

## Financial Accounting

SS1

### Second Term

#### Objectives: Answer All Questions

1. What is the primary purpose of Suspense Account in Accounting?
  - a. To record Fixed Assets
  - b. To temporarily hold Unidentified or Disputed Transactions
  - c. To track Accounts Payable
  - d. To maintain Cash Flow Statements
  - e. To record Interest Income
2. When should a Suspense Account be cleared?
  - a. At the end of the first year
  - b. As soon as questionable transactions are identified
  - c. Only when the company is audited
  - d. When profits exceed a certain amount
  - e. Suspense Account should never be cleared
3. Which of the following best describes the Purpose of Bank Reconciliation?
  - a. To calculate the company's Net Income
  - b. To ensure that the company accounting records match the bank's records
  - c. To identify Cash Flow trends
  - d. To prepare Tax Returns
  - e. To calculate Profit Margin
4. During Bank Reconciliation, what is typically added to the Bank Statement balance?
  - a. Outstanding Cheques
  - b. Deposits in Transit
  - c. Bank Fees
  - d. Errors in Cash Accounting
  - e. Withdrawals
5. What is the primary function of General Ledger?
  - a. To summarize the company's financial position
  - b. To record daily bank transactions
  - c. To provide detailed records of all transactions in accounts
  - d. To issue financial statements
  - e. To track inventory levels
6. Which of the following accounts would you not find in a General Ledger?
  - a. Cash
  - b. Accounts Receivable
  - c. Payroll
  - d. Suspense Account
  - e. Operating Expenses
7. What type of account uses a General Ledger for tracking its activity?
  - a. Temporary Accounts only
  - b. Permanent Accounts only
  - c. Both Temporary and Permanent Accounts
  - d. Only Equity Accounts
  - e. Only Assets Accounts
8. What does the Trading Account primarily show?
  - a. The Net Income of a Company
  - b. The Gross Profit from buying and selling goods
  - c. The Total Liabilities of a Company
  - d. The Company's Assets
  - e. The Cash Flow of a Company
9. If a company's bank statement shows an ending balance of \$5,000 and the company's cash account shows \$4,800, which of the following might explain the discrepancy?
  - a. Outstanding Cheques
  - b. An increase in Accounts Payable
  - c. Depreciation Expense
  - d. A Sales Increase
  - e. A Loan Repayment
10. In a Profit and Loss Account, which of the following is considered an Expense?
  - a. Sales Revenue
  - b. Cost of Goods sold

- c. Capital Gains
  - d. Retained Earnings
  - e. Bank Interest Income
11. What is the primary purpose of a Single Column Cash Book?
- a) To record all transactions
  - b) To record cash transactions only
  - c) To record bank transactions only
  - d) To calculate profit and loss
  - e) To prepare a budget
12. In a Single Column Cash Book, which side records cash receipts?
- a) Debit Side
  - b) Credit Side
  - c) Both Sides
  - d) Neither Side
  - e) None of the above
13. How is the Closing Balance in a Single Column Cash Book calculated?
- a) Opening balance + Receipts - Payments
  - b) Payments - Receipts + Opening Balance
  - c) Receipts - Opening Balance + Payments
  - d) Payments + Receipts - Closing Balance
  - e) None of the above
14. Which of the following is NOT a feature of a Single Column Cash Book?
- a) It has one column for cash
  - b) It includes bank transactions
  - c) It can show a running balance
  - d) All entries are recorded in chronological order
  - e) It records only cash transactions

15. When is the Single Column Cash Book typically balanced?

- a) Daily
- b) Weekly
- c) Monthly
- d) Annually
- e) As needed

16. What are the three columns in a Three Column Cash Book?

- a) Cash, Bank, Discounts
- b) Cash, Credit, Debits
- c) Cash, Goods, Services
- d) Cash, Receipts, Payments
- e) Cash, Capital, Revenue

17. In a Three Column Cash Book, where would you record a discount received on a cash purchase?

- a) Cash Column
- b) Bank Column
- c) Discount Column
- d) Credit Column
- e) Expense Column

18. How often should a Three Column Cash Book be balanced?

- a) Every transaction
- b) Weekly
- c) Monthly
- d) Annually
- e) It must be balanced continuously

19. Which side of the Three Column Cash Book reflects cash payments?

- a) Debit Side
- b) Credit Side
- c) Both Sides
- d) Only the Discount Column
- e) Non-existent Columns

20. If a cash sale of \$100 is made and a discount of \$5 is offered to the customer, how should this be entered in a Three Column Cash Book?

