

MGT-101

MIDTERM EXAMINATION

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R E C A L =Revenue, Expense, Capital, Assets, Liability

		Decrease		Increase	
R	Revenue	D	Debit	C	Credit
E	Expense	C	Credit	D	Debit
C	Capital	D	Debit	C	Credit
A	Assets	C	Credit	D	Debit
L	Liability	D	Debit	C	Credit

Increase in Asset & Expense is Debit

Increase in Revenue, Capital & Liability is Credit

Decrease in Asset & Expense is Credit

Decrease in Revenue, Capital & Liability is Debit

Assets		Expenses		Owner's Drawing	
Debits	Credits	Debits	Credits	Debits	Credits
Increase	Decrease	Increase	Decrease	Increase	Decrease
Normal Balance		Normal Balance		Normal Balance	

Liabilities		Revenues		Owner's Capital	
Debits	Credits	Debits	Credits	Debits	Credits
Decrease	Increase	Decrease	Increase	Decrease	Increase
	Normal Balance		Normal Balance		Normal Balance

Golden Rules of Accounting

Real, Nominal & Personal Accounts

Real Accounts –

“Account which relate to the assets or Liabilities of the business, Such as Cash A/c, Goods A/c, Furniture A/c and so on”

Debit what comes in

Credit what goes out

Bought furniture for credit from Mr Ali

Furniture Account (Real account)

Mr ali Account (personal account)

Since furniture is bought we can say that it is coming in thus furniture account is debited based on the principle. “debit what comes in “

Sold good to Mr Umer on credit

Good Account = Real account

Mr Umer Account = Personal account

Since we are selling good , we can say that it is going out thus we can sy that good account/Sale is to be credited based on the principle” Credit what goes out “

Whether a particular real account (element) effected by an accounting transaction is to be debited or credited we need to identify whether the element is coming in to the organization or going out of it.

In case of Real Accounts - Debit what comes in and credit what goes out.

Personal accounts-
"the elements or accounts which represent person and organization"

Debit the benefit receiver

Credit the benefit giver

Paid cash to Mr ibrahm

Cash account = Real account
Mr Ibrahim = Personal account

Since cash is being paid , we can say that Mr, Ibrahim is receiving (benefit) from the organization. Thus we say that Mr. Ibrahim account is to be debited based on the principle "debit the benefit receiver"

Bought goods on credit form Mr Ali

Good account = Real account
Mr Ali = Personal account

Since the good are being bought on credit we can say that mr ali is giving (benefit) to the organization . thus we say that mr ali account is to be credited based on the principle "credit the benefit giver"

Thought to be applied – Is he/she/it giving or is he /she/it taking
To decide whether a particular personal account (element) affected by an accounting transaction is to be debited or credited, we need to identify whether the element is giving the benefit to the organization or taking the benefit form the organization.

In case of Personal Account - Debit the receiver and Credit the giver.

Revenue or Nominal Accounts

“Accounts which relate to Income or Expense, Such as Purchase, Sales, Interest Received, Salary and wages and so on “

the elements or accounts which represents expenses ,losses, incomes ,gains

In dealing with nominal accounts in a transaction we generally come across situations where the elements is related to either an expenditure/loss or income/gain to the organization.

Debit all expenses and losses

Credit all incomes and gains

Paid wages to workers

Cash =Real account

Wages account = Nominal account

Since wages are being paid, it amounts to an expenditure for the organization. Thus we say that wages account is to be debited based on the principle “debit all expense and losses”

Credit all incomes and gains

Received commission form M/s Chemicals by cheque

Bank account (Personal account)

M/s Commission account (Nominal account)

Since commission is being received it amounts to an income for the organization , we say that commission account to be credited based on the principle “credit all income and gains”

Thought to be applied – is it an expenditure /loss or is it an income/gain

To decide whether a particular nominal account (element) effected by an accounting transaction is to be debited or credit, we need to identify whether it represents an expenditure (or loss) or an income (or gain) to the organization.

In case of Nominal Account- Debit all expenses and losses and Credit all income and liabilities.

PAPER # 01

Question No: 1 (Marks: 1) - Please choose one

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

► Rs. 1, 21,000

► Rs. 71,000

WDV opening balance	1, 00, 00
Add	
Purchase machine during the year	50,000
Less	
Depreciation during the year	(21000)
=	
Closing WDV	129000

Question No: 2 (Marks: 1) - Please choose one

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
- ▶ Rs. 99,885 current liabilities
- ▶ **Rs. 99,385 other assets**

Assets = Cash in hand, Cash in bank, Debtors = 3500

Assets = Liabilities + owner equity

$3500 = 80,385 + 22500$

$3500 = 102885$

$102885 - 3500 = 99385$ other assets

Assets	
Cash in hand	1000
Cash in bank	2000
Debtors	500
Total	3500
Total Liabilities	
80385	
Owner's equity	
22500	
Total	102885

Assets	
Cash in hand	1000

Cash in bank	2000
Debtors	500
Other assets	99385
Total	102885
Total Liabilities	80385
Owner's equity	22500
Total	102885

Question No: 3 (Marks: 1) - Please choose one

Bank Reconciliation Statement is prepared by:

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

The bank reconciliation statement is prepared at the end of every month or the specified accounting period by the accountants

Question No: 4 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

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

The bank reconciliation statement represents a comparison between the bank book balance and the bank statement at a specific moment in time.

The bank reconciliation statement is a memorandum statement and is neither the part of books of accounts nor the financial statements.

Question No: 5 (Marks: 1) - Please choose one

Expenditures incurred annually on renewal of patent are known as:

► **Revenue Expenditures**

- Capital Expenditures
- Financial Expenditures
- Operating Expenditures

Revenue Expenditure

Revenue expenditure incurred on fixed assets include costs that are aimed at 'maintaining' rather than enhancing the earning capacity of the assets.

