

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

- ▶ Any cheque drawn to creditor but not paid by bank
- ▶ Interest credited by the bank in pass book
- ▶ Cheque deposited but not credited by the bank
- ▶ Dividend collected by bank on behalf of the customer

The cost of moving plant and machinery to a new site will be treated as:

- ▶ Revenue expense
- ▶ Capital expense
- ▶ Administrative expense
- ▶ Operating expense

Which one of the following is **NOT** true about Capital Expenditure?

- ▶ Creates future benefits
- ▶ Incurred to acquire fixed assets
- ▶ Incurred to increase the economic life of existing fixed assets
- ▶ Reduce the profit of the concern

.8 Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit
Sold	10 units @ 10 35 units @ 11 40 units @ 12 Balance

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260      20 units @ 13 = 260
- ▶ Rs.232      ▶ Rs.284      ▶ Rs.268

.9 Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225
	Opening Stock			100
	Add purchases			1125
	Total material available for sale			1225
	Less closing **			320
	Cost of goods sold			905

**Detail of 80 units sold**

10 @ 10

35 @ 11

35 @ 12

now remaining are

5 units @ 12 = 60

20 units @ 13 = 260

**Closing stock = 25 units and value = 320**

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

▶ Rs. 1,225

▶ Rs. 1,015

▶ Rs. 965

▶ **Rs. 905**

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

**=  $400,000 - 25,000 / 5 = 75,000$** 

▶ Rs. 160,000

▶ Rs. 96,000

▶ **Rs. 75,000**

▶ Rs. 57,600

**.10**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

Asset year 1 = 100,000 - 15,000 = 85,000

Year 2 = 85,000 - 15,000 = 70,000

Year 3 = 70,000 - 15,000 = 55,000

Year 4 = 55,000 - 15,000 = 40,000

Book value after year 5 = 40,000 - 15,000 = 25,000

▶ **Rs.25, 000**

▶ Rs. 75,000

▶ Rs. 15,000

▶ Rs. 1, 00,000

**.11 A decrease in value of a fixed asset due to age, wear and tear is known as:**▶ **Depreciation**

▶ Accumulated Depreciation

▶ Appreciation

▶ Written Down Value

**.12 In balance sheet fixed assets are shown at:**

▶ Cost price

▶ Market value

▶ Fair value

▶ Written down value (WDV)

13 In cost of goods sold statement, the 'cost of material consumed' is equal to:

▶ Opening raw material inventory + Purchases – Ending raw material inventory

▶ Opening raw material inventory - Purchases + Ending raw material inventory

▶ Ending raw material inventory + Opening raw material inventory - Purchases

▶ Ending raw material inventory + Opening raw material inventory + Purchases

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost = dm + dl	130000

▶ Rs.1 Rs.130, 000

▶ Rs.110, 000

▶ Rs.140, 000

▶ Rs.190, 000

14 .What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?

▶ Rs. 5,500

▶ R8,0

00

▶ Rs. 4,500

▶ Rs. 8,500

Following are the inventories of Manufacturing Concern **EXCEPT**:

▶ Raw material

▶ Work in process

▶ Finished goods

▶ **Merchandise inventory**

15 If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

▶ Rs. 5,000 Loss

▶ **Rs. 5, 000 Profit**

▶ Rs.1, 95,000 Profit

▶ Rs.1, 95,000 Loss

Income of the business includes:

▶ Cash sales only

▶ Credit sales only

▶ Credit purchases only

▶ **Both cash sales and credit sales**

- Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO Method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

.2 Which of the following is NOT an example of Current Asset?

- ▶ **Bank Overdraft**
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

.3 We can say that the business is in profit, when:

- ▶ Assets exceed Expenditure
- ▶ **Assets exceed Liabilities**
- ▶ Income exceeds Expenditure
- ▶ Income exceeds Liabilities

.7 Economic resources owned by a business and expected to benefit for the future operations are called:

- ▶ Expenses
- ▶ **Assets**
- ▶ Capital
- ▶ Liabilities

.8 Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

.9 If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- ▶ **Rs.15,000**
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

.10 Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

.11 Which of the following account will be debited, if business bought goods on cash from Mr. Ali?

- ▶ **Purchases account**
- ▶ Mr. Ali account
- ▶ Cash account
- ▶ Sales account

.12

A summarized record of transactions related to individuals or things is called a/an \_\_\_\_.

- ▶ **Account**
- ▶ Voucher
- ▶ Journal
- ▶ Trial balance

When a assets is increased, it is recorded on the:

- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Left or credit side of the account
- ▶ Right or credit side of the account

Cost incurred for the maintenance of shop is considered as\_\_\_\_\_.

- ▶ Deferred expense
- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ **Both cash and accrual accounting**
- ▶ None of the given options

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ **Depreciation**
- ▶ Fluctuation
- ▶ None of the given options

Under the reducing balance method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ Amount of depreciation remains constant for every year
- ▶ **Amount of depreciation decreases every year**
- ▶ None of the given options

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ **Rs.320**

.13

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Profit or Loss	?

▶ **Rs. 25,000**

▶ Rs. 75,000

▶ Rs. 15,000

▶ Rs. 1,00,000

In accounting accumulated depreciation is:

▶ Treated as a reserve

▶ Treated as a contra asset

▶ Treated as a surplus

▶ **Treated as an expense**

Cash book is a part of:

▶ Voucher

▶ General Journal

▶ **General Ledger**

▶ Trial Balance

Which of the following organization converts raw material into finished goods?

▶ Trading concern

▶ **Manufacturing concern**

▶ merchandising concern

▶ Service concern

Which of the following account will be credited, if business purchased a vehicle on cash?

▶ Vehicle account

▶ **Cash account**

▶ Business account

▶ Bank account

Which of the following essentials are shown in Bank Book?

(1) Date of transaction

(2) Narration of transaction

(3) Cheque number

▶ (1) & (2) only

▶ (2) & (3) only

▶ (1) & (3) only

▶ **(1), (2) & (3)**

Commercial Accounting is based on:

▶ Single entry book keeping

▶ **Double entry book keeping**

▶ Both single and double entry book keeping

▶ Cash basis of book keeping

A book, in which receipts and payments are recorded, is known as:

▶ Pass Book

▶ **Cash Book**

▶ Purchase Book

▶ Sales Book

Commercial Accounting is based on:

▶ Single entry book keeping

▶ **Double entry book keeping**

▶ Both single and double entry book keeping

▶ Cash basis of book keeping

Which of the following account will be credited, when the goods are purchased on

cash?

- 7
- ▶ Stock account
  - ▶ Supplier account
  - ▶ Cash account
  - ▶ Work in process account

Faisal Qureshi

Following are the inventories of Trading Concern EXCEPT:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ Merchandise inventory

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ Latin
- ▶ English
- ▶ French
- ▶ Chinese

"Mr. 'A' collected cash from debtors", the journal entry for this transaction is:

- ▶ Mr. "A" a/c Dr. and debtors a/c Cr.
- ▶ Mr. "A" a/c Dr. and cash a/c Cr.
- ▶ Cash a/c Dr. and debtors a/c Cr.
- ▶ None of the given options

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ Depreciate able assets
- ▶ Unlimited assets
- ▶ None of the given options

When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ Right or credit side of the account

Depreciable value of an asset is equal to:

- ▶ Cost + scrap value
- ▶ Cost + market price
- ▶ Cost – scrap value
- ▶ None of the given options

The area of accounting concerned with reporting financial information to the interested parties is called:

- ▶ Cost Accounting
- ▶ Financial Accounting
- ▶ Management Accounting
- ▶ Tax Accounting

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ Increase in goods and decrease in cash
- ▶ Increase in equipment and increase in equity

8 How you can distinguish between Sole proprietorship, Partnership and Joint Stock Company? Faisal Qureshi

**Answer:-**

**Sole Proprietorship:-**

A sole proprietorship also known as a sole trader or simply proprietorship is a type of business entity which is owned and run by one individual and where there is no legal distinction between the owner and the business. All profits and all losses accrue to the owner (subject to taxation). All assets of the business are owned by the proprietor and all debts of the business are their debts and they must pay them from their personal resources. This means that the owner has unlimited liability. It is a "sole" proprietorship in the sense that the owner has no partners (partnership).

A sole proprietor may do business with a trade name other than his or her legal name. This also allows the proprietor to open a business account with banking institutions

**Partnership:-**

A partnership is a type of business entity in which partners (owners) share with each other the profits or losses of the business. Partnerships are often favored over corporations for taxation purposes, as the partnership structure does not generally incur a tax on profits before it is distributed to the partners (i.e. there is no dividend tax levied). However, depending on the partnership structure and the jurisdiction in which it operates, owners of a partnership may be exposed to greater personal liability than they would as shareholders of a corporation.

