

UPSC EPFO

General Accounting Principles

**Accounting, book keeping, Terms, principles,
policies, standards, IND AS and IFRS**

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Questions

Q. 1 Main difference in accounting and book keeping is :

- (a) Measuring, summarizing and analyzing
- (b) Identifying, measuring and Summarizing
- (c) Measuring, Recording and analyzing
- (d) Summarizing, analyzing and communication

Answer

Answer (d) Summarizing, analyzing and communication

Explanation : Book keeping is concerned with identifying measuring recording and classifying it does not summaries , analyze and communicate the data

Questions

Q.2 If nothing is written in the financial statements about the three fundamental assumptions, then it could be pressured that:

- (a) They have not been followed.
- (b) They have been followed.
- (c) They have been followed to some extent.
- (d) None of the above.

Answer

Answer (b) They have been Followed

Explanation: Unless specified otherwise, it will be assumed that such principles were implemented in the final accounts of the company. The three main assumptions we will deal with are – going concern, consistency, and accrual basis.

Questions

Q. 3 Which of them is not a qualitative character of Accounting information?

- (a) Relevance
- (b) Materiality
- (c) Reliability
- (d) Understandability

Answer

Answer (b) Materiality

Explanation : There are 4 qualitative characteristics of accounting i.e relevance, reliability, comparability and comparison

These qualitative characteristics are for the purpose of users of financial statements

Questions

Q4 On March 31st, 2016, after sale of goods worth 45,000, business-man is left with the closing inventory of 20,000. Both activities are

- (a) an event
- (b) a transaction
- (c) a transaction as well as an event
- (d) neither a transaction nor an event.

Answer

C) Transition as well as event

Questions

Q5 Preliminary Expenses are the example of (UPSC EPFO 2017)

- a) Capital Expenditure
- b) Capital gain
- c) Deferred revenue expenditure
- d) Revenue expenditure

Answer

Answer (c) Deferred Revenue Expenditure

Explanation: Preliminary expenses are the expenses that are incurred before the incorporation, initial stage and commencement of the business. The expenses incidental for the formation of a company also regarded as preliminary expense. These are considered as deferred revenue expenditure.

Questions

Q6. BOD, government, lender, suppliers, customers, managers, investors, partners. From the above identify the external and internal stakeholders.

- (a) **Internal:** BOD, lender, suppliers, manager, partners- **External:** Investor, customers, government
- (b) **Internal:** BOD, managers, partners - **External:** Investor customer, government, lender, supplier
- (c) **Internal:** BOD, lenders **External:** Suppliers, managers, partners, investors, customers, and using financial information reporting
- (d) **Internal** BOD; partners ; **External** : suppliers : manager customer

Answer

(b) Internal: BOD, managers, partners - **External:** Investor customer, government, lender, supplier

Questions

Q.7 Which of the following is correct Owner's Equity is

- a) $(\text{Current Asset} + \text{Fixed Asset}) + (\text{Current Liabilities} + \text{Long term Liabilities})$
- b) $(\text{Current Asset} + \text{Fixed Asset}) - (\text{Current Liabilities} + \text{Long term Liabilities})$
- c) $(\text{Current Asset} - \text{Fixed Asset}) - (\text{Current Liabilities} + \text{Long term Liabilities})$
- d) None of the above

Answer

(b) $(\text{Current Asset} + \text{Fixed Asset}) - (\text{Current Liabilities} + \text{Long term Liabilities})$

Questions

Q8. "Substance of any transaction should be considered while recording them and not only the legal form." Is the statement which holds true for?

- (a) Substance over form.
- (b) Disclosure of accounting policies.
- (c) Both (a) and (b).
- (d) None of the three.

