Subject Code: 17MCA3C13

JAMAL MOHAMED COLLEGE (Autonomous)

TIRUCHIRAPPALLI – 620 020

Objective Type Questions

Department of Computer science & IT

Semester : III UG / PG - - - II- M.C.A

Title of the Paper : ACCOUNTING AND FINANCIAL MANAGEMENT

Unit - I

1. Assets minus liabilities is
   a) Savings b) Capital
   c) Creditors d) Debtors

2. What is the main purpose of financial accounting?

   a) Organize Financial Information b) Provide Useful, Financial Information to Outsiders c) Keep Track of Company Expenses d) Minimize Company Taxes.

3. Which of the following statement is Correct?
   a) Assets: All the property owned by a business. b) Liabilities: A company's outstanding debts c) Owners' Equity: The company's ownership interests in its property after all debts have been repaid. d) Owners Private properties

4. Which are the three components of the Accounting Equation From the following is Correct.

   i) Assets = Liabilities + Capital ii) Liabilities = Assets – Capital
   iii) Capital = Assets – Liabilities
   (a) i and ii b) ii and iii c) i and iii d) i,ii,and iii

5. Which item is not a liability?

a) Accounts Payable b) Accrued Expenses

c) Cash d) Bills Payable

6. Which of the following statement is not correct in relation to cash discount?

a) Cash discount is an allowance made by the person who receives cash to the payer for prompt payment

b) Cash discount is an allowance in addition to the trade discount

c) Cash discount is recorded in account books

d) Cash discount is always allowed at a rate higher than the rate of trade discount

7. Amount spent on an advertisement campaign, the benefit of which is likely to last for three years is a

(a) Capital expenditure (b) Revenue expenditure

(c) Deferred revenue expenditure (d) Revenue income

8. All capital expenditures and receipts are taken to

(a) Trading and Profit and Loss Account (b) Balance sheet

(c) Trial balance (d) Statement of A/C

9. Chose the correct Statement

A. Personal Accounts i) Debit All Expenses & Losses and Credit All incomes & gains

B. Real Accounts ii) Debit the Receiver and Credit the Giver

C. Nominal Accounts iii) Debit what comes in and Credit what goes out

a) A only b) B only c) C only d) None of the above

10. The basic rule of book- keeping "Debit all expenses and losses and credit all gains and Incomes" is applicable to

(a) Personal account (b) Real account

(c) Nominal account (d) Non of the Above

11. Goods withdrawn by the proprietor for his personal use are

(a) Shown as a deduction from the purchases (b) Shown as a deduction from the sales

(c) Treated as sales at cost price (d) Added to the purchases

12. Which of the following statements is true in relation to liabilities?

(a) Claims against the resources.

(b) Currently existing obligations which the firm intends to meet at some time in the future. (c) It must be capable of being expressed in money terms.

(d) A Only

13. According to which concept, the proprietor pays interest on drawings

a) Accrual concept b) Conservatism concept

c) Entity concept d) Dual Aspect concept

14. Which one of the following will be treated as revenue expenditure?

(a) Cost incurred for a new exit as required under the local bodies by laws

(b) Interest paid on loan during the construction of works

(c) Cost of pulling down an old building as also the payment made to the architect for the plan of a new building.

(d) A dealer in purchasing sewing machines and spends some money on the repair of ten machines damaged while in transit.

15. A balance sheet is

a) Trail Balance b) General Statement

c) Positioning Statement d) Income Statement

16. Which accounting concept satisfy the valuation criteria

a) Going concern, Realization, Cost b) Going concern, Cost, Dual aspect

c) Cost, Dual aspect, Conservatism d) Realization, Conservatism, Going concern.

17. For every debit there will be an equal credit according to

a) Matching concept b) cost concept

c) Money measurement concept d) Dual aspect concept

18. Fixed assets are held by business for

a) Converting into cash   b) Generating revenue

c) Resale   d) As assets

19. As per the Matching concept, Revenue – ? = Profit

a) Expenses   b) Liabilities

c) Losses   d) Assets

20. In income measurement & recognisation of assets & liabilities which of the following concepts goes together?

(a) Periodicity, Accrual, Matching   (b) Cost, Accrual, matching

(c) Going concern, cost, Realization   (d) Going concern, Periodicity, Reliability

Unit - - II

1 All personal, real and nominal accounts are opened in ________.

A). Single entry system.   B). Double entry system.

C). Accrual system.   D). Mercantile system.

