

ACCOOUNTING & AUDITING MCQ'S

(1) Double entry book-keeping was fathered by:

- (a) F.W.Taylor
- (b) Henry Fayol
- (c) Lucas Pacioli.**

(2) Funds Flow Statement and sources and application statement are:

- (a) Synonymous**
- (b) Antagonistic
- (c) None of these.

(3) Depreciation in spirit is similar to:

- (a) Depletion
- (b) Amortization**
- (c) Depression.

4) Balance Sheet is always prepared:

- (a) For the year ended.
- (b) As on a specified date.**
- (c) None of these.

(5) In Insurance, the following Profit and Loss Accounts are prepared:

- (a) Separate for Fire, Marine, and Accidents etc.
- (b) Consolidated for (a) above.**
- (c) None of these.

(6) Partners in Pakistan can today be fixed at the following numbers:

- (a) 20**
- (b) 50
- (c) 75.

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(7) Flexible budget is a budget with the following features:

(a) Changes with volume of production.

(b) Changes with variable expenses

(c) Changes in Direct material.

(8) Break even can be calculated as under:

(a) _____ VC _____ FC- TR TC

(b) FC I- VC TR

(c) None of these.

(9) Quick Ratio can be computed as under:

(a) Quick . Assets/Quick Liabilities

(b) Quick. Liabilities Current Assets

(c) Current Assets/ Current Liabilities

(10) In straight line method of depreciation, the written down value of a fixed asset will be at the end of the life of the asset as under:

(a) Rupee one

(b) Rupee zero

(c) None of these.

(11) Sales budget must be prepared:

(a) Independently

(b) Depending on production capacity

(c) Based on Sales forecasts of market.

(12) Consolidation of subsidiary accounts in the balance sheet of a unlisted Holding company is at present in Pakistan:

(a) Compulsory

(b) Voluntary

(c) Required.

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(13) Retained earnings is synonymous to:

(a) Accumulated profit and loss account

(b) Profit for the year

(c) None of these.

(14) The requirements of an audit report for a Banking Company in Pakistan is under:

(a) Under the Banking Companies Ordinance, 1962.

(b) Under the Companies Ordinance, 1984.

(c) Under (a) and (b) above.

(15) Deferred Taxation is:

(a) Fixed asset

(b) Fixed liabilities

(c) Part of Owners Equity.

(16) Investment Corporation of Pakistan follows:

(a) Open-end mutual funds

(b) Closed-end mutual funds

(c) None of these.

(17) Directors Report is ---- in respect of financial report constituent.

(a) Mandatory for a limited Company

(b) Voluntary for a limited Company

(c) None of these.

(18) Every limited Company in Pakistan is required by law to include the following along with financial reports:

(a) Ratio Analysis

(b) Chairman's Review

(c) None of these.

(19) Cash budget excludes the following:

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(a) Non-Cash items

(b) Cash items

(c) Purchase on Credit items.

(20) NGOs are legally required to:

(a) Prepare accounts in a prescribed manner under the law.

(b) Prepare accounts as desired by donors.

(c) None of these.

21. Fixed Cost:

a. Changes with production

b. Never changes even if production capacity is doubled

c. None of the above

22. Conversion cost is:

a. Material Cost + Overhead Cost

b. Direct Labour + Material Cost

c. Labour Cost + Overhead Cost

23. Process Costing is relevant to:

a. Cement industry

b. Job Order cost oriented Projects

c. None of the above

24. Operating Profit is:

a. Profit after deducting financial costs

b. Profit after deducting taxes

c. Profit after deducting normal operating expenses including depreciation

25. A good Cost Accounting System is:

a. If it computes estimated cost only

b. If it cannot be reconciled with financial accounts

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

c. If it enables management to increase productivity and rationalize cost structure

26. Verification includes:

- a. Checking Vouchers
- b. Examining audit report
- c. None of the above**

27. Stratified audit sample means:

- a. Randomly selected items for audit**
- b. Purposively selected items for audit
- c. Items carefully selected from each group

28. Internal Control is totally synonymous with:

- a. Internal check
- b. internal audit
- c. None of above**

29. Audit of a bank is generally conducted through:

- a. Routine checking**
- b. couching
- c. Balance sheet audit

30. An auditor is liable for his annual audit of accounts o:

- a. Creditors
- b. Bankers
- c. Owners**

31. Income Tax is levied on:

- a. Agricultural Income
- b. Presumptive Income**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

c. None of above

32. If a firm has paid super-tax, its partners may follow any one of the following behaviors:

a. No need to pay income tax, even if the income exceeds the taxable limit.

b. Pay income tax, even if the income does not exceed the taxable income.

c. Pay income tax as required under the law.

33. A resident multinational company need not:

a. Pay income tax, if it's caused under Double Taxation agreement.

b. If it is not enjoying tax exemption under the Income Tax Ordinance, 1979 (Second Schedule).

c. None of above

34. Income Tax rates are the same for:

a. Limited Companies

b. Banking Companies

c. None of above

35. Super Tax on companies is:

a. In vogue in Pakistan

b. Not in vogue in Pakistan

c. None of above

36. Current Ratio is calculated as:

a. Fixed Assets/Current Liabilities

b. Current Liabilities/Current Assets

c. Current Assets/Current Liabilities

37. Short-term loan can be described as:

a. If the period is three years

b. If the period is less than one year

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

c. If the period is over one year

38. A partnership, in today's Pakistan, under the current law can have the following number of partners:

a. 50

b. 20

c. 100

39. Combination can be best described as:

a. Restructuring of Capital of a Company

b. Reduction of Capital of a Company

c. Amalgamation of two different types of businesses

40. Sources of funds can be increased by:

a. Describing selling prices

b. Increasing expenditure

c. None of above

(41) Books of original entry are called:

(a) Ledger

(b) Work sheets

(c) Journal

(d) None of these

(42) For preparing balance sheets prepaid expenses are shown as part of:

(a) Liability

(b) Equities

(c) Assets

(d) None of these

(43) Unpaid and unrecorded expenses are called:

(a) Prepaid expenses

(b) Accrued expenses

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) Additional expenses
- (d) None of these

(44) Amount, cash, or other assets removed from business by owner is:

- (a) Capital
- (b) Drawings**
- (c) Assets
- (d) None of these

(45) Under the diminishing balance method, depreciation amount is:

- (a) Payment
- (b) Receipt
- (c) Expenditure**
- (d) None of these

(46) Users of accounting information include:

- (a) The tax authorities
- (b) Investors
- (c) Creditors
- (d) All of these**

(47) The business form(s) in which the owner(s) is (are) personally liable is (are) the:

- (a) Partnership only
- (b) Proprietorship
- (c) Corporation only
- (d) Partnership and proprietorship**
- (e) None of these

(48) The investment of personal assets by the owner:

- (a) Increases total assets and increases owner's equity**
- (b) Increases total assets only

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) Has no effect on assets but increases owner's equity
- (d) Increase assets and liabilities
- (e) None of these

(49) All of the following are forms of organizations except:

- (a) Proprietorship
- (b) Corporation

(c) Retailer

- (d) Partnership (e) None of these

(50) Economic resources of a business that are expected to be of benefit in the future are referred to as:

- (a) Liabilities
- (b) Owner's equity
- (c) Withdrawals

(d) Assets

- (e) None of these

(51) An owner investment of land into the business would:

- (a) Decrease withdrawals
- (b) Increase liabilities

(c) Increase owner's equity

- (d) Decrease assets
- (e) None of these

(52) A cash purchase of supplies would:

- (a) Decrease owner's equity
- (b) Increase liabilities
- (c) Have no effect on total assets**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(d) None of these

(53) An owner investment of each into the business would:

(a) Increase assets

(b) Decrease liabilities

(c) Increase withdrawals

(d) Decrease owner's equity

(e) None of these

(54) The payment of rent each month for office space would:

(a) Decrease total assets

(b) Increase liabilities

(c) Increase owner's equity

(d) None of these

(55) Real accounts are related to:

(a) Assets

(b) Expenses and incomes

(c) Customers and Creditors etc.

(d) None of these

(56) Which one of the following accounts would usually have a debit balance?

(a) Cash

(b) Creditors

(c) Accounts payable

(d) Salaries Expenses

(e) None of these

(57) Quick assets include which of the following?

(a) Cash

(b) Accounts Receivable

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(c) Inventories

(d) Only (a) and (b)

(e) None of these

(58) Net income plus operating expenses is equal to:

(a) Net sales

(b) Cost of goods available for sale

(c) Cost of goods sold

(d) Gross profit

(e) None of these

(59) The maximum number of partners in Pakistan can be fixed at the following:

(a) 20

(b) 50

(c) 75 (d) None of these

(60) Balance sheet is always prepared:

(a) For the year ended

(b) As on a specific date

(c) None of these

(61) The measureable value of an alternative use of resources is referred to as:

(a) An opportunity cost

(b) An imputed cost

(c) A different cost

(d) A sunk cost

(e) None of these

(62) A quantitative expression of management objectives is an:

(a) Organizational chart

(b) Management chart

(c) Budget

(d) Procedural chart

(e) None of these

(63) A cost center is:

(a) A unit of production in relation to which costs are ascertained

(b) A location which is responsible for controlling direct costs

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) Part of the factory overhead system by which costs are gathered
- (d) Any location or department which incurs cost**
- (e) None of these

(64) At break-even point of 400 units sold the variable costs were Rs. 400 and the fixed costs were Rs.200. What will be the 401 units sold contributing to profit before income tax?