**Joint Stock Company:-**

A joint stock company (JSC) is a type of business entity: it is a type of corporation or partnership involving two or more legal persons. Certificates of ownership (or stocks) are issued by the company in return for each financial contribution, and the shareholders are free to transfer their ownership interest at any time by selling their stockholding to others.

In most countries, a joint stock company offers the protection of limited liability; a shareholder is not liable for any of the company's debt beyond the face value of their shareholding.

There are two kinds of Joint Stock Company: private and public companies. The shares of the former are usually only held by the directors and Company Secretary. The shares of the latter are bought and sold on the open market

**The expenses that give benefit for a period of more than twelve months are called.**

- ▶ **Capital expenses**
- ▶ Revenue expenses
- ▶ Preliminary expenses
- ▶ None of the given options.

An expense incurred by the business for the purchase of land & building is an example of:

- ▶ **Capital Expense**
- ▶ Revenue Expense



Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only
- ▶ **Both cash sales and credit sales**

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

- ▶ **Separate Entity Concept**
- ▶ Matching Concept
- ▶ Going Concern Concept
- ▶ Materiality Concept

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

Obligations to pay cash or un-earned incomes by the business are the:

- ▶ Expenses
- ▶ Assets
- ▶ **Liabilities**
- ▶ Equities

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ **Right or credit side of the account**

Which of the following is also called "The original book of entry"?

- ▶ **General Journal**
- ▶ General Ledger
- ▶ Trial Balance
- ▶ Profit and Loss Account

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- ▶ Income Statement
- ▶ Balance Sheet
- ▶ **Trial Balance**
- ▶ Cash Book

Which of the following is **CORRECT** for Trading account?

- ▶ It includes cost of goods sold and all the direct expenses related to sales
- ▶ It includes cost of goods sold and all the indirect expenses related to sales

- ▶ It includes cost of goods sold and all the direct and indirect expenses

- ▶ **It includes cost of goods sold and all the direct and selling, administrative expenses**

Which one of the following is **NOT** prepared by Non-profit organizations?

- ▶ **Profit & Loss account**
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

Which of the following is an example of a Current liability?

- ▶ Closing inventory
- ▶ Opening inventory
- ▶ Petty cash
- ▶ **Bank overdraft**

Identify the business transaction for given entry below.

Vehicle Account    XXX (Dr.)  
Bank Account        XXX (Cr.)

- ▶ **Paid for vehicle through cheque**
- ▶ Paid for vehicle through cash
- ▶ Purchased vehicle on credit
- ▶ None of the given options

"Mr. "A" collected cash from debtors", the journal entry for this transaction is

- ▶ Mr. "A" a/c Dr. and debtors a/c Cr.
- ▶ Mr. "A" a/c Dr. and cash a/c Cr.
- ▶ Cash a/c Dr. and debtors a/c Cr.
- ▶ **None of the given options**

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**
- ▶ Working capital
- ▶ Asset

Which of the following organization converts raw material into finished goods?

- ▶ Trading concern
- ▶ **Manufacturing concern**
- ▶ merchandising concern
- ▶ Service concern

The stock of manufacturing concern consists of:

- ▶ Work in Process Inventory
- ▶ Raw Materials Inventory
- ▶ Finished Goods Inventory
- ▶ **All of the given options**

Direct materials costs	Rs.70,000
Direct labor costs	30,000
Manufacturing overhead costs	60,000
conversion cost	?

- ▶ Rs. 20,000
- ▶ Rs.40, 000
- ▶ Rs.90, 000

In balance sheet fixed assets are shown at:

- Cost price
- Market value
- Fair value
- **Written down value (WDV)**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

► **Rs.25. 000 loss**

- Rs. 75,000 loss
- Rs. 15,000 profit
- Rs. 1, 00,000 profit

Cost of asset	Rs. 1,00,000
Life of asset	5 years
depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

► **Rs.25. 000**

- Rs. 75,000
- Rs. 15,000
- Rs. 1, 00,000

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank

Reconciliation Statement?

► **Any cheque drawn to creditor but not paid by bank**

- Interest credited by the bank in pass book
- Cheque deposited but not credited by the bank
- Dividend collected by bank on behalf of the customer

If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

- Cheque deposited but not credited by the bank
- Cheques omitted to be deposited into bank
- **Any amount directly collected by bank on behalf of customer but not recorded in cash book**

- Debit side of cash book was overcast

Bank Reconciliation Statement is:

- **A memorandum statement**

**Bank Reconciliation Statement is prepared by:**

- ▶ Bankers
- ▶ **Accountant of the business**
- ▶ statutory auditor
- ▶ Manger

Stock of Trading concern consists of:

- ▶ Raw material inventory
- ▶ Work in process
- ▶ Merchandise

▶ **All of the given options**

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ **Finished goods account**
- ▶ Merchandise account

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **Capital account**

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

Accountancy covers which of the following area(s):

- ▶ Book-keeping
- ▶ Accounting
- ▶ Auditing
- ▶ **All of the given options**

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciateable assets**
- ▶ Unlimited assets
- ▶ None of the given options

Depreciable value of an asset is equal to:

- ▶ Cost + scrap value
- ▶ Cost + market price
- ▶ Cost – scrap value
- ▶ **None of the given options**

Which one of the following is equal to the carrying cost of an asset?

- ▶ **Original cost minus Accumulated depreciation**
- ▶ Original cost plus Accumulated depreciation
- ▶ Original cost minus Residual value
- ▶ Written down value minus Accumulated depreciation

Which one of the following is another name of carrying cost of an asset?

- ▶ **Book Value**
- ▶ Residual Value
- ▶ Fair Value
- ▶ Break up Value

Which of the following fixed asset is shown at cost rather than book value?

- ▶ Machinery
- ▶ Furniture
- ▶ Vehicles
- ▶ **Land**

13 Which of the following statement is the detail of transaction in one's account provided by the bank? Faisal Qureshi

- ▶ Bank statement
- ▶ **Bank reconciliation statement**
- ▶ Income statement
- ▶ Financial statement

When income exceeds expenses in a specific time period is known as:

- ▶ Savings
- ▶ Net profit
- ▶ **Gross profit**
- ▶ Operating profit

An asset cost Rs. 50,000, has an estimated residual value of Rs.1, 500, and an estimated useful life of 8 years. What is the depreciation rate under reducing balance method?

- ▶ 11.5%
- ▶ 20.0%
- ▶ 25.0%
- ▶ **35.5%**

$$\text{Depreciation rate} = 1 - (\text{residual value} / \text{cost})^{1/n}$$

Mr." A" sold goods for Rs. 300,000 to Mr. "B", Rs. 300,000 will be treated as for business of Mr. "A".

- ▶ **Revenue**
  - ▶ Net profit
  - ▶ Gross profit
  - ▶ Operating profit
- Differentiate between capital and revenue expenditure.**

### **CAPITAL**

The value invested in the business by the owner in whatever form is called capital. The owner may introduce a capital of Rs. 250,000 which may be in the form of Rs. 200,000 cash and a machinery of Rs. 50,000. The capital of Rs. 250,000 is shown in Balance sheet as credit balance whereas cash and machinery being assets are shown in balance sheet as debit balance.

### **CAPITAL EXPENDITURE:-**

These are expenses whose benefits last for a longer period or the benefits are yet to be enjoyed by the business. For example when a vehicle is purchased by the business, it will benefit the business for the current period and for the years to come. Capital expenditure always results in increase in assets. Therefore amount expended on vehicle is our capital expenditure and vehicle is shown in the balance sheet as an asset.

### **REVENUE EXPENDITURE:-**

These are expenses whose benefits do not last for longer period and are restricted to current period only and no more benefits are to be enjoyed by the business in the coming periods. For example Salaries, utility bills, fuel bills paid, against which the organization enjoyed benefits for only current period.

**We can say that the business is in profit, when:**

- ▶ Assets exceed Expenditure
- ▶ Assets exceed Liabilities
- ▶ **Income exceeds Expenditure**
- ▶ Income exceeds Liabilities

Cost incurred for the maintenance of shop is considered as\_\_\_\_\_.

- ▶ Deferred expense
- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having life of 10 years, this expense will be realized\_\_\_\_\_under the concept of accrual accounting.

- ▶ For the year 2008 only
- ▶ For the last day of 10<sup>th</sup> year only
- ▶ Over 10 years
- ▶ **Nothing can be said about it**

According to the double entry system of accounting, an account that obtains benefit is:

- ▶ **Debit**
- ▶ Credit
- ▶ Income
- ▶ No need to show as accounting record

An Asset that is **NOT** physical in nature is called\_\_\_\_\_.

