. The rule “Debit the receiver, credit the giver” applies to which type of account?
a) Nominal Account
b) Real Account
c) Personal Account
d) Expense Account
Answer: c) Personal Account

9. Which of the following transactions will NOT require an entry in the books of accounts under the double-entry system?
a) Purchase of machinery on credit
b) Goods withdrawn by the owner for personal use
c) Signing a loan agreement (no disbursement)
d) Payment of salaries
Answer: c) Signing a loan agreement (no disbursement)

10. Identify the correct classification and rules for the following transaction: "Salary paid to employees."
a) Personal Account, Debit the receiver, credit the giver
b) Real Account, Debit what comes in, credit what goes out
c) Nominal Account, Debit all expenses, credit all incomes
d) Capital Account, Debit the receiver, credit the giver
Answer: c) Nominal Account, Debit all expenses, credit all incomes

11. What is the primary purpose of maintaining books of accounts in a double-entry system?
a) To track business cash flow only.
b) To ensure the accuracy of financial statements.
c) To record one-sided transactions.
d) To avoid creating a trial balance.
Answer: b) To ensure the accuracy of financial statements

12. In a double-entry system, a transaction recorded as a debit in one account must:
a) Have a corresponding credit in a different account.
b) Be recorded only in the journal.
c) Be recorded on the asset side of the balance sheet.
d) Be posted to a nominal account only.
Answer: a) Have a corresponding credit in a different account

13. Which of the following falls under the Real Account category?
a) Commission Received Account
b) Machinery Account
c) Debtors Account
d) Salaries Account
Answer: b) Machinery Account

14. Which is the correct order for recording transactions in books of accounts?
a) Ledger → Journal → Trial Balance
b) Trial Balance → Journal → Ledger
c) Journal → Ledger → Trial Balance
d) Ledger → Trial Balance → Journal
Answer: c) Journal → Ledger → Trial Balance

15. Which is a Golden Rule for maintaining Nominal Accounts?
a) Debit what comes in, credit what goes out.
b) Debit the receiver, credit the giver.
c) Debit all expenses and losses, credit all incomes and gains.
d) Debit all incomes, credit all expenses.
Answer: c) Debit all expenses and losses, credit all incomes and gains

This quiz will help students test their understanding of the double-entry system and its application in financial accounting. By focusing on foundational concepts and practical rules, it strengthens their knowledge for academic and real-world scenarios.

Quiz: Journal, Posting to Ledger, and Preparation of Trial Balance

Section A: Journal
1. What is the primary purpose of a journal in accounting?
a) To prepare financial statements
b) To record transactions chronologically
c) To classify accounts
d) To calculate net profit
Answer: b) To record transactions chronologically

2. In a journal entry, which part provides a brief description of the transaction?
a) Ledger Folio
b) Particulars
c) Narration
d) Account Name
Answer: c) Narration

3. What is the correct journal entry for the transaction: "Goods purchased for ₹20,000 on cash"?
a) Cash A/c Dr. ₹20,000; To Purchases A/c ₹20,000
b) Purchases A/c Dr. ₹20,000; To Cash A/c ₹20,000
c) Sales A/c Dr. ₹20,000; To Cash A/c ₹20,000
d) Purchases A/c Dr. ₹20,000; To Sales A/c ₹20,000
Answer: b) Purchases A/c Dr. ₹20,000; To Cash A/c ₹20,000

4. Which of the following is NOT part of the journal entry?
a) Debit Amount
b) Credit Amount
c) Ledger Balances
d) Narration
Answer: c) Ledger Balances

Section B: Posting to Ledger
5. The process of transferring journal entries to ledger accounts is called:
a) Balancing
b) Posting
c) Journalizing
d) Summarizing
Answer: b) Posting

6. What does the abbreviation "J.F." in a ledger represent?
a) Journal Folio
b) Journal Format
c) Justification Folio
d) Journal Function
Answer: a) Journal Folio

7. In the ledger, which side records debits?
a) Right side
b) Left side
c) Both sides
d) Center
Answer: b) Left side

8. After posting the journal entry "Salaries A/c Dr. ₹10,000; To Cash A/c ₹10,000", the ledger account for Salaries will show:
a) Debit balance of ₹10,000
b) Credit balance of ₹10,000
c) No balance
d) Both debit and credit of ₹10,000
Answer: a) Debit balance of ₹10,000

Section C: Trial Balance
9. The purpose of a trial balance is to:
a) Record transactions
b) Summarize ledger balances
c) Prepare the journal
d) Ensure all accounts are real
Answer: b) Summarize ledger balances

10. In a trial balance, which accounts are recorded under the credit column?
a) Assets and liabilities
b) Liabilities and capital
c) Expenses and losses
d) All debits
Answer: b) Liabilities and capital

11. What will the trial balance show if total debits do NOT equal total credits?
a) A perfectly balanced account
b) An error in the accounting records
c) A surplus profit
d) Completion of accounting
Answer: b) An error in the accounting records

12. A trial balance is prepared to:
a) Adjust entries
b) Locate errors in journal entries
c) Check the arithmetical accuracy of the books
d) Determine financial position
Answer: c) Check the arithmetical accuracy of the books

Section D: Mixed Questions
13. Which account would you debit for the following transaction: "Goods sold for ₹15,000 on credit to Mr. A"?
a) Sales A/c
b) Cash A/c
c) Mr. A's Account
d) Purchases A/c
Answer: c) Mr. A's Account

14. What happens to the ledger balance after balancing an account?
a) It is transferred to the trial balance.
b) It is recorded in the journal.
c) It is omitted from further accounting.
d) It is reversed.
Answer: a) It is transferred to the trial balance.