Revenue costs therefore comprise of the following:

- Repair costs
- Maintenance charges
- Repainting costs
- **Renewal expenses**

Question No: 6 (Marks: 1) - Please choose one

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000

Less	
Closing stock of raw material	(85,000)
=	

Cost of Material Consumed 215,000

Question No: 7 (Marks: 1) - Please choose one

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 th 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

Written down value = current worth of fixed *asset*

Written down value of asset at the last year – sale price = profit/loss

Or

Sale - WDV

15,000 – 75000 = (60,000)

Question No: 8 (Marks: 1) - Please choose one

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

Purchase A/c	Dr
Cash A/c	Cr

Question No: 9 (Marks: 1) - Please choose one

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 value of Gross Profit?

- Rs. 15,000
- **Rs. 35,000**
- Rs. 55,000
- Rs. 60,00

Sale - Cost of good sold = Gross Profit

$$95,000 - 60,000 = 35,000$$

Question No: 10 (Marks: 1) - Please choose one

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

Sale - Cost of good sold = Gross Profit

$$95,000 - 60,000 = 35,000$$

Gross profit - operating expenses = Profit/Loss

$$35,000 - 20,000 = 15,000$$

Question No: 11 (Marks: 1) - Please choose one

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 creditor's account
- ▶ Accounts payable account
- ▶ **Cash account**

Question No: 12 (Marks: 1) - Please choose one

The amount of salary paid to Mr. Sohail should be debited to:

- ▶ Mr. Sohail account
- ▶ **Salaries account**
- ▶ Cash account
- ▶ Drawings account

Salaries account	Dr	
Cash Account		Cr

Question No: 13 (Marks: 1) - Please choose one

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

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

Purchases Account	Dr	
Mr. Ali account		Cr

Question No: 14 (Marks: 1) - Please choose one

The unfavorable balance of Profit and Loss account should be:

- ▶ Added in liabilities

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

Profit and loss

Favorable balance or credit balance,
unfavorable balance or debit balance

The net profit belongs to the ownership of the business which is represented by the Capital account. Therefore, the net profits or losses are ultimately transferred to the Capital account. Profits increase capital and losses decrease capital. Unfavorable balance is subtracted from capital and favorable balance is added in capital.

This capital account is increased with a credit and decreased with a debit and normally has a credit balance.

Profit is added in the capital account because it increases the retained earnings and thus increases the owner's equity of the business and vice versa

Question No: 15 (Marks: 1) - Please choose one

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

▶ **Bank Overdraft**

- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

A BANK OVERDRAFT is when someone is able to spend more than what is actually in their bank account .Bank overdraft or running finance provided by the bank and is the liability of the company.

Accounts receivable , notes receivable and prepaid expenses are the current assets.

Question No: 16 (Marks: 1) - Please choose one

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

▶ **Profit & Loss account**

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

A nonprofit group, by its very nature, does not make a profit. For example charities, clubs, associations and other non-profit oriented organizations, that do not prepare trading and profit and loss accounts. Instead they prepare receipts and payments accounts or income and expenditure accounts.

Nonprofit financial statements often consist of:

Business Financial Statement	Equivalent Nonprofit Statement
Income Statement	Statement of Activities
Balance Sheet	Statement of Financial Position
Cash Flow Statement	Statement of Cash Flows

Question No: 17 (Marks: 1) - Please choose one

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

Trial balance is a listing of the accounts in your general ledger and their balances as of a specified date. Since the basic accounting system relies on double-entry bookkeeping, a trial balance will have the same total debit amount as it has total credit amounts. Both sides of trial balance i.e. Debit side and credit side must be equal. If both sides are not equal, there are some errors in the books of accounts. Trial balance shows the mathematical accuracy of the books oaccounts.

Question No: 18 (Marks: 1) - Please choose one

Documentary evidence, in a specific format used to record the details of a transaction is known as:

- ▶ Account
- ▶ **Voucher**
- ▶ Journal
- ▶ Ledger

The Voucher

Voucher is documentary evidence in a specific format that records the details of a transaction. It is accompanied by the evidence of transaction.

Question No: 19 (Marks: 1) - Please choose one

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

▶ **Account**

- ▶ Voucher
- ▶ Journal
- ▶ Trial balance

Accounts- summary record of all transactions
The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as *accounts*.

Question No: 20 (Marks: 1) - Please choose one

When a Liability is reduced or decreased, 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

Increase in liability = Cr / Right hand side

Decrease in liability = Dr / Left hand side

Question No: 21 (Marks: 1) - Please choose one

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

Cash is asset and due to payment decrease is cash or asset

Payable are paid hence liability is reduced

Question No: 22 (Marks: 1) - Please choose one

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

Commercial Accounting

Commercial Accounting is done through a system that is known as Double entry book keeping.

Question No: 23 (Marks: 1) - Please choose one

Cost incurred for the maintenance of shop is considered as _____.

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

Revenue Expenses are those expenses that are:

- Incurred in day to day running of the business.
- **Incurred to maintain fixed assets in their original / useable condition**

Question No: 24 (Marks: 1) - Please choose one

Mr. "A" sold goods for Rs. 3, 00,000 to Mr. "B", Rs. 3, 00,000 will be treated as _____ for business.

- ▶ **Revenue**
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

Income / Revenue is **the value of goods or services** that a business charges from its customers

Question No: 25 (Marks: 1) - Please choose one

Double entry accounting system includes:

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

Double entry or commercial accounting system records both aspects of transaction i.e. receipt or payment and source of receipt or payment. It also records credit transactions

Question No: 26 (Marks: 1) - Please choose one

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

- ▶ **Balance sheet**
- ▶ Trading and Profit & Loss account
- ▶ Cash Flow statement
- ▶ Statement of retained earnings

The information as to profitability is provided by the Profit and Loss Account. The information as to availability of funds or **financial health is provided by the balance sheet**. But the balance sheet is prepared on a specific date and can provide information of financial position as on that date only

Question No: 27 (Marks: 1) - Please choose one

The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as:

- ▶ **Accounts**
- ▶ Vouchers
- ▶ Journals
- ▶ Statements

Accounts

The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as *accounts*.

