

Chapter 1. Introduction of book keeping

1. The main objective of Book-keeping is :

- (A) Complete recording of transactions
- (B) Ascertainment of Financial effect on the business
- (C) Analysis and interpretation of data
- (D) 'A' 'B' (Both 'A' and 'B')**

2. In accounts recording is made of :

- (A) Only financial transactions**
- (B) Only non-financial transactions
- (C) Financial and non-financial transactions
- (D) Personal transactions of the proprietor

3. ` 5,000 paid as rent of office premises is an/a :

- (A) Event
- (B) Transaction**
- (C) Both 'A' and 'B'
- (D) None of these

4. Which of the following transactions is not of financial character :

- (A) Purchase of goods on credit
- (B) Purchase of a building
- (C) Payment of salaries
- (D) Strike by employees**

5. Internal users of accounting information are :

- (A) Creditors
- (B) Potential investors
- (C) Managers**
- (D) Researchers

6. External users of accounting information are :

- (A) Researchers
- (B) Government
- (C) Tax authorities
- (D) All of the above**

7. On 31st December, 2010 Ashok Ltd. purchased a machine from Mohan Ltd. for ` 1,75,000. This is :

- (A) A transaction
- (B) An event
- (C) Both a transaction as well as an event**
- (D) None of these

8. Management Accounting :

- (A) Is a clerical work
- (B) Is accounting for future
- (C) Is a recording technique of the management related transactions**

- (D) None of the above
9. Which of the following is not a limitations of Accounting ?
- (A) Based on Accounting Convention
- (B) Evidence in Legal Matters**
- (C) Incomplete Information
- (D) Omission of Qualitative Information
10. Accounting is :
- (A) Accounting : A Profession
- (B) Accounting : A Social Force
- (C) Accounting : A Service Activity
- (D) All of the above**

Chapter 2 – Basic Terms of Accounting with Answers

1. **Current liability includes** ——
- a) Bills payable
- b) Creditors
- c) O/s expenses
- d) all of these**
2. Current asset do not include —
- a) debtors
- b) motor car**
- c) bank balance
- d) prepaid expenses
3. Tangible asset do not include ——
- a) goodwill**
- b) furniture
- c) stock
- d) cash in hand
4. Which of the following is capital expenditure?
- a) Wages
- b) wages paid for building construction**
- c) repair expenses of building
- d) advertisement expenses
5. Cash discount is ——
- a) Which is allowed at the time of making the payment**
- b) allowed at the time of sale of goods
- c) Received at the time of purchases of goods
- d) received both at the time of making payment and purchase of goods.
6. Purchases refers to the buying of ——
- a) stationery for office use
- b) assets for the factory

c) **goods of resale**

d) investment

7. A person who owes money to the firm is called —

a) **Debtor**

b) creditor

c) supplier

d) none of these

8. Out of the following assets which one is not an intangible asset?

a) Patents

b) **investment**

c) goodwill

d) trade mark

9. Goods means

a) **Commodity to be bought and sold**

b) Commodity to be bought but not to be sold

c) Commodity to be used as an asset

d) all of the above.

10. Main feature of business transaction is —

a) An economic activity

b) change in the financial position of the firm

c) express in terms of money

d) **all of the above**

Chapter 3 – Accounting Principles with Answers

1. According to Principle of Conservatism

a. **Provision is made for bad and doubtful debts**

b. Depreciation is charged on assets

c. Recording is made of outstanding expenses

d. All of the above

2. According to the cost concept

a. **Assets are recorded at lower of cost and market value**

b. Assets are recorded by estimating the market value at the time of purchase

c. Assets are not recorded

d. Assets are recorded at the value paid for acquiring it.