- (a) Rs. 0.00
- (b) Rs. 0.50**
- (c) Rs. 1.00
- (d) Rs. 1.50
- (e) None of these

(65) In considering a special order situation that will enable a company to make use of currently idle capacity, which of the following cost will be irrelevant:

- (a) Materials
- (b) Depreciation**
- (c) Direct labour
- (d) Variable factory overhead
- (e) None of these

(66) A fixed cost:

- (a) May change in total when such change is not related to changes in production
- (b) Will not change in total because it is not related to changes in production**
- (c) Is constant per unit for each unit of change in production
- (d) May change in total, depending on production with the relevant range
- (e) None of these

(67) Completion of a job is result in:

- (a) DR finished goods CR WIP**
- (b) DR Cost of goods CR finished goods
- (c) DR WIP CR FOH control
- (d) DR FOH control CR FOH applied
- (e) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(68) Operating cost is often named as:

- (a) Manufacturing cost plus commercial expenses
- (b) Prime cost plus factory overheads
- (c) Direct material plus direct labour
- (d) Selling plus administrative expenses**
- (e) None of these

(69) Expenses such as rent and depreciation of a building are shared by several departments these are:

- (a) Indirect expenses**
- (b) Direct expenses
- (c) Joint expenses
- (d) All of the above
- (e) None of these

(70) If under applied FOH is closed to cost of goods sold, the journal entry is:

- (a) DR Cost of goods sold CR FOH control**
- (b) DR FOH control CR Cost of goods sold
- (c) DR FOH control CR Profit % loss account
- (d) None of these

(71) Re-order quantity 3600 units

Maximum consumption 900 units per week

Minimum consumption 300 units per week

Re-order period 5 weeks

Based on this data Re-order level is:

- (a) 4500 units**
- (b) 3900 units
- (c) 1200 units
- (d) 400 units
- (e) None of these

(72) The time lag between indenting and receiving material is called:

- (a) Lead time**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Idle time
- (c) Stock out time
- (d) None of these

(73) A credit balance remaining in FOH Control account is called:

- (a) Over-applied overhead**
- (b) Under-applied overhead
- (c) Actual overhead
- (d) None of these

(74) Direct material cost plus direct labour cost is called:

- (a) Prime cost**
- (b) Conversion cost
- (c) Product cost
- (d) All of these
- (e) None of these

(75) Productivity means:

- (a) The ability to produce**
- (b) All units produced
- (c) Good units produced
- (d) None of these

(76) A segment of the business that generates both revenue and cost is called:

- (a) Profit Center**
- (b) Cost Center
- (c) Cost driver
- (d) All of these
- (e) None of these

(77) Verification includes:

- (a) Checking vouchers
- (b) Examining audit report
- (c) None of these**

(78) Audit of a bank is generally conducted through:

- (a) Routine checking**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Vouching
- (c) Balance sheet audit
- (d) None of these

(79) Economics resources of a business that are expected to be of benefit in the future are referred to as:

- (a) Liabilities
- (b) Owner's equity
- (c) Withdrawals
- (d) Assets**
- (e) None of these

(80) Short term Loan can be best described as:

- (a) If the period is three years
- (b) If the period is less than one year**
- (c) If the period is over one year
- (d) None of these

(81) Maximum number of partners in a partnership firm set up in Pakistan under Partnership Act, 1932 is:

- (a) 5
- (b) 25
- (c) 20**
- (d) None of these

(82) Preparation of final financial reports is governed in Pakistan under:

- (a) No law
- (b) Companies Ordinance 1984**
- (c) None of these

(83) Depreciation is based on:

- (a) Economic life of asset**
- (b) Declared life of asset by supplier
- (c) Normal life of asset
- (d) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(84) Inventory turnover is calculated as under:

- (a) Cost of Goods sold/Closing Inventory**
- (b) Gross profit/Closing Inventory
- (c) Sales/Opening Inventory
- (d) None of these

(85) There is a difference between:

- (a) Worksheet and Balance Sheet**
- (b) Worksheet and profit and loss account
- (c) Worksheet as combination of results of profits and financial positions
- (d) None of these

(86) Deferred Revenue is:

- (a) Liability**
- (b) Asset
- (c) None of these

(87) Preparation of annual report of a firm is governed under:

- (a) Partnership Act 1932
- (b) Under partnership Deed
- (c) None of these**

(88) Deferred Taxation amount be treated as:

- (a) Foot note
- (b) An item in the Balance Sheet on asset side
- (c) None of these**

(89) Return of Equity will be calculated as under:

- (a) Operating Profit x 100/Equity
- (b) Net profit x 100/Paid up Capital only**
- (c) None of these

(90) Current maturity of long term loan is:

- (a) Current Liability**
- (b) Long Term Liability
- (c) None of these

(91) Prime cost is calculated as under:

- (a) Manufacturing Cost/Cost of Goods Sold
- (b) Direct Method plus factory overheads
- (c) Direct labour + Direct Material**
- (d) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(92) Process Cost is very much applicable in:

- (a) Construction Industry**
- (b) Pharmaceutical Industry
- (c) Air line company
- (d) None of these

(93) The latest computation of variances of manufacturing overheads is in one the following ways:

- (a) Two variance approaches
- (b) Three variance approaches**
- (c) Four variance approaches
- (d) None of these

(94) Random sampling in auditing means:

- (a) Selection through convenience sampling
- (b) Selection through scientific sampling approach**
- (c) None of these

(95) Expenditure incurred in procuring machinery is:

- (a) An admissible expenditure for tax purposes**
- (b) No admissible for tax purposes
- (c) None of these

(96) Increase in income constitutes:

- (a) Inflows**
- (b) Outflows
- (c) None of these

(97) M & A stands for:

- (a) Mergers & Analysis
- (b) Mergers & Acquisitions**
- (c) Mergers & Allocation
- (d) None of these

(98) An endowment insurance policy can be taken in respect of:

- (a) Fire insurance
- (b) Accident insurance
- (c) Life insurance**
- (d) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(99) Audit and special audit are the same:

- (a) In Insurance Company
- (b) In Banking Company**
- (c) None of these

(100) Acid test is the same as:

- (a) Quick test**
- (b) Liquid test
- (c) None of these

(101) Acid Test Ratio is calculated as under:

- (a) Current Assets/Current Liabilities
- (b) Fixed Assets/Current Liabilities
- (c) Liquid Assets/Current Liabilities**
- (d) None of these

(102) Deferred cost is a:

- (a) Liability
- (b) Asset**
- (c) None of these

(103) Work Sheet is:

- (a) Balance Sheet
- (b) Fund Flows Statement
- (c) A combination of Profit and Loss Account and Balance Sheet items**
- (d) None of these

(104) Banks, for the preparation of financial statements, are governed under:

- (a) Banking Companies Ordinance, 1962**
- (b) State Bank of Pakistan Act
- (c) None of these

(105) Return on investment is computed:

- (a) $\text{Investment/Profit} \times 100$
- (b) $\text{Profit} \times 100/\text{Investment}$**
- (c) None of these

(106) Rent of the premises constitutes variable expenses for cost allocation:

- (a) True
- (b) False**

(107) Sugar used in a sugarcane company is:

- (a) Variable cost**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Fixed cost
- (c) None of these

(108) An auditor is liable under the following circumstances:

- (a) Third Party Liabilities
- (b) Fraud perpetrated in highly sophisticated circumstances**
- (c) None of these

(109) Agricultural income is taxable under the Income Tax Laws of Pakistan:

- (a) True
- (b) False**

(110) Principal and markup payment within one year constitutes long term liability for disclosure in the balance sheet of a company.

- (a) True
- (b) False**

(111) Ordinarily one can have the following partners in a partnership in Pakistan under the Partnership Act 1932.

- (a) 10
- (b) 20**
- (c) 30
- (d) None of these

(112) Working Capital finance can be termed as “Running Finance” in a limited company.