Question No: 28 (Marks: 1) - Please choose one

Revenue should be recognized or recorded when the goods are sold or services are rendered to the customer, this concept is known as:

- ▶ Consistency concept
- ▶ **Realization Concept**
- ▶ Materiality concept
- ▶ Matching concept

The realization principle is the concept that revenue can only be recognized once the underlying goods or services associated with the revenue have been delivered or rendered, respectively.

Question No: 29 (Marks: 1) - Please choose one

A record maintained which is measurable in the form of money, this concept of accounting is known as:

- ▶ Matching concept
- ▶ Consistency concept
- ▶ **Money measurement concept**
- ▶ Materiality concept

Money measurement concept

All transactions of the business are recorded in terms of money, It provides a common unit of Measurement.

Money Measurement Concept in accounting, also known as Measurability Concept, means that only transactions and events that are capable of being measured in monetary terms are recognized in the financial statements. **Money Measurement Concept in accounting, also known as Measurability Concept, means that only transactions and events that are capable of being measured in monetary terms are recognized in the financial statements.**

Question No: 30 (Marks: 1) - Please choose one

The cost of goods and services used up in the process of obtaining revenue is known as:

- ▶ Revenue
- ▶ **Expense**

- ▶ Liability
- ▶ Expenditure

Expenses

Expenses are the costs incurred to earn revenue.

Question No: 31 (Marks: 1) - Please choose one

Which of the following is an accounting system in which events are recorded as and when they occur?

- ▶ Cash Accounting
- ▶ **Accrual Accounting**
- ▶ Both Accrual Accounting and Cash Accounting
- ▶ None of the above

Accrual Accounting

It is the accounting system in which events are recorded as and when they occur.

Question No: 32 (Marks: 1) - Please choose one

Recording of all financial transactions undertaken by an individual or organization is known as:

- ▶ Summarizing
- ▶ **Book-keeping**
- ▶ Classification
- ▶ Interpreting

Bookkeeping is the recording of all financial transactions undertaken by an individual or organization

In short, bookkeeping is "keeping records of what is bought, sold, owed, and owned; what money comes in, what goes out, and what is left."

Question No: 33 (Marks: 1) - Please choose one

Any cheque drawn to creditor but not paid by bank will effect as follows:

- ▶ **Cash book will show less balance & bank book will show more**
- ▶ Cash book will show more balance & bank book will show less

- ▶ Cash book will show double balance
- ▶ Bank book will show double balance

Cheques issued but not presented for payment:

When a business man issues cheque to its creditors he immediately enters them on the credit side of the cash book reducing the balance of cash but the pass book/bank balance will remain the same because the cheques have not been presented for payment in the bank and hence cash book will show less balance and bank book will show more balance.

Question No: 34 (Marks: 1) - Please choose one

If no distribution is made between capital and revenue expenditure then:

- ▶ The figure of debtors and creditors will be incorrect
- ▶ Cash or bank figure will be incorrect
- ▶ **Net profit will be incorrect**
- ▶ Balance sheet will not balance

Capital Expenditure is shown on the Balance Sheet, while Revenue Expenditure is an expense in the Profit and Loss account. It is important to classify these types of expenditure correctly in the accounting system. For example: if the cost of the car was shown as an expense in the Profit and Loss account, then the net profit would be reduced, meanwhile, the Balance Sheet would not show the car as a Fixed Asset. Therefore, incorrect treatment of expenditure will result:

IF		
Capital Expenditure treated as Revenue Expenditure	Increase Expenses Decrease Net Profit	Decrease in Fixed Assets in the Balance Sheet
Revenue Expenditure treated as Capital Expenditure	Decrease Expenses Increase Net Profit	Increase in Fixed Assets in the Balance Sheet.

Question No: 35 (Marks: 1) - Please choose one

The Policy for charging depreciation is selected by:

- ▶ Manufacturer
- ▶ Trader
- ▶ **Management**
- ▶ Accountant

Which method of depreciation is choose and how much depreciation rate is charege and the value of fixed assests on which depreciation will be charged it is decided by the policy of the company /management.

Question No: 36 (Marks: 1) - Please choose one

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

- ▶ Residual value
- ▶ Salvage Value
- ▶ Scrap Value
- ▶ **All of the given options**

Residual value, salvage value and scrap value are three terms that refer to the expected value at the end of the useful life of the property, plant and equipment used in a business

Question No: 37 (Marks: 1) - Please choose one

Mr. "A" borrowed money from bank; this transaction involves which one of the following accounts:

- ▶ Cash & Mr. A
- ▶ **Bank & Mr. A**
- ▶ Drawing & Mr. A
- ▶ Cash & Bank

Question No: 38 (Marks: 1) - Please choose one

The beginning balance of Owner's Equity was Rs.7,500. The dividends paid to stockholders were Rs.1,500. The ending balance of Owner's Equity is Rs.5,000. What was the Net Income or Net Loss for the accounting period?

- ▶ **Net Loss of Rs. 1,000**
- ▶ Net Income of Rs. 1,000
- ▶ Net Loss of Rs. 3,000
- ▶ Net Income of Rs. 3,000

Owner's equity rises when a company generates a profit and retains part of it after paying dividends.

The statement of retained earnings is also known as the RETAINED EARNINGS STATEMENT, the STATEMENT OF SHAREHOLDERS' EQUITY, the STATEMENT OF OWNERS' EQUITY, and the EQUITY STATEMENT

The calculation is:

Beginning retained earnings + Net income during the period - Dividends paid = Ending retained earnings

Rearrange

Net income during the period = Ending retained earnings + Dividends paid - Beginning retained earnings

Net income during the period = 5,000 + 1,500 - 7,500 = (1,000)

Profit is added in the capital account because it increases the retained earnings and thus increases the owner's equity of the business and vice versa

Question No: 39 (Marks: 1) - Please choose one

A company sold Rs. 400,000 of merchandise for cash and Rs.120,000 of merchandise to credit customers who will pay for the merchandise in a later time period. How much revenue should be reported on the income statement of the current time period under Cash Basis of Accounting?