3. The owner of the firm records his medical expenses in the firm's income statement. Indicate the principle that is violated

a. Cost principle

b. Prudence

c. **Full disclosure**

d. Entity concept

4. Due to which of the following, contingent liabilities are shown in the Balance Sheet:

- a. Dual aspect
- b. Full disclosure**
- c. Materiality
- d. Going concern

5. According to which principle the same accounting methods should be used each year:

- a. Prudence
- b. Full disclosure
- c. Materiality
- d. Consistency**

6. Accrual concept is based on

- a. Matching principle**
- b. Dual aspect
- c. Cost
- d. Going concern

7. Income is measured on the basis of

- a. Matching concept
- b. Consistency
- c. Cost**
- d. None of the above

8. Omission of paise and showing the round figures in financial statements is based on

- a. Conservatism
- b. Consistency
- c. Materiality**
- d. Money measurement

9. Which of these is not a fundamental accounting assumption?

- a. Going concern**
- b. Consistency
- c. Accrual
- d. Materiality

10. Due to which principle qualitative transactions are not recorded in the books

- a. Business entity
- b. Money measurement**
- c. Historical cost
- d. Dual aspect

Chapter 4 – Process & Basis of accounting Analysis with Answers

1. Which of the following highlights the correct order of the stages in the accounting cycle?

- 1. Journalizing, final accounts, posting to the ledger and trial balance
- 2. Journalizing, posting to the ledger, trial balance and final accounts**
- 3. Posting to the ledger, trial balance, final accounts and journalizing

4. Posting to the ledger, journalizing, final accounts and trial balance
2. The first step in accounting process is
 1. Measurement
 2. Classification
 - 3. Identification**
 4. Recording
3. Transactions recorded in books are of
 1. Non-financial and Quantitative in nature
 - 2. Financial and Quantitative in nature**
 3. financial and Qualitative in nature
 4. None of the above
4. What are the basis of accounting
 1. Cash Basis
 2. Accrual Basis
 3. Mixed Basis
 - 4. Both A & B**
 5. All of the above
5. Outstanding expenses are recorded in which basis of accounting
 1. Cash Basis
 - 2. Accrual Basis**
 3. Both method
 4. None of the above
6. Does cash basis of accounting violates GAAP
 - 1. No, as it doesn't follow matching principle and accrual concept.**
 2. Yes, It follows GAAP
 3. Yes, it follow GAAP but only in case of few transactions
 4. Both b & C
7. Which doesn't relates to accrual basis of accounting
 - 1. It includes recording of cash Expenses**

- 2. It includes recording of outstanding and prepaid Expenses
 - 3. It includes future expenses also
 - 4. None of the above
8. Which accounting method is recognised by Companies Act, 2013
- 1. Accrual Basis**
 - 2. Cash Basis
 - 3. Both a & B
 - 4. Companies Act 2013 has no relation with accounting method
9. The concept of capital and revenue item exist in
- 1. Accrual Basis**
 - 2. Cash Basis
 - 3. Both a & B
 - 4. None of the above
10. Which statement is true related to Hybrid or Mixed system of accounting,
- 1. Revenue and assets are recorded on cash basis**
 - 2. Revenue and assets are recorded on Accrual basis
 - 3. Expenses and Liabilities are recorded on cash basis
 - 4. None of the above

Chapter 5 – Accounting Standards and IFRS with Answers

1. Which accounting standard is applicable for valuation of inventories?
- (a) AS -1
 - (b) AS-2**
 - (c) AS-3
 - (d) AS-4
2. How many standards are issued by ICAI which are mandatory?
- (a) 28
 - (b) 32**
 - (c) 10
 - (d) None of these
3. Which accounting standard is applicable for fixed assets?
- (a) AS- 1
 - (b) AS-10**