- (a) True**
- (b) False

(113) Income from Capital gains arising out of trading on a stock exchange in Pakistan is taxable these days:

- (a) True**
- (b) False

(114) Conversion Cost is calculated as under:

- (a) Labour Plus Materials
- (b) Labour plus overheads**
- (c) None of these

(115) Current Ratio can be calculated as under:

- (a) Current Liabilities/Current Assets
- (b) Current Assets/Current Liabilities**
- (c) None of these

(116) The need for keeping a record of income and expenditure in a clear and systematic manner has given rise to the subject of:

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (a) Book keeping**
- (b) Accounting cycle
- (c) Manufacturing
- (d) None of these

(117) If proper books of accounts are not kept in a business the amount of profit:

- (a) Can be ascertained
- (b) Cannot be ascertained**
- (c) Easily ascertained
- (d) None of these

(118) The stage under which transactions are recorded chronologically in the books of accounts is called:

- (a) Summarizing
- (b) Classifying
- (c) Recording**
- (d) None of these

(119) Book-keeping is mainly concerned with:

- (a) Recording of a financial data relating to business transactions**
- (b) Designing the systems in recording, classifying, summarizing the recorded data
- (c) Interpreting the data for internal and external users
- (d) None of these

(120) The term expenses and expenditure are:

- (a) Same in nature**
- (b) Different in nature
- (c) Opposite in nature
- (d) None of these

(121) When goods are given away as charity or free samples, the purchases account should be:

- (a) Debited
- (b) Credited**
- (c) Recorded in balance sheet
- (d) None of these

(122) The sake of a business asset on credit is recorded in:

- (a) Sales journal
- (b) General journal**
- (c) Cash receipt journal
- (d) None of these

(123) The discount account is a:

- (a) Personal account

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Real account
- (c) Nominal account**
- (d) Asset account
- (e) None of these

(124) The payment side of the cash book is under cost by Rs. 200 when overdraft as per bank statement is the starting point:

- (a) Rs 200 will be deducted
- (b) Rs 200 will be added**
- (c) Rs 400 will be added
- (d) Rs 400 will be deducted

(125) All the direct expenses are charged to:

- (a) Balance sheet
- (b) Profit and Loss account
- (c) Trading account**
- (d) None of these

(126) Those liabilities which arise only on the happening of some event, are called:

- (a) Current liabilities
- (b) Contingent liabilities**
- (c) Outstanding liabilities
- (d) Fixed liabilities

(127) Marshalling of balance sheet means:

- (a) The ordering of its assets and liabilities**
- (b) The totaling of its assets and liabilities
- (c) Excess of assets over liabilities
- (d) None of these

(128) Commission received in advance is to be considered as:

- (a) Outstanding expense
- (b) Accrued income
- (c) Prepaid expense
- (d) Unearned income**

(129) The provision for discount on creditors is often not provided in keeping with the principle of:

- (a) Materiality
- (b) Consistency
- (c) Conservatism**
- (d) Realization

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(130) Which one of the following is not considered the permanent part of the accounting record:

- (a) Journal
- (b) Trial Balance**
- (c) Balance sheet
- (d) Final accounts

(131) A working paper which is prepared by the accountant for his own convenience is called:

- (a) Work sheet**
- (b) Cash flows statement
- (c) Balance sheet
- (d) Final accounts

(132) Any expenditure incurred to increase the profit earning capacity of the concern is a:

- (a) Revenue expenditure
- (b) Capital expenditure**
- (c) Deferred revenue expenditure
- (d) Capital expenditure

(133) Depreciation on fixed assets is an example of:

- (a) Revenue expenditure**
- (b) Capital expenditure
- (c) Deferred revenue expenditure
- (d) None of these

(134) The capital receipts are shown in the balance sheet on the:

- (a) Liability
- (b) Asset side**
- (c) Debit side
- (d) None of these

(135) Error due to wrong allocation as expenditure between capital and revenue is regarded as:

- (a) Error of omission
- (b) Error of principle**
- (c) Compensation errors
- (d) Error of commission

(136) The heat treatment department at Noori Pipe is the third department in a sequential process. The work in process account for the department would consist of:

- (a) Costs transferred in from the prior department
- (b) Materials costs added in the heat treatment department
- (c) Conversion costs added in the heat treatment department

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(d) All of the above

(e) None of these

(137) Jingo Products uses the weighted average method in its process costing system. Last month in the milling department the cost per equivalent unit for conversion cost was Rs. 105. A total of 540 equivalent units of conversions cost were used to compute this unit's cost. The total conversion cost added during the month was Rs. 54,500. What was the amount of conversion cost in the beginning work in process inventory?

(a) Rs. 0

(b) Rs. 2200

(c) Rs. 4200

(d) Rs. 3000

(e) None of these

(138) Shahzad Corp. uses the FIFO method in its process costing system. The company had Rs. 6000 of material cost in its beginning work in process inventory and the company added Rs. 75,000 in materials cost during the period. The equivalent units of production for materials were 20,000. The unit cost per equivalent unit for material would be:

(a) 3.75

(b) 4.05

(c) 0.30

(d) 3.30

(e) None of these

(139) Costs in the beginning work in process inventory are added to the cost of the current period when making units cost calculations by:

(a) The FIFO cost method

(b) The weighted average cost method

(c) The quantity schedule method

(d) LIFO method

(e) None of these

(140) A chemical process has normal wastage of 10% of input. In a period, 2500 kgs of material were input and there was an abnormal loss of 75 kgs. What quantity of good production was achieved?

(a) 2175 kgs

(b) 2250 kgs

(c) 2325 kgs

(d) 2425 kgs

(e) None of these

(141) Premium on issue of shares can be used for:

(a) Payment of dividends

(b) Writing off preliminary expenses

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) Paying fees to directors
- (d) Redemption of debentures
- (e) None of these

(142) Pre incorporation profit is to be credited to:

- (a) Capital reserve**
- (b) Profit and loss account above the line
- (c) Profit and loss account below the line
- (d) General premium
- (e) None of these

(143) The excess of purchase price over the net asset is:

- (a) Goodwill**
- (b) Capital Reserve
- (c) Preliminary expenses
- (d) Share premium
- (e) None of these

(144) Statutory report is necessary in the case of:

- (a) All Companies
- (b) Public Limited Companies
- (c) Foreign Companies
- (d) Private Limited Companies
- (e) None of these

(145) Dividends are usually paid on:

- (a) Called up capital
- (b) Paid up Capital**
- (c) Paid up capital call in advance
- (d) Subscribed capital
- (e) None of these

(146) Provision for taxation of a previous year was Rs. 100,000 and tax assessed for that year Rs. 80,000. This adjustment for this is:

- (a) A credit of Rs. 100,000 below the line
- (b) A credit of Rs. 80,000 below the line
- (c) A credit of Rs. 20,000 above the line
- (d) A credit of Rs. 20,000 below the line**
- (e) None of these

(147) Amount set apart to meet losses due to bad debt is a:

- (a) Provision**
- (b) Reserve

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) Liability
- (d) Contingent liability
- (e) None of these

(148) Advance Payment of tax is in the nature of:

- (a) Asset
- (b) Revenue expense
- (c) Liability
- (d) Prepaid expense**
- (e) None of these

(149) Values that express preferred behavior and the means by which one achieves his/her goals are known as:

- (a) Terminal values**
- (b) Dominant values
- (c) Instrumental values
- (d) Affective values
- (e) None of these

(150) Evaluate positive or negative-concerning people, objects, or events are called:

- (a) Perceptions
- (b) Attitudes**
- (c) Beliefs
- (d) Values
- (e) None of these

(151) The auditor is required to report that Financial Statement are:

- (a) True & Correct
- (b) True & Fair**
- (c) Complete & Correct
- (d) Covering all required records
- (e) None of these

(152) The auditors are appointed by the following authorities:

- (a) Creditors
- (b) Debtors
- (c) Shareholders**
- (d) Directors
- (e) None of these

(153) Interim audit is conducted for examining the account for:

- (a) Full one year
- (b) Next one year
- (c) Previous one year

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(d) For a part of current year

(e) None of these

(154) Payment should be made preferably through

(a) Cross cheque

(b) Bank Draft

(c) Pay order

(d) Cash basis

(e) None of these

(155) The purchase of machinery on account would

(a) Increase an asset and decrease another asset

(b) Increase an asset and decrease liability

(c) Increase an asset and increase liability

(d) Decrease an asset and increase liability

(156) In general, the accounts in the income statement are known as:

(a) Real account

(b) Contra asset

(c) Nominal account

(d) Unrecorded revenue account

(157) In general terms, financial assets appear in the balance sheet at:

(a) Face value

(b) Current cash value

(c) Cash

(d) Estimated future sales value

(158) A limited Co. sold marketable securities cost Rs. 80,000 for Rs. 92,000 cash. In Co.'s income statement and statement of cash flows respectively, this will appear as:

(a) A Rs. 12,000 gain and Rs. 92,000 cash receive

(b) A Rs. 92,000 gain and Rs. 8,000 cash receive

(c) A Rs. 12,000 gain and Rs. 80,000 cash receive

(d) A Rs. 92,000 sales and Rs. 92,000 cash receive

(159) Which of the following is least important as a measure of short term liquidity?

(a) Debtor ratio

(b) Current ratio

(c) Cash flow from operating activities

(d) Quick ratio

(160) Uzma Ltd. Net income was Rs. 4,00,000 in 2003 and Rs. 1,60,000, in 2004. What percentage increase in net income must achieve in 2005 to off set the decline in profits in 2004?

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (a) 60%
- (b) 150%**
- (c) 200%
- (d) 70%

(161) Which of the following does not describe accounting?

- (a) Language of Business
- (b) Is an end rather than a mean to an end**
- (c) Useful for decision making
- (d) Used by business government, nonprofit organizations and individuals.