- ▶ **Intangible Asset**
- ▶ Liquid Asset
- ▶ Current Asset
- ▶ Fixed Asset

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

Which of the following is **CORRECT** about the flow of recording a transaction?

▶ **Occurrence of event – voucher—Journal—Ledger—Trial Balance—profit and loss account—Balance Sheet**

▶ Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet

▶ Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet

▶ Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet

**In an account, if credit side < debit side then the balance is known as:**

- ▶ Negative Balance
- ▶ Debit Balance
- ▶ Positive Balance
- ▶ **Credit Balance**

Bank book is part of:

- ▶ Voucher
- ▶ General Journal
- ▶ **General Ledger**
- ▶ Trial Balance

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- Profit  
► Loss                      ► Surplus                      ► Deficit

Gross Profit > Operating Expenses=?

- **Net Profit**
- Cost of Goods Sold      ► Net Loss      ► Gross Loss

Accrued expenses are the example of:

- ▶ **Current liabilities**
- ▶ Long term liabilities
- ▶ Deferred costs
- ▶ Capital expenses

The favorable balance of Profit and Loss account should be:

- ▶ Added in liabilities
- ▶ Subtracted from current assets
- ▶ Subtracted from liabilities
- ▶ **Added in capital**

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

- ▶ Capital account
  - ▶ Accounts payable account
  - ▶ **Cash account**
- ▶ Sundry creditors account

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- ▶ Profit and loss account
- ▶ Balance sheet
- ▶ All of the given options
- ▶ Statement of financial position

In which of the following condition a company will have positive working capital?

- ▶ If current assets > current liabilities
- ▶ If current Assets < current Liabilities
- ▶ If current assets = current liabilities
- ▶ If current assets ≤ current liabilities

Which of the following particular is **NOT** included in the specimen of a payment voucher?

- ▶ Name of organization
- ▶ Date of transaction
- ▶ **Bank receipt**
- ▶ Cash payment amount

The stock of manufacturing concern consists of:

- ▶ Work in Process Inventory
- ▶ Finished Goods Inventory
- ▶ **All of the given options**

Following are the inventories of Manufacturing Concern **EXCEPT:**

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

The products that are ready for sale are known as:

- ▶ Raw material
- ▶ **Finished goods**
- ▶ Closing stock
- ▶ Work in process

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**
- ▶ Production worker's wages
- ▶ Depreciation expenses

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

In balance sheet fixed assets are shown at:

- ▶ Cost price
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ▶ **Depreciation**
- ▶ Accumulated Depreciation
- ▶ Appreciation
- ▶ Written Down Value

.6

( Marks: 1 ) - .

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Written down value of asset at the end of 5 <sup>th</sup> year	Rs.25,000
Profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 profit**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ▶ Capital account
- ▶ Capital work in progress account
- ▶ **Relevant asset account**
- ▶ Owner's equity account

.7

( Marks: 1 )

- .

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260



De31	Merchandise available	105	1,225
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17

Faisal Qureshi

80 units were sold, Use the FIFO method of inventory costing and determine the cost

of goods sold.

- ▶ Rs. 1,225
- ▶ **Rs. 965**
- ▶ Rs. 905

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007 Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ **Rs.7, 500**
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ Rs.8, 400

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of journal
- ▶ A part of cash book

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ **Land**

The basic purpose of depreciation is to achieve the:

- ▶ **Matching principle**
- ▶ Dual aspect principle
- ▶ Money measurement concept
- ▶ Separate entity concept

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs. 22,500
Debtors	Rs. 500
Total Assets	Rs. 80, 385
Accounts payable	Rs. 1,000
Total liabilities	Rs. 20,000

- ▶ **Rs. 82,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,385 owner's equity
- ▶ Rs. 99,885 owner's equity

Firms charge depreciation each year:

- ▶ To ensure there is enough money in the firm to replace the asset
- ▶ **To spread the cost of the asset over its working life**
- ▶ To reduce the profit and thus reduce the dividends they can pay to share holders
- ▶ Because the law states they must be reduced

Particulars	Rs.
Assets	8,20,000
Owner's equity	3,80,000
Liabilities	?

- ▶ Rs. 1, 98,000                      ▶ Rs. 49,000                      ▶ Rs. 55,000  
 ▶ **Rs. 4, 40,000**

Which one of the following is equal to the carrying cost of an asset?

- ▶ **Original cost minus Accumulated depreciation**  
 ▶ Original cost plus Accumulated depreciation  
 ▶ Original cost minus Residual value  
 ▶ Written down value minus Accumulated depreciation

An estimate of the income and expenses needed to carry out business plans for a fiscal year is known as:

- ▶ **Budgeting**  
 ▶ Costing                                      ▶ Management                                      ▶ Auditing

Unfavorable balance of the cash book means:

- ▶ **Credit balance in cash book**  
 ▶ Credit balance in pass book                      ▶ Debit balance in cash book  
 ▶ All of the given options

Net Profit + Expenses= \_\_\_\_\_

- ▶ Liabilities  
 ▶ Assets  
 ▶ Capital  
 ▶ **Income**

.36 .

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

- ▶ Rs. 3,000  
 ▶ **Rs. 8,000**  
 ▶ Rs. 7,000  
 ▶ Rs. 5,000

.37 ( Marks: 10 )

The following are some of the causes of difference between the Cash Book and the Pass Book balances. If you start with the Cash Book (Dr.) balance in Bank Reconciliation Statement, will you add them or deduct?

Particulars	Add/Less
1. Cheques issued but yet not paid by bank.	less
2. Cheques deposited but not credited by bank.	less
3. Amount directly deposited into bank by a customer but not recorded in the Cash Book.	add

4.	Dividend collected by bank but not entered in Cash Book.	add
19	5. Insurance premium paid by bank but not recorded in Cash Book.	Faisal Qureshi less
6.	Cheque deposited but no entry was made in Cash Book.	add
7.	Bank charges debited by bank but not credited in the Cash Book	less
8.	Interest on overdraft debited by bank but not recorded in Cash Book.	less
9.	Cheque issued but wrongly debited in Cash Book	less
10.	Interest credited by bank but not recorded in cash book	add

Particulars	Rs.
Opening written down value of machine	3,00,000
Cost of machine purchased during the year	50,000
Depreciation during the year	9,000
closing written down value (WDV) of the Machine	?

- ▶ Rs. 3, 41,000
- ▶ Rs. 3, 50,000
- ▶ Rs. 3, 59,000
- ▶ Rs. 59,000

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

- ▶ Rs. 2, 25,000
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

.1 Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ Rs. 1, 25,000
- ▶ Rs. 1, 03,000

- 20 Find out the missing value of an Accounting Equation with the help of given data: Paikal Qureshi

Cash	Rs. 22,500
Debtors	Rs. 500
Total Assets	Rs. 80, 385
Accounts payable	Rs. 1,000
Total liabilities	Rs. 20,000

- ▶ **Rs. 60,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

- 3 Find out the missing value of an Accounting Equation with the help of given data:

Furniture	Rs. 90,000
Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 90, 000

- ▶ Rs. 2, 01,000 liabilities
- ▶ **Rs. 1, 11, 000 liabilities**
- ▶ Rs. 2, 90, 000 liabilities
- ▶ Rs. 2, 91, 000 liabilities

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ **Finished goods account**
- ▶ Merchandise account

- 4 Which of the following assets are shown at written down value in balance sheet?

- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets
- ▶ **Fixed assets**

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ **Land**

- 5 The main goal of Bank Reconciliation Statement is to determine:

- ▶ If the discrepancy is due to error rather than timing
- ▶ If the discrepancy is due to timing rather than error

- 21 ► If the discrepancy is due to error rather than amount  
 ► **If the discrepancy is due to amount rather than timing**

Faisal Qureshi

.6 **Sale proceeds of goods are an example of:**

- Revenue expense
- Capital expense
- Capital receipt
- **Revenue receipt**

Which one of the following is **NOT** true about revenue expenditure?

- These are the running expenses of the business
- They improve the financial position of the business
- They reduce the profit of the concern
- **They do not appear in the balance sheet**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- Rs.260
- Rs.232
- Rs.284
- **Rs.320**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- Rs. 1,225
- Rs. 1,015
- Rs. 965
- **Rs. 905**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- **Rs.25, 000**
- Rs. 75,000
- Rs. 15,000
- Rs. 1, 00,000

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

► **Rs.25, 000 loss**

- Rs. 75,000 loss      ► Rs. 15,000 profit      ► Rs. 1, 00,000 profit

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

► **Rs. 60,000 loss**

- Rs. 75,000 profit      ► Rs. 25,000 loss      ► Rs. 1, 00,000 profit

The total of all costs incurred to convert raw material into finished goods is known as:

- Prime cost      ► Conversion cost  
► Sunk cost      ► Opportunity cost

Which of the following is an example of direct materials cost?