► Rs. 280,000

► Rs. 520,000

► **Rs. 400,000**

► Rs. 120,000

Under the cash basis of accounting...

1. Revenues are reported on the income statement in the period in which the cash is received from customers.

2. Expenses are reported on the income statement when the cash is paid out

Question No: 40 (Marks: 1) - Please choose one

Which one of the following statement is wrong about Current liabilities?

- ▶ These are due within one year
- ▶ These are short-term loans
- ▶ **A vague term for loans to be repaid by an enterprise after twelve months**
- ▶ In working capital, these are deducted from assets

Current liabilities are short term loans and due within one year and deducted from assets in working capital

Working capital = Current Asset – Current Liabilities

Long-term liabilities are existing obligations or debts due after one year

PAPER # 02

Question No: 1 (Marks: 1) - Please choose one

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

Opening written down value of machine	=375000
Add	
Cost of new machine	=50000
Less	
Depreciation during the year	= (11000)
=	
Closing written down value (WDV) of the Machines	=414000

Question No: 2 (Marks: 1) - Please choose one

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

► Rs. 1, 21,000

► Rs. 71,000

Opening written down value of machine	=100,000
Add	
Cost of new machine	=50,000
Less	
Depreciation during the year	= (21,000)
=	
Closing written down value (WDV) of the Machines	=129,000

Question No: 3 (Marks: 1) - Please choose one

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

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life.

The idea of depreciation is to spread the cost of that capital asset over the period of *its* "useful life"

Question No: 4 (Marks: 1) - Please choose one

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**

Question No: 5 (Marks: 1) - Please choose one

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

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

A depreciating asset is an asset that has a limited effective life and can reasonably be expected to decline in value over the time it is used.

Question No: 6 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

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

Accountancy is the main subject accounting is one of its branches. The word "accountancy" is far extensive; i.e. the scope of accountancy is far a wide and extensive compared to accounting. It covers the entire body of theory and practice, e.g. bookkeeping, accounting, costing, auditing, taxation etc.

Question No: 7 (Marks: 1) - Please choose one

Bank Reconciliation Statement is prepared by:

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

Question No: 8 (Marks: 1) - Please choose one

_____ is the detail of transaction in one's account provided by the bank.

► **Bank statement**

- Bank reconciliation statement
- Income statement
- Financial statement

Bank statement is the detail of transactions in one's account provided by the bank.

Question No: 9 (Marks: 1) - Please choose one

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

Balance as per cash book (Dr) Favorable balance

Add

- ✓ Cheques issued but not presented for payment/un-presented cheques
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ **Direct payment in to bank by customers**
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ **Cheques paid in to bank for collection but not collected/ un-credited cheques**
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ **Cheques issued but omitted to be recorded in the cash book**

- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

Question No: 10 (Marks: 1) - Please choose one

_____ 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

Fair Value

It is the value, at which an asset would bring to the management, when sold to a knowledgeable party in a fair deal.

IAS 16.6 and IAS 40.5 define fair value as "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction."

Fair value

"the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction."

Question No: 11 (Marks: 1) - Please choose one

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

$$10 * 10 = 100$$

$$35 * 11 = 385$$

$$40 * 12 = 480$$

$$10 + 35 + 40 = 85 \text{ unit sold}$$

$$\text{Ending inventory} = \text{Third purchase. } 20 \times 13 = 260$$

Question No: 12 (Marks: 1) - Please choose one

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

$$\text{Year 1 Depreciation} = 40\% \text{ of } 400,000 = 160,000$$

$$\text{Year 1 WDV} = 400,000 - 160,000 = 240,000$$

Question No: 13 (Marks: 1) - Please choose one

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 th 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

Sale price -Written down value = Profit/Loss

50,000-25,000= 25,000 profit

Question No: 14 (Marks: 1) - Please choose one

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

Conversion Cost = Direct Labor cost +FOH (factory overhead cost)

Conversion cost =2000+1000 = 3,000

Question No: 15 (Marks: 1) - Please choose one

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**

Question No: 16 (Marks: 1) - Please choose one

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)**

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Question No: 17 (Marks: 1) - Please choose one

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

▶ Liability

▶ **Owner’s net worth**

▶ Working capital

▶ Asset

Capital is often called the owner’s net worth.

Question No: 18 (Marks: 1) - Please choose one

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**

Working capital is money available to a company for day-to-day operations.

This ratio measure both company’s efficiency and its short term financial health

Formula =Working capital= current assets- current liabilities

Question No: 19 (Marks: 1) - Please choose one

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

Current asset are greater than current liabilities = positive working capital

Current asset are less than current liabilities = negative working capital

Question No: 20 (Marks: 1) - Please choose one

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

▶ **Bank Overdraft**

- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

Bank overdraft is the running finance that is provided by the bank to the organization.

Question No: 21 (Marks: 1) - Please choose one

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

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

PROFIT & LOSS ITEM

Question No: 22 (Marks: 1) - Please choose one

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

Working capital= current assets- current liabilities

Question No: 23 (Marks: 1) - Please choose one

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

Financial Statements are the end product of the whole accounting process. These show us the profitability of the business concern and the financial position of the entity at a specified date.

The information as to profitability is provided by the Profit and Loss Account. The information as to availability of funds or financial health is provided by the balance sheet. But the balance sheet is prepared on a specific date and can provide information of financial position as on that date only. Cash flow, on the other hand provides more detailed information about the movement of funds during the period. With the help of cash flow

Question No: 24 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

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

The most commonly used groupings of expenses are as follows:

- o Cost of goods sold
- o Administration expenses
- o Selling expenses
- o Financial expenses

Sale

Less :CGS

= Gross Profit

Less : Administration expenses

Less : Selling expenses

Less: Financial expenses

= Net Profit /Loss

Question No: 25 (Marks: 1) - Please choose one

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

▶ **Profit & Loss account**

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

Question No: 26 (Marks: 1) - Please choose one

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

Profit & Loss account is an account that summarizes the profitability of the organization for a specific accounting period. First part is called **Trading account** in which Gross Profit is calculated. 2nd part is called **Profit & Loss account** in which Net Profit is calculated.

