

Q.1. _____ is a specialised branch of accounting that keeps track of a company's financial transactions.

- (a) Cost accounting
- (b) Management accounting
- (c) Financial Accounting
- (d) Corporate accounting

Ans. (c) Financial Accounting

Q.2. Financial accountancy is governed by _____

- (a) local standards only
- (b) international standards
- (c) local as well as international accounting standards
- (d) company's internal top management only

Ans. (c) local as well as international accounting standards

Q.3. _____ is the scope of financial accounting.

- (a) Collection and processing of data
- (b) Verifying or auditing data
- (c) Publishing data
- (d) All of the above

Ans. (d) All of the above

Q.4. Which is not a benefit of financial accounting?

- (a) Maintaining systematic records
- (b) Protecting and safeguarding business assets
- (c) Historical in nature
- (d) Facilitates rational decision making

Ans. (c) Historical in nature

Q.5. Which is not a limitation of financial accounting?

- (a) Inadequate information to fix up the price of products manufactured
- (b) Lack of data for comparison of cost of operation of the firm with other firms in the industry
- (c) The data available is historical in nature
- (d) Complies with the various legal requirements

Ans. (d) Complies with the various legal requirements

Q.6. The overriding purpose of financial accounting is to summarize financial activity in business in the _____

- (a) profit and loss statement
- (b) balance sheet
- (c) cash flow statement
- (d) all of the above

Ans. (d) all of the above

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Q.7. _____ are the basis of the business's financial accounting.

- (a) Accounting records
- (b) Bookkeeping
- (c) Sales Volume
- (d) Both a & b

Ans. (d) Both A & B

Q.8. Financial accounting provides accounting information to the _____ though the information is useful for internal purposes also.
(a) external users (b) internal users
(c) company (d) competitors

Ans. (a) external users

Q.9. Financial accounting reports to the _____ after the completion of the accounting year.
(a) internal management (b) external parties
(c) Media (d) rivals

Ans. (b) external parties

Q.10. Financial accounting reports include _____
(a) profit and loss account
(b) directors report
(c) balance sheet and auditors report
(d) all of the above .

Ans. (d) all of the above

Q.11. Financial accounting cover overall performance of the _____
(a) Competitors (b) Market
(c) Company (d) Finance department

Ans. (a) Company

Q.12. Financial accounting reports lay greater emphasis on the _____
(a) objectivity of data (b) Flexibility of data
(c) Relevancy of data (d) Subjectivity of data

Ans. (a) objectivity of data

Q.13. Presentation of financial accounting reports is mandatory under the provisions of section 209 (1), 210 (1) and 216, 217 of _____

- (a) the business act 1956
- (b) the companies act 1956
- (c) the company act 1965
- (d) the company 2016

Ans. (b) the companies act 1956

Q.14. Select the correct answer.

- (a) financial accounting reports generally govern accepted accounting principles
- (b) Generally accepted accounting principles governing financial accounting reports
- (c) Generally accepted accounting principles does not governing financial accounting reports
- (d) There is no relation between Generally accepted accounting principles and financial accounting reports

Ans. (b) Generally accepted accounting principles governing financial accounting reports

Q.15. Financial accounting statements are subject to _____

- (a) Cost audit (b) Forensic audit
- (c) Statutory audit (d) Non statutory audit
- Ans. (c) Statutory audit

Q.16. The annual reports are to be prepared and published for circulation among the external end users such as _____

- (a) Company, competitors, contributors and colleagues
- (b) Customers, creators, collaborators and contractors
- (c) Government, competitors, owners and top management
- (d) shareholders, investors, bankers, debenture holders and creditors

Ans. (d) shareholders, investors, bankers, debenture holders and creditors

Q.17. _____ is a structured representation of the financial performance and financial position of a business and changes over a period of time.

- (a) Profit and loss account
- (b) Financial statement
- (c) Balance sheet
- (d) Internal audit

Ans. (b) Financial statement

Q.18. _____ are the components of financial statements.

- (a) profit and loss account and balance sheet
- (b) cash flow and fund flow statement
- (c) notes and schedules
- (d) All of the above

Ans. (d) All of the above

Q.19. _____ explain the financial position of the reporting entity at the end of the accounting period.

- (a) Balance sheet (b) Income statement
- (c) ledger (d) Notes & schedules

Ans. (a) Balance sheet

Q.20. _____ helps to find out the profit made or loss sustained in a particular accounting period through transactions and events.