- Polish and finishing material for chair  
► A piece of wood for the production of chair  
► Production worker's wages  
► Depreciation expenses

If the working capital and the current assets of company XYZ are Rs. 5,000 and Rs.15,000 respectively, calculate the current liabilities.

- Rs. 5,000  
► Rs. 10,000  
► Rs. 15,000  
► Rs. 20,000

**Which of the following item appears in Trading Account of a business?**

- Interest expenses  
► Wages and salaries  
► Depreciation expenses  
► Discount Allowed

Which of the following is an alternate term which can be used for "Capital"?

- Liability      ► Owner's net worth  
► Working capital      ► Asset

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- Profit and loss account      ► Balance sheet  
► Statement of financial position      ► All of the given options

**.16 If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?**

- ▶ Rs. 5,000 Loss
- ▶ Rs. 5, 000 Profit
- ▶ Rs.1, 95,000 Profit
- ▶ Rs.1, 95,000 Loss

Which of the following account balance will be shown on debit side of Trial Balance?

(It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ All of the given options

Which of the following account balance will be shown on debit side of Trial Balance?

(It is assumed that all account balances are shown on normal balance).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ Cash account

**.17 Which of the following journal entry will be recorded, if the payment of furniture purchased is made through cheque?**

- ▶ Furniture account (Dr) and Bank account (Cr)
- ▶ Furniture account (Dr) and Profit & Loss account (Cr)
- ▶ Furniture account (Dr) and Cash account (Cr)
- ▶ Cash account (Dr) and Furniture account (Cr)

Which one of the following statement is **CORRECT** about Long term liabilities?

- ▶ These are due within one year
- ▶ These are consist of all debts, payable after 12 months
- ▶ In working capital, these are deducted from current assets
- ▶ All of the given options

What types of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ All of the given options

**.18 While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:**

- ▶ Deficit
- ▶ Surplus
- ▶ Profit
- ▶ Loss

Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ Profit & Loss account
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ Trading and Profit & Loss account
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings
- ▶ Balance Sheet

Which of the following period is known as a fiscal Year of the Government of Pakistan?

- ▶ 1<sup>st</sup> January to 31<sup>st</sup> December
- ▶ 1<sup>st</sup> June to 31<sup>st</sup> May
- ▶ 1<sup>st</sup> July to 30<sup>th</sup> June
- ▶ 1<sup>st</sup> October to 30<sup>th</sup> September

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity

- ▶ Increase in cash and increase in goods
- ▶ Increase in goods and decrease in cash
- ▶ Increase in equipment and increase in equity

**Obligations to pay cash or un-earned incomes by the business are the:**

- ▶ Assets
- ▶ Liabilities
- ▶ Equities
- ▶ Expenses

**.19 Commercial Accounting is based on:**

- ▶ Single entry book keeping
- ▶ Double entry book keeping
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ Latin
- ▶ English
- ▶ French
- ▶ Chinese

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

- ▶ Separate Entity Concept
- ▶ Matching Concept
- ▶ Going Concern Concept
- ▶ Materiality Concept

**.20 Double entry accounting system includes:**

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ Both cash and accrual accounting
- ▶ None of the given options

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Structure information
- ▶ All of the given options

**Record the following transactions in the General Journal.**

Date:	Transactions
Jan 1, 2007	Mr. Asghar started business with cash Rs. 1, 00,000.
Jan 2, 2007	Opened bank account with amount Rs. 50,000.
Jan 4, 2007	Purchased goods for cash Rs. 15,000.
Jan 9, 2007	Payment made to Karachi store (Creditor) Rs. 15,000 by cheque.
Jan14, 2007	Goods returned to Karachi store worth Rs. 1,500.
Jan22, 2007	Goods sold for cash Rs. 2,000.

-.  
.DR

Bank account 50,000



Purchased goods for cash Rs. 15,000

Payment made to Karachi store (Creditor) Rs. 15,000 by cheque

Faisal Qureshi

Goods returned to Karachi store worth Rs. 1,500

Credit balance 20500

Cr

Mr. Asghar started business with cash Rs. 1, 00,000

Goods sold for cash Rs. 2,000.

Net Profit + Expenses= \_\_\_\_\_

- ▶ Liabilities
- ▶ Assets
- ▶ Capital
- ▶ **Income**

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ Depreciation
- ▶ Fluctuation
- ▶ None of the given options

The basic purpose of depreciation is to achieve the:

- ▶ Matching principle
- ▶ Dual aspect principle
- ▶ Separate entity concept
- ▶ **Money measurement concept**

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

Cash book is a part of:

- ▶ Voucher
- ▶ General Journal
- ▶ **General Ledger**
- ▶ Trial Balance

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

- ▶ **If the discrepancy is due to error rather than timing**
- ▶ If the discrepancy is due to timing rather than error
- ▶ If the discrepancy is due to error rather than amount
- ▶ If the discrepancy is due to amount rather than timing

.8 .Which one of the following is NOT true about revenue expenditure?

- ▶ **These are the running expenses of the business**
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern
- ▶ They do not appear in the balance sheet

**Under the reducing balance method of depreciation:**

- ▶ Amount of depreciation increases every year
- ▶ Amount of depreciation remains constant for every year
- ▶ **Amount of depreciation decreases every year**
- ▶ None of the given options

**Consider the following inventory record:**

Date	Item	Quantity	Cost/Unit	Total
2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and Determine the value assigned to the 400 units on hand at the end of the period.

▶ **Rs. 7,500**

- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ Rs.8, 400

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

▶ **Rs .2 60**

- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

( Marks: 1 ) - .

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

▶ Rs. 205,000

▶ **Rs. 215,000**

▶ Rs. 220,000

▶ Rs. 225,000

The amount of depreciation charged on machinery will be debited to:

▶ Machinery account

▶ **Depreciation account**

▶ Cash account

▶ Capital account

Under the straight line method of depreciation:

▶ Amount of depreciation increases every year

▶ **Amount of depreciation remains constant for every year**

▶ Amount of depreciation decreases every year

▶ None of the given options

.10 .

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

▶ Rs.25, 000

▶ **Rs. 75,000**

▶ Rs. 15,000

▶ Rs. 1, 00,000

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

▶ **Rs.25, 000 loss**

▶ Rs. 75,000 loss

▶ Rs. 15,000 profit

▶ Rs. 1, 00,000 profit

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

► **Rs. 60,000 loss**

- Rs. 75,000 profit
- Rs. 25,000 loss
- Rs. 1, 00,000 profit

In cost of goods sold statement the 'total factory cost' is equal to:

- Cost of material consumed + Labor cost
- **Cost of material consumed + Conversion cost**
- Cost of material consumed + Total factory cost
- Cost of material consumed + Factory overhead

Which of the following organization converts raw material into finished goods?

- Trading concern
- **Manufacturing concern**
- merchandising concern
- Service concern

Which of the following item appears in Trading Account of a business?

- Interest expenses
- **Wages and salaries**
- Depreciation expenses
- Discount Allowed

Which of the following is an alternate term which can be used for "Capital"?

- Liability
- **Owner's net worth**
- Working capital
- Asset

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

- Rs. 300
- Rs. 2,500
- **Rs. 2,800**
- Rs.18, 800

.12

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

- Capital account
- Sundry creditors account
- Accounts payable account
- **Cash account**

.13 20 The amount brought by the proprietor in the business should be credited to: Faisal Qureshi

- ▶ Cash account
- ▶ Drawings account
- ▶ Proprietor account
- ▶ Capital account

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

- ▶ Cash account
- ▶ Sales account
- ▶ Accounts receivable account
- ▶ Purchases account

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ Cash account
- ▶ Business account
- ▶ Bank account

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

- ▶ Mr. "B" / Accounts Receivable account (Dr) and Sales account (Cr)
- ▶ Cash account (Dr) and sales account (Cr)
- ▶ Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
- ▶ Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

Accrued expenses are the example of:

- ▶ Current liabilities
- ▶ Long term liabilities
- ▶ Deferred costs
- ▶ Capital expenses

Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Balance Sheet
- ▶ Income & Expenditure Account
- ▶ Cash Flow Statement

What types of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ All of the given options

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- ▶ Income Statement
- ▶ Balance Sheet
- ▶ Trial Balance
- ▶ Cash Book

.14 .Which of the following essentials is shown in Bank Book?