Question No: 27 (Marks: 1) - Please choose one

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

Question No: 28 (Marks: 1) - Please choose one

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)

Bank Book (Bank Account Number) Account Code 02							
Date	Voucher Number	Chq. No.	Narration / Particulars	Ledger Code	Receipt Amount	Payment Amount	Balance Dr/(Cr)

Question No: 29 (Marks: 1) - Please choose one

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

► Pass Book

► **Cash Book**

► Purchase Book

► Sales Book

Cash book and bank book are part of general ledger

Cash Book

All cash transactions (receipts and payments) are recorded in the cash book. Cash book balance shows the amount of cash in hand at a particular time.

Question No: 30 (Marks: 1) - Please choose one

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

► Negative Balance

► **Debit Balance**

► Positive Balance

► Credit Balance

Question No: 31 (Marks: 1) - Please choose one

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**

RECAL

		Decrease	Increase
R	Revenue	D	C
E	Expense	C	D
C	Capital	D	C
A	Assets	C	D
L	Liability	D	C

Question No: 32 (Marks: 1) - Please choose one

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

Question No: 33 (Marks: 1) - Please choose one

An Asset that is **NOT** physical in nature is called _____.

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

Intangible Assets that have no physical existence. Example . Good will, Right to receive money

Question No: 34 (Marks: 1) - Please choose one

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

Assets = liability + owner equity

Owner equity = assets - liability

Owner equity = 50,000 - 10,000 = 40,000

Question No: 35 (Marks: 1) - Please choose one

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

► **Debit**

► Credit

► Income

► No need to show as accounting record

Question No: 36 (Marks: 1) - Please choose one

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

► Financial Year

► **Accounting Period**

► Business Life Cycle

► Accounting Cycle

Accounting Period

Accounting period is any period for which a Financial Statements are prepared. The length of the accounting period can be anything between one day to one year.

Financial year (A period of 12 month duration)

In Pakistan, financial year starts from 1st of July and ends on 30th of June

Question No: 37 (Marks: 1) - Please choose one

Income of the business includes:

► Cash sales only

- ▶ Credit sales only
- ▶ Credit purchases only

▶ **Both cash sales and credit sales**

A company's revenue usually includes revenue from both cash and credit sales.

Question No: 38 (Marks: 1) - Please choose one

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 10th year only

▶ **Over 10 years**

- ▶ Nothing can be said about it

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life.

Machinery is an asset and its cost is spread over its useful life.

Question No: 39 (Marks: 1) - Please choose one

Net Profit = ? - Expenses

- ▶ Liabilities
- ▶ Assets
- ▶ Capital

▶ **Income**

Net Profit = Income – Expenses

Question No: 40 (Marks: 1) - Please choose one

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

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

PAPER # 03

Question No: 1 (Marks: 1) - Please choose one

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Classify and summarize financial information
- ▶ **All of the given options**

Financial accounting is an art of

Recording (Journal)

Classifying (Ledger)

Summarizing (Trial balance)

Reporting(P & L , Balance sheet)

Analysis (Interpretation of financial statements)

Question No: 2 (Marks: 1) - Please choose one

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

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

Depreciable assets are assets which

(i) are expected to be used during more than one accounting period; and

(ii) have a limited useful life; and

(iii) are held by an enterprise for use in the production or supply of goods and services, for rental to others, or for administrative purposes and not for the purpose of sale in the ordinary course of business.

Question No: 3 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

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

Question No: 4 (Marks: 1) - Please choose one

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

A Deferred expense or prepayment, prepaid expense

If a company prepays its expenses, it usually has the next 12 months to use up that asset. A prepaid expense is an advance payment made.. Because the advance payment is for a future expense that has not occurred, it is classified as a current asset on the balance sheet of a business.

Prepaid insurance

Prepaid rent

Prepaid tax

Prepaid legal fee

etc

Question No: 5 (Marks: 1) - Please choose one

Which of the following transaction have **NO** affect on stockholders' equity?

- ▶ **Purchase of land on credit**
- ▶ Dividends to stockholders
- ▶ Net loss
- ▶ Investment in cash by stockholders

Three basic transactions account for most of the changes that occur in shareholders' equity:

1. Sale of stock to investors
2. Recognition of periodic net income or loss
3. Declaration of cash dividends to shareholder

Invested capital is the amount received by the corporation after the sale of its stock to investors.

Question No: 6 (Marks: 1) - Please choose one

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**

Cash , Furniture, Vehicle are assets and normal balance =Dr

Capital A/C = Cr Balance

Question No: 7 (Marks: 1) - Please choose one

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

Balance as per cash book (Dr) Favorable balance

Add

- ✓ Cheques issued but not presented for payment/un-presented cheques
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected/ un-credited cheques
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

Question No: 8 (Marks: 1) - Please choose one

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

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

Any expenditure which is not incurred repeatedly and regularly (non-recurring) is a capital expenditure, while any expenditure which is incurred again and again (recurring) is a revenue expenditure e.g., motor car is not bought again and again, but petrol required to drive it is to be bought at regular intervals

Moving machinery. Generally, the cost of moving machinery from one city to another is a deductible expense. So is the cost of moving machinery from one plant to another, or from one part of your plant to another. You can deduct the cost of installing the machinery in the new location. However, you must capitalize the costs of installing or moving newly purchased machinery.

Question No: 9 (Marks: 1) - Please choose one

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**

Any expenditure incurred to improve the concern or to increase the profit-earning capacity of the concern is a capital expenditure.

Capital expenditures are expenditures creating future benefits. A capital expenditure is incurred when a business spends money either to buy fixed assets or to add to the value of an existing fixed asset to extend its useful life.