15. If a ledger shows a debit balance of ₹12,000 for the Cash Account, it will appear in the trial balance under:
a) Credit side
b) Debit side
c) Both sides
d) It will not appear
Answer: b) Debit side

Quiz: Elements of Financial Statements & Preparation of Final Accounts

Section A: Elements of Financial Statements

1. Which of the following is NOT an element of financial statements?
a) Assets
b) Liabilities
c) Equity
d) Inventory
Answer: d) Inventory

2. Assets are classified into which two main categories?
a) Fixed and Current
b) Tangible and Intangible
c) Real and Personal
d) Capital and Revenue
Answer: a) Fixed and Current

3. Which of the following is a current liability?
a) Machinery
b) Long-term loans
c) Accounts payable
d) Buildings
Answer: c) Accounts payable

4. Equity is calculated using the formula:
a) Assets – Liabilities
b) Revenue – Expenses
c) Current Assets – Current Liabilities
d) Income + Liabilities
Answer: a) Assets – Liabilities

5. Which financial statement shows the financial position of a company as on a specific date?
a) Income Statement
b) Cash Flow Statement
c) Balance Sheet
d) Profit and Loss Account
Answer: c) Balance Sheet

6. An increase in capital is shown under which element of financial statements?
a) Assets
b) Liabilities
c) Equity
d) Revenue
Answer: c) Equity

7. Revenue is recorded in which financial statement?
a) Cash Flow Statement
b) Profit and Loss Account
c) Balance Sheet
d) Trial Balance
Answer: b) Profit and Loss Account

8. Which of the following is NOT an expense?
a) Wages
b) Rent
c) Interest received
d) Depreciation
Answer: c) Interest received

Section B: Preparation of Final Accounts
9. The Trading Account is prepared to determine:
a) Net Profit
b) Gross Profit
c) Operating Profit
d) Financial Position
Answer: b) Gross Profit

10. Closing stock appears in the:
a) Trading Account only
b) Profit and Loss Account only
c) Balance Sheet only
d) Both Trading Account and Balance Sheet
Answer: d) Both Trading Account and Balance Sheet

11. The Profit and Loss Account is prepared to calculate:
a) Gross Profit
b) Net Profit
c) Financial Position
d) Cash Flow
Answer: b) Net Profit

12. Which of the following is an item of indirect expense?
a) Wages
b) Cost of Goods Sold
c) Office Salaries
d) Purchases
Answer: c) Office Salaries

13. If sales are ₹80,000, purchases are ₹50,000, and gross profit is ₹20,000, the cost of goods sold is:
a) ₹30,000
b) ₹50,000
c) ₹60,000
d) ₹70,000
Answer: c) ₹60,000 > *(Sales – Gross Profit = Cost of Goods Sold)*

14. If opening stock is ₹10,000, purchases are ₹40,000, and closing stock is ₹15,000, the cost of goods sold is:
a) ₹45,000
b) ₹50,000
c) ₹35,000
d) ₹55,000
Answer: a) ₹45,000 >*(Opening Stock + Purchases – Closing Stock = Cost of Goods Sold)*

15. In the Balance Sheet, which side includes capital, reserves, and liabilities?
a) Assets
b) Liabilities
c) Equity
d) Both Liabilities and Equity
Answer: d) Both Liabilities and Equity

Section C: Simple Problems
**16. Given the following data, calculate Gross Profit:

- Sales: ₹1,00,000
- Purchases: ₹70,000
- Closing Stock: ₹20,000
- Opening Stock: ₹10,000**

a) ₹30,000
b) ₹40,000
c) ₹20,000
d) ₹50,000
Answer: b) ₹40,000 - >*(Gross Profit = Sales – Cost of Goods Sold; COGS = Opening Stock + Purchases – Closing Stock)*

17. Prepare a Profit and Loss Account given the following data:

- Gross Profit: ₹50,000
- Rent: ₹5,000
- Salaries: ₹15,000
- Depreciation: ₹10,000

Net Profit:
a) ₹20,000
b) ₹25,000
c) ₹30,000
d) ₹40,000
Answer: a) ₹20,000 > *(Net Profit = Gross Profit – Total Expenses)*

18. A Balance Sheet shows:

- Fixed Assets: ₹1,00,000
- Current Assets: ₹50,000
- Capital: ₹1,20,000
- Liabilities: ₹30,000

What is the Total Assets value?
a) ₹1,20,000
b) ₹1,30,000
c) ₹1,50,000
d) ₹1,80,000
Answer: c) ₹1,50,000 >*(Fixed Assets + Current Assets = Total Assets)*