**Module**

**Financial accounting (Questions bank)**

**Objective questions on financial statements:**

1. What are the three primary financial statements?

* Income Statement
* Balance Sheet
* Cash Flow Statement

2. Which financial statement shows a company's financial position at a specific point in time?

Balance Sheet

3. What is the formula for calculating net income?

Net Income = Revenue - Expenses

4. How is depreciation calculated?

Depreciation = (Cost - Salvage Value) / Useful Life

5. What does the current ratio measure?

Current Ratio = Current Assets / Current Liabilities

Subjective Questions

1.Discuss the importance of financial statements & steps involved while preparing financial statements

2. How can financial statements be used to identify potential fraud or misstatements?

3. Evaluate the impact of different accounting standards on financial reporting.

4. Analyze the role of financial statements in decision-making for investors, creditors, and management.

**Multiple Choice Questions (sole proprietorship)**

1.What is the primary characteristic of a sole proprietorship?

A. Owned by a group of individuals

B. Separate legal entity from its owner

C. Owned by a single person

D. Managed by a board of directors

2. Which of the following is a major disadvantage of a sole proprietorship?

A. Unlimited liability of the owner

B. Ease of formation

C. Flexibility in decision-making

D. Tax advantages

3. Who bears the entire risk and enjoys all the profits in a sole proprietorship?

A. The government

B. The owner

C. The employees

D. The creditors

4. What is the lifespan of a sole proprietorship generally tied to?

A. The owner's life

B. The business's profitability

C. The industry's trends

D. Government regulations

5. Which of the following is a major advantage of a sole proprietorship?

A. Limited liability

B. Complex legal procedures

C. Bureaucratic red tape

D. Quick decision-making

**Subjective Questions on Sole Proprietorship**

1.Discuss the advantages and disadvantages of a sole proprietorship compared to other business structures.

2.What are the factors that should be considered when deciding whether to start a sole proprietorship?

### **Multiple Choice on Balance sheet:**

1.Which of the following is not a component of the accounting equation?

* + Assets
  + Liabilities
  + Equity
  + Revenue

1. What is the basic formula for the balance sheet?

### **Fill in the Blanks:**

1. The balance sheet follows the fundamental accounting equation: \_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_ + \_\_\_\_\_\_\_\_.
2. \_\_\_\_\_\_\_\_ assets are expected to be converted into cash within a year.
3. \_\_\_\_\_\_\_\_ liabilities are due within a year.
4. \_\_\_\_\_\_\_\_ equity represents the ownership interest in a company.

## **Subjective Questions on Balance Sheet**

1. Explain the difference between current assets and non-current assets. Provide examples of each.
2. Discuss the importance of the balance sheet in financial analysis.
3. Evaluate the potential risks and benefits of using accrual accounting for inventory valuation