- (c) AS-19
- (d) AS-18

4. Which accounting standard is applicable for intangible assets?

- (a) AS- 10
- (b) AS-6
- (c) AS-26**
- (d) AS-3

5. Which accounting standard is applicable for depreciation accounting?

- (a) AS-6**
- (b) AS-9
- (c) AS-1
- (d) AS-3

6. Which accounting standard is applicable for revenue recognition?

- (a) AS-9**
- (b) AS-10
- (c) AS-3
- (d) AS-23

7. Which accounting standard is applicable for cash flow statement?

- (a) AS- 1
- (b) AS-10
- (c) AS-19
- (d) AS-3**

8. Which accounting standard is applicable for contingencies and events occurring after the balance sheet date?

- (a) AS- 1
- (b) AS-10
- (c) AS-4**
- (d) AS-18

9. Which accounting standard is applicable for impairment of assets?

- (a) AS- 1
- (b) AS-10
- (c) AS-19
- (d) AS-28**

10. Which accounting standard is withdrawn and included in AS-26?

- (a) AS-3
- (b) AS-8**
- (c) AS-23
- (d) None of these

Double Entry System with Answers

1. Double Entry System is a –

1. Reporting system
 2. Financial Statement preparation system
 3. Recording system
 - 4. Debit and Credit determining system**
2. The features of Double Entry System are- a) It has two parties; Receiver and Giver, b)Total amount of Debit will be equal to total amount of Credit C)Receiver is Debit and Giver is Credit. Which one is correct?
- 1. i & ii**
 2. ii & iii
 3. i & iii
 4. i, ii & iii
3. In purchase book, records-
- 1. Credit purchase**
 2. Credit sales
 3. Cash purchase
 4. Purchase return
4. Where records the discounted entries in the-
- 1. Cash book**
 2. Sales return book
 3. Bills receivable book
 4. Journal proper
5. Why is opening entry needed
1. To follow the accounting cycle
 - 2. To start the next accounting year**
 3. To justify the arithmetical
 4. To know the financial position of accuracy current year
6. Generally, what type of accounts is not kept in Single entry system? i) Asset ii) Income iii) Expense. Which one is correct of the following?
1. i
 - 2. i & ii**

3. ii & iii
4. i & iii
7. Which one is correct?
 1. Opening capital = opening total assets – closing total assets
 2. Closing capital = opening total liabilities + closing total liabilities
 - 3. Opening capital = opening total assets – opening total liabilities**
 4. Closing capital = opening total assets + closing total assets
8. Which one is used a rough working for financial statement?
 1. Trial balance
 2. Adjusting entries
 3. Closing entries
 - 4. Works sheet**
9. Which sequence is correct?
 - 1. Trial balance, adjusting entries, works sheet, financial statement**
 2. Adjusting entries, trial balance, financial statement, works sheet
 3. Works sheet, trial balance, adjusting entries, financial statement
 4. Trial balance, works sheet, adjusting entries, financial statement
10. If opening capital is 70,000 and closing capital is 90,000, what is the amount of profit or loss?
 - 1. Profit 20,000**
 2. Loss 20,000
 3. Loss 70,000
 4. Profit 90,000

Books of Original Entry – Journal with Answers

1. Sales to Mohsin on account should be debited to:
 1. Cash A/C
 2. Sales A/C
 - 3. Mohsin**
 4. Account Receivable
2. Amount of interest paid to Ali should be debited to:

1. Ali A/C
 - 2. Interest A/C**
 3. Cash A/C
 4. A/C Payable
3. Amount invested by the proprietor in the business should be credit to:
1. Cash
 2. Drawing
 3. A/c payable
 - 4. Capital**
4. Goods returned to supplier should be debited to:
1. Sales return
 2. Return outward
 3. Return inward
 - 4. Supplier's Account**
5. Customer goods returned should be credited to:
1. Customer's A/C
 - 2. Return inward**
 3. Return outward A/C
 4. Purchases A/C
6. Goods returned from Khubaib should be credited to:
1. Purchase Return
 2. Return outward
 3. Cash A/C
 - 4. Khubaib A/C**
7. A journal entry that requires more than two accounts is called:
1. Double entry
 - 2. Compound entry**
 3. Combined entry
 4. Single entry