- (a) Income statement (b) Profit and loss account
- (c) Trading account (d) None of the above

Ans. (b) Profit and loss account

Q.21. _____ is not a primary source of long-term debt financing.

- (a) Accounts payable (b) Notes payable
- (c) Leases (d) Bonds

Ans. (a) Accounts payable

Q.22. Cash flow is also known as _____

- (a) balance sheet flow (b) profit and loss account
- (c) fund flow statement (d) notes and schedules
- Ans. (c) fund flow statement

- Q.32. Cost accounting started as a branch of _____ financial accounting
- Management accounting
 - corporate accounting
 - vedic accounting
 - financial accounting

Ans. (a) financial accounting

Q.33. The vital importance that cost accounting has acquired in the modern age is because of the growth of _____ in modern industry

- technologies
- creativity
- complexities
- simplicity

Ans. (c) complexities

Q.34. In brief, _____ is the activity of finding out the cost of products and services.

- Financial accounting
- Management accounting
- Corporate accounting
- Cost accounting

Ans. (d) Cost accounting

Q.35. Cost accounting provides _____ cost information to various levels of Management for efficient performance of their functions.

- Minute
- Limited
- Detailed
- both a & b

Ans. (c) Detailed

Q.36. Modern management needs _____ information than supplied by financial statements like profit and loss account and balance sheet.

- less detailed
- much more detailed
- limited amount of
- much more restricted

Ans. (b) much more detailed

Q.37. The information supplied by cost accounting acts as a tool of Management for making _____

- minimum use of scarce resources
- maximum use of resources
- optimum use of scarce resources
- all of the above

Ans. (c) optimum use of scarce resources

Q.38. Cost accounting makes optimum use of scarce resources which ultimately add to the _____ of business

- loss
- profitability
- extinction
- merger

Ans. (b) profitability

Q.39. _____ is the process of determining and accumulating the cost of product or activity.

- Cost accounting
- Financial accounting
- Cost control
- Cost audit

Ans. (a) Cost accounting

Q.40. _____ involves the classifying recording and appropriate allocation of expenditure for the determination of cost of products or services.

- (a) Pricing (b) Costing
 - (c) Balancing (d) Cost Auditing
- Ans. (b) Costing

Q.41. Cost accounting is a quantitative method that accumulates, classifies, summarizes and interpret information for _____.

- (a) Operational planning and control
- (b) Special decision
- (c) Product decision
- (d) All of the above

Ans. (d) All of the above

Q.42. _____ is the objective of cost accounting.

- (a) Controlling cost
- (b) Ascertaining costing profit
- (c) Determining selling price
- (d) All of the above

Ans. (d) All of the above

Q.43. The term costing and cost accounting are many times used interchangeably but the scope of cost accounting is _____.

- (a) limited as compared to costing
- (b) broader than that of costing
- (c) equal to costing
- (d) there is no relation between costing and cost accounting

Ans. (b) broader than that of costing

Q.44. _____ involves the process of finding out the causal factors of actual cost varying from the budgeted cost and fixation of responsibility for cost increases.

- (a) Cost analysis (b) Cost ascertainment
- (c) Cost book-keeping (d) Cost system

Ans. (a) Cost analysis

Q.45. _____ involves maintaining complete record of all cost incurred from their in currency to their charge two departments products and services.

- (a) cost ascertainment (b) Cost bookkeeping
- (c) Cost system (d) Cost comparison

Ans. (b) Cost bookkeeping

Q.46. _____ refer to presentation of cost primarily used by the management at different levels.

- (a) Cost audit (b) Cost ascertainment
- (c) Cost reports (d) Cost system

Ans. (c) Cost reports

Q.47. Recording of transactions and events as & when they occur and classifying them into suitable account heading is the subject matter of

- (a) Book-keeping (b) Management Accounting
- (c) Cost Accounting (d) Financial Accounting

Ans. (a) Book-keeping

Q.48. Book-keeping is mainly concerned with the recording of financial data relating to the in significant and orderly manner.