Question No: 10 (Marks: 1) - Please choose one

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
value of the ending inventory	?

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

Ending Inventory

$20 \times 13 = 260$

Question No: 11 (Marks: 1) - Please choose one

Consider the following inventory record:

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

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 **			?
	Cost of good sold			?

80 Unit sold

$$10 \times 10 = 100$$

$$35 \times 11 = 385$$

$$35 \times 12 = 420$$

Closing inventory /Unsold Units

$$5 \times 12 = 60$$

$$20 \times 13 = 260$$

25 units unsold , Closing inventory =25 at cost 320

$$60 + 260 = 320$$

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 **	5x12 20x13		320
	Cost of good sold			905

► Rs. 1,225

► Rs. 1,015

► Rs. 965

► **Rs. 905**

Question No: 12 (Marks: 1) - Please choose one

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?

► Rs. 160,000

► Rs. 96,000

► **Rs. 75,000**

► Rs. 57,600

Depreciation Straight line method

Cost of asset – Residual Value/ Estimated useful life

400,000 – 25,000/5

=75,000

Question No: 13 (Marks: 1) - Please choose one

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	?

Particulars	Depreciation	WDV
Dep at cost		1,00,000
Dep of the year 1	15,000	85,000
Dep of the year 2	15,000	70,000
Dep of the year 3	15,000	55,000
Dep of the year 4	15,000	40,000
Dep of the year 5	15,000	25,000
WDV or book value after five year =25,000		
Or		
$15000 \times 5 = 75,000$		
$100,000 - 75,000 = 25,000$		

► **Rs.25, 000**

► Rs. 75,000

► Rs. 15,000

► Rs. 1, 00,000

Question No: 14 (Marks: 1) - Please choose one

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

► **Depreciation**

► Accumulated Depreciation

► Appreciation

► Written Down Value

Depreciation is the wear and tear associated with the use of an asset. The depreciation of fixed assets is the decrease in their purchase price, or value, due to their usage.

Question No: 15 (Marks: 1) - Please choose one

In balance sheet fixed assets are shown at:

- ▶ Cost price
- ▶ Market value
- ▶ Fair value

▶ **Written down value (WDV)**

Land is recorded at cost, other fixed assets are recorded at Book Value

Question No: 16 (Marks: 1) - Please choose one

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

Opening raw material + purchases = material available for use – ending /closing raw material inventory = raw material consumed/cost of raw material consumed

Question No: 17 (Marks: 1) - Please choose one

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost =	?

▶ **Rs.130, 000**

- ▶ Rs.110, 000
- ▶ Rs.140, 000
- ▶ Rs.190, 000

Prime cost = Direct material + Direct labour + other direct cost

Prime cost =80,000+50,000

Prime cost =130,000

Question No: 18 (Marks: 1) - Please choose one

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**

▶ Rs. 8,000

▶ Rs. 4,500

▶ Rs. 8,500

Total factory cost	6,000
Add	
Opening work in process	2,000
=	
Cost of good to be manufactured	8,000
Less	
Closing work in process	2,500
=	
Cost of good manufactured	5,500

Question No: 19 (Marks: 1) - Please choose one

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

▶ Raw material

▶ Work in process

▶ Finished goods

▶ **Merchandise inventory**

Merchandise inventory is the goods owned by the business organization which are held for sale to the consumers. In a trading form of business organization, the primary function of the business is the sale of a product.

Question No: 20 (Marks: 1) - Please choose one

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

Sale	200,000
Less	
Cost of Sale	95,000
=	
Gross Profit	105,000
Less	
Operating expensis	100,000
=	
Net Profit	5,000

Question No: 21 (Marks: 1) - Please choose one

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**

Question No: 22 (Marks: 1) - Please choose one

The return of goods by a customer should be debited to:

► Customer's account

► **Sales return account**

- ▶ Goods account
- ▶ Accounts receivable

Sale Return Account	Dr
Customer's Account	Cr

Question No: 23 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

- ▶ Furniture account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

Furniture Account	Dr
Cash Account	Cr

Question No: 24 (Marks: 1) - Please choose one

Which of the following account will be credited, If Mr. "A" started business with cash Rs. 2, 00,000?

- ▶ **Capital account**
- ▶ Cash account
- ▶ Mr. A's account
- ▶ Business account

Cash Account	Dr
Capital Account	Cr

Question No: 25 (Marks: 1) - Please choose one

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)

Mr. "B" / Accounts Receivable	Dr
Sales account	Cr

Question No: 26 (Marks: 1) - Please choose one

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

- ▶ Accounts Receivable
- ▶ Accounts Payable
- ▶ **Sales Revenue** profit & loss item
- ▶ Marketable Securities

Question No: 27 (Marks: 1) - Please choose one

Accounts Receivable & Inventory are the examples of:

- ▶ Liquid assets
- ▶ **Current assets**
- ▶ Fixed assets
- ▶ Capital assets

Question No: 28 (Marks: 1) - Please choose one

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

The information as to profitability is provided by the Profit and Loss Account. The information as to availability of funds or financial health is provided by the balance sheet. But the balance sheet is prepared on a specific date and can provide information of financial position as on that date only.

Question No: 29 (Marks: 1) - Please choose one

Which of the following summarizes the cash movements during a specified period?

- ▶ Trading account
- ▶ Profit & Loss account
- ▶ **Receipts & Payments account**
- ▶ Balance Sheet

Receipt & Payment Account

A receipt & payment account is the summarized record of actual cash receipts and actual cash payment of the organization for a given period of time. This is a report that provides cash movement during the reported period.

Question No: 30 (Marks: 1) - Please choose one

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

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

Profit & Loss Account

Profit & Loss account is an account that summarizes the profitability of the organization for a specific accounting period.