2. Mr. X is a dealer in electronic goods (refrigerator, washing machine, air conditioners, televisions, etc.) He purchased two air conditioners and installed in his showroom. In the books of X the cost two air conditioners will be debited to

A) Drawing account   B) Capital Account

C) Fixed assets   D) Purchases account

3. Trial balance can be prepared in ________.

A) Single entry system.   B) Double entry system.

C) Accrual system.   D) Mercantile system.

4. Trial balance cannot be prepared in ________.

A. Single entry system.   B. Double entry system.

C. Accrual system.   D. Mercantile system.

5. Which of the following is not the main objective of accounting?

A] Systematic recording of transactions B] Ascertaining profit or loss

C] Ascertainment of financial position D] Solving tax disputes with tax authorities.

6. Balance sheet can be prepared ________.

A. In single entry system. B. In double entry system.

C. With the help of cash book. D. With the help of bank account.

7. If wages are paid for construction of business premises, ______ A/c is credited.

a) Construction b) Premises

c) Wages d) Cash

8. M/s Stationery Mart will debit the purchase of stationery to _______

a) Purchases A/c b) General Expenses A/c

c) Stationery A/c d) Cash A/C

9. Small items like, Inks, pens, files, etc. are written off within a year according to ___ concept.

a) Materiality b) Consistency

c) Conservatism d) Realisation

10. Balance sheet cannot be prepared ________.

A. In single entry system. B. In double entry system.

C. With the help of cash book. D. With the help of bank account.

11. Provision for discount on debtors is calculated on the amount of debtors.

a) Before deducting provision for doubtful debts.

b) After deducting provision for doubtful debts.

c) Before deducting actual debts and provision for doubtful debts.

d) After adding actual bad and doubtful debts

12. If one of the cars purchased by a car dealer is used for business purpose, it should be recorded by_________

a) Dr Drawing A/c & Cr Purchases A/c b) Dr Office Expenses A/c & Cr Motor Car A/c

c) Dr Motor Car A/c & Cr Cash A/c d) Dr Motor Car & Cr Sales A/c

13. Change in the capital A/c of proprietor may occur due to ______

a) Profit earned b) Loss incurred

c) Capital Introduced d) All of the above

14. Which of the following is wrong?

(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

15. Which of the following is not a Real Account?

a) Cash A/c b) Investments A/c

c) Outstanding rent A/c d) Purchases A/c

16. Deewali advance given to an employee is

a) Revenue Expenditure b) Capital Expenditure

c) Deferred Revenue Expenditure d) Not an Expenditure

17. Amount spent to increasing the earning capacity is a ______ expenditure

a) Capital b) Revenue

c) Deferred revenue d) Capital Loss

18. Debit the receiver & credit the giver is _____ account

a) Personal b) Real

c) Nominal d) A & B Only

19. Profit and loss is calculated at the stage of

A] Recording B] Posting

C] Classifying D] Summarizing

20. Provision for discount on debtors is calculated on the amount of debtors.

a) Before deducting provision for doubtful debts.

b) After deducting provision for doubtful debts.

c) Before deducting actual debts and provision for doubtful debts.

d) After adding actual bad and doubtful debts

Unit – III

1 Which of the following is the test of the long term liquidity of a business?

a) Interest coverage ratio b) Stock turnover ratio

c) Operating ratio d) Current ratio

2. Identify the item that is not taken into account in computing the current ratio.

a) Bank overdraft b) Bank

c) Stock d) Cash

3. Price- earnings ratio is equal to market price per equity share divided by

a) Earnings per share b) Current assets

c) Current liabilities d) Liquid assets

4. The ratio which measures the profit in relation to capital employed is known as

A. Return on investment B. Gross profit ratio

C. Operating ratio D. Operating profit ratio

5. The return on investment (ROI) may be calculated as

a) Net profit before interest, tax and dividend / Capital employed

b) Net profit after interest, tax and dividend / Shareholder's fund

c) (Net profit - preference dividend)/ No. of equity shares

d) Return on Investment / Net profit ratio.