Questions

Answer (a) Substance over form

Explanation: Substance over form is an accounting principle used "to ensure that financial statements give a complete, relevant, and accurate picture of transactions and events". ... In accounting for business transactions and other events, the measurement and reporting is for the economic impact of an event, instead of its legal form

Questions

Q9. Consider the following data pertaining to Alpha Ltd.:

Particulars:

Cost of machinery purchased on 1st April, 2019 - 10,00,000

Installation charges -1,00,000

Market value as on 31st March, 2020 -12,00,000

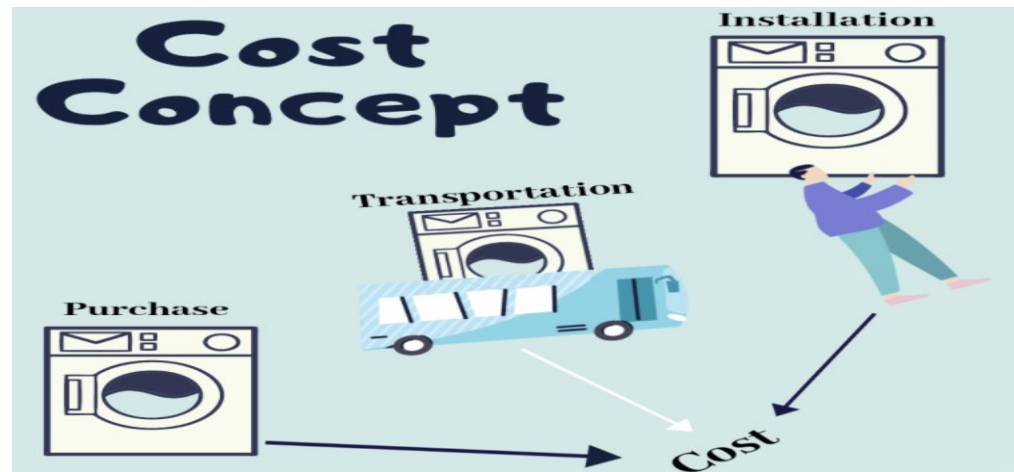
While finalizing the annual accounts, if the company values the machinery at 12,00,000. Which of the following concepts is violated by the Alpha Ltd.?

- (a) Cost.
- (b) Matching.
- (c) Accrual.
- (d) Realisation

Answer

a) Cost

Explanation: By Cost concept, the value of an asset is to be determined on the basis of historical cost, in other words, acquisition cost, hence the machinery should be value at 11,00,000



Questions

Q10. Omission of paise and showing the round figures in financial statements is based on:

- (a) Entity
- (b) Matching
- (c) Materiality
- (d) Consistency

Answer

c) Materiality

Explanation: Materiality Principle or materiality concept is the accounting principle that concern about the relevance of information, and the size and nature of transactions that report in the financial statements.

Questions

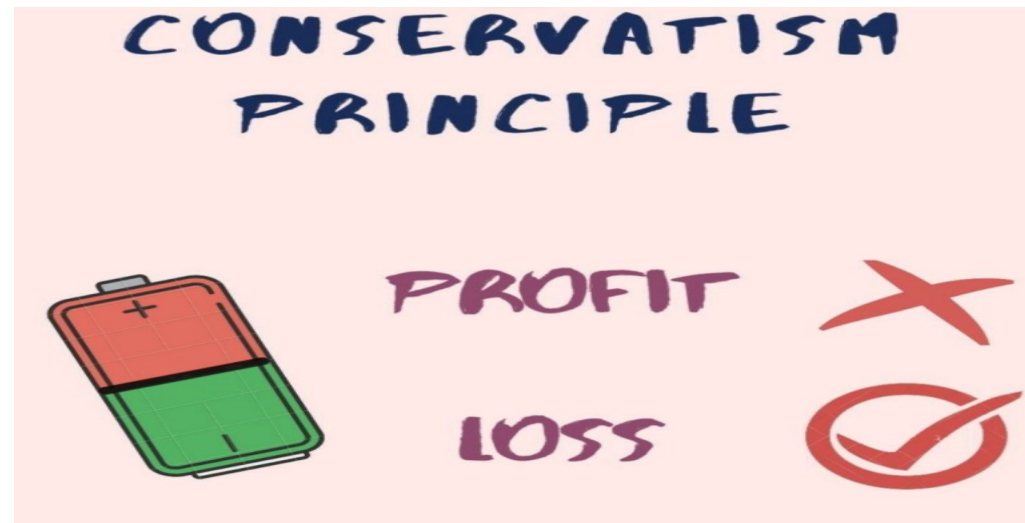
Q11. If market value of closing inventory is reduced below cost prices, which of the following concepts will play a role?