- (a) Company
- (b) Business
- (c) Monetary
- (d) Personal

Ans. (b) Business

Q.49. Basic function of accounting is to

- (a) Summarise the data
- (b) Assist the management in performing functions effectively
- (c) Interpret the financial data
- (d) Record all business transactions of monetary nature

Ans. (d) Record all business transactions of monetary nature

Q.50. There are two systems of accounting i.e. cash basis system of accounting and basis system of accounting

- (a) Dual Aspect
- (b) Accrual
- (c) Single Entry
- (d) Double entry

Ans. (b) Accrual

Q.51. The alternative to cash basis of accounting is called _____ basis of accounting

- (a) Accrual
- (b) Due
- (c) Receipt
- (d) Credit

Ans. (a) Accrual

Q.52. The system of recording transactions based on dual aspect concept is called

- (a) Double Entry System
- (b) Single Entry System
- (c) Accrual Basis of Accounting
- (d) Double Account System

Ans. (a) Double Entry System

Q.53. As per dual aspect concept:

- (a) Assets + Capital Liabilities
- (b) Assets + Liabilities = Capital
- (c) Assets = Liabilities + Capital
- (d) Assets = Liabilities-Capital

Ans. (c) Assets = Liabilities + Capital

Q.54. Liabilities of a firm are 8,00,000 and capital of the proprietor is 7,00,000. Then total assets are:

- (a) 2,00,000
- (b) 15,00,000
- (c) 4,00,000.
- (d) 6,00,000

Ans. (b) 15,00,000

Q.55. Assets are 14,00,000 and liabilities are 6,00,000. His capital would be

- (a) 12,00,000
- (b) 10,00,000
- (c) 2,00,000.
- (d) 8,00,000

Ans. (d) 8,00,000

- [46]
- Q.56.What is cash management?
- (a) The process of managing a company's cash flow
 - (b) The process of managing a company's inventory
 - (c) The process of managing a company's receivables
 - (d) None of the above
- Ans. (a) The process of managing a company's cash flow

- Q.57.What is inventory management?
- (a) The process of managing a company's cash flow
 - (b) The process of managing a company's inventory
 - (c) The process of managing a company's receivables
 - (d) None of the above
- Ans. (b) The process of managing a company's inventory

- Q.58.Which of the following is not a business transaction?

- (a) Goods purchased from 1000
 - (b) Placed an order for purchasing the goods for 2000
 - (c) Received interest from Bank 5000
 - (d) Rent paid to Landlord 3000
- Ans. (b) Placed an order for purchasing the goods for 2000

- Q.59.Which of the following item is not financial in nature :

- (a) Purchase of machine for cash
 - (b) Withdrawal of cash by proprietor for his domestic use
 - (c) Dismissing an employee from job
 - (d) Purchase of a bike on credit
- Ans. (c) Dismissing an employee from job

- Q.60.Total assets of a trader are 7,25,000 and outside liabilities are 4,25,000; owner's equity will be:

- (a) 2,50,000
 - (b) 3,00,000
 - (c) None of the above
 - (d) 6,00,000
- Ans. (b) 3,00,000

- Q.61.Maintaining of systematic records of all the business transactions is termed as

- (a) Recording
 - (b) Accounting
 - (c) Classification of Records
 - (d) None of the above
- Ans. (c) Classification of Records

- Q.62.Accounting in the modern time is treated as

- (a) The source of business information
 - (b) The language of business
 - (c) An art of recording, classifying and summarizing transactions in monetary units
 - (d) All of the above
- Ans. (d) All of the above

- Q.63.What is receivables management?

- (a) The process of managing a company's cash flow

- (b) The process of managing a company's inventory
 - (c) The process of managing a company's receivables
 - (d) None of the above
- Ans. (c) The process of managing a company's receivables

Q.64. Which is not dependent on accounting?

- (a) Book keeping
 - (b) Cost accounting
 - (c) Financial accounting
 - (d) Management decision making
- Ans. (a) Book keeping

Q.65. Accounting is treated as both science and an:

- (a) Economics
- (b) Commerce
- (c) Science
- (d) Art

Ans. (d) Art

Q.66. Book Keeping is made to maintain a detail record of

- (a) None of the above
- (b) College transaction
- (c) Business transaction
- (d) Selling transaction

Ans. (c) Business transaction

Q.67 The primary objective of accounting is to.

- (a) Abnormal records
- (b) Normal records
- (c) Unsystematic record
- (d) Systematic record

Ans. (d) Systematic record

Q.68. Users of accounting informations are classified in to two parts i.e.

External Users and

- (a) Share holder
- (b) Customer
- (c) Internal users
- (d) External users

Ans. (c) Internal users

Q.69. Book Keeping is regarded as the step of accounting.

- (a) Fourth
- (b) Secondary
- (c) Third
- (d) Primary

Ans. (d) Primary

Q.70. The actual record making phase (i.e. accounting is usually called recording, classifying and summarising) of accounting is called

- (a) Trail balance
- (b) Ledger
- (c) Book keeping
- (d) Accounting

Ans. (c) Book keeping

Q.71. What is the cash conversion cycle?