6. Which of the following transactions will improve the current Ratio?

1 Bills receivable Dishonored

2. Cash collected from customers

3. Issue of new shares

4. Payment of preliminary expenses by way of equity shares

Select the correct answer using the codes given below

a) 1, 2, and 3 b) Only 4

c) Only 3 d) 2 and 4

7. Select the Incorrect Match

List- I List- II

1. Acid test ratio a. Liquidity ratio
2. Gearing ratio b. Current ratio
3. Working capital turnover ratio c. Activity Ratio
4. Return on capital employed d. Profitability ratio

8. In the debt equity ratio, external equity refers to
   a) Only Debenture b) Only current liabilities
   c) Debentures and current liability d) Reserves

9. What does the return on total assets take into account?
   a) Income before tax and interest on fixed liability b) Shareholder's fund
   c) Income after taxation d) Total outside liability

10. If cost of goods sold is Rs. 100,000, other; operating expenses are Rs. 20,000 and total net sales are Rs. 150,000 the operating ratio will be equal to ____
    (a) 70% (b) 80%
    (c) 90% (d) 100%

11. Which of the following statements are true about Ratio Analysis?
    A) Ratio analysis is useful in financial analysis.
    B) Ratio analysis is helpful in communication and coordination
    C) Ratio Analysis is not helpful in identifying weak spots of the business.
    D) Ratio Analysis is helpful in financial planning and forecasting.
    a) A, B and D b) A, C and D
    c) A, B and C d) A, B , C, D

12. Which of the following has the highest cost of capital?
    (a) Loans (b) Equity Shares
    (c) Bonds (d) Preference shares

13. Return on equity is also called

A. Return on investment B. Gross profit ratio

C. Return on shareholders' funds D. Return on net worth

14. Select the Incorrect Match list- I (Ratio) with List- II (Method of calculation)

List I	List II
l. Financial coverage	a. Net Profit
2. Quick Ratio	b. Liquidity
3. Stock Turnover Ratio	c. Efficiency
4. Margin on sales	d. Profitability

a). 1–a b). 2- - - b c) 3- - - c d) 4 - - - d

15. To test the liquidity of a concern which of the following ratios are useful?

(a) Acid test ratio (b) Capital turnover ratio

(c) Bad Debt to sales ratio (d) Inventory turnover ratio

16. Budgets can be classified according to

a) Time b) Function

c) Flexibility d) All of the above.

17. Sales – Gross Profit = ________

a) Cost of goods sold b) Net sales

c) Gross Sales d) Liabilities

18. Interpretation means

(a) Explanation of meaning and significance of the data in Financial Statements.

(b) Concerned with preparation and presentation of classified data

(c) Systematic analysis of recorded data

(d) Methodical classification of data given in Financial Statements.

19. Valuation of stock in accounting follows the principle of cost price or __________

Whichever is lower.

a) Market Price b) Average Price

c) Net realizable Value d) Selling Price

20 The relationship between two financial variables can be expressed in:

a) Pure ratio b) Percentage

c) Rate or time d) Either of the above

Unit- IV

1 The combination of direct material and direct labor is

a) Total production Cost b) Prime Cost

c) Conversion Cost d) Total manufacturing Cost

2. The cost expended in the past that cannot be retrieved on product or service

a) Relevant Cost b) Sunk Cost

c) Product Cost d) Irrelevant Cost

3. The following is also known as overhead costs or on costs.

(A) Cost of direct labour (B) Cost of indirect labour

(C) Direct expenses (D) Indirect expenses

4. Basic Objective of Cost accounting is

a) Tax compliance b) Financial Audit

c) Cost ascertainment. d) Profit Analysis

5. Direct Expenses are also called

a) Major expenses b) Chargeable expenses

c) Overhead expenses d) sundry expense

6. Indirect Material used in production is classified as

a) Office Overhead b) Selling Overhead

c) Distribution Overhead d) Factory Overhead

7. The Loss which arise in manufacturing activity on account of inherent nature of the product is

a) Normal Loss b) Abnormal Loss

c) Net Loss d) Gross Loss

8. In order to avoid the stoppage of production due to shortage of material

a) Maximum stock level is maintained b) Minimum stock level is maintained

c) Re- order level is maintained d) Average stock level is maintained

9. Fixed cost per unit increases when

a) Variable cost per unit increases b) Variable cost per unit decreases

c) Production volume increases d) Production volume decreases

10. Which one the following is not considering for preparation of cost sheet

a) Factory Cost b) Goodwill written off

c) Labour cost d) Selling cost

11. Prime Cost includes

a) Direct materials, direct wages and indirect expenses

b) Indirect materials and indirect labour and indirect expenses

c) Direct materials, direct wages and direct expenses

d) Direct materials, indirect wages and indirect expenses

12. Cost accounting differs from financial accounting in respect of

a. Reporting of cost b. Ascertaining cost

c. Control of cost d. Recording cost

13. Calculate re- order level from the following: Safety stock: 1000 units Consumption per week: 500 units It takes 12 weeks to reach material from the date of ordering.