- (a) Money measurement.
- (b) Conservatism.
- (c) Cost.
- (d) Consistency

Answer

b) Conservatism

Conservatism states that the accountant should not anticipate any future income however they should provide for all possible losses, hence by recording inventory at cost and not the market value we have understated the asset.



Questions

Q 12. Mohan purchased goods for 15,00,000 and sold 4/5th of the goods amounting 18,00,000 and met expenses amounting 2,50,000 during the year, 2020. He counted net profit as 3,50,000.

Which of the accounting concept was followed by him?

- (a) Entity.
- (b) Periodicity.
- (c) Matching.
- (d) Cost

Answer

(c) Matching.

Explanation: Matching concept states that all expenses matched with the revenue of that period should only be taken into consideration. In the given case only $4/5$ of the 15,00,000 has been sold with expense of 2,50,000 hence this is a matching concept

Questions

Q 13. Kanika Enterprises follows the written down value method of depreciating machinery year after year due to

- (a) Comparability.
- (b) Convenience.
- (c) Consistency.
- (d) Prudence

Answer

c) Consistency.

Consistency - In order to achieve comparability of the financial statements of an enterprise through time, the accounting policies are followed consistently from one period to another; a change in an accounting policy is made only in certain exceptional circumstances.

An enterprise should change its accounting policy in any of the following circumstances only:

1. To bring the books of accounts in accordance with the issued Accounting Standards.
2. To comply with the provision of law.
- 3 .When under changed circumstances it is felt that new method will reflect more true and fair picture in financial statements

Questions

Q 14. Fixed assets and Current assets are categorized as per concept of:

- (a) Comparability.
- (b) Periodicity.
- (c) Consistency.
- (d) Going Concern

Answer

d) Going Concern

Explanation : A going concern is a business that is assumed will meet its financial obligations when they fall due. It functions without the threat of liquidation for the foreseeable future, which is usually regarded as at least the next 12 months or the specified accounting period (the longer of the both).

Questions

Q. 15 All the following items are classified as fundamental accounting assumptions

I Consistency, II Business entity, III Going concern IV Accrual

- (a) I, II and III.
- (b) I, II and IV.
- (c) II, III and IV.
- (d) I, III and IV.

Fundamental accounting Assumption

Ans (d) I, III and IV

Going Concern

Consistency - In order to achieve comparability of the financial statements of an enterprise through time, the accounting policies are followed consistently from one period to another; a change in an accounting policy is made only in certain exceptional circumstances.

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2. To comply with the provision of law.
- 3 .When under changed circumstances it is felt that new method will reflect more true and fair picture in financial statements

Accrual



Questions

Q. 16 The adjustments to be made for prepaid expenses is:

- a) Add prepaid expenses to respective expenses and show it as an asset
- (b) Deduct prepaid expenses from respective expenses and show it as an asset
- (c) Add prepaid expenses to respective expenses and show it as a liability
- (d) Deduct prepaid expenses from respective expenses and show it as a liability

Fundamental accounting Assumption

Ans (b) Deduct prepaid expenses from respective expenses and show it as an asset

Questions

Q. 17 A trader started retail business. During the year he sold goods worth 60,000 for 1,20,000 out of which only 1,00,000 was collected during the year. He had a closing stock of 10,000. His other business expenses for the period were 20,000 out of which 5,000 was outstanding at year end. His total profit for the year 2019-20 as per the terms of accrual concept was:

- (a) 30,000
- (b) 40,000
- (c) 45,060
- (d) 20,000

Fundamental accounting Assumption

Ans (b) 40,000

Questions

Q. 18 Human resources can't be shown in Balance Sheet because of _____ concept.

- (a) Realization
- (b) Conservatism
- (c) Going concern
- (d) Money measurement.