- (a) The time it takes for a company to convert its inventory into cash
- (b) The time it takes for a company to convert its receivables into cash
- (c) The time it takes for a company to convert its cash into inventory
- (d) None of the above

Ans. (a) The time it takes for a company to convert its inventory into cash

Q.72.What is the economic order quantity?

- (a) The optimal order size that minimizes the total cost of ordering and holding inventory
- (b) The optimal order size that maximizes the total cost of ordering and holding inventory
- (c) The optimal order size that minimizes the total cost of ordering inventory
- (d) None of the above

Ans. (a) The optimal order size that minimizes the total cost of ordering and holding inventory

Q.73.Under which basis of accounting actual cash receipts and actual cash payments are Recorded.

- (a) Noncash (b) Cash
- (c) Accrual (d) All of the above

Ans. (b) Cash

Q.74.The alternative to cash basis of accounting is called basis of accounting

- (a) Hybrid (b) Accrual
- (c) Cash (d) None of the above

Ans. (b) Accrual

Q.75.The system of accounting in which only personal accounts with or without subsidiary books are maintained is known as

- (a) Double (b) Triple
- (c) Single entry (d) None

Ans. (c) Single entry

Q.76.This method of writing every transaction in two accounts is known as

- (a) Double entry (b) Triple
- (c) Single entry (d) None

Ans. (a) Double entry

Q.77.Under which basis of accounting both cash basis and accrual basis are followed

- (a) Accrual basis (b) Cash basis
- (c) Mixed or hybrid (d) None of the above

Ans. (c) Mixed or hybrid

Q.78.Any exchange of money or money's worth between two parties is called

- (a) Business transaction (b) Non business transaction
- (c) Register transaction (d) None of the above

Ans. (a) Business transaction

Q.79.In accounting, transactions of similar nature are added or subtracted at a particular place.

known as

- (a) Khata (b) Account
- (c) Register (d) Book

Ans. (b) Account

[42]

- Q.23. _____ is used to analyse the pattern of movement or activity during the period to identify the way the enterprise has generated cash and the way they have been used in an accounting period.
- (a) Balance sheet (b) Cash flow
(c) Profit & Loss a/c (d) income statement
- Ans. (b) Cash flow

- Q.24. Notes and schedules is used to present supplementary information explaining different items of financial statements.
- (a) balance sheet flow (b) profit and loss account
(c) fund flow statement (d) notes and schedules
- Ans. (d) notes and schedules

- Q.25. _____ is a written evidence in support of a business transaction.
- (a) Ledger (b) Voucher
(c) Ledger Posting (d) Journal
- Ans. (b) Voucher

- Q.26. Notes and schedules include disclosures about the risk and uncertainties affecting the enterprise and such items as disclosure of _____
- (a) accounting policies segment reports
(b) report of operations in the process of discontinuation
(c) Both A & B
(d) None of the above
- Ans. (c) Both A & B

- Q.27. Trademark, Copyrights & Patents are _____ assets.
- (a) Intangible (b) Fixed
(c) Current (d) Tangible
- Ans. (a) Intangible

- Q.28. Capital increases if _____
- (a) cost increases (b) Expenses increases
(c) Revenue increases (d) Interest on capital increases
- Ans. (c) Revenue increases

- Q.29. Current assets minus current liabilities is equal to _____
- (a) losing capital (b) gaining capital
(c) fixed capital (d) working capital
- Ans. (d) working capital

- Q.30. A _____ can also be referred to as a tangible asset.
- (a) liquid asset (b) fixed asset
(c) current asset (d) other asset
- Ans. (b) fixed asset

- Q.31. Compared with financial accounting cost accounting is relatively _____ development.
- (a) old (b) recent
(c) earliest (d) both a & c
- Ans. (b) recent

- Q.80. A person to whom money is owing or payable is called a
 (a) Creditor (b) Debtor
 (c) Owner (d) None of the above
 Ans. (a) Creditor

- Q.81. owner's financial interest or holding in the business and is represented by the value of net assets (I.e., total assets less liabilities.) is termed as
 (a) None of the above (b) Liability
 (c) Assets (d) Capital
 Ans. (d) Capital

- Q.82. Any physical thing or right owned that has a money value is an
 (a) Assets (b) Liabilities
 (c) Money (d) All of the above