Profit & Loss account has two parts

First part is called Trading account in which Gross Profit is calculated

2nd part is called Profit & Loss account in which Net Profit is calculated

Question No: 31 (Marks: 1) - Please choose one

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

▶ Negative Balance

▶ **Debit Balance**

▶ Positive Balance

▶ Credit Balance

Question No: 32 (Marks: 1) - Please choose one

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

Question No: 33 (Marks: 1) - Please choose one

Which of the following is used to record financial transactions in chronological (day-to-day) order?

▶ Voucher

▶ **General Journal**

▶ General Ledger

▶ Trial balance

The General Journal

The Journal is used to record financial transactions in chronological (day-to-day) order

Question No: 34 (Marks: 1) - Please choose one

When a Liability is reduced or decreased, 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

Increase in Liability = Cr / right hand side

Decrease in liability = Dr/Left hand side

Question No: 35 (Marks: 1) - Please choose one

What is the nature of an expense account?

▶ **Debit**

- ▶ Credit
- ▶ Revenue
- ▶ None of the given options

Question No: 36 (Marks: 1) - Please choose one

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

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

The nature of an asset is best described as:

An economic resource owned by a business and expected to benefit future operations

Question No: 37 (Marks: 1) - Please choose one

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

Asset= liabilities + owner equity

Owner equity = assest- liabilities

Owner equity =50,000 -10,000 =40,000

Question No: 38 (Marks: 1) - Please choose one

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

▶ **Capital Expense**

- ▶ Revenue Expense
- ▶ Deferred Expense
- ▶ Preliminary Expense

Capital expenditure.

All expenditure incurred in acquiring fixed assets, or improving the existing ones by increasing its efficiency (e.g. by providing substitution, alteration or renovation), or effecting economy in operation of existing assets (e.g. by attaching power motor to hand driven machine) are called capital expenditure.

Question No: 39 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

- ▶ Sole proprietorship
- ▶ Partnership
- ▶ Limited company

▶ **Trust**

Question No: 40 (Marks: 1) - Please choose one

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

▶ Cost Accounting **for internal use**

▶ **Financial Accounting** **for external use**

▶ Management Accounting **use of decision making by top managers**

▶ Tax Accounting

PAPER # 04

Question No: 1 (Marks: 1) - Please choose one

Net Profit + Expenses= _____

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

Net Profit = Income – Expenses

Net profit + Expense = Income

Question No: 2 (Marks: 1) - Please choose one

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

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life. It is a process of charging the cost of fixed asset to profit & loss account.

Question No: 3 (Marks: 1) - Please choose one

The basic purpose of depreciation is to achieve the:

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

Depreciation is an allocation process in order to achieve the matching principle

Matching principle. This principle requires that the asset's cost be allocated to Depreciation Expense over the life of the asset

The calculation and reporting of depreciation is based upon two accounting principles

Cost principle. This principle requires that the Depreciation Expense reported on the income statement, and the asset amount that is reported on the balance sheet, should be based on the historical (original) cost of the asset.

Matching principle. This principle requires that the asset's cost be **allocated** to Depreciation Expense over the life of the asset. In effect the cost of the asset is divided up with some of the cost being reported on each of the income statements issued during the life of the asset. By assigning a portion of the asset's cost to various income statements, the accountant is matching a portion of the asset's cost with each period in which the asset is used. Hopefully this also means that the asset's cost is being matched with the **revenues** earned by using the asset.

Question No: 4 (Marks: 1) - Please choose one

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

Question No: 5 (Marks: 1) - Please choose one

Cash book is a part of:

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

Cash book and bank book are part of general ledger

Question No: 6 (Marks: 1) - Please choose one

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account

- ▶ A part of cash book
- ▶ A part of journal

Question No: 7 (Marks: 1) - Please choose one

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

Balance as per cash book (Dr) Favorable balance

Add

- ✓ Cheques issued but not presented for payment
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Under cast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected
- ✓ Cheques paid in to bank for collection but dishonored by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book

Question No: 8 (Marks: 1) - Please choose one

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

Since there are timing differences between when data is entered in the banks systems and when data is entered in the individual's system, there is sometimes a normal discrepancy between account balances. The goal of reconciliation is to determine if the discrepancy is due to error rather than timing.

Question No: 9 (Marks: 1) - Please choose one

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

Revenue expenditure is expenditure incurred in the running / management of the business. Capital Expenditure is shown on the Balance Sheet, while Revenue Expenditure is an expense in the Profit and Loss account. Revenue expense reduce the funds and profit of the current year.

Question No: 10 (Marks: 1) - Please choose one

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

Reducing Balance Method charges depreciation at a higher rate in the earlier years of an asset. The amount of depreciation reduces as the life of the asset progresses

Question No: 11 (Marks: 1) - Please choose one

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**

$$400 \times 21.00 = 8,400$$

Question No: 12 (Marks: 1) - Please choose one

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**

Ending inventory

$$5 \times 12 = 60$$

$$20 \times 13 = 260$$

$$60 + 260 = 320$$

Question No: 13 (Marks: 1) - Please choose one

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	_____
Raw Material available for used	300,000
Less	
Closing stock of raw material	85,000
=	_____
Cost of Material Consumed	215,000

Question No: 14 (Marks: 1) - Please choose one

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

► Machinery account

► **Depreciation account**

- ▶ Cash account
- ▶ Capital account

Depreciation Charge Account	Dr
Accumulated Depreciation account	Cr

Question No: 15 (Marks: 1) - Please choose one

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

Straight line method :

Fixed amount is charged every year irrespective of the written down value of the asset.