Fundamental accounting Assumption

Ans (d) Money measurement

The money measurement concept states that a business should only record an accounting transaction if it can be expressed in terms of money. This means that the focus of accounting transactions is on quantitative information, rather than on qualitative information

Questions

Q. 19 Proprietor's personal travelling expenses are not to be charged in business accounts. It is due to ____ concept.

- (a) Materiality
- (b) Conservatism
- (c) Going concern
- (d) Business Entity

Fundamental accounting Assumption

Ans (d) Business Entity

The business entity concept states that the transactions associated with a business must be separately recorded from those of its owners or other businesses.

Questions

Q. 20 Which of the following is not a deferred revenue expenditure?

- a) Prepaid Expenses
- b) Preliminary expenses
- c) Heavy advertisement expenses
- d) Legal expenses incurred in defending a suit a breach of contract

Answer

Answer (d) Legal expenses incurred in defending a suit a breach of contract

Explanation : Legal expenses incurred in defending a suit a breach of contract is a revenue expense account as it is of recurring nature and the same is charge to Profit and loss account in the year in which it is incurred

Questions

Q 21. The property which are to be realized within a short period (a year or less) are referred to as

- a) Profit
- b) Fixed assets
- c) Current liability
- d) Current assets

Answer

Answer (d) Current Assets.

Explanation Financials position can only be ascertained when you have summarised your accounts in form of Statement of Profit and loss and balance sheet

Questions

Q.22 Which of the following is non-recurring in nature

- a) Capital Receipts
- b) Revenue Receipts
- c) Both (a) & (d)
- d) Capital Expenditure

Answer

Answer (c) Both (a) & (d).

Explanation: The expenses which are incurred once and not repetitive are called Non-Recurring Expenses. Both Capital Receipts and Capital Expenditure are of Non-recurring nature

Questions

Q.23 Claim against the company not acknowledge as debt is known as

- a) Current liability
- b) Non-Current liability
- c) Commitments
- d) Contingent liability

Answer

Answer (d) Contingent liability

Explanation: A contingent liability is a possible obligation arising from past events and may arise in future depending on the occurrence or non-occurrence of one or more uncertain future events

Questions

Q.24 How many AS are issued by ICAI which are issued by ICAI

- a) 28**
- b) 32**
- c) 10**
- d) 18**

Answer

Answer (b) 32

Questions

Q.25 AS 2 and AS 9 is

- (a) Valuation of Inventories / Property plant and Equipment.
- (b) Cash Flow statement / Valuation of Inventories
- (c) Valuation of Inventories / Revenue recognition
- (d) Disclosure of Accounting Policies / Accounting for Construction Contracts

Answer

**Answer (c) Valuation of Inventories /
Revenue recognition**

Questions

Q.26 IFRS Stands for (UPSC 2017)

- (a) International Financial Reporting Standards.
- (b) Indian Financial Reporting Standards.
- (c) Indian Financial Reporting System
- (d) International Financial Reporting System

Answer

**Answer (a) International Financial
Reporting Standards**

Questions

Q.27 IFRS 7 Refers to

- a) Financial Instruments: Disclosures**
- b) Joint arrangements**
- c) Business combination**
- d) Financial Instruments**

Answer

**Answer (a) Financial Instruments:
Disclosures**

Questions

Q.28 IND AS 113 Refers to

- a) Share based Payments**
- b) Fair value measurement**
- c) Leases**
- d) Insurance Contracts**

Answer

Answer (b) Fair value measurement

Questions

Q.29 Which method of accounting is generally followed?