8. Cash discount allowed to a debtor should be debited to:

1. Debtor's A/C
- 2. Discount A/C**
3. Creditor's A/c
4. Cash A/C

9. Cash discount received from supplier should debited to:

1. Debtor's A/c
2. Cash Discount
3. Cash A/C
- 4. Supplier A/C**

10. A transaction is recorded on the same day it take place so journal is also called.

1. An entry book
2. Ledger book
- 3. A day book**
4. History book

Cash Book with Answers

1. The most common imprest system is the _____ system?

- 1. Petty cash**
2. Cash book
3. Cash receipt
4. Discount

2. A cash book with cash, bank and discount column is commonly referred as _____?

1. Cash book
2. Two columns cash book
- 3. Three columns cash book**
4. Petty cash book

3. Introduction capital by owner of business is recorded on which side of a cash book?

- 1. Receipts**
2. Payments

3. Incomes
4. Expenditure
4. Cash discount is allowed on _____ repayment of debt.
 1. Lump sum
 - 2. Prompt**
 3. Actual
 4. None of them
5. Payment of rent expenses is recorded on which side of cash book?
 1. Receipts
 - 2. Payments**
 3. Income
 4. Expense
6. Drawings by owner of business are generally recorded on which of the following side of a cash book?
 1. Receipts
 - 2. Payments**
 3. Incomes
 4. Expenditures
7. A cash book that is used to record the small payments of cash is generally referred as _____?
 1. Simple cash book
 2. Two column cash book
 3. Three column cash book
 - 4. Petty cash book**
8. Postage stamps on hand are considered as _____?
 1. Bank
 - 2. Prepaid expenses**
 3. Accounts receivable
 4. Creditor
9. Purchase of office equipment for cash will be recorded on which of the following sides of a cash book?

1. Receipts
- 2. Payments**
3. Incomes
4. Expenditures

10. A simple or one column cash book usually has which of the following main columns?

1. Bank
2. Payments
3. Discount
- 4. Cash**

Ledger with Answers

1. If debit side of bank account is greater than credit side it represents?

- 1. Cash at Bank**
2. Bank Loan
3. Bank Overdraft
4. None of them

2. The payment to a creditor will?

1. Increase one asset and decrease another
2. Decrease an asset and decrease owner's equity
- 3. Decrease an asset and decrease a liability**
4. Increase an asset and increase a liability

3. The T-account is used to summarize which of the following?

1. Increase and decrease to a single account in the accounting system
2. Debit and credit to a single account in the accounting system
3. Changes in specific account balances over a time period
- 4. All of the above describe how T-accounts are used by accountants**

4. Credit means?

- 1. Entries on the right hand side**
2. A decrease in liabilities
3. An increase in expenses

4. An increase in assets
5. Ledger is a principal book in which?
 1. Only real account are kept
 2. Only personal accounts are kept
 3. **All accounts are kept**
 4. Only nominal accounts are kept
6. Excess of Debit side over Credit side is called?
 1. **Debit Balance**
 2. Credit Balance
 3. Liability Accounts
 4. All of before
7. Which item will appear on the credit side of ledger account?
 1. Cash received
 2. Purchases
 3. **Discount received**
 4. Rent Expenses
8. The process of transferring the debit and credit items from a journal to their respective account in the ledger is termed as?
 1. Balancing
 2. **Posting**
 3. Arithmetic
 4. Entry
9. Calculating balance of any account, after posting all entries to account, is known as
 1. **Balancing**
 2. Posting
 3. Arithmetic
 4. Entry
10. Cash received from Ram as interest, which account to be credited
 1. Ram account

- 2. Cash Account
- 3. Interest Account**
- 4. None of the above

Trial Balance and Errors with Answers

1. Which items shows a debit balance in the Trial Balance:
 - 1. Purchase return
 - 2. Salary outstanding
 - 3. Sales
 - 4. Prepaid expenses**
2. Which item shows a credit balance in the Trial Balance?
 - 1. Sales returns
 - 2. Commission paid
 - 3. Purchase returns**
 - 4. Salary
3. Trial balance is used to check the accuracy of
 - 1. Balance sheet balances
 - 2. Ledger accounts balances**
 - 3. Cash flow statement balances
 - 4. Income statement balances
4. In the books of account if a transaction is completely deleted, will it affect the trial balance?
 - 1. No**
 - 2. Yes
 - 3. A transaction cannot be omitted
5. What is used in preparing trial balance?
 - 1. Specialized Journals
 - 2. Balance Sheet
 - 3. Ledger Accounts**
 - 4. General Journal
6. What is the trial balance used?

