

MCQ1: What effect would purchase of goods for credit have on the assets, liability and capital of a business?

Answer: Increase Assets, decrease Liability and no effect on Capital

MCQ2: Which of the following are the effects of matching concept? (i) Determination of periodic profits (ii) Unexpired costs are deferred (iii) Cost of goods sold may be different from purchases

Answer: I, II, and III

MCQ3: The accrual concept requires a business to treat as income those which are due and receivable and to treat as expenses those which are in arrears respectively.

Answer: Yes

MCQ4: The implication of the entity concept to a sole trader is that the

Answer: business can sue and be sued separately

MCQ5: Which of the following transactions would reduce asset and reduce liability?

Answer: Sale of goods on credit

MCQ6: Which of the following statements about a journal are correct? (I) The double entry for a transaction is completed in a journal. (II) Journal is used to record withdrawal of cash to the office. (III) Aset-off between customers and suppliers is resolved through journal. (IV) Journal records adjusting events.

Answer: I, III and IV

MCQ7: Which of the following journal entries may be accepted as being correct according to their narration?

Answer: Dr Plant and machinery N250,000. Cr Ernest Opere & Co N250,000. Being Purchases of goods on credit

MCQ8: The invoiced price of a commodity is N50,000 with a trade discount of 10%. C. Eghan issued the invoice to Wii Dromo. How much is recorded in the books of original entry of Wii Dromo and in what book is it recorded?

Answer: N50,000 and purchases day book

MCQ9: Which of the following roles does a debit note serve?

Answer: A document issued by the seller informing the buyer that his account has been credited for overcharge on the invoice.

MCQ10: What is the relationship between a Purchase Order and Goods Received Note?

Answer: The GRN confirms that goods are supplied according to the specification in the purchase order.

MCQ11: Which of the following will increase the value of the account? (I) Debit an asset account. (II) Debit a liability account. (III) Debit an expense account. (IV) Debit an income account

Answer: I and II

MCQ12: A photocopy machine is purchased on credit for N500,000, state the accounts to be debited and credited.

Answer: Dr Office equipment and Cr Purchases

MCQ13: An entry on the right-hand side of a ledger account is

Answer: Credit

MCQ14:

Answer: Olu Ventures purchased N75,000 motor vehicle

MCQ15:

Answer: Trade Payables

MCQ16: When there is a set off between trade receivables and trade payables, and creditors the amount is

Answer: debited in sales ledger control account

MCQ17: Which of the following will NOT be recorded in the sales ledger control account? I. Amount received from receivables II. Bills payable discounted III. Cash sales IV Discount allowed

Answer: I and II

MCQ18: What is the effect of purchases set-off on control account?

Answer: It will reduce amount receivable from trade receivables

MCQ19: What is the source of information for dishonoured cheques recorded in total account?

Answer: Bank statement credit side

MCQ20: Control accounts are also called I. Total accounts. II. Self balancing ledger. III. Three column cash book. IV. General journal

Answer: I and II

MCQ21: Which of the following reconciliation items will affect the cash book balance? I. Bank error overstating the bank balance II. Cash book error, overstating the bank balance III. Income received through the bank IV. Imprest cheques

Answer: I and II

MCQ22: The effect of items that are recorded on the debit side of a bank statement but are not found on the credit side of the cash book is that

Answer: Bank balance is overstated

MCQ23: What is the effect of non-bank credit card draft on the account of a business when it is deposited by the customer?

Answer: Receivables" account is increased

MCQ24: The cash book of a trader shows an overdrawn account. Which of the following will reduce the balance when the necessary recordings are completed?

Answer: Bank charges

MCQ25: Given the following:

Acquisition cost of machine	200,000	Installation
cost	50,000	Estimated annual
maintenance cost	20,000	Estimated useful life 5 years
Estimated residual value	10,000	What is the
depreciable value of the machine?		

Answer: N200,000

MCQ26: Given the following:

Acquisition cost of machine	200,000	Installation
cost	50,000	Estimated annual
maintenance cost	20,000	Estimated useful life 5 years
Estimated residual value	10,000	Using straight
line method, what would be the annual depreciation charge for the second year of usage?		

Answer: N48,000

MCQ27: Dominic bought a non-current asset on credit from Mepai Company Limited. In which subsidiary book will Mepai Company Limited record this transaction?

Answer: Purchases journal

MCQ28: The fall in value of non-current intangible assets as a result of passage

of time is referred to as?

Answer: Depletion

MCQ29: Depreciation of an asset with fixed period of legal life is often referred to as?

Answer: Obsolescence

MCQ30: An increase in the value of a non-current asset over and above its original cost is termed?

Answer: Depreciation

MCQ31: The basic formula for the straight-line method of depreciation is given as? $\text{Annual depreciation} = \frac{a - b}{c}$

where

Answer: a = cost of the asset, b = expected asset life in years, c = residual value

MCQ32: Which of the following assets will not be shown on the statement of financial position of a business unit?

Answer: Intangible asset such as management services

MCQ33: Which of the following is an example of revenue expenditure?