- (a) Cash**
- (b) Accrual**
- (c) Cash and Accrual simultaneously**
- (d) None of the above**

Answer

Answer (b) Accrual

The business entities in India and outside India generally follows the accrual method of accounting as it is an acceptable accounting method worldwide

Questions

Q.30 Fixed Assets are held in the business for the purpose of

- (a) Resale.**
- (b) Conversion into cash.**
- (c) Earning revenue.**
- (d) None of the above**

Answer

Answer (c) Earning Revenue

Primary motive to acquire asset is to generate revenue and profit by using those assets

UPSC EPFO

General Accounting Principles

**Accounts Classifications , Books of Accounts and
Trial Balance**

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Questions

Q. 1 The rule regarding PERSONAL ACCOUNT is:

- (a) Debit what comes in, credit what goes out.
- (b) Debit all expenses and losses, credit all incomes and gains
- (c) Debit the receiver, credit the giver
- (d) None

Answer

Answer (c) Debit the receiver, credit the giver

Questions

Q.2 Unexpired expense is _____ account.

- (a) Real
- (b) Nominal
- (c) Personal
- (d) Representative Personal

Answer

Answer (d) Personal representative account

Explanation: Unexpired expense is also known as prepaid expense. Prepaid expense means the expense which is paid in advance and the benefit of which is not received by the company. Representative personal accounts are the accounts that relate to a particular person, group of persons

Questions

Q. 3 Purchase of second-hand computer on credit by a cloth merchant will be recorded in:

- (a) Journal
- (b) Cash Book
- (c) Purchase Book
- (d) None of the above

Answer

Answer (a) Journal

Explanation :

Purchase of second hand computer being a transaction for which no specific book is maintained, it is recorded in journal proper

Questions

Q4 Discount is allowed by Arun to Varun. Which of the following should be the course of action in the books of Arun?

- (a) Credit Varun Alc and debit Discount Allowed Alc
- (b) Debit Varun Alc and credit Discount Received Alc
- (c) Credit Arun Alc and debit Dis- count Allowed Alc
- (d) Debit Arun Alc and credit Dis- count Received Alc

Answer

(a) Credit Varun Alc and debit Discount Allowed Alc

Questions

Q5 A' owed 25,000 to 'B' 'A' becomes insolvent. 'B' got A's computer valuing 11,500 in his full settlement. Journal Entry will be passed in the books of 'B'.

- (a) Purchase Nc Dr. 11,500 To A 11,500
- (b) Computer Dr. 11,500 Bad-debts Dr. 13,500 To A 25,000
- (c) Computer Nc Dr.25,000 To A 25,000
- (d) Computer Nc Dr. 11,500 Purchases Nc Dr. 13,500 To A 25,000

Answer

**Answer (b) Computer Dr. 11,500 Bad-debts Dr.
13,500 To A 25,000**

Questions

Q6. Machinery sold for 30,000 on credit." In which subsidiary book this transaction will be recorded?

- (a) Sales Register
- (b) Cash Book
- (c) Journal
- (d) No Entry will be made.

Answer

(c) Journal

Explanation :Sales of machinery being a transaction for which no specific book is maintained, it is recorded in journal proper

Questions

Q.7 Which of the following is not a real account?

- (a) Cash account
- (b) Investment account
- (c) Outstanding rent account
- (d) Purchases account

Answer

(c and d) Outstanding Rent account and Purchases account

Explanation : Representative Personal Accounts: These are the accounts that represent a certain person or group of persons which includes accounts like Prepaid and Outstanding Rent which represents the amount paid in advance and payable to the landlord respectively and Nominal account are of Income and Expenses

Questions

Q8. "Which of the following is not an example of nominal account?"

- (a) Prepaid Rent.
- (b) Salary account
- (c) Interest paid account
- (d) Interest received account.

Questions

Answer (a) Prepaid rent

Explanation: A nominal account is an account in which accounting transactions are stored for one fiscal year. At the end of the fiscal year, the balances in these accounts are transferred into permanent accounts.

Questions

Q9. A Furniture dealer during the financial year 2010-11, sold furniture of 25,000 to Mr. Sunil on cash basis. In the books of dealer _____ account will be debited and _____ account will be credited.