- (1) Date of transaction
- (2) Cheque number
- Narration of transaction

- ▶ (1) & (2) only
- ▶ **(2) & (3) only**
- ▶ (1) & (3) only ▶
- (1), (2) & (3)

**.15 .Which of the following book(s) is(are) a part of General Ledger?**

- ▶ Cash Book
- ▶ Purchase Return Book
- ▶ Purchase Book
- ▶ **All of the given options**

A book, in which receipts and payments are recorded, is known as:

- ▶ Pass Book
- ▶ **Cash Book**
- ▶ Purchase Book
- ▶ Sales Book

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ **Debit Balance**
- ▶ Positive Balance
- ▶ Credit Balance

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

According to the double entry system of accounting, an account that obtains benefit is:

- ▶ **Debit**
- ▶ Credit
- ▶ Income
- ▶ No need to show as accounting record

**.16 Which of the following is non- profit organization?**

- ▶ Sole proprietorship
- ▶ Partnership
- ▶ Limited company
- ▶ **Trust**

Mr. "A" sold goods to Mr. "B" for Rs. 3,000 on October 8, 2008 and Mr. "B" paid at the same time. It will be case of \_\_\_\_\_ sales.

- ▶ **Cash**
- ▶ Credit
- ▶ Accrual based
- ▶ None of the given options

**State with reasons whether the following items of expenditure are capital or revenue in nature.**

1. Wages paid on the purchase of goods.
2. Carriage paid on goods purchased.
3. Transportation paid on purchase of machinery.
4. Octroi duty paid on machinery.
5. Octroi duty paid on goods.
6. A second hand car was purchased for Rs. 7,000 and Rs. 5,000 were spent for its repair and overhauling.
7. Office building was whitewashed at a cost of Rs. 3,000.
8. A new machinery was purchased for Rs. 80,000 and a sum of Rs. 1,000 was spent on its installation and erection
9. Old furniture was repaired at a cost of Rs. 500.
10. Land was purchased for Rs. 1, 00,000 and Rs. 5,000 was paid for legal expenses.

31 **Question # 1 of 20**

Faisal Qureshi

What should be credited, if salary is paid to Sohail?

**Select correct option:**

Sohail account

Salaries account

**Cash account**

Drawings account

**Question # 2 of 20**

Which of the following is NOT correct?

**Select correct option:**

Decrease in Assets will be credit

Decrease in Liabilities will be debit

**Decrease in Expenses will be**

**debit** Decrease in Revenue will be debit

**Question # 4 of 20**

Which of the following is/are the example/s of Intangible Asset?

**Select correct option:**

Copy rights

Good will

Patent rights

**All of the given options**

**Question # 5 of 20**

Which of the following is a FIRST product of accounting cycle?

**Select correct option:**

**Voucher**

General Journal

General Ledger

Financial Statements

**Question # 6 of 20**

What will be debited, if Mohsin commenced business with cash?

**Select correct option:**

**Cash account**

Capital account

Drawings account

Proprietor account

**Question # 7 of 20**

Assets are divided in which of the following categories in balance sheet.

**Select correct option:**

Current assets, Long term assets and capital

assets Current assets, Long term assets and

fixed assets Current assets, Quick assets and

business debts **Current assets, Fixed assets**

**and deferred cost**

**Question # 8 of 20**

Find out the missing value of an Accounting Equation with the help of given data: Cash

Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner s equity Rs. 1, 000

Liabilities?

**Select correct option:**

Rs. 12,000

Rs. 11,000

[www.employeescorner.info](http://www.employeescorner.info)



33

**Rs. 110,000**

Rs. 111,000

What will be debited, if business purchased Vehicle on cash?

**Select correct option:****Vehicle account**

Cash account

Business account

Bank account

**Question # 10 of 20**

Franchise rights, goodwill and patents are the examples of:

**Select correct option:**

Liquid assets

Tangible assets

**Intangible assets**

Current assets

**Question # 11 of 20**

Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000 Liabilities 90,000

**Select correct option:**

Rs. 35,000

Rs. 55,000

**Rs. 1, 25,000**

Rs. 1, 05,000

**Question # 12 of 20**

What should be credited, if rent paid in cash?

**Select correct option:**

Landlord's account

Rent account

**Cash account**

Accounts receivable account

**Question # 13 of 20**

Consider the following data: Particulars Rs. Assets 75,500 Owner's equity ? Liabilities 40,200

**Select correct option:****Rs. 35,300**

Rs. 55,000

Rs. 125,000

Rs. 115,700

**Question # 14 of 20**

Find out the missing value of an Accounting Equation with the help of given data: Total

Assets Rs. 34,500 Accounts payable Rs. 1, 000 Other liabilities Rs. 11,500 Owner's equity ?

**Select correct option:****Rs. 22,000**

Rs. 24, 000

Rs. 45,000

Rs. 46,000

**Question # 15 of 20**

Which of the following item is found in a Journal entry? (1) Date of each transaction (2)

Rupee amount of each debit and credit (3) Explanation of each transaction

**Select correct option:**

- 1 only
- 1 & 2 only
- 2 & 3 only
- 1, 2 & 3**

**Question # 16 of 20**

Which one of the following will result in increase in revenues?

**Select correct option:**

Purchased fixed asset

**Received discount**

Payment to creditors

Return of goods, sold on credit

**Question # 17 of 20**

Amount generated from sales in a business is called:

**Select correct option:**

**Income**

Net Income

Gross Profit

Operating profit

**Question # 18 of 20**

The expenses which are NOT paid out of Gross Profit is classified as:

**Select correct option:**

**Direct Expenses**

General Expenses

Financial Expenses

Selling Expenses

**Question # 19 of 20**

The process of transferring journal entry information to the ledger is called:

**Select correct option:**

Journalizing

**Posting**

Balancing

Analyzing

**Question # 20 of 20**

Which of the following is NOT correct?

**Select correct option:**

Decrease in Assets will be credit

**Decrease in Liabilities will be credit**

Decrease in Expenses will be credit

Decrease in Revenue will be debit

## MGT101 - Financial Accounting MCQ2 (Online quiz # 1)

**Question # 1 of 20**

Find out the missing value of an Accounting Equation with the help of given data: Furniture Rs.

90,000 Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner s equity Rs. 90,

000 Liabilities?

**Select correct option:**

Rs. 201,000

**Rs. 111, 000**

Rs. 290, 000

Rs. 291, 000

**Question # 2 of 20**

The expenses which are NOT paid out of Gross Profit is classified as:

**Select correct option:**

**Direct Expenses**

General Expenses

Financial Expenses

Selling Expenses

**Question # 3 of 20**

Which of the following is NOT a characteristic of Joint Stock Company?

**Select correct option:**

Separate Legal Entity

Limited Liability of shareholders

**Easy formation**

Common Seal

**Question # 4 of 20**

Any expense that gives benefit for a period of less than twelve months is called \_\_\_\_\_.

**Select correct option:**

Capital Expense

**Revenue Expense**

Revenue Receipt

Deferred Expense

**Question # 5 of 20**

The process of transferring journal entry information to the ledger is called:

**Select correct option:**

Journalizing

**Posting**

Balancing

Analyzing

**Question # 6 of 20**

Total assets - Total liabilities =?

**Select correct option: Owner's**

**Equity**

Expenses

Retained earnings

Retained earnings

**Question # 7 of 20**

Net profit = Gross profit - \_\_\_\_\_

**Select correct option:**

**Operating Expenses**

Product Cost

Deferred Expenses

Direct Cost

**Question # 8 of 20**

Debit signifies:

**Select correct option:**

Increase in Asset account  
Decrease in liability account  
Decrease in capital account

**All of the given options**

**Question # 9 of 20**

The term "Debit" is derived from \_\_\_\_\_ language.

**Select correct option:**

**Latin**

English  
French  
Chinese

**Question # 10 of 20**

A book that keeps separate record for each account is known as:

**Select correct option:**

Trial Balance  
Voucher  
General Journal

**General Ledger**

**Question # 11 of 20**

Which one of the following is called the book of primary Entry?

**Select correct option:**

**General Journal**

General Ledger  
Trial Balance  
Profit and loss account

**Question # 12 of 20**

In an account if credit side > debit side, the balance is known as: Select correct option:

Negative Balance  
Debit Balance

**Credit Balance**

Positive Balance

**Question # 13 of 20**

Normally single entry book keeping is followed by the:

**Select correct option:**

**Small businesses only**

Governments only  
Large scale businesses only  
Both Small businesses and Governments

**Question # 14 of 20**

What will be debited, if business sold goods for Rs.10, 000 on credit?

