

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) $\text{Assets} = \text{Liabilities} + \text{Revenue}$
- b) $\text{Assets} = \text{Liabilities} + \text{Capital}$
- c) $\text{Liabilities} = \text{Assets} + \text{Capital}$
- d) $\text{Capital} = \text{Liabilities} + \text{Revenue}$

Answer: b) $\text{Assets} = \text{Liabilities} + \text{Capital}$

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