- a) \$100 in cash column, \$5 in bank column
- b) \$95 in cash column, \$5 in discount column
- c) \$100 in discount column
- d) \$100 in bank column, no discount
- e) \$95 in bank column, \$5 in cash column

21. What is the primary purpose of Book Keeping?

- a) To create financial statements
- b) To track daily transactions
- c) To prepare tax returns
- d) To audit financial records
- e) To manage business operations

22. Which of the following is NOT an Element of Accounting?

- a) Assets
- b) Liabilities
- c) Revenues
- d) Investments
- e) Expenditures

23. Which Accounting Principle states that revenue should be recognized in the period it is earned?

- a) Matching Principle
- b) Accrual Principle
- c) Consistency Principle
- d) Cost Principle
- e) Conservatism Principle

24. The Accounting equation is represented as?

- a)  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
- b)  $\text{Assets} + \text{Liabilities} = \text{Owner's Equity}$
- c)  $\text{Liabilities} = \text{Assets} - \text{Owner's Equity}$
- d)  $\text{Revenues} = \text{Expenses}$
- e)  $\text{Expenses} = \text{Liabilities} + \text{Assets}$

25. Which of the following is considered a Liability?

- a) Cash
- b) Accounts Receivable
- c) Accounts Payable
- d) Inventory
- e) Equipment

26. What is the primary function of a Ledger?

- a) To summarize the cash flow
- b) To record detailed transactions
- c) To classify transactions into accounts
- d) To prepare the balance sheet
- e) To calculate taxes owed

27. Which type of account would you find in the Ledger?

- a) Cash
- b) Inventory

- c) Accounts Receivable
- d) All of the above
- e) None of the above

28. Which of the following statements about the Ledger is TRUE?

- a) The ledger always maintains a zero balance.
- b) Every transaction affects at least two ledger accounts.
- c) Only revenue and expense accounts are recorded in the ledger.
- d) Ledger accounts are not used for management reporting.
- e) All entries in the ledger must be made in cash only.

29. What type of account is "Sales Revenue" in the Ledger?

- a) Asset
- b) Liability
- c) Owner's Equity
- d) Expense
- e) Contra Asset

30. In the Double-Entry Book Keeping system, each entry must have a corresponding and opposite entry in another account. This is known as?

- a) The Ledger Principle
- b) The Double Entry Principle
- c) The Credit Theory
- d) The Debit Account Rule
- e) The Balance Book Law

31. In a Double-Entry Book Keeping System, every transaction affects at least?

- a) One Account
- b) Two Accounts

- c) Three Accounts
- d) Four Accounts
- e) Five Accounts

32. What is the primary characteristic of a Double-Entry System?

- a) Transactions are recorded only once.
- b) Each transaction has a debit and a credit side.
- c) All accounts have equal balances.
- d) Only cash transactions are recorded.
- e) Financial statements are not prepared.

33. An increase in assets should be recorded as:

- a) Debit
- b) Credit
- c) Liability
- d) Equity
- e) Income

34. Which of the following is a result of the Double-Entry System?

- a) It simplifies record keeping.
- b) It minimizes the risk of fraud.
- c) It provides an opportunity to manipulate accounts.
- d) It improves the accuracy of financial reporting.
- e) It eliminates the need for periodic reviews.