(162) External uses of financial accounting information include all of the following except:

- (a) Investors
- (b) Labour unions
- (c) Line manager**
- (d) General public

(163) A fixed budget is:

- (a) A budget for single level of activity
- (b) A budget which ignored inflation
- (c) Used only for fixed cost**
- (d) An overhead cost budget

(164) Heavy expenditure on advertisement of a new product is a:

- (a) Capital expenditure
- (b) Revenue expenditure**
- (c) Deferred revenue expenditure
- (d) None of these

(165) Subscriptions received in advance is:

- (a) An income
- (b) An asset
- (c) A liability**
- (d) A loss

(166) At the time of admission of a new partner, goodwill raised should be written off in:

- (a) New profit sharing ratio
- (b) Old profit sharing ratio**
- (c) Sacrificing ratio
- (d) Gaining ratio

(167) A and B are partners in the ratio of 2:1. They admit C for $\frac{1}{4}$ shares who contributes Rs. 3000 for his share of goodwill. The total value of the goodwill of the firm is:

- (a) Rs. 3,000

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Rs. 9,000
- (c) Rs. 12,000**
- (d) Rs. 15,000

(168) Sales to Mustafa of Rs. 10,000 not recorded in the books would affect:

- (a) Sales account
- (b) Mustafa account
- (c) Sales account and Mustafa Account**
- (d) None of these

(169) Depreciation is a process of:

- (a) Valuation
- (b) Allocation**
- (c) Both a & b
- (d) None of these

(170) Loss on sale of an asset should be written off against:

- (a) Share premium account
- (b) Sales account
- (c) Depreciation fund account
- (d) None of these**

(171) Income and expenditure account reveals

- (a) Cash in hand
- (b) Surplus or deficiency**
- (c) Capital account
- (d) None of these

(172) Which of the following is true regarding the work sheet.

- (a) It is the form, which an accountant uses for his own aid and convenience.
- (b) It assists in the orderly preparation of the adjustments and financial statements at the end of the account period.
- (c) It can substitute for Journal and ledger
- (d) Only a & b are true**

(173) The post-closing trial balance will:

- (a) Contain only income statement accounts
- (b) Contain only balance sheet accounts**
- (c) Contain both income statement and balance sheet accounts
- (d) Be prepared before closing entries are posted to the ledger

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(174) The cost of goods and services used up in the process of obtaining revenue are called:

- (a) Net income
- (b) Revenue
- (c) Expenses**
- (d) Liabilities

(175) State which of the following are characteristics of job costing:

- (i) Homogeneous products**
- (ii) Customer driven production**
- (iii) Complete production possible within a single accounting period**
- (a) (i) only
- (b) (i) and (ii) only**
- (c) (ii) and (iii) only
- (d) (i) and (iii) only
- (e) None of these.

(176) State which of the following are characteristics of contract costing:

- (i) Homogeneous products**
- (ii) Customer driven production**
- (iii) Complete production possible within a single account period.**
- (a) (i) and (ii) only
- (b) (i) and (iii) only
- (c) (ii) and (iii) only**
- (d) (ii) only
- (e) None of these.

(177) The following extract is taken from the production cost budget of S. Ltd;

Production (Units) 2,000 3,000

Production Cost (Rs.) 11,100 12,900

The budget cost allowance for an activity level of 4,000 units is:

- (a) 7,200
- (b) 14,700**
- (c) 17,200
- (d) 22,200
- (e) None of these.

(178) Direct costs are:

- (a) Costs which can be identified with a cost center but not identified to a single cost unit
- (b) Costs which can be indented with a single cost unit**
- (c) Costs incurred as a direct result of a particular decision
- (d) Costs incurred which can be attributed to a particular accounting period
- (e) None of these.

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(179) A master budget comprises

- (a) The budgeted profit and loss account
- (b) The budgeted cash flow, budgeted profit and loss account and budgeted balance sheet
- (c) The budgeted cash flow
- (d) The entire set of budget prepared**
- (e) None of these.

(180) The best description of a by-product is a joint product which:

- (a) Has no economics value
- (b) Accounts for a relatively small proportion of the total value of the production process.
- (c) Accounts for a relatively small proportion of the total value of the production process.**
- (d) Will need to be disposed off a cost
- (e) None of these.

(181) What type of budget is designed to take into account forecast changes in cost, prices, etc.

- (a) Rolling budget
- (b) Functional budget
- (c) Flexible budget
- (d) Master budget**
- (e) None of these.

(182) Working capital is the:

- (a) Effective capital of the company when the business is in full swing
- (b) Capital borrowed from the bank
- (c) Difference between the current assets and current liabilities**
- (d) None of them.

(183) The most acceptable method of measuring income is:

- (a) To match the costs with revenue**
- (b) To find out this difference in net worth as on two dates
- (c) To apply normal life of return on capital invested.
- (d) None of these.

(184) Up to what level Agriculture income is exempt from tax?

- (a) Rs. 80,000
- (b) Rs. 100,000
- (c) Totally exempt**
- (d) Totally taxable

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(e) None of these.

(185) Average relief is available on the following except:

- (a) Donation for charitable purpose
- (b) Investment in shares
- (c) Retirement Annuity scheme**
- (d) Mark up on Housing Finance Scheme
- (e) Donations on Baitul-Mal Fund
- (f) None of these.

(186) Special tax relief is granted to a senior citizen if his age is:

- (a) 50 years or above
- (b) 60 years or above**
- (c) 65 years or above
- (d) None of these.

(187) When preparing balance sheet of a company, Goodwill, Patents, Trade Mark and Designs come under the head of:

- (a) Fixed Assets**
- (b) Fictitious Assets
- (c) Current Assets
- (d) Miscellaneous Expenditure
- (e) None of these.

(188) When debentures are issued at par and are redeemable at premium, credit given to premium on redemption of debentures account is in the nature of a:

- (a) Personal Account**
- (b) Real Account
- (c) Nominal Account
- (d) None of these.

(189) In comparison to the external auditor, an internal auditor is more likely to be concerned with:

- (a) Internal Administrative Control
- (b) Cost Accounting Procedures
- (c) Operational Auditing
- (d) Internal Accounting Control**
- (e) None of these.

(190) An auditor's unqualified short form report:

- (a) Implies only, that items disclosed in the financial statements and foot notes are properly presented and takes no position on the adequacy of disclosure.

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Implies that disclosure is adequate in the financial statements and foot notes.
- (c) Explicitly states that disclosure is adequate in the financial statements and foot notes.
- (d) Explicitly states that all material items have been disclosed in conformity with generally accepted accounting principles.**
- (e) None of these.

(191) The role of finance function in the future will be:

- (a) Tactical
- (b) Professional advisor**
- (c) Stewards
- (d) Specialist team member
- (e) None of these.

(192) In principle current assets are financed from:

- (a) Retained earning
- (b) Long term debts
- (c) Issue of fresh Capital**
- (d) Current liabilities
- (e) None of these.

(193) A non-banking asset is:

- (a) Item of office equipment
- (b) Bank premise
- (c) Secured property acquired from defaulting borrower
- (d) All of the above
- (e) None of these**

(194) When preparing a production budget, the quantity to be produced equals:

- (a) Sales quantity + Opening stock + Closing stock
- (b) Sales quantity – Opening stock + Closing stock
- (c) Sales quantity – Opening stock - Closing stock
- (d) Sales quantity**
- (e) None of these

(195) There is no difference between Financial Report and Financial statement.

(True/False)

(196) Calculating number of days uncollected of sales is known as Collection Index.

(True/False)

(197) Wages paid for construction of a plant is revenue expenditure. (True/False)

(198) Times interest earned is a great interest for a banker. (True/False)

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(199) Budgeted Profits are always high when pessimistic approach for preparing budget is followed. (True/False)

(200) Work Sheet only presents Balance Sheet figures. (True/False)

(210) Trial Balance is prepared from ledger. (True/False)

(211) Banks are governed under the Companies Ordinance, 1984 only for preparation of their financial statements. (True/False)

(212) Suspense Account is a clear account with no question to be asked. (True/False)

(213) Ledgers are prepared from vouches much before transactions are recorded in the Journal. (True/False)

(214) Every limited company is legally required to get their account audited by a practicing Chartered Accountant. (True/False)

(215) Conversion Cost consists of Director Material. (True/False)

(216) Standard Costing Procedures are not relevant in job costing. (True/False)

(217) Second Schedule is annexed to the Income Tax ordinance, 2001 and deals with exemptions from income tax. (True/False)

(218) There can never be an insurance of a Valid nature without insurable interest. (True/False)

(219) A loan taken from a bank for a period longer than two years is known as short-term loan. (True/False)

(220) Income Tax is livable on every person with an annual income of Rs. 80,000. (True/False)

(221) Audit Engagement letter is always obtained after the end of the audit. (True/False)

(222) Internal Audit is compulsory under the Companies Ordinance, 1984. (True/False)

(223) Cost Accounting and Financial Accounting can be never be reconciled. (True/False)

(224) Which of the following best describes the nature of an asset?

- (a) Something with a ready market value
- (b) An economic resource, which will provide some future benefits, owned by a business.
- (c) The amount of the owner's investment in a business
- (d) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(225) A balance sheet is prepared to find out financial position of a firm:

- (a) For a specified period
- (b) On a particular date**
- (c) At the time of sale of business
- (d) None of these

(226) The preparation of work sheet:

- (a) Constitutes creation of a formal financial statement
- (b) Eliminates the need for entering adjusting entries in the journal
- (c) Provides the information needed for journalizing adjusting and closing entries
- (d) None of these**

(227) Assets would be overstated if necessary adjusting entry was omitted for:

- (a) Expired Insurance
- (b) Accrued Salaries**
- (c) Accrued Interest Earned
- (d) None of these

(228) The book value of the depreciable asset is best defined as:

- (a) The un-depreciated cost of the asset**
- (b) The price that the asset would fetch if offered for sale
- (c) Accumulated depreciation of the asset since acquisition
- (d) None of these

(229) Which of the following is not an intangible asset?