**Select correct option:**

Cash account  
Sales account

**Accounts receivable account**

Purchases account

**Question # 15 of 20**

An expenditure whose benefit is finished or enjoyed immediately is called:

**Select correct option:**

**Expense**

Liability

Cost

Income

**Question # 16 of 20**

What should be debited, if Sales made to Mahmood for cash?

**Select correct option:**

**Cash account**

Mahood account

Sales account

Purchases account

**Question # 17 of 20**

Which of the following is NOT a characteristic of Journal?

**Select correct option:**

Transactions are recorded in chronological order

Transaction is first recorded in Journal from Voucher

It is also called "The original book of entry"

**None of the given options**

**Question # 18 of 20**

Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?

**Select correct option:**

**Rs. 35,000**

Rs. 1, 75,000

Rs. 7, 35,000

Rs. 1, 05,000

**Question # 19 of 20**

Which of the following is Not a part of General Ledger?

**Select correct option:**

**Activity Book**

Purchase Return Book

Purchase Book

Sales Book

**Question # 20 of 20**

What will be debited, if business bought goods on credit from Mr. Ali?

**Select correct option:**

**Purchases account**

Mr. Ali account

Cash account

Sales account

Find out the missing value of an Accounting Equation with the help of given data:

Total Assets Rs. 34,500 Accounts payable Rs. 1, 000 Other liabilities Rs. 11,500

Owner's equity ?

**Select correct option:**

**Rs. 22,000**

Rs.24, 000

Rs. 45,000

Rs. 46,000

Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?  
Select correct option:

**Rs. 49,000**

Rs. 55,000  
Rs. 125,000  
Rs. 115,700

Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?  
Select correct option:

Rs. 35,000

**Rs. 1, 75,000**

Rs. 7, 35,000  
Rs. 1, 05,000

Which of the following is NOT correct?

Select correct option:

Decrease in Assets will be debit  
Decrease in Liabilities will be debit  
Decrease in Expenses will be credit  
Decrease in Revenue will be debit

Which of the following is NOT considered a part of financial statements?

Select correct option:

General Journal  
Balance Sheet  
Profit and Loss account  
None of the given options

Which one of the following will result in increase in revenues? Select correct option:

Purchased fixed asset

**Received discount**

Payment to creditors  
Return of goods, sold on credit

39 The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as: Faisal Qureshi

Select correct option: Going-concern concept Separate entity principle Realization principle Objectivity principle

In an account if debit side > credit side, the balance is known as the:

Select correct option:

Negative Balance

Debit balance

Positive Balance

Credit balance

Find out the missing value of an Accounting Equation with the help of given data:

Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity

Rs. 1, 000 Liabilities ?

Select correct option:

Rs. 12,000

Rs. 11,000

Rs. 110,000

Rs. 111,000

Find out the missing value of an Accounting Equation with the help of given data:

Owner's equity Rs. 22,500 Total Liabilities Rs. 80, 385 Cash Rs. 1,000 Bank Rs.

2,000 Debtors Rs. 500

Select correct option:

Rs. 102,885 other assets

Rs. 102,885 current liabilities

Rs. 99,885 current liabilities

Rs. 99,385 other assets

If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?

Select correct option:

Rs. 183, 500

Rs. 167, 000

Rs. 200, 000

Rs. 230, 000

40 Which of the following is NOT correct?

Faisal Qureshi

Select correct option:

Decrease in Assets will be credit

Decrease in Liabilities will be credit

Decrease in Expenses will be credit

Decrease in Revenue will be debit

Debit signifies:

Select correct option:

Increase in Asset account

Decrease in liability account

Decrease in capital account

All of the given options

When total liabilities are subtracted from total assets the remaining amount is known as:

Select correct option:

Equity or net assets

Net income or net loss

Total expenses

Total revenue

Find out the missing value of an Accounting Equation with the help of given data:

Cash Rs. 22,500 Debtors Rs. 500 Total Assets Rs. 80,385 Accounts payable

Rs. 1,000 Total liabilities Rs. 20,000

Select correct option:

Rs. 60,385 owner's equity

Rs. 61,385 owner's equity

Rs. 99,885 owner's equity

Rs. 99,385 owner's equity

Which one of the following cannot be classified as Revenue Income?

Select correct option:

Goods sold for cash

Goods sold on credit

Income from the sale of services

Income from the sale of fixed assets



41 What will be debited, If Mr. "A" started business with Rs. 2, 00,000. Select correct option:

Faisal Qureshi

Capital account

Cash account Mr.

A's account

Business account

If Salaries Rs. 12, 000, Rent Rs. 5,000, Gross profit Rs. 58,000 and Discount received Rs. 10, 000. What will be the amount of Net Profit?

Select correct option:

Rs. 41,000

Rs. 51,000

Rs. 61,000

Rs. 65,000

Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title (3) Amount

Select correct option:

1 only

1 & 2 only

1 & 3 only

1, 2 & 3

Question # 1 of 20

Find out the missing value of an Accounting Equation with the help of given data: Furniture Rs. 90,000 Cash Rs. 100, 000 Debtors Rs. 10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 90, 000 Liabilities?

Select correct

option: Rs.

201,000

Rs. 111, 000

Rs. 290, 000

Rs. 291, 000

Question # 3 of 20

Which of the following is NOT a characteristic of Joint Stock Company?

Select correct option:

Separate Legal Entity

Limited Liability of

shareholders Easy

formation Common Seal

Question # 4 of 20

Any expense that gives benefit for a period of less than twelve months is called\_.

Select correct option:

Capital Expense

Revenue

Expense

Revenue Receipt

Deferred

Expense

Question # 5 of 20

The process of transferring journal entry information to the ledger is called:

Select correct option:

Journalizing

Posting

Balancing

Analyzing

Question # 6 of 20

Total assets - Total liabilities

=? Select correct option:

Owner's Equity

Expenses

Retained

earnings

Retained

earnings

Question # 8 of 20

Debit signifies:

Select correct

option:

Increase in Asset account

Decrease in liability

account Decrease in

capital account All of the

given options

Question # 9 of 20

The term "Debit" is derived from

\_\_\_\_\_ language

. Select correct option:

Latin

English

French

Chinese

Question # 10 of 20

A book that keeps separate record for each account is known as: Select correct option:

Trial Balance

Voucher

General

Journal

General

Ledger

Question # 11 of 20

Which one of the following is called the book of primary Entry? Select correct option:

General

Journal

General

Ledger Trial

Balance

Profit and loss account

Question # 12 of 20

43 In an account if credit side > debit side, the balance is known as: Select correct option:

Negative Balance

Debit Balance

**Credit Balance**

Positive Balance

Faisal Qureshi

Normally single entry book keeping is followed by the:

Select correct option:

**Small businesses only**

Governments only

Large scale businesses only

Both Small businesses and Governments

Question # 14 of 20

What will be debited, if business sold goods for Rs.10, 000 on credit? Select correct option:

**Cash account**

Sales account

Accounts receivable

account Purchases account

Question # 15 of 20

An expenditure whose benefit is finished or enjoyed immediately is called:

Select correct

**option: Expense**

Liability

Cost

Income

e

Question # 16 of 20

What should be debited, if Sales made to Mahmood for cash? Select correct option:

**Cash account**

Mahood account

Sales account

Purchases account

Question # 17 of 20

Which of the following is NOT a characteristic of Journal? Select correct option:

Transactions are recorded in chronological

order Transaction is first recorded in Journal

from Voucher It is also called "The original

book of entry" None of the given options

Question # 18 of 20

Consider the following data: Particulars Rs. Assets 1,05,000

Owner's equity 70,000 Liabilities ?

Select correct

option: Rs. 35,000

Rs. 1, 75,000

Rs. 7, 35,000

Rs. 1, 05,000

44 Question # 4 of 20

Faisal Qureshi

Which of the following is/are the example/s of Intangible Asset? Select correct option:

Copy rights

Good will

Patent rights

All of the given options

[www.employeescorner.info](http://www.employeescorner.info)

Assets are divided in which of the following categories in balance sheet. Select correct option:

Current assets, Long term assets and capital assets  
Current assets, Long term assets and fixed assets  
Current assets, Quick assets and business debts  
Current assets, Fixed assets and deferred cost

Question # 8 of 20

Find out the missing value of an Accounting Equation with the help of given data: Cash Rs. 100, 000 Debtors Rs. 10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1, 000 Liabilities ?