Answer: Expenditure on non-current assets bought by the firm

MCQ34: Every asset should have at least

Answer: Tangible and intangible qualities

MCQ35: A motor van was purchased by a bookshop on 1st July 2003 for ₦10,000,000 and sold on 30th June 2005 for ₦8,200,000. The firm's accounting year ends on December 31st. Motor vans are depreciated at 10% per annum on cost. What is the profit or loss on disposal of the motor van?

Answer: ₦200,000 (loss)

MCQ36: A motor van was purchased by a bookshop on 1st July 2003 for ₦10,000,000 and sold on 30th June 2005 for ₦8,200,000. The firm's accounting year ends on December 31st. Motor vans are depreciated at 10% per annum on cost. What is the accumulated depreciation on the motor van as at 30th June, 2004?

Answer: ₦1,000,000

MCQ37: A company has business premises worth ₦80,000,000. An additional amount of ₦20,000 was used to provide metal gate for the building. The cost of the gate should be treated as

Answer: Revenue expenditure

MCQ38: Given the following information: Motor vehicles at cost (1/1/2005) ₦50,000,000 Accumulated depreciation (1/1/2005) ₦18,000,000 Depreciation is at the rate of 20% per annum using reducing balance method What would be the depreciation charge for 2005?

Answer: ₦6,800,000

MCQ39: Given the following information: Motor vehicles at cost (1/1/2005) ₦50,000,000 Accumulated depreciation (1/1/2005) ₦18,000,000 Depreciation is at the rate of 20% per annum using reducing balance method What would be the written down value of the motor vehicles as at 31st December, 2005?

Answer: ₦28,800,000

MCQ40: The value of a non-current asset is recorded in a

Answer: Nominal account

MCQ41: Which of the following best describes the provision made for the loss in value of non-current assets that is of a wasting nature?

Answer: Depletion

MCQ42: An expense is said to be capital in nature if it

Answer: Reduces the capital of the business

MCQ43: The following are non-current assets except

Answer: Land

MCQ44: Which of the following accounting equations is correct?

Answer: $\text{Asset} = \text{Capital} + \text{Liability}$

MCQ45: Which of the following should be accounted for as capital expenditure?

Answer: Cost of repainting of building

MCQ46: Depreciation in Accounting is best described as a method of

Answer: Spreading cost of non-current assets over a period of years

MCQ47: An entity selling goods bought a motor vehicle for N800,000 cash. The amount was debited into purchases account and credited into cash account. What is the type of error committed?

Answer: Error of commission

MCQ48: Which of the following statements is correct in preparing a bank reconciliation statement?

Answer: A dishonoured cheque received from a customer is debited to adjusted cash book

MCQ49: A suspense account is used when-----

Answer: Source of error is unknown

MCQ50: If Ado allows his personal building worth N300,000 to be used for the operations of his business then the assets of his business will

Answer: increase by N 300,000

Fill in the Blank Questions (FBQs):

FBQ1: The two main financial statements drawn up by a sole trader are comprehensive income statement and _____

Answer: *Statement of financial position*

FBQ2: _____ is a form of accounting information needed for the day to day running of a business.

Answer: *Management accounting information*

FBQ3: The main advantage of the going-concern concept is _____

Answer: *Increase patronage*

FBQ4: The effect of the historical cost concept on profit in a period of rising prices is_____.

Answer: *Holding gain*

FBQ5: The relevant concept that justifies the charging to expense the cost of small waste basket even though the basket has useful life of several years is

Answer: *Materiality*

FBQ6: _____ is the accounting concept which justifies the depreciation of non-current assets.

Answer: *Matching concept*

FBQ7: Mensa and Co., a sole trader, discovered that the business liability is in excess of the assets. He thus included his private assets in the Statement of financial position. _____ as accounting concept is violated.

Answer: *Entity concept*

FBQ8: Bank _____ is the main source document for recording cash paid into the bank.

Answer: *Pay-in-Slip*

FBQ9: The total in a sales day book is transferred to _____ account in the ledger.

Answer: *Sales ledger*

FBQ10: The duplicate copy of credit note will serve as the source document to record in the _____ book.

Answer: *Returns inwards*

FBQ11: The importance of narration in a journal is to indicate the purpose and _____ of the transaction.

Answer: *Authority*

FBQ12: The source document for cash sales is _____ of cash receipt issued by the seller.

Answer: *Duplicate copy*

FBQ13: Information stored in a computer-based accounting system which can be arranged into any desired format is called _____.

Answer: *Database*

FBQ14: The relationship between the ledger and the Trial Balance is that a debit balance in the ledger will be on the _____ side of the Trial Balance.

Answer: *Debit*

FBQ15: Trial Balance complements the usefulness of the double entry principle by testing whether the principle of _____ is properly followed in recording in ledger accounts.

Answer: *Double entry*

FBQ16: The Error of Omission can affect the Trial Balance when-----of the double entry of a transaction is posted to the ledger.