- (a) A patent
- (b) A trademark
- (c) An investment in marketable securities**
- (d) None of these

(230) A company has current ratio of 2 to 1 at the end of year 1. Which one of the following transactions will increase this ratio?

- (a) Sales of bonds payable at a discount**
- (b) Declaration of a 20% cash dividend
- (c) Collection of a large account receivable
- (d) None of these

(231) If sales increase by 10% from year 1 to 2 and cost of goods sold increases only 6%, the gross profit on sales will increase by:

- (a) 4%**
- (b) 10%
- (c) 6%
- (d) None of these

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(232) Which of the following is not an acceptable inventory method?

- (a) Lower of cost or market
- (b) Sales value**
- (c) Specific identification
- (d) None of these

(233) Which of the following amounts appears in both the income statement and balance sheet?

- (a) Net Income**
- (b) Accumulated depreciation
- (c) Dividends
- (d) None of these

(234) Both the accounts for depreciation expense and accumulated depreciation:

- (a) Are closed at the end of the period
- (b) Appear in the Adjusted Trial Balance Columns of the worksheet
- (c) Appear in the Trial Balance Columns of the worksheet**
- (d) None of these

(235) When a partnership is liquidated:

- (a) Any cash distribution to partners is allocated according to the profit and loss sharing ratio.
- (b) Cash is distributed to each partner according to his or her capital account balance before the sale of partnership assets.
- (c) Any gain or loss on disposal of partnership assets is divided among the partners according to their relative account balances.**
- (d) None of these

(236) In projecting the future profitability of a trading company, investors will be least concerned with changes in:

- (a) The gross profit rate
- (b) The quick ratio**
- (c) Sales volume
- (d) None of these

(237) Revenue is most commonly recognized at the time when:

- (a) Cash is collected
- (b) The order is received from customers
- (c) The sale is made**
- (d) None of these

(238) Which of the following list of accounts is used to compute the cost of goods sold?

- (a) Purchases, inventory, and sales returns.

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<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Gross profit, purchase returns and carriage inward.
- (c) Inventory, net sales and purchases**
- (d) None of these

(239) Which of the following is ascertained by drawing up an income and expenditure account?

- (a) Cash in hand
- (b) Surplus or Deficiency**
- (b) Capital Fund
- (d) None of these

(240) On April 1, Hassan & Company received and paid a Rs.700 bill for the advertising done in March. In addition to this bill the company paid Rs. 6,100 during April for expenses incurred in that month. Hassan & Company paid Rs.3,600 as salary to employees for work done in April. Based on these facts, total expenses for the month of April were:

- (a) Rs.6,100
- (b) Rs.6,800
- (c) Rs.10,700
- (d) None of these**

(241) Which of the following categories of accounts are closed at the end of an accounting period?

- (a) Temporary accounts**
- (b) Permanent accounts
- (c) Personal accounts
- (d) None of these

(242) A retail store had current assets of Rs.72,000 and a current ratio of 2 to 1. The amount of working capital must have been:

- (a) Rs.144,000
- (b) Rs.108,000**
- (c) Rs.72,000
- (d) None of these

(243) Bond holders would be most interested in which of the following?

- (a) Quick ratio
- (b) Inventory turnover
- (c) Times interest earned**
- (d) None of these

(244) If annual requirement is 50,000 units, cost per unit Rs.15, ordering cost Rs.20 per order and holding cost 10% of the purchase price then what is economic order quantity?

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (a) 577
- (b) 1816
- (c) 1866
- (d) 1155

(245) Average, minimum and maximum daily usage is 400, 180 and 520 units Respectively. Lead time 10 to 15 days and reorder quantity 8000 units. What is reorder level:

- (a) 5000
- (b) 6000
- (c) 7800**
- (d) 8000

(246) The amount of overtime premium contained in direct wages would normally be classified as:

- (a) Part of prime cost
- (b) Factory overhead**
- (c) Direct labour cost
- (d) Administrative overhead

(247) Cost of Goods sold Rs.14,000. Purchases Rs.14,000 Carriage Inward Rs.1,000, carriage outward Rs.1,500 and closing inventory Rs.13,000. What is the opening inventory?

- (a) Rs.10,500
- (b) Rs.11,500
- (c) Rs.12,000**
- (d) Rs.13,000

(248) Which one of the following statements is incorrect with respect to external auditors:

- (a) External auditors are independent of organization
- (b) The responsibility of external auditor is fixed by statute
- (c) External auditors report to the members
- (d) External auditors work may range over many areas of activities as determined by the management**

(249) The first auditor of a Public Limited Company is appointed by the directors with in:

- (a) 30 days of incorporation
- (b) 60 days of incorporation**
- (c) 90 days of incorporation
- (d) 120 days of incorporation

(250) Audit working papers are the property of:

- (a) Client
- (b) Accountant

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(c) Auditor

(d) Registrar of Companies

(251) Which of the following would be least likely to be considered an objective of a system of internal control:

(a) Checking the accuracy and reliability of accounting data

(b) Detecting management fraud

(c) Encouraging adherence to managerial policies

(d) Safeguarding assets

(252) Benchmark rate of interest for the tax year 2006 was:

(a) 5%

(b) 6%

(c) 7%

(d) 8%

(253) Dividend income is subject to tax at source at:

(a) 0%

(b) 5%

(c) 10%

(d) 15%

(254) If cost of goods sold Rs.450,000, Opening stock Rs.125,000 and Closing stock Rs.175,000 then inventory turnover ratio is:

(a) 2 times

(b) 3 times

(c) 4 times

(d) 5 times

(255) If cost of good sold Rs.600,000, Operating expenses 40,000, sales Rs.820,000, Sale return Rs.20,000 then operating ratio is:

(a) 50%

(b) 80%

(c) 90%

(d) 100%

(256) Tax deducted at source will be treated as:

(a) Taxable

(b) Exempt

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

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- (c) Deductible from net tax
- (d) Deductible from total income**

(257) If rent received is Rs.1000 per month, token money forfeited Rs.500, insurance premium paid Rs.100, water charges Rs.100, the net property income will be:

- (a) Rs.12,000
- (b) Rs.12,300
- (c) Rs.12,400
- (d) Rs.12,500**

(258) One of the basic purposes of business combination is:

- (a) To provide better services to the community
- (b) To sell the goods at competitive prices
- (c) To reap profit by eliminating competition**
- (d) To increase sales

(259) A cooperative society is registered under cooperative society act of:

- (a) 1925**
- (b) 1930
- (c) 1984
- (d) 1948

(260) Which one of the following is not considered a legal document of Joint Stock Company:

- (a) Memorandum of association
- (b) Articles of association
- (c) Prospectus**
- (d) Shares

(261) Which one of the following is to be repaid in the last in case of liquidation of company:

- (a) Equity capital**
- (b) Preference Capital
- (c) Debentures
- (d) Preferential Creditors

(262) Average relief is allowed on the following expenditures except:

- (a) Donation for charitable purpose**
- (b) Investment in shares
- (c) Mark-up on housing finance
- (d) Contribution to employees children education fund

(263) The most important reason for having an annual audit is to:

- (a) Provide assurance to investors & others stake holders that financial statements are

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

dependable.

(b) Enable Directors to avoid personal responsibility for any deficiency in the financial statement.

(c) Meet the requirement of government agency.

(d) Provide assurance that fraud, if any exists, will be brought to light.

(264) Identify the item that is likely to serve as source document:

a. Trial balance

b. Income statement

c. Balance sheet

d. Invoice from supplier

(265) Identify which of the normal balances (in parentheses) assigned to the following accounts is incorrect:

a. Office supplies (Debit)

b. Cash (Debit)

c. Wages payable (Credit)

d. Free earned (Debit)

(266) The formula $(\text{Cost less salvage value} / \text{Total capacity in units} \times \text{units extracted})$ refers to which depreciation method:

a. Straight line

b. Units of production

c. Declining balance

d. Depletion

(267) While passing adjusting entries for what type of transactions expenses are debited and assets are credited:

a. Accrued revenue

b. Accrued expenses

c. Declining balance

d. Depletion

(268) Of the following statements, which one is untrue for the corporate form of organization:

a. It is a separate legal entity

b. It has a limited life

c. Income that is distributed to owners is usually taxed twice

d. Ownership rights can be easily transferred

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(269) For each transaction, double-entry accounting requires which of the following:

- a. Debits to asset accounts must create credits to liability or equity accounts
- b. A debit to a liability account must create a credit to an asset accounts
- c. Total debits must equal total credits**
- d. None of these

(270) When costs are rising, which method reports higher net income:

- a. LIFO
- b. FIFO**
- c. Average
- d. The most recent purchase price

(271) A transaction caused Rs. 20,000 decrease in both total assets and total liabilities. This transaction could have been:

- a. Purchase of an asset for Rs. 20,000 cash
- b. Asset costing Rs. 20,000 destroyed by fire
- c. Repayment of Rs. 20,000 bank loan**
- d. Collection of Rs. 20,000 account receivable

(272) What percentage of profit a bank has to transfer to statutory reserve until it inflates to paid-up capital of the bank:

- a. 5%**
- b. 10%
- c. 20%
- d. 25%

(273) Identify the correct answer with regards to depreciation expense:

- a. Is an application of the matching principle?**
- b. Is a closing entry?
- c. Usually includes an offsetting credit either to cash or accounts payable.
- d. Is not an adjusting entry?