1. It is a financial statement
 2. It records balances of a balance sheet
 3. It doesn't contribute to the accounting cycle
 - 4. It records balances of accounts**
7. When debit balance is equal to credit balance then the trial balance means
1. Account balances are correct
 - 2. Mathematically Capital + Liabilities=Assets**
 3. No mistake in recording transactions
 4. No mistake in posting entries to ledger accounts
8. When is trial balance prepared?
- 1. At the end of an accounting period**
 2. At the end of a year
 3. Frequently during the year
 4. At the end of a month
9. Which items influence the trial balance agreement?
1. Deposit in transit
 2. Compensating errors
 3. Complete omission of a transaction
 - 4. Partial omission of a transaction**
10. When credit balances = debit balances, the trial balance check and shows _____. It also indicates that there were no errors made during posting and recording and posting.
1. Understatements of Balances
 2. Errors of Commission
 - 3. Arithmetic Accuracy**
 4. Omissions of Economic Events

Bank Reconciliation Statement with Answers

1. A Bank Reconciliation Statement is:
 1. A part of cash book
 2. A part of pass book

3. A statement prepared by bank
 - 4. A statement prepared by a customer**
2. A pass book is a copy of
 - 1. A customer's account in the bank's books**
 2. Cash book relating to bank column
 3. Cash book relating to cash column
 4. Firm's receipts and payments
3. A bank reconciliation statement is prepared with the balance of:
 1. Cash book
 2. Pass book
 - 3. Either cash book or pass book**
 4. Neither cash book nor pass book
4. Unfavourable bank balances means:
 1. Credit balance in the cash book
 - 2. debit balance in the pass book**
 3. Debit balance in the cash book
 4. Favourable balance in the cash book
5. The main purpose of preparing a bank reconciliation statement is?
 1. To know the bank balance
 2. To know the balance of bank statement
 3. To correct the cash book
 - 4. To identify causes of difference between cash book and bank statement**
6. Uncollected checks are also known as?
 1. Outstanding checks
 2. Uncleared checks
 3. Outstation checks
 - 4. Both b & c**
7. When check is not paid by the bank, it is called?
 1. Honored

- 2. Endorsed
 - 3. Dishonored**
 - 4. a & b
8. Bank reconciliation is not a?
- 1. Reconcile records
 - 2. Memorandum statement
 - 3. Ledger account**
 - 4. Procedure to provide cash book adjustments
9. Bank statement also called?
- 1. Pass book**
 - 2. Cash book
 - 3. Credit book
 - 4. Debit book
10. The balance on the debit side of the bank column of cash book indicates?
- 1. The total amount has drawn from the bank
 - 2. Cash at bank**
 - 3. The total amount overdraft in the bank
 - 4. None of above

Depreciation with Answers

Q1. which method of depreciation is approved by income tax act

- a) **Reducing balance method**
- b) Straight line method
- c) Annuity method
- d) None of these

Q2. Amortization referred to writing off

- a) Depleting
- b) Wasting assets
- c) Intangible asset**
- d) Fictitious asset

Q3. Which of the following best describe depreciation

- A) Valuation of fixed assets at the end of the year
- B) Verification of the assets
- C) Decreasing the market value of asset

D) Allocation of cost of fixed asset over its use full life

Q4. Depreciation is calculated from the date of

- a) Purchase of assets
- b) Receipt of assets at business premises
- c) **Starting of commercial Use of asset**
- d) Assets installed

Q5. X Ltd purchase a machine on 1st July 2020 for rs 50000 depreciation is to charge @10% pa. What will be the amount of depreciation if the books are closed on 31st march every year?