- (a) cash, fixed assets
- (b) cash, furniture
- (c) cash, sales
- (d) cash, Sunil's

Answer

c) Cash and Sales

Explanation: Furniture sold by dealer is in the regular course of business and it is of recurring nature

Questions

Q10. X Purchased land for 10,00,000. He gave a cheque of ~ 2,00,000 and accepts a bill of 8,00,000 due after 60 days. As a result:

- (a) Total assets increased by 10,00,000 & total liabilities decreased by 10,00,000.
- (b) Total assets increased by 8,00,000 & total liabilities decreased by 8,00,000.
- (c) Total assets increased by 8,00,000 & total liabilities increased by 8,00,000.
- (d) Total assets increased by 10,00,000 & total liabilities increased by 10,00,000.

Answer

c) Total assets increased by 8,00,000 & total liabilities increased by 8,00,000.

Questions

Q11. Consider the following statements and identify the wrong statement:

- (a) All real and personal accounts are transferred to Balance Sheet.
- (b) Nominal accounts are transferred to P & L Account.
- (c) Each account is opened separately in ledger.
- (d) Rent is a personal account, outstanding rent is nominal account.

Answer

d) Rent is a personal account, outstanding rent is nominal account.

Questions

Q 12. Purchase Return Account always shows a _____ balance.

- a) Debit
- b) Credit
- c) Either (a) or (b)
- d) None

Answer

(b) Credit

Explanation: Sales returns' will reduce the income generated from sales (as some of the customers sent the goods back) so go on the debit side. Purchases are an expense which would go on the debit side of the trial balance. 'Purchases returns' will reduce the expense so go on the credit side.

Questions

Q 13. Which of the following is known as "Principal Books of Accounts"?

- (a) Ledger sheet
- (b) Journal
- (c) Trial Balance
- (d) Balance Sheet

Answer

a) Ledger

Explanation - Ledger is the principal book of accounts where similar transactions relating to a particular person or property or expenses are recorded. It is a set of accounts. It contains all accounts of business enterprises whether real, nominal or personal.

Questions

Q 14. What will be the total sales of the year 2008-09 for A Limited, if they provided following information:

Cash sales – 80,000

Cash collected from debtors ~ 1,50,000

Bad debts during the year 10,000

Debtor at 1 st April, 2008 15,000

Debtor at 31st March 2009 10,000

- a) 2,35,000
- b) 2,30,000
- c) 2,40,000
- d) 2,25,000

Answer

a) 235,000

Explanation : $80,000 + 150,000 + 10,000 - 15,000 + 10,000$

Questions

Q. 15 Credit balance of ledger is

- (a) a revenue or an asset
- (b) a revenue or a liability
- (c) an expense or an asset
- (d) an expense or a liability.

Fundamental accounting Assumption

Ans (b) Revenue or liability

Questions

Q. 16 Which of the following statement is correct?

- (a) All Entries except cash transactions can be recorded through Journal.
- (b) Ledger is a part of subsidiary book ..
- (c) Purchase book records all the purchases whether cash or credit.
- (d) Bank column of cash book always has debit balance.

Fundamental accounting Assumption

Ans (a) All Entries except cash transactions can be recorded through Journal.

Questions

Q. 17 After recording the transactions and' events in journal and subsidiary books, they will be transferred to:

- (a) Profit and Loss Account
- (b) Balance Sheet
- (c) Ledger
- (d) Memorandum Books

Fundamental accounting Assumption

Ans (c) Ledgers

Questions

Q. 18 At the end of the accounting year all the nominal accounts of the ledger book are:

- (a) Balanced but not transferred to profit and loss account
- (b) Not balanced and also the balance is not transferred to the profit and loss account
- (c) Balanced and the balance is transferred to the balance sheet
- (d) Not balanced and their balance is transferred to the profit and loss account.

Fundamental accounting Assumption

Ans (d) Not balanced and their balance is transferred to the profit and loss account.

Questions

Q. 19 Salary payable to employees 50,000 is credited to _____

- (a) Cash alc
- (b) Salary alc
- (c) Outstanding salary alc
- (d) None of the above.