(274) Comparison of a company's financial condition and performance across time is a:

- a. Ration analysis
- b. Horizontal analysis**
- c. Vertical analysis
- d. None of these

(275) Income and expenditure account in a non trading institution records transaction of:

- a. Revenue nature only**
- b. Capital nature only
- c. Both (a) & (b)
- d. Income of revenue nature and expenditure of revenue and capital nature

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(276) At the time of admission of a new partner, goodwill raised should be written off in:

- a. New profit sharing ratio
- b. Old profit sharing ration**
- c. Sacrificing ratio
- d. Gaining ratio

(277) A and B are partners in the ratio of 2:1. They admit C for $\frac{1}{4}$ shares who contribute Rs. 3000 for his share of goodwill. Total value of the goodwill of the firm is:

- a. Rs. 3000
- b. Rs. 9000
- c. Rs. 12000**
- d. 15000

(278) Second hand machinery worth Rs. 10, 000 was purchased, repairing of the machinery cost Rs. 1,000. The machinery was installed by own workers. Wage for this being Rs. 200, the machinery account should be debited for:

- a. Rs. 10,000
- b. Rs. 11,000
- c. Rs. 11,200**
- d. None of these

(279) If net sales Rs. 100,000 cost of goods sold Rs. 55,000, administrative expenses Rs. 5300, selling expenses Rs. 4375, Interest expense Rs. 500, the operating profit is:

- a. Rs.35325**
- b. Rs.45000
- c. Rs.39700
- d. Rs.34825

(280) Which of the ratio best reflects a company's ability to meet immediate interest payment?

- a. Debit ratio
- b. Equity ratio
- c. Times interest earned**
- d. None of these

(281) Identify which items are subtracted from the list amount and not recorded when computing purchase price:

- a. Freight in
- b. Trade discount**
- c. Purchase discount
- d. Purchase return

(282) Bonus payable only on the maturity of the policy is termed as:

- a. Cash bonus

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- b. Reversionary bonus
- c. Interim bonus
- d. Bonus is reduction of premium**

(283) Rebate on bill discounted (unearned discount) is:

- a. An expense
- b. An income
- c. A liability**
- d. An asset

(284) A job-order costing system is most appropriate for which of the following types of manufacturing?

- a. Flour milling
- b. Paper manufacturer
- c. Automobile manufacturer
- d. Shipbuilders**

(285) The predetermined overhead is:

- a. Determined at the end of the accounting period
- b. Determined by dividing the allocation base by the estimated overhead**
- c. Used in a normal cost system
- d. Never applied to the work in process at the end of the period

(286) Actual overhead costs appear:

- a. On a job cost sheet
- b. In the work in process account
- c. In the financial goods account
- d. In the manufacturing overhead accounts**

(287) Which of the following is a clearing account?

- a. Manufacturing summary
- b. Manufacturing overhead**
- c. Depreciation expense
- d. Accumulated depreciation

(288) Which of the following is a benefit of a just-in-time (JIT) inventory system?

- a. Decreased facility-level activity
- b. Reduction in investment funds**
- c. Reduction in skilled labour
- d. Reduction in waste

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(289) The basic concept which recognizes that the cost of internal control should not exceed the benefits expected to be derived is known as:

- a. Reasonable assurance**
- b. Management responsibility
- c. Limited liability
- d. Management by exception

(290) Which of the following eliminates details from the working trial balance by classifying and summarizing similar or related items?

- a. Lead schedules
- b. Control accounts**
- c. Supporting schedules
- d. Accounts analysis

(291) Which of the following would be least likely to be considered a control objective?

- a. Safeguarding assets**
- b. Detecting management fraud
- c. Accuracy of accounting data
- d. Adherence to managerial policies

(292) Which of the following statements is false?

- a. Checklist is a method of internal control for a small business
- b. Two types of audit tests are compliance tests and substantive tests
- c. Materiality and audit risk have direct relationship**
- d. Internal control consists of both accounting controls and administrative controls

(293) Which of the following is principle purpose of evaluation on internal control?

- a. Compliance with auditing standards**
- b. Checking efficiency of management
- c. Issuance of letter of weakness in internal control
- d. Determining nature, timing and extent of substantive audit test
- e. None of these

(294) Which of the following assets is not eligible for initial depreciation allowance?

- a. Vehicle for factory labour
- b. Professional books
- c. Vehicle plying for hire**
- d. Ship

(295) Which of the following is capital asset under the Income Tax Ordinance, 2001?

- a. Shares of a company
- b. Copy rights

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- c. Patents rights
- d. Stock of goods

(296) Which of the following is an agricultural income?

- a. Royalty income for miners
- b. Income from cultivation of rice**
- c. Income from sale of irrigation water
- d. Income from poultry farm

(297) Which of the following expenditures is admissible under the head income from Business?

- a. Cost of issue of shares
- b. Wealth tax
- c. Loss by fire**
- d. Interest payable to partner

(298) Which of the following rental income is exempted from tax under the head Income from Property?

- a. Property income held under trust**
- b. Self-occupied residential property
- c. Income from agricultural building
- d. All of these

(299) The face values and market value of shares remain the same in case of:

- a. Public limited company
- b. Co-operative society**
- c. Single member company
- d. Private limited company

(300) Which of the following combination of business makes different types of goods and have in common either raw material or final product?

- a. Horizontal**
- b. Vertical
- c. Circular
- d. Lateral

(301) The status of Chamber of Commerce and Industry in Pakistanis:

- a. Partnership
- b. Association of persons
- c. Limited company
- d. Club**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(302) Markets are necessary because:

- a. Demand always exceeds supply
- b. Barter cannot work properly
- c. Competition is encouraged
- d. Buyers and sellers are different people**

(303) Discovery of business opportunities and arrangement of property, funds, and management ability to set up a business is called:

- a. Incorporation**
- b. Integration
- c. Amalgamation
- d. Promotion

(304) Audit programme is prepared by:

- a) Audit Staff
- b) Chief Accountant
- c) Directors
- d) Audit Management**
- e) None of these

(305) Verification is carried out for:

- a) Closing Stock
- b) Rent Income
- c) Dividend Received
- d) Wages and Salaries
- e) None of these**

(306) Retiring auditor can be appointed at:

- a) Statutory Meeting
- b) AGM**
- c) Directors Meeting
- d) Creditors Meeting
- e) None of these

(307) Unqualified report is favorable for:

- a. Management**
- b. Creditors
- c. Debtors
- d. Employees
- e. None of these

(309) Normally test checking is adopted in case of:

- a) Continuous Audit**
- b) Final Audit

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- c) Interim Audit
- d) Special Audit
- e) None of these

(310) In partnership minimum number of members is:

- a) 2**
- b) 3
- c) 4
- d) 5
- e) 20

(311) In Public Ltd. Company, minimum number of members is:

- a) 2
- b) 3
- c) 5
- d) 7**
- e) 10

(312) Short term finance can be arranged through:

- a) Sales of Debentures
- b) Sales of Shares
- c) Bank Loan**
- d) Debtors Collection
- e) None of these

(313) Statutory meeting is necessary in case of:

- a) Private Ltd. Co.
- b) Public Ltd. Co.**
- c) Partnership
- d) Cooperative Society
- e) None of these

(314) Current Companies Ordinance is that of:

- a) 1932
- b) 1984**
- c) 2001
- d) 2002
- e) 2003

(315) The Addition of Material and Labour is called:

- a) Conversion Cost

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- b) Prime Cost**
- c) Financial Cost
- d) Absorption Cost
- e) None of these

(316) Expenses can be called as:

- a) Expired Cost**
- b) Project Cost
- c) Prime Cost
- d) Conversion Cost
- e) None of these

(317) EOQ is adopted to have efficient:

- a) Material Management**
- b) Labour Management
- c) FOH Management
- d) Selling Expenses Control
- e) None of these

(318) Which of the following is fixed cost:

- a) Rent**
- b) Income Tax
- c) Repair
- d) Electricity
- e) Insurance

(319) The statement prepared under process costing is called:

- a) Cost of Goods Sold statement
- b) Income Statement
- c) Cost of Production Report**
- d) Variance statement
- e) None of these

(320) Current Income Tax Ordinance is that of:

- a) 1990
- b) 2001**
- c) 2002
- d) 2003
- e) 2008

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(321) which of the following will be considered as capital expenditure?

- a) Material Expense
- b) Machinery Purchased**
- c) Labour Paid
- d) FOH applied
- e) Income Tax Paid

(322) Which of the following is exempted from tax at present?

- a) Agricultural Income**
- b) Banks Profits
- c) Salary Income
- d) Profit of Public Ltd. Co.
- e) Profit of Private Ltd. Co.