- a) 5000
- b) **3750**
- c) 10000
- d) 4000

Q6. X Ltd sold a machine for Rs. 55000 at a loss of Rs. 5000 on which depreciation has been charged Rs. 12000. The cost of machine was

- a) 62000
- b) **72000**
- c) 55000
- d) 50000

Q7. In WDV method depreciation is charged on

- a) Cost price
- b) Market price
- c) **Reduced Value**
- d) Non on these

Q8. In this method of depreciation the value of the asset will be zero at the end of its use full life

- a) WDV METHOD
- b) **Straight line method**
- c) Annuity method
- d) None of these

Q9. The book value of asset was after charging 3 year depreciation @ 10 % pa is rs 7290. What was the cost of the machine?

- a) **10000**
- b) 11000
- c) 8000
- d) 9000

Q10. In which method of depreciation equal amount of depreciation debited to P&L A/c.

- a) WDV METHOD
- b) **Straight line method**
- c) Annuity method
- d) None of these

Capital and Revenue with Answers

1. Capital Expenditure is
 1. Expenditure on sale
 2. Expenditure on employee
 - 3. Expenditure on purchase of fixed asset**
 4. All of the above
2. Capital expenditure means an expenditure done for
 - 1. Increasing value or permanent efficiency of fixed asset**
 2. Revaluation of asset value
 3. Related with repairing of asset
 4. All of the above
3. Capital expenditure relates with
 1. One accounting year
 2. Two accounting year
 - 3. More than one accounting year**
 4. None of the above
4. Expenditure done on purchase of second hand asset, is a
 1. Revenue expenditure
 - 2. Capital Expenditure**
 3. Depends on wish of owner
 4. None of the above
5. Deferred Revenue expenditure is a type of
 1. Capital expenditure
 2. Revenue expenditure
 - 3. It's not an expenditure, it's an asset**
 4. None of the above
6. Received Rs. 500000 from issue of share, it is a
 1. Capital expenditure
 - 2. Capital receipt**
 3. Revenue receipt

4. Revenue expenditure
7. Money received from the sale of goods, is a
1. Capital expenditure
 2. Capital receipt
 - 3. Revenue receipt**
 4. Revenue expenditure
8. Depreciation on fixed asset, is an example of
- 1. Capital expenditure**
 2. Capital receipt
 3. Revenue receipt
 4. Revenue expenditure
9. Capital expenditure is shown in
- 1. Balance sheet**
 2. P&L
 3. Both a & B
 4. None of the above
10. Revenue expenditure is shown in
1. Balance sheet
 - 2. P&L**
 3. Both a & B
 4. None of the above

Financial Statements with Answers

1. Arrange in the order of liquidity in the B/S—Cash, Building Goodwill, Debtors, Machine.
 1. Debtors Cash, Building Goodwill, Machine.
 2. Cash, Goodwill, Debtors, Machine. Building
 3. Cash, Building Goodwill, Debtors, Cash Machine.
 - 4. Cash, Debtors, Machine. Building Goodwill.**
2. Profit earn through normal activities of business
 - 1. Operating profit**

2. Net profit
 3. Gross profit
 4. Manufacturing profit.
3. Expenditure of recurring nature are
1. Capital
 - 2. Revenue**
 3. Deferred revenue
 4. Preliminary.
4. Which is example of Fictitious Assets
1. Building
 2. Bill receivable
 - 3. Adverting suspense**
 4. Cash
5. Custom duty will go to
1. Trading Cr
 - 2. Trading Dr**
 3. Profit & Loss Dr
 4. Profit & Loss Cr.
6. Trade mark is
- 1. Intangible assets**
 2. Fixed assets
 3. Current assets
 4. Liability.
7. Which of the following is position statement
1. Trial balance
 2. Profit & Loss
 3. BRS
 - 4. Balance sheet**
8. Gross loss is find from which account

1. Trading account

2. Profit & Loss account

3. Balance sheet

4. None of these.

9. By Profit & Loss account we get

1. Net profit

2. Capital

3. Gross profit

4. Gross loss.

10. Closing stock is entered in

1. Trading account

2. Balance sheet

3. Both

4. None of these.