Select correct option:

Rs. 12,000  
Rs. 11,000  
Rs. 110,000  
Rs. 111,000

Question # 9 of 20

What will be debited, if business purchased Vehicle on cash?

Select correct option:

Vehicle account  
Cash account  
Business account  
Bank account

Question # 10 of 20

Franchise rights, goodwill and patents are the examples of:

Select correct option:

Liquid assets

Tangible

assets

Intangible

assets

Current assets

Question # 19 of 20

The process of transferring journal entry information to the ledger is called: Select correct option:

Journalizing

Posting

Balancing

g

Analyzing

g

Question # 20 of 20

Which of the following is NOT correct? Select correct option:

Decrease in Assets will be

credit

Decrease in Liabilities will

be credit

Decrease in Expenses will be credit

Decrease in Revenue will be debit

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47 Select correct option:

Faisal Qureshi

Profit

Loss Surplus

Deficit

Question # 2 of 20

An accounting system is used by a business to:

Select correct option:

Analyze transactions

Handle routine bookkeeping tasks

Structure information

All of the given options

Question # 3 of 20

Which of the following is NOT a characteristic of Joint Stock Company?

Select correct option:

Separate Legal Entity

Limited Liability of shareholders

Easy formation

Common Seal

Question # 4 of 20

What should be debited, if Sales made to Mahmood for cash?

Select correct option:

Cash account Mahood

account Sales account

Purchases account

Question # 5 of 20

Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?

Select correct option: Rs.

49,000

Rs. 55,000

Rs. 125,000

Rs. 115,700

Question # 6 of 20

When income is reduced or decreased, that amount is recorded on:

48 Select correct option:

Faisal Qureshi

Right or debit side of the account

Left or debit side of the account Left

or credit side of the account

Right or credit side of the account

Question # 7 of 20

Which of the following expenses are called financial expenses?

Select correct option:

Payment of rent & Salary expense

Markup on loan & Bank Charges

Interest & advertisement expense

Wages and Depreciation expense

Question # 8 of 20

An expenditure whose benefit is finished or enjoyed immediately is called:

Select correct option:

Expense

Liability Cost

Income

Question # 9 of 20

In which of the following all vouchers are first recorded\_\_\_\_\_.

Select correct option:

General Journal

General Ledger

Balance Sheet

Trial Balance

Question # 10 of 20

The main purpose of\_\_\_\_\_ is to ascertain true result of the business operation during particular period of time.

Select correct option: Cost

Accounting

Financial Accounting

Managerial Accounting

Tax Accountin



Particulars	Rs.
Opening written down value of machine	3,00,000
Cost of machine purchased during the year	50,000
Depreciation during the year	9,000
closing written down value (WDV) of the Machine	?

► **Rs. 3, 41,000**

► Rs. 3, 50,000

► Rs. 3, 59,000

► Rs. 59,000

Particular	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

► **Rs. 2, 25,000**

► Rs. 2, 50,000

► Rs. 2, 75,000

► Rs. 75,000

Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

► Rs. 49,000

► Rs. 55,000

► Rs. 1, 25,000

► **Rs. 1, 03,000**

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs. 22,500
Debtors	Rs. 500
Total Assets	Rs. 80, 385
Accounts payable	Rs. 1,000
Total liabilities	Rs. 20,000

► **Rs. 60,385 owner's equity**

► Rs. 61,385 owner's equity

► Rs. 99,885 owner's equity

► Rs. 99,385 owner's equity

Find out the missing value of an Accounting Equation with the help of given data:

Furniture	Rs. 90,000
Cash	Rs. 1, 00, 000
Debtors	Rs. 10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 90, 000

- ▶ Rs. 2, 01,000 liabilities
- ▶ **Rs. 1, 11, 000 liabilities**
- ▶ Rs. 2, 90, 000 liabilities
- ▶ Rs. 2, 91, 000 liabilities

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ **Finished goods account**
- ▶ Merchandise account

.2 .Which of the following assets are shown at written down value in balance sheet?

- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets
- ▶ **Fixed assets**

.3 Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
  - ▶ Office Equipment
  - ▶ Plant & Machinery
  - ▶ **Land**

The main goal of Bank Reconciliation Statement is to determine:

- ▶ If the discrepancy is due to error rather than timing
- ▶ If the discrepancy is due to timing rather than error
- ▶ If the discrepancy is due to error rather than amount
- ▶ **If the discrepancy is due to amount rather than timing**

.4 Sale proceeds of goods are an example of:

- ▶ Revenue expense
- ▶ Capital expense
- ▶ Capital receipt
- ▶ **Revenue receipt**

.5 .Which one of the following is **NOT** true about revenue expenditure?

- ▶ These are the running expenses of the business
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- Rs.260
- Rs.232
- Rs.284
- **Rs.320**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- Rs. 1,225
- Rs. 1,015
- Rs. 965
- **Rs. 905**

If, **Cost of machine = Rs.400,000** Useful life = 5 years

Rate of depreciation= 40%

The book value of machine after one year's using diminishing balance method is ?

- Rs.86, 400
- Rs. 1, 44,000
- **Rs. 2, 40,000**
- Rs. 51,840

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ Rs.25, 000
- ▶ **Rs. 75,000**
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

.6 .

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

.7 .

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

- ▶ **Rs. 60,000 loss**
- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 1, 00,000 profit

.8 .

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

.9 .

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**
- ▶ Production worker's wages
- ▶ Depreciation expenses

.10 .

If the working capital and the current assets of company XYZ are Rs. 5,000 and Rs.15,000 respectively, calculate the current liabilities.

- ▶ Rs. 5,000
- ▶ Rs. 10,000
- ▶ Rs. 15,000
- ▶ Rs. 20,000

.11 .Which of the following item appears in Trading Account of a business?

- ▶ Interest expenses
- ▶ Wages and salaries
- ▶ Depreciation expenses
- ▶ Discount Allowed

.12 .

Which of the following is an alternate term which can be used for “Capital”?

54

Faisal Qureshi

- ▶ Liability
- ▶ Owner's net worth
- ▶ Working capital
- ▶ Asset

.13 .

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- ▶ Profit and loss account
- ▶ Balance sheet
- ▶ Statement of financial position
- ▶ All of the given options

.14 .

If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

- ▶ Rs. 5,000 Loss
- ▶ Rs. 5, 000 Profit
- ▶ Rs.1, 95,000 Profit
- ▶ Rs.1, 95,000 Loss

.15 .

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ All of the given options

.16 .

Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ Cash account

.17 .

Which of the following journal entry will be recorded, if the payment of furniture purchased is made through cheque?

- ▶ Furniture account (Dr) and Bank account (Cr)
- ▶ Furniture account (Dr) and Profit & Loss account (Cr)

- ▶ Furniture account (Dr) and Cash account (Cr)
- ▶ Cash account (Dr) and Furniture account (Cr)

.18 .

Which one of the following statement is **CORRECT** about Long term liabilities?

- ▶ These are due within one year
- ▶ These are consist of all debts, payable after 12 months
- ▶ In working capital, these are deducted from current assets
- ▶ All of the given options

.19 .

What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ All of the given options

.20 .

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ▶ Deficit
- ▶ Surplus
- ▶ Profit
- ▶ Loss

.21 .

Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ Profit & Loss account
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

.22 .

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ Trading and Profit & Loss account
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings
- ▶ Balance Sheet

.23 .

Which of the following period is known as a fiscal Year of the Government of Pakistan?

- ▶ 1<sup>st</sup> January to 31<sup>st</sup> December
- ▶ 1<sup>st</sup> June to 31<sup>st</sup> May

**.24 .**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- Increase in cash and decrease in equity
- Increase in cash and increase in goods
- Increase in goods and decrease in cash
- Increase in equipment and increase in equity

**.25 .**

Obligations to pay cash or un-earned incomes by the business are the:

- Assets
- Liabilities
- Equities
- Expenses

**.26 .**

Commercial Accounting is based on:

- Single entry book keeping
- Double entry book keeping
- Both single and double entry book keeping
- Cash basis of book keeping

**.27 .**

Word "Credit" is derived from \_\_\_\_\_ language.

- Latin
- English
- French
- Chinese

**.28 .**

The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:

- Separate Entity Concept
- Matching Concept
- Going Concern Concept
- Materiality Concept

**.29 .**

Double entry accounting system includes:

- Accrual accounting only
- Cash accounting only



- ▶ Both cash and accrual accounting
- ▶ None of the given options

.30 .

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Structure information
- ▶ All of the given options

.31 ( Marks: 10 )

Record the following transactions in the General Journal.