(323) If Income year of a salaried person ends on 30th June, 2008, then tax year would be:

- a) 2007-08**
- b) 2008-09
- c) 2009-10
- d) 2008
- e) None of these

(324) Which of the following can be adjusted against Income Tax Liability:

- a) Withholding Tax on Telephone Bills**
- b) Excise Duty Paid
- c) Custom Duty Paid
- d) Sales tax paid
- e) Trade tax paid

(325) Double Entry Book Keeping was fathered by:

- (a) Luca Paioli (b) Yoyji Ijiri (c) Micheal Hammer (d) Ishikawa**

(326) Accumulated loss of a company is shown in the balance sheet as:

- (a) Liability (b) As an asset (c) As foot note to balance sheet (d) None of these**

(327) Under the Companies Ordinance 1984, disclosure of financial information is legally required for listed companies under:

- (a) Schedule 6 (b) Schedule 5 (c) Schedule 4 (d) Schedule 8**

(328) A company is considered sick under the Companies Ordinance 1984 where current ratio is:

- (a) Below 0.5 : 1 (b) Below 3 : 1 (c) Above 2.5 : 1 (d) None of these**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(329) Banks are required to prepare their financial statements as per following legislation:

- (a) Free to prepare with no legislative requirements (b) Under Companies Ordinance 1984
(c) **Banking Ordinance 1962** (d) State Bank Laws

(330) Preparation of financial statement of listed insurance companies in Pakistan is governed by:

- (a) Insurance Act 1938 (b) **Insurance Ordinance 2000** (c) Companies Act 1913 (d) Companies Ordinance 1984

(331) Trading loss occurs when:

- (a) Revenues exceed the matching relevant costs. (b) Revenue and matching costs are equal to each other.
(c) **When relevant matching cost exceeds revenues** (d) None of these

(332) Accounting requirements governing NGOs are prescribed in:

- (a) Partnership Act 1932 (b) **Cooperative societies legislation** (c) Companies Ordinance 1984 (d) None of these

(333) Work sheet is equivalent to:

- (a) Balance sheet (b) Income statement (c) **Trial Balance** (d) None of these

(334) Work sheet does include:

- (a) Fund flows statement (b) Cash generation statement (c) Cash flow statement (d) **None of these**

(335) Deffered tax is shown in the balance sheet as:

- (a) Liability (b) Asset (c) **An expenditure in income statement** (d) None of these

(336) The following represent tangible assets and are shown in the balance sheet as:

- (a) People (b) Expenses (c) Revenue (d) **Goodwill**

(337) Under the Rule of thumb a good current ratio is:

- (a) 6 : 1 (b) 10 : 1 (c) .05 : 1 (d) **2 : 1**

(338) Financial analysis is a legislative requirement under:

- (a) Companies Ordinance 1984 (b) Partnership Act 1932 (c) Voluntary act (d) **None of these**

(339) Pakistan follows the following budgeting system at Federal level:

- (a) Zero-Based Budgeting (b) Program Budgeting
(c) Responsibility Budgeting (d) **Incremental / decremental budgeting**

(340) Preparation of budget by a company is compulsory under:

- (a) **No Law** (b) Several laws (c) Securities & Exchange Ordinance 1969 (d) Companies Ordinance 1984

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(341) Depreciation must be accounted for:

(a) Revenues (b) **Fixed Assets** (c) Share Capital (d) None of these

(342) Accelerated depreciation is allowed under:

(a) **Income Tax Ordinance 2001** (b) Voluntary principals (c) Prudential Regulations (d) None of these

(343) Partnerships are legally required to prepare their financial statements for distribution on wide basis under:

(a) Partnerships Act 1932 (b) Securities & Exchange Rules 2000
(c) Voluntary Act for Compliance (d) **None of these**

(344) A company is considered sick if the market value compared to its par value is:

(a) 1 : 1 (b) 2 : 1 (c) **0.25 : 1** (d) None of these

(345) Break-up value of a share can be determined by:

(a) Net assets method
(b) **Yield method**
(c) Stock exchange quotation
(d) None of these

(346) In case a company is solvent, the interest on debentures is paid up to the date of:

(a) The balance sheet
(b) **the commencement of winding up**
(c) Payment
(d) None of these

(347) Which of the following is not concerned with the valuation of goodwill?

(a) Earning capacity method
(b) **Super profit method**
(c) Average profit method
(d) None of these

(348) Debenture holders having a floating charges have priority in payment over:

(a) Preferential creditors
(b) Secured creditors
(c) **Unsecured creditors**
(d) None of these

(349) Two companies, X Co. and Y Co., go into liquidation and a new Co., Z Ltd, is formed. It is case of:

(a) Absorption
(b) **External Reconstruction**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(c) Amalgamation

(d) None of these

(350) Expenses of liquidation met by vendor Company are debited to (by the Vendor company):

(a) Realization account

(b) Bank account

(c) Goodwill account

(d) None of these

(351) In the books of consignee the expenses incurred by him on consignment are debited to:

(a) Consignment account

(b) Sales account

(c) Consignor's account

(d) None of these

(352) Bonus in reduction of premium appears in the revenue account:

(a) As a expense

(b) As an income

(c) As a profit

(d) None of these

(353) A contributory is:

(a) A creditor

(b) Shareholder

(c) Debenture holder

(d) None of these

(354) Appropriations out of profits in case of a banking company are made in:

(a) Profit & loss app. A/c

(b) Profit & loss A/c

(c) Balance sheet

(d) None of these

(355) Rebate on bills discounted is:

(a) An expense

(b) An income

(c) A liability

(d) None of these

(356) Increase in amount of bills payable results in:

(a) Increase the cash

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (b) Decrease the cash
- (c) Has not effect on cash**
- (d) None of these

(357) Which of the followings is a non-operating income?

- (a) Profit on the sale of used plant in manufacturing company**
- (b) Revenue from sales in trading concern
- (c) Dividends received by an investment company
- (d) Premiums received from an insurance company

(358) Which of the following is not a capital reserve?

- (a) Premium on the issue of shares
- (b) Profit prior to Incorporation**
- (c) Dividend equalization reserve
- (d) Profit on the sales of fixed assets

(359) Depreciation as the term is used in accounting means:

- (a) Physical deterioration of a fixed asset
- (b) Decline in the market value of the asset
- (c) Allocation of the cost of fixed asset, over its useful life**
- (d) Making a provision for the replacement of the fixed asset

(360) Posting a wrong amount in ledger causes:

- (a) The trial balance is out of balance**
- (b) Dose not cause the trial balance to the out of balance
- (c) Cause the ledger account to be out of balance
- (d) None of these

(361) Bank over draft should be classified as:

- (a) Current asset
- (b) Current liability**
- (c) Fixed asset
- (d) None of these

(362) The most important test of solvency of a business is calculated with the help of the following ratio:

- (a) Net profit after taxes / Total assets
- (b) Total assets / Total outside liabilities
- (c) Total fixed assets / Capital employed
- (d) Total fixed assets / Total equity

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(363) Sales on account for company for the year ended December 31, 2012 amounted Rs. 50000, if the opening balance receivable was Rs. 10000 and the closing balance was Rs. 20000, the cash collected from customers must have been:-

- (a) 40000**
- (b) 50000
- (c) 60000
- (d) 70000

(364) Financial accounting reports are prepared primarily:

- (a) To value the property of the company
- (b) To show managers the results of their departments
- (c) To help people make decisions about resource allocation**
- (d) To show the value of shares in the company

(365) Accounting principles are generally based on

- (a) Practicability** (b) Subjectivity (c) Convenience in recording

(366) Real accounts are related to

- (a) Assets** (b) Expense and incomes (c) Customers and creditor etc

(367) Rent paid to the land lord should be credited to

- (a) Landlord Account (b) Rent account **(c) Cash Account**

(368) In the event of dissolution of a partnership firm the provision for doubtful debts is transferred to

- (a) Realization Account** (b) Partner capital accounts (c) sundry debtors Accounts

(369) A prospectus for share can be issued only by

- (a) A public company** (b) A private company (c) None of these.

(370) Preliminary expense is

- (a) Current asset (b) Current Liability **(c) Fictitious asset**

(371) The valuation of closing stock is at

- (a) Cost price (b) Market price
- (c) Cost or Market price whichever is lower**

(372) The master budget includes

- (a) as income statement (b) a balance sheet (c) a cash budget (d) **these all of these**

(373) Cost volume profit analysis is the method used to estimate the impact on profit is of changes in

- (a) Unit variable cost (b) unit sales price (c) Sale volume **(d) All of these**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

(374) In a manufacturing company product cost include

(a) Material cost only (b) Material and labour (c) Labour cost only **(d) material labour and overhead cost**

(375) A liability in the amount of Rs 500 is paid in cash which of the following is true

(a) Asset is increased and liability is decreased (b) Asset is increased and liability is increased
(b) Asset is decreased and liability is decreased (b) Liability is decreased and owner's equity is increased

(376) Which one of the following account would usually have credit balance?