Ans. (a) Assets

- Q.83. A claim which can be enforced against the assets of the firm is called
 (a) Debenture (b) Money
 (c) Equity (d) None of the above

Ans. (c) Equity

- Q.84. An inflow of assets which results in an increase in the owner's equity is termed as
 (a) Liability (b) Expenses
 (c) Income (d) None of the above

Ans. (c) Income

- Q.85. Any amount or goods withdrawn by the owner of a business for personal use is called
 (a) Drawing (b) Liability
 (c) Expenses (d) Income

Ans. (a) Drawing

- Q.86. Any written document in support of a business transaction is called a
 (a) Voucher (b) Bill
 (c) Account (d) Register

Ans. (a) Voucher

- Q.87. Which of the following item is shown in the Receipt and Payment account?

- (a) Only items of capital nature.
- (b) Only items of revenue nature which are received during the period of accounts.
- (c) Only items of revenue nature pertaining to the period of accounts.
- (d) Both the items of capital and revenue nature which are received during the period of accounts.

Ans. (d) Both the items of capital and revenue nature which are received during the period of accounts.

- Q.88. Any income arising from special fund will be credited to
 (a) General fund in the Balance Sheet

- (b) Receipt and Payment account
- (c) Income and Expenditure account
- (d) Special fund in the Balance sheet

Ans. (d) Special fund in the Balance sheet

Q.89. There are 100 members each paying an annual subscription of 500. The Receipt and Payment account shows arrear subscription of 4,500, advance subscriptions 6,000 and current 44,500. How much amount to be credited in the Income and Expenditure account?
(a) 55,000 (b) 49,000 (c) 44,500 (d) 50,000

Ans. (d) 50,000

Q.90. When opening stock 50,000; closing stock 40,000; purchases 1,90,000 profit margin is 16.67% on sales, the sales are:
(a) 2,40,000 (b) 2,36,000 (c) 2,00,000 (d) 2,44,000

Ans. (a) 2,40,000

Q.91. Goods bought for 25,000 passed through sales day book will result in

- (a) No effect on gross profit (b) Decrease in gross profit
- (c) Decrease in net profit (d) Increase in gross profit

Ans. (b) Decrease in gross profit

Q.92. Which of the following will result in disagreement of Trial Balance?

- (a) Sales return treated as purchase.
- (b) Purchase return treated as sales.
- (c) Ram a/c wrongly credited instead of Sham a/c
- (d) Under casting cash book by 1,100

Ans. (d) Under casting cash book by 1,100

Q.93. In a joint venture X and Y sharing profit and loss equally, X purchased goods costing of 40,000 and Y sold the goods for 50,000. X is entitled to get 1% commission on purchase and Y is entitled to get 5% commission on sales, the profit will be
(a) 7,200 (b) 7,100 (c) 6,800 (d) 7,600

Ans. (b) 7,100

Q.94. What is the nature of joint venture with co-venture account?

- (a) Nominal account (b) Personal account
- (c) Real Account (d) Memorandum Account

Ans. (b) Personal account

Q.95. Which of the following term is applicable about consignment?

- (a) Sale of goods (b) Hypothecation of goods
- (c) Shipment of goods (d) Mortgage of goods

Ans. (a) Sale of goods

Q.96. Retirement of bill means:

- (a) sending the bill for collection
- (b) cancellation of the bill
- (c) endorsing the bill in favour of third party
- (d) making payment before the due date.

Ans. (d) making payment before the due date.

FINANCIAL ACCOUNTS

Q.97.Which one of these documents is not required for bank reconciliation?

- (a) Bank Column of cash book
- (b) Bank pass book
- (c) Previous year's balance sheet
- (d) Bank statement

Ans. (c) Previous year's balance sheet

Q.98.In a overdraft balance as per cash book, a cheque of 1,250 deposited into bank but not recorded in cash book will be

- (a) deducted by 1,250
- (b) added by 1,250
- (c) added by 2,500
- (d) deducted by 2,500

Ans. (a) deducted by 1,250

Q.99.Which of these errors affects only one account?

- (a) Error of casting
- (b) Error of posting
- (c) Error of carry forward
- (d) All of the above

Ans. (d) All of the above

Q.100.Which of the following error is an error of principle?

- (a) 4,000 received from Sham credited to Shamu a/c
- (b) 5,000 incurred on installation of new plant debited to salary a/c
- (c) 6,000 paid for wages debited to salary a/c
- (d) 7,000 being purchase of raw material debited to purchase a/c

Ans. (b) 5,000 incurred on installation of new plant debited to salary a/c