35. What type of account is increased with a Credit Entry?

- a) Asset
- b) Expense
- c) Revenue
- d) Liability
- e) Owner's Equity

36. The Double Column Cash Book records transactions in?

- a) Cash and Bank
- b) Cash and Sales
- c) Cash and Expenses
- d) Cash and Credit
- e) Cash and Assets

37. In a Double Column Cash Book, the bank column is used to record transactions related to?

- a) Cash only
- b) Bank transactions only
- c) Both Cash and Bank
- d) Sales only
- e) Purchases only

38. Which of the following does NOT appear in the Double Column Cash Book?

- a) Cash Sales
- b) Bank Deposits

c) Purchase Invoices

d) Cash Purchases

e) Bank Withdrawals

39. In a Double Column Cash Book, which side typically reflects income?

a) Debit Side

b) Credit Side

c) Both Sides

d) Neither Side

e) It depends on the transaction

40. When cash is received, it should be recorded on which side of the Double Column Cash Book?

a) Credit Side

b) Debit Side

c) Bank Column

d) Both Sides

e) None of the above

## SECTION A

**INSTRUCTION: Answer one (1) question only from this section**

### Question 1

a. Write short notes on the following Source Documents;

- i. Invoice
- ii. Credit Note
- iii. Debit Note
- iv. Petty Cash Voucher
- v. Receipts

b. List and Explain any two (2) Classification of Accounts

**10 Marks**

**5 Marks**

### Question 2

a. Explain the following Accounting Concepts;

- i. Accounting Entity
- ii. Going Concern
- iii. Monetary Unit
- iv. Historical Cost
- v. Matching
- b. Mention five (5) Users of Accounting Information

**10 Marks**

**5 Marks**

## SECTION B

**INSTRUCTION: Answer three (3) questions only from this section**

### Question 3

- a. Complete the gap in the following table

|          | Assets    | Liabilities | Capital |
|----------|-----------|-------------|---------|
|          | N         | N           | N       |
| <b>a</b> | 300,000   | ?           | 190,000 |
| <b>b</b> | ?         | 140,000     | 70,000  |
| <b>c</b> | ?         | 18,000      | 14,000  |
| <b>d</b> | 130,000   | ?           | 90,000  |
| <b>e</b> | 260,000   | ?           | 50,000  |
| <b>f</b> | 5,000,000 | 2,000,000   | ?       |
| <b>g</b> | 15,653    | 4,532       | ?       |
| <b>h</b> | 4,000     | 1,000       | ?       |

**10 Marks**

- b. Mention two (2) Benefits of Accounting Ethics to
  - i. The Profession
  - ii. The Society

**5 Marks**

### Question 4

Write up the Two Column Cash Book of Oyo from the following

June 1 Started business with capital in bank N15,000

June 2 Paid insurance by cheque N3,000

June 3 Received refund of insurance N1,000

June 5 Lateef lent us N30,000 Cash

June 6 Cash sales N31,000

June 8 Withdrew cash N8,000 from the bank for business use

June 10 Paid salaries in cash N1,000

June 11 Paid motor expenses by cheque N600

June 15 Bought stationery by paying by cash N300

June 17 Sold motor van for cash N2,000

June 20 Cash Purchases N1,300

June 25 Introduced N500 cash as capital

June 30 Received commission by cheque N400

**15 Marks**

### Question 5

- a. State four (4) Differences between Trade Discount and Cash Discount **5 Marks**
- b. Describe the following;
  - i. Bank Statement **2 Marks**
  - ii. Bank Reconciliation Statement **2 Marks**
- c. State four (4) Reasons for Disagreement between Bank Statement and Cash Book Balance

**4 Marks**

### Question 6

The following information has extracted from the books of Akinbode Enterprises;

|                    | <b>N</b> |
|--------------------|----------|
| Sales              | 50,000   |
| Opening Stock      | 5,000    |
| Purchases          | 20,000   |
| Returns Outwards   | 1,000    |
| Closing Stock      | 2,500    |
| Carriage Inwards   | 2,500    |
| Wages              | 5,000    |
| Marketing Expenses | 5,000    |
| Returns Inwards    | 2,500    |

You are required to prepare the Trading Account of the business.

**15 Marks**