(a) Cash **(b) Account payable** (c) Equipment (d) Salaries expense

(377) A company collected one year's rent in advance on October 1st ,1997 the entries Rs 1200 was credited to unearned revenue account the adjusting entry at the December 31,1997 year ended would include

(a) A debit to unearned revenue for Rs 300 (b) A debit to unearned revenue for Rs 900 (c) A credit to unearned revenue for Rs 300 (d) A debit to rent earned for Rs 900

(378) Net income plus operating expense is equal to

(a) Net sale (b) Cost of good available for sales (c) Cost of good sold **(d) Gross profit**

(379) When purchase merchandise is returned under a perpetual inventory system a credit would be made to

(a) Inventory (b) Freight in (c) Purchases **(d) Purchase return**

(380) Which of the following accounts would not be included in the computation of the cost of goods sold

(a) Purchase returns (b) Freight in (c) **Purchase discount lost** (d) Purchase discounts

(381) Total manufacturing cost for a period includes all of the following except

(a) Raw material used (b) Direct labour cost
(c) Cost of good completed (d) Factory overhead cost

(382) Quick Asset includes which of the following

(a) Cash (b) Account receivable (c) Marketable securities **(d) All of these** (e) a &b

(383) When a small stock dividend is declared which of the following accounts is credited

(a) Common stock (b) Dividend payable (c) **Common stock dividend distributable** (d) Retained Earnings

(384) An advantages of the partnership from of business organization is its

(a) Unlimited liability (b) Mutual agency (c) **Ease of the formation** (d) Limited life

(385) The table " C "of the Companies Ordinance 1984

(a) Balance sheet format (b) Profit & Loss format (c) **Model " Articles of Association"** (d) Model "Memorandum of Association"

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (386) The statement of assets liabilities and owner's capital is called the**
 (a) Financial statement (b) Profit & loss A/c (c) **Balance sheet** (d) statement of owners capital
- (387) When business activity increases the fixed cost per unit**
 (a) **Decreased** (b) Remain the same (c) Increases (d) None of these
- (388) Standard cost are not used to**
 (a) Measuring the performance (b) Prepare Budgets (c) **Aid in planning** (d) Avoid tracking actual costs
- (389) Return on investment could be improved by**
 (a) **Increasing assets turnover** (b) Decreasing return on sales (c) Decreasing contribution margin (d) Increasing control expense
- (390) The formula a future value of dollar is**
 (a) **$P(1 + r)^n$** (b) $P(1 - r)^n$ (c) $P(1 + n)r$ (d) $P(r - 1)^n$
- (391) The analysis of financial statement helps identify a company's strengths and weaknesses it indicate if company**
 (a) is managing its inventory efficiently (b) Has sufficient plant assets
 (c) is collecting accounts receivable quickly (d) **All of the above**
- (392) Company's earning power ratios are of a great interest to**
 (a) Preferred shareholders (b) Long terms lenders (c) **Common share holders** (d) all of these
- (393) Depreciation Expense is**
 (a) a cash inflow (b) a cash outflow (c) Ignored when proper cash flow statements (d) **Added to the accumulated depreciation account**
- (394) An increase in income tax payable mean that the company**
 (a) **Paid less than the income tax expense repotted** (b) Paid more than the income tax expense reported (c) Paid the same as the income tax expense reported (d) Is not paying any income taxes
- (395) A Cash sale of merchandise should be recorded in the**
 (a) Sales journal (b) General Journal (c) **Cash receipt journal** (b) Cash payment journal
- (396) Which of the fallowing should not be considered cash by an accountant?**
 (a) Money Order (b) Bank saving account balance (c) **Postage stamps** (d) Travelers' cheques
- (397) The inventory method that assigns the most recent costs to the cost of goods sold is**
 (a) **FIFO** (b) LIFO (c) Weight average (d) Specific Identification
- (398) In finance Working capital means the same things as**
 (a) Total assets (b) Fixed assets (c) **Current assets** (d) Current assets minus current liabilities

(399) The more basic requirement for a firm's marketable securities

(a) Safety (b) **yield** (c) Marketability

(400) Partnership forms of organization

(a) **Avoids the double taxation of earnings and dividends found in the corporate form of a organization** (b) Usually provides limited liability to the partners (c) Has unlimited life

(401) A corporate buy back or the repurchasing of share is

(a) An example of balance sheet restructuring (b) An excellent source of profit when the firm stock is overpriced

(c) **A method of reducing the debt to equity ratio** (d) All of the above

(402) A statement of cash flows can be prepaid using a full T account analysis This approach

(a) **User a detail T accounts for each balance sheet account** (b) Dividend the cash T account into cash inflow and cash outflows (c) Classifies item into operating, investing, financing (d) All the above are true

(403) If the beginning inventory of the finished good is 3000 units, planned sales are 25000 units and planned productions is 27000 units the inventory of finished goods on the budgeted balance sheet would be

(a) 3000 (b) **1000** (c) 5000 (d) None of these

(404) If working capital increased during the period

(a) **Current assets must be increased** (b) Current liabilities must be decreased (c) Source of working capital must have been greater than uses of working capital (d) User of working capital must have been greater than sources of working capital

(405) Which of the following transactions represent an expense?

(a) The owner withdrew Rs. 1,600 from the business for personal use

(b) Purchased a photocopying machine for Rs. 2,750 cash

(c) Purchased medical supplies for cash from Healthcare Labs. Rs. 1,630

(d) **Received a telephone bill amounting to Rs. 550 to be paid within ten days.**

(406) Which of the following statements about accounting procedures is not correct?

(a) The journal shows in one place all the information about specific transactions arranged in chronological order.

(b) A ledger account shows in one place all the information about changes in a specific asset or liability or owner's equity.

(c) **Posting is the process of transferring information from ledger accounts to the journal.**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

NTS/CSS/CE Aspirants WhatsApp Group
Shared by Sanaullah +923003234123

(d) The product of the accounting cycle is the formal financial statements such as balance sheet and income statement.

(407) Which of the following financial statements reflects the overall financial position of the business?

- (a) Statement of cash flows (b) Income Statement
- (c) Balance Sheet** (d) Statement of owner's equity

(408) Trial Balance is prepared:

- (a) To ensure arithmetical accuracy of accounting records.**
- (b) To establish complete accuracy of accounting records.
- (c) To determine the amounts payable to suppliers for purchase of goods on credit.
- (d) To ensure efficient use of resources of the business.

(409) The net sales of Fresh Foods were Rs. 200,000 for the current month. If the cost of goods available for sale was Rs. 180,000 and the gross profit rate was 35%, the ending inventory must have been:

- (a) Rs. 70,000
- (b) Rs. 1,30,000
- (c) Rs. 50,000**
- (d) Rs. 63,000

(410) In the accounting cycle:

- (a) Closing entries are made before adjusting entries.
- (b) Closing entries are made after the adjusting entries.**
- (c) Adjusting entries are made after financial statements are prepared.
- (d) Financial statements are prepared after closing trial balance.

(411) Which of the following is an intangible asset?

- (a) An investment in marketable securities.
- (b) Leasehold land.
- (c) Loose tools.
- (d) Copy rights.**

(412) Expense is recorded in the accounting records when:

- (a) Cash is paid
- (b) The purchase order is placed with the supplier
- (c) Purchases are made
- (d) None of these**

(413) The cash basis of accounting:

- (a) Is widely used by manufacturing firms.
- (b) Is often used by merchandising firms.**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

- (c) **Usually results in a larger amount of tax than under accrual basis accounting.**
- (d) Can not be used in filing income tax returns.

(414) The straight-line method of depreciation:

- (a) Generally gives best results because it is easy to apply**
- (b) Should be used in a period of inflation, because it accumulates the fund for the replacement of asset at a uniform rate.
- (c) Is the best method used for wasting assets.
- (d) Ignores fluctuations in the rate of asset usage.

(415) Which of the following accounts are not closed at the end of an accounting period?

- (a) Revenue accounts
- (b) Expense accounts
- (c) Drawing accounts
- (d) Asset accounts**

(416) Under periodic inventory system cost of good sold is determined and recognized in the books of accounts:

- (a) At the time of purchase of goods
- (b) At the time of sale of goods
- (c) At the end of the year**
- (d) None of these

(417) Which of the following is not a use of working capital?

- (a) Repayment of long term debt**
- (b) Cash dividend declared but not paid
- (c) Payment of an account payable
- (d) Acquisition of treasury stock.

(418) A transaction caused a Rs. 10,000 decrease in both assets and total liabilities. This transaction could have been:

- (a) Purchase of furniture for Rs. 10,000
- (b) An asset costing Rs. 10,000 was destroyed by fire
- (c) Repayment of bank loan Rs. 10,000**
- (d) Collection of a Rs.10,000 account receivable

(419) Which ratio indicates a firm's ability to pay current liabilities in the shortest possible time?

- (a) Current Ratio
- (b) Equity Ratio
- (c) Debt Ratio
- (d) Quick Ratio**

Prepared by: Hassan Alyani

<https://web.facebook.com/hassan.alyani>

hassan.alyani@yahoo.com

NTS/CSS/CE Aspirants WhatsApp Group
Shared by Sanaullah +923003234123

(420) If we add the average number of days to turn the inventory over and the average age of receivables (in number of days), we arrive at:

- (a) The company's fiscal period
- (b) The sales volume of the business
- (c) The company's operating cycle**
- (d) Nothing meaningful

(421) Which of the following is least important in determining the fair market value of a share?

- (a) Earnings and dividends per share
- (b) Book value per share
- (c) The available supply of shares and the demand to purchase the shares.**
- (d) The par value of share.

(422) Financial statements prepared by a business firm are most likely to be:

- (a) Fully reliable
- (b) Tentative in nature
- (c) Relevant for all types of decisions**
- (d) Always misleading

(423) One of the following is not an officer of a company:

- (a) Share registrar**
- (b) Controller
- (c) Secretary
- (d) Treasurer

(424) A deficit appears on the balance sheet:

- (a) Among the assets
- (b) As a deduction from total paid-up capital**
- (c) Among the liabilities
- (d) None of these