Date:	Transactions
Jan 1, 2007	Mr. Asghar started business with cash Rs. 1, 00,000.
Jan 2, 2007	Opened bank account with amount Rs. 50,000.
Jan 4, 2007	Purchased goods for cash Rs. 15,000.
Jan 9, 2007	Payment made to Karachi store (Creditor) Rs. 15,000 by cheque.
Jan14, 2007	Goods returned to Karachi store worth Rs. 1,500.
Jan22, 2007	Goods sold for cash Rs. 2,000.

DR

Bank account 50,000

Purchased goods for cash Rs. 15,000

Payment made to Karachi store (Creditor) Rs. 15,000 by cheque

Goods returned to Karachi store worth Rs. 1,500

Credit balance 20500

Cr

Mr. Asghar started business with cash Rs. 1, 00,000

Goods sold for cash Rs. 2,000.

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Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

▶ **Rs. 1, 29,000**

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Find out the missing value of an Accounting Equation with the help of given data:

Owner's equity	Rs. 22,500
Total Liabilities	Rs. 80, 385
Cash in hand	Rs. 1,000
Cash at bank	Rs. 2,000
Debtors	Rs. 500

- ▶ Rs. 1, 02,885 other assets
- ▶ Rs. 1, 02,885 other liabilities
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Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

- ▶ **Rs. 60,000 loss**
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Double entry accounting system includes:

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- ▶ Cash accounting only

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Which of the following financial statement shows the financial health of an Organization at a stated period of time?

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The estimated value at which an asset is expected to be sold after the end of its useful life is called:

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**Calculate depreciation of the asset for five years by using written down value method. Also show accumulated depreciation.**

Cost of the asset	Rs. 1,20,000
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**ANSWER**

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	WDV= 97,200-	97,200	
3	Dep @ 10%... WDV= 97,200-	9,720	32520
	WDV= 87,480-	87,480	
4	Dep @ WDV=87,480-	8,748	41,268
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Faisal Qureshi

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	WDV=78,732-	70858.8	

.1 .

Particulars	Rs.
Opening written down value of machine	3,75,000
Cost of machine	50,000
Depreciation during the year	11,000
Closing written down value (WDV) of the Machines	?

- ▶ Rs. 4, 14,000
- ▶ Rs. 4, 25,000
- ▶ Rs. 3, 86,000
- ▶ Rs. 61,000

.2 .

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

- ▶ Rs. 1, 29,000
- ▶ Rs. 1, 50,000
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.3 .

Firms charge depreciation each year:

- ▶ To ensure there is enough money in the firm to replace the asset
- ▶ To spread the cost of the asset over its working life
- ▶ To reduce the profit and thus reduce the dividends they can pay to share holders
- ▶ Because the law states they must be reduced

.4 .

Depreciation arises because of:

- ▶ Fall in the market value of an asset
- ▶ Fall in the value of money
- ▶ Physical wear and tear
- ▶ All of the given options

.5 .

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ Depreciateable assets
- ▶ Unlimited assets
- ▶ None of the given options



.6 .

Accountancy covers which of the following area(s):

- ▶ Book-keeping
- ▶ Accounting
  - ▶ Auditing
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Bank Reconciliation Statement is prepared by:

- ▶ Bankers
- ▶ Accountant of the business
- ▶ Statutory auditor
- ▶ Manager

.8 . **\_\_\_\_\_ is the detail of transaction in one's account provided by the bank.**

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- ▶ Bank reconciliation statement
- ▶ Income statement
- ▶ Financial statement

.9 .

If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

- ▶ Cheque deposited but not credited by the bank
- ▶ Cheques omitted to be deposited into bank
- ▶ Any amount directly collected by bank on behalf of customer but not recorded in cash book
- ▶ Debit side of cash book was overcast

.10 .

\_\_\_\_\_ is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

- ▶ Present value
- ▶ Fair value
- ▶ Book value
- ▶ Residual value

.11 .

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.268

.12 .

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Rate of depreciation= 40%

The book value of machine after one years using diminishing balance method is ?

- ▶ Rs.86, 400
- ▶ Rs. 1, 44,000
- ▶ Rs. 2, 40,000
- ▶ Rs. 51,840

.13 .

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Written down value of asset at the end of 5 <sup>th</sup> year	Rs.25,000
Profit or loss on disposal of fixed assets	?

- ▶ Rs.25, 000 profit
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

.14 .

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

- ▶ Rs. 3,000
- ▶ Rs. 8,000
- ▶ Rs. 7,000
- ▶ Rs. 5,000

.15 .

Which one of the following is **CORRECT** about the closing stock?

- ▶ It appears in the assets side of a balance sheet
- ▶ It decreases the value of cost of goods sold
- ▶ It becomes opening stock of next year
- ▶ All of the given option

.16 .

Which of the following particulars are included in the specimen of a bank receipt voucher?

- 1) Name of the organization
  - 2) Bank code
  - 3) Date of transaction
- ▶ (1) & (2) only
  - ▶ (1) & (3) only
  - ▶ (2) & (3) only
  - ▶ (1), (2) & (3)

.17 .

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ Owner's net worth
- ▶ Working capital
- ▶ Asset

.18 .

Which of the following statement is **TRUE** about the positive working capital of a company?

- ▶ It shows sound position of a company
- ▶ It shows that company has sufficient current assets to meet current liabilities
- ▶ It shows that current assets are greater than current liabilities
- ▶ All of the given options

.19 .

In which of the following condition a company will have positive working capital?

- ▶ If current assets > current liabilities
- ▶ If current Assets < current Liabilities
- ▶ If current assets = current liabilities
- ▶ If current assets  $\leq$  current liabilities

.20 .

Which of the following is **NOT** an example of Current Asset?

- ▶ Bank Overdraft
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

.21 .

Which of the following is **NOT** an item of a Balance Sheet?

- ▶ Accounts Receivable
- ▶ Accounts Payable
- ▶ Sales Revenue
- ▶ Marketable Securities

.22 .

Which of the following statement is **NOT TRUE** about Current liabilities?

- ▶ These are due within one year
- ▶ These are short-term loans
- ▶ These are consist of all debts, payable after 12 months
- ▶ In working capital, these are deducted from current assets

.23 .

Which of the following shows summary of a company's financial position at a specific date?

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ Balance Sheet
- ▶ Income & Expenditure Account

.24 .

What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ All of the given options

.25 .

Which one of the following is **NOT** prepared by Nonprofit organizations?

- ▶ Profit & Loss account
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

.26 .

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ Trading and Profit & Loss account
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings
- ▶ Balance Sheet

.27 .

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- ▶ Income Statement
- ▶ Balance Sheet
- ▶ Trial Balance
- ▶ Cash Book

.28 .

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ (1), (2) & (3)

.29 .

A book, in which receipts and payments are recorded, is known as:

- ▶ Pass Book
- ▶ Cash Book
- ▶ Purchase Book
- ▶ Sales Book

.30 .

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ Debit Balance
- ▶ Positive Balance
- ▶ Credit Balance

.31 .

When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ Right or credit side of the account

.32 .

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ▶ Decrease in an asset, decrease in a liability
- ▶ Increase in an asset, increase in a liability
- ▶ Decrease in an asset, decrease in owner's equity
- ▶ Increase in an asset, increase in owner's equity

.33 .

An Asset that is **NOT** physical in nature is called\_\_\_\_\_.

- ▶ Intangible Asset
- ▶ Liquid Asset
- ▶ Current Asset
- ▶ Fixed Asset

.34 .

Assets total Rs.50, 000 and Liabilities total Rs.10, 000. What is the equity of the business?

- ▶ Rs. 40, 000
- ▶ Rs. 60, 000
- ▶ Rs. 10,000
- ▶ Rs. 50,000

.35 .

According to the double entry system of accounting, an account that obtains benefit is:

- ▶ Debit                      ▶ Credit                      ▶ Income
- ▶ No need to show as accounting record

.36 .

78 The time span in which financial statements of the business are prepared is known as:

- ▶ Financial Year
- ▶ Accounting Period
- ▶ Business Life Cycle
- ▶ Accounting Cycle

.37 .

Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only
- ▶ Both cash sales and credit sales

.38 .

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having life of 10 years, this expense will be realized \_\_\_\_\_ under the concept of accrual accounting.

- ▶ For the year 2008 only
- ▶ For the last day of 10<sup>th</sup> year only
- ▶ Over 10 years
- ▶ Nothing can be said about it

.39 .

Net Profit =? -  
Expenses

- ▶ Liabilities
- ▶ Assets
- ▶ Capital
- ▶ Income

.40 .

The price paid for an item, in terms of currency is called:

- ▶ Sale
- ▶ Cost
- ▶ Debt
- ▶ Revenue