Question No: 16 (Marks: 1) - Please choose one

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

Particulars	Depreciation	WDV
Depreciation at cost		1,00,000
Dep of the year 1	5,000	95,000
Dep of the year 2	5,000	90,000
Dep of the year 3	5,000	85,000

Dep of the year 4	5,000	80,000
Dep of the year 5	5,000	75,000
Or		
$5000 \times 5 = 25,000$		
$100,000 - 25,000 = 75,000$		

Question No: 17 (Marks: 1) - Please choose one

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 th 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

Book value /WDV on 5 th year	75,000
Sale price after 5 years	50,000
Loss on sale	(25,000)

Sale – WDV= Profit/loss

Question No: 18 (Marks: 1) - Please choose one

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 th 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

$$15,000 - 75,000 = (60,000) \text{ loss}$$

Question No: 19 (Marks: 1) - Please choose one

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

Raw Material: O/S Raw Material
+ Purchases
+ Cost Incurred to Purchase RM
- C/S Raw Material

Cost of Material Consumed

Conversion Cost:

+ Direct Labor Cost
+ Factory Overheads

Totally factory cost = Cost of Material Consumed+ Conversion Cost

Question No: 20 (Marks: 1) - Please choose one

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

► Trading concern

► **Manufacturing concern**

- ▶ Merchandising concern
- ▶ Service concern

Question No: 21 (Marks: 1) - Please choose one

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

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

Salaries / wages paid to labor and supervisors/officers working for the manufacturing of goods become a part of Cost of Goods Sold
And Trading Account - Sale – CGS = Gross profit

Question No: 22 (Marks: 1) - Please choose one

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

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

Question No: 23 (Marks: 1) - Please choose one

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

Administrative expenses are the expenses incurred in running a business effectively.
Main components of this group are:
o Payment of utility bills
o Payment of rent 300
o Salaries of employees 2500

- o General office expenses
- o Repair & maintenance of office equipment & vehicles

Cost of goods sold is the cost incurred in purchasing or manufacturing the product

Purchase of raw material/goods

Question No: 24 (Marks: 1) - Please choose one

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**

Question No: 25 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

▶ **Cash account**

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

Capital Account Dr

Cash Account Cr

Question No: 26 (Marks: 1) - Please choose one

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

Question No: 27 (Marks: 1) - Please choose one

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

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

Vehicle Account	Dr
Cash Account	Cr

Question No: 28 (Marks: 1) - Please choose one

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)

Question No: 29 (Marks: 1) - Please choose one

Accrued expenses are the example of:

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

Current Liabilities – These are the obligations of the business that are payable within twelve months of the balance sheet date. Creditors and all accrued expenses are the examples of current liabilities of the business because business is expected to pay these back within one accounting period

Question No: 30 (Marks: 1) - Please choose one

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

Question No: 31 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

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

Question No: 32 (Marks: 1) - Please choose one

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

Question No: 33 (Marks: 1) - Please choose one

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)

Question No: 34 (Marks: 1) - Please choose one

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

Cash book and bank book are part of general ledger.

Question No: 35 (Marks: 1) - Please choose one

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

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

Cash Book

All cash transactions (receipts and payments) are recorded in the cash book. Cash book balance shows the amount of cash in hand at a particular time.

Question No: 36 (Marks: 1) - Please choose one

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

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

Question No: 37 (Marks: 1) - Please choose one

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

Commercial Accounting

Commercial Accounting is done through a system that is known as Double entry book keeping

Question No: 38 (Marks: 1) - Please choose one

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

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

Question No: 39 (Marks: 1) - Please choose one

Which of the following is non- profit organization?

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

Question No: 40 (Marks: 1) - Please choose one

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

PAPER # 05

Question No: 1 (Marks: 1) - Please choose one

Expenditures incurred annually are known as:

► **Revenue Expenditures**

- Capital Expenditures
- Financial Expenditures
- Operating Expenditures

Any expenditure that benefits the business for several accounting years, is regarded as a capital expenditure; any expenditure that benefits the business only for one accounting year is considered a revenue expenditure.

Question No: 2 (Marks: 1) - Please choose one

Which one of the following is NOT true for Profit & Loss Account?

- It shows whether a business has made a profit or loss over a financial year
- It shows the financial performance of a business for the period
- It shows revenues and expenses for the period

► **It is used to calculate surplus/deficit for a particular period**

In case of Income and Expenditure account, Surplus/Deficit is to be found and in case of Profit and loss account, profit or loss is to be found.

Question No: 3 (Marks: 1) - Please choose one

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

- Separate Legal Entity
- Limited Liability

► **Easy Formation**

- Common Seal

The joint stock company has the following feature:
• Creation of Law

- **Separate Legal Entity**
- **Limited Liability**
- **Transferability of shares**
- **Number of Members**
- **Common Seal**

Question No: 4 (Marks: 1) - Please choose one

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

Opening WDV of machine	200,000
Add	
Cost of new machine purchased during the year	50,000
Less	
Depreciation during the Year	25,000
=	
Closing WDV of machiness	225,000

Question No: 5 (Marks: 1) - Please choose one

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

► Limited assets

► **Depreciate able assets**

- ▶ Unlimited assets
- ▶ None of the given options

Question No: 6 (Marks: 1) - Please choose one

Increase in an asset 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

Question No: 7 (Marks: 1) - Please choose one

Which of the following particular is NOT included in the specimen of a Journal Voucher?

- ▶ Name of organization
- ▶ **Bank receipt**
- ▶ Debit amount
- ▶ Credit amount

Name Of Organization			
Journal Voucher			
			Date: No:
Description	Code	DebitAmount	Credit Amount
Total:			
Narration:			
Prepared By:		Checked by:	

Question No: 8 (Marks: 1) - Please choose one

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

When the process is completed and the goods are prepared, all the value of work in process is charged to finished goods account.

Question No: 9 (Marks: 1) - Please choose one

While adjusting the cash balance of cash book, which of the following is NOT taken into account.

- ▶ Mistakes in the cash book
- ▶ **Mistakes in the pass book**
- ▶ Interest credited in the pass book but not entered in cash book
- ▶ Interest debited in the pass book but not entered in cash book

ERRORS IN CASH BOOK

Errors or omissions in the cash book can lead to a difference between the balance as per bank statement and the balance as per cash book. For instance, an entity may incorrectly record the bank deposits or withdrawals in another accounting ledger or it may record the entry by a wrong amount. Likewise, a bank deposit or withdrawal may be completely omitted from the cash book. Such discrepancies