(a) 1000 units (b) 6000 units

(c) 3000 units (d) 7000 units

14. Economic order quantity is that quantity at which cost of holding and carrying inventory is:

(a) Maximum and equal (b) Minimum and equal

(c) It can be maximum or minimum depending upon case to case. (d) Minimum and unequal

15. Calculate EOQ (approx.) from the following details:

Annual Consumption: 24000 units Ordering cost: Rs. 10 per order

Purchase price: Rs. 100 per unit Carrying cost: 5%

(a) 310 (b) 400

(c) 290 (d) 300

16. Which of the following statements are true?

A) Marginal costing is not an independent system of costing.
B) In marginal costing all elements of cost are divided into fixed and variable components.
C) In marginal costing fixed costs are treated as product cost.
D) Marginal costing is not a technique of cost analysis.

a) A and B   b) B and C
c) A and D   d) B and D

17. Break- even analysis assumes that:
A) Total revenue is constant.   B) Unit variable cost is constant.
C) Unit fixed cost is constant.   D) All of the above.

18. A company's breakeven point is 6,000 units per annum. The selling price is Rs. 90 per unit and the variable cost is Rs. 40 per unit. What are the company's annual fixed costs?
(a) Rs. 120   (b) Rs. 2,40,000
(c) Rs. 3,00,000   (d) Rs. 5,40,000

19. While computation of profit in marginal costing
a) Total marginal cost is deducted from total sales revenues
b) Total marginal cost is added to total sales revenues
c) Fixed cost is added to contribution   d) None of the above

20. If total cost of 100 units is Rs 5000 and those of 101units is Rs 5030 then increase of Rs 30 in total cost is
a) Marginal cost   b) Prime cost
c) All variable overheads   d) None of the above

Unit – V

1 Which of the following is not an objective of Budgeting?
A) To express the objectives of the firms in qualitative terms.
B) To prepare base for evaluation of work performance.
C) To co- ordinate organizational and managerial units of the firm.
D) To develop a strong appraisal of objectives and policies of firm.

2. Which method of capital budgeting called benefit cost ratio?
a) Payback period method   b) Net present value method

c) Payout period method d) Profitability Index method

3. The significance of capital budgeting arises mainly due to the

a) Complicacies of Investment decisions b) Irreversible in nature

c) Large Investment d) All of the above.

4. Which is the traditional method of Capital budgeting?

a) Accounting Method b) Payout Method

c) Pay back Method d) All of the above

5. Which of the following is a type of budget according to function?

(a) Fixed Budget (b) Operating Budget

(c) Long term Budget (d) Flexible Budget

6. The need of capital budgeting in a firm arises on account of the

(a) Control over capital expenditure (b) Selection of the best project

(c) Analysis of capital expenditure (d) All of the above.

7. A Local Authority is preparing cash Budget for its refuse disposal department. Which of the following items would not be included in the cash budget?

(a) Capital cost of a new collection vehicle (b) Depreciation of the machinery

(c) Operatives wages (d) Fuel for the collection Vehicles

8. A flexible budget is

A. Budget for different capacity levels B. Budget for different departments

C. Budget for receipts and payments D. Cash budget

9. ______ is a detailed budget of cash receipts and cash expenditure incorporating both revenue and capital items.

(a) Cash Budget (b) Capital Expenditure Budget

(c) Sales Budget (d) Overhead Budget

10. _______ is the first step of budgetary system and all other budgets depends on it.

a) Cost budget b) Sales budget

c) Production budget d) Purchase Budge

11. _______ is prepared for single level of activity and single set of business conditions.

a) Fixed budget b) Flexible budget

c) Both a and b d) A only

12. Which of the following statements are true about budget, budgeting & budgetary control?

a. Budgeting is business estimates for future periods
b. Budget is the process of preparing business estimates
c. Budgetary control is the means to achieve performance on the basis of budget
d. None of the above

13. Sales budget is a :

(a) Functional budget, (b) Master budget,

(c) Expenditure budget. (d) Capital budget

14. Which of the following is usually a long- term budget?

A. Fixed budget B. Cash budget

C. Sales budget D. Capital expenditure budget.

15. Long- term budgets are prepared for __________.

A. 1year B. 1- 3 years

C. 1- 5years D. 5- 10 years

16. The difference between fixed and variable cost has a special significance in the preparations of: (a) Flexible budget, (b) Master budget,