Fundamental accounting Assumption

Ans (c) Outstanding salary account

Salary Account Dr to Outstanding Salary Account

Questions

Q. 20 Journal and ledger records transactions in:

- (a) A chronological order only.
- (b) An analytical order and chronological order respectively.
- (c) A chronological order and analytical order respectively.
- (d) An analytical order only.

Answer

Answer (c) A chronological order and analytical order respectively.

Questions

Q 21. Trial Balance creates accuracy.

- a) Principle
- b) Arithmetical
- c) Clerical
- d) None

Answer

Answer (b) Arithmetical

Explanation : To ascertain the arithmetical accuracy of ledger accounts:

As a summary of all the ledger accounts closing balance, trial balance helps in determining the accuracy of journal and ledger posting. The trial balance is assumed to be accurate only when the total debit is equal to the credit

Questions

Q.22 Which of the following will not affect the agreement of Trial Balance?

- a) An amount of purchase of 10,000 recorded in cr. Alc as 1,000
- b) Customer account debited with the amount of cash received
- c) An Entry of debit of 1,000 was credit with twice the amount
- d) An Entry posted twice in the Ledger

Answer

Answer (d) An Entry posted twice in the Ledger

Questions

Q.23 Agreement of Trial Balance is not a ____ proof of accuracy.

- (a) submissive
- (b) inclusive
- (c) exhaustive
- (d) conclusive

Answer

Answer (d) Conclusive

Explanation: A trial balance is not an absolute or conclusive proof of the accuracy of the books of accounts since there may be certain types of errors which may remain undetected inspite of the agreement of trial balance.

Questions

Q.24 A suspense account facilitates the preparation _____ of even the _____ has not been tallied.

- (a) Trial balance, financial statements
- (b) ledger, trial balance
- (c) trial balance, ledger
- (d) Financial statements, trial balance.

Answer

Answer (d) Financial statements, trial balance.

Questions

Q.25 All the following statements is correct except

- (a) Trial balance is a statement not an account.
- (b) Trial balance is always prepared at the end of the financial year.
- (c) Agreement of Trial Balance is not a conclusive proof of accuracy.
- (d) Trial balance will tally even if an entry is posted twice in the ledger

Answer

Answer (b) Trial balance is always prepared at the end of the financial year.

Explanation: A trial balance can be prepared at any point of time

Questions

Q.26 A note sent by buyer on return of goods is:

- (a) Debit Note
- (b) Credit Note
- (c) Return Note
- (d) None

Answer

Answer (a) Debit Note

Questions

Q.27 Which of the following' is not a pure subsidiary book?

- (a) Sales Book
- (b) Purchases Book
- (c) Cash Book
- (d) Sales return book.

Answer

Answer (c) Cash book

Questions

Q.28 Interest received of 100 was recorded as interest paid. What will be the effect on cash balance?

- (a) Cash will reduce by 100.
- (b) Cash will increase by 200.
- (c) Cash will reduce by 200.
- (d) No effect on cash balance.

Answer

Answer (c) Cash will reduce by 200.

Questions

Q.29 Rent due for the month of March will appear in the Cash book.

- (a) on the receipt side
- (b) on the payment side
- (c) as a contra entry
- (d) no where

Answer

Answer (d) No where

Questions

**Q.30 Postage stamps purchased for ~ 30 by business.
This transaction will be recorded in:**

- (a) Purchase book
- (b) Cash Book
- (c) Petty Cash Book
- (d) Journal

Answer

Answer (c) Petty Cash Book

Questions

Q.31 Petty cash may be used to pay

- (a) The expenses relating to postage and conveyance.
- (b) Salary to administrative staff
- (c) For the purchase of furniture and fixtures
- (d) For the purchase of raw material.

Answer

Answer (a) The expenses relating to postage and conveyance.

Questions

Q.32 Cash book is a type of __ but treated as a __ of accounts.

- (a) Subsidiary book, principle book
- (b) Principle book, Subsidiary book
- (c) Subsidiary book, Subsidiary book
- (d) Principle book, Principle book.

Answer

Answer (a) Subsidiary Book, principle book