Answer: *Only one entry*

FBQ17: While the Trial Balance proves the equality of the debit and credit entries in the ledger, it does not _____ some errors.

Answer: *Detect*

FBQ18: It is common to divide the ledger for a large organisation into four separate ledgers known as the general ledger, _____, sales ledger and purchases ledger.

Answer: *Private ledger*

FBQ19: The account in the general ledger that after posting shows the total amount owed and agrees with the totals in the subsidiary ledger is termed the _____ account.

Answer: *Purchases Ledger control*

FBQ20: Postings are made to the general ledger _____

Answer: *Every month end*

FBQ21: A supplementary record used to provide detailed information for control account in the general ledger is known as _____ ledger.

Answer: *Subsidiary ledger*

FBQ22: _____ is an item that is normally posted to the credit side of the purchases ledger control account in relation to settlement of creditor's account.

Answer: *Dishonored bill payable*

FBQ23: Reconciling the ----- with the bank statement balance is a main step involved in preparing the bank reconciliation statement.

Answer: *Adjusted balance*

FBQ24: When a customer's cheque that is lodged is dishonored by the bank, it will _____ balance in the bank.

Answer: *Reduce cash*

FBQ25: _____ is the account that a business normally maintains with a bank when it has fund for investment for a relatively long period of time.

Answer: *Fixed deposit account*

FBQ26:

Answer: *N24,570*

FBQ27:

Answer: *N12,8708*

FBQ28: A main function of the Credit Card involves ----- payment of cash to creditors.

Answer: *Prompt*

FBQ29: Assets and liabilities of a going concern entity are generally valued on historical cost basis or basis.

Answer: *Fair value*

FBQ30: An authorising document for payment of a particular expense or service is called.....

Answer: *Payment Voucher*

FBQ31: The book of original entry that gives a brief explanation of the transaction, referred to as "narration" is called.....

Answer: *The Journal*

FBQ32: Control accounts are also

called ledgers

Answer: *Self balancing*

FBQ33: An asset was bought on 1 January 2006 for N600, 000 and depreciation was provided annually at 20% on reducing balance basis. Depreciation is charged in the year of disposal on pro-rata basis. The asset was sold for N350, 000 on 30 October, 2008. What is the net book value of the asset at the time of disposal?.....

Answer: *320,000*

FBQ34: An asset was bought on 1 January 2006 for N600, 000 and depreciation was provided annually at 20% on reducing balance basis. Depreciation is charged in the year of disposal on pro-rata basis. The asset was sold for N350,000 on 30 October, 2008. The amount of profit on disposal is -----.

Answer: *N30,000*

FBQ35: A machine costs N360,000 and has a useful life span of n years and an expected disposal value of N12,000 with annual depreciation of N69,600. The useful lifespan of the machine is -----using straight-line method of depreciation.

Answer: *5 years*

FBQ36: A machine costs N360, 000 and has a useful life span of n years and an expected disposal value of N12, 000 with annual depreciation of N69, 600. Using reducing balance method, the depreciation charged for Year 2 (ignoring residual value) is.....

Answer: *N57, 600*

FBQ37: A machine costs N360, 000 and has a useful life span of n years and an expected disposal value of N12, 000 with annual depreciation of N69, 600. Using

the reducing balance method, the net book value of the asset at the end of Year 3? is.....

Answer: *N69, 600*

FBQ38: A company bought goods worth N300,000 and spent N20,000 for transportation. Such transport cost is a form of ----- to the company.

Answer: *Carriage inwards*

FBQ39: Usman returned defective goods worth N30,000 to Yaro Enterprises. This transaction will appear in the Trading, Profit and Loss account of Yaro Enterprises as

Answer: *Sales return*

FBQ40: The excess of current assets over current liabilities is known as.....

Answer: *Working Capital*

FBQ41: The amount of fictitious value placed on a company's reputation is called

Answer: *Goodwill*

FBQ42: The amount at which an asset is recognized after deducting any accumulated depreciation and accumulated impairment losses is called

Answer: *Carrying Amount*

FBQ43: The specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements are called

Answer: *Accounting policies*

FBQ44: Errors that result from the use of incorrect accounting estimates be treated in the current year throughduring the year accordingly.

Answer: *Adjustment*

FBQ45: A mistake of ----- in the ledger account affects the agreement of the trial balance double entry principle is not adhered to.

Answer: *Single entry*

FBQ46: The double entry required to correct a debit balance in Jide's account in the sales ledger which was wrongly recorded as N695 instead of N659 is debit suspense account and credit Jide Account with

Answer: *N36*

FBQ47: When a Non-Current Asset is sold, the amount that is debited to Cash Account and credited to disposal account is called.....

Answer: *Sales proceeds*

FBQ48: Extended Trial Balance is an alternative way of arriving at the figures to be included in the

Answer: *Financial statements*

FBQ49: An overdraft facility to a company is an example of ----- liability.

Answer: *Current*

FBQ50: Given a selling price of N700,000 and a gross profit mark-up of 40%, the cost price is.....

Answer: *N500,000*