(c) Cash budget. (d) Production budget

17. The budget that is prepared first of all is:

(a) Cash budget, (b) Master budget,

(c) Budget for the key factor. (d) Production budget

18. One of the most important tools of cost planning is__________.

A. Budget B. Direct cost

C. Unit cost D. Cost sheet

19. The budget which commonly takes the form of budgeted Profit and Loss Account and Balance Sheet is:

a) Cash budget, b) Master budget,
c) Flexible budget. d) Sales budget

20. Cash budget is a ____________budget.
(a) Short term budget (b) Long term budget
(c) Interim Budget (d) Processing Budget

II- M.C.A - ACCOUNTING AND FINANCIAL MANAGEMENT Course Code : 17MCA3C13

Answers - - UNIT - I

Question No.	Option
01	b) Capital
02	b) Provide Useful, Financial Information to Outsiders
03	a) Assets: All the property owned by a business.
04	d) All of the above
05	c) Cash
06	d) Cash discount is always allowed at a rate higher than the rate of trade discount
07	(c) Deferred revenue expenditure
08	(b) Balance sheet
09	d) None of the above
10	(c) Nominal account
11	(a) Shown as a deduction from the purchases
12	b) Currently existing obligations which the firm intends to meet at some time in the future.
13	c) Entity concept
14	a) Cost incurred for a new exit as required under the local bodies by laws
15	c) Positioning Statement
16	a) Going concern, Realization, Cost
17	d) Dual aspect concept
18	b) Generating revenue
19	a) Expenses

20	a) Periodicity, Accrual, Matching

Answers - - UNIT - II

Question No.	Option
01	B). Double entry system
02	C] Fixed assets
03	B. Double entry system
04	A. single entry system
05	D] Solving tax disputes with tax authorities
06	B. In double entry system.
07	d) Cash
08	a) Purchases A/c
09	a) Materiality
10	A. In single entry system
11	b) After deducting provision for doubtful debts.
12	c) Dr Motor Car A/c & Cr Cash A/c
13	d) All of the above
14	d) Rent is a personal account, outstanding rent is nominal account
15	d) Purchases A/c
16	d) Not an Expenditure
17	a) Capital
18	a) Personal
19	D] Summarizing
20	b) After deducting provision for doubtful debts.

Answers - - UNIT - III

Question No.	Option

01	a) Interest coverage ratio
02	a) Bank overdraft
03	a) Earnings per share
04	A. return on investment
05	a) Net profit before interest, tax and dividend / Capital employed
06	c) Only 3
07	2. Gearing ratio - - - - - - b. Current ratio
08	c) Debentures and current liability
09	a) Income before tax and interest on fixed liability.
10	b) 80%
11	a) A, B and D
12	b) Equity Shares
13	D. Return on net worth
14	a). 1–a
15	(a) Acid test ratio
16	d) All of the above
17	a) Cost of goods sold
18	(a) Explanation of meaning and significance of the data in Financial Statements.
19	c) Net realizable Value
20	d) Either of the above

Answers - - UNIT - IV

Question No.	Option
01	b) Prime Cost
02	b) Sunk Cost
03	D) Indirect expenses

04	c) Cost ascertainment.
05	b) Chargeable expenses
06	d) Factory Overhead
07	a) Normal Loss
08	b) Minimum stock level is maintained
09	d) Production volume decreases
10	b) Goodwill written off
11	c) Direct materials, direct wages and direct expenses
12	c. Control of cost
13	(d) 7000 units
14	(b) Minimum and equal
15	(a) 310
16	a) A and B
17	D) All of the above.
18	(c) Rs. 3,00,000
19	a) Total marginal cost is deducted from total sales revenues
20	a) Marginal cost

Answers -- UNIT - V

Question No.	Option
01	B) To prepare base for evaluation of work performance.
02	d) Profitability Index method.
03	d) All of the above.
04	d) All of the above
05	(b) Operating Budget
06	(d) All of the above.
07	(b) Depreciation of the machinery

08	A. Budget for different capacity levels
09	(a) Cash Budget
10	b) Sales budget
11	b) Flexible budget
12	c. Budgetary control is the means to achieve performance on the basis of budget
13	(a) Functional budget
14	D. Capital expenditure budget
15	A. 1year
16	(a) Flexible budget
17	c) budget for the key factor
18	A. Budget
19	b) Master budget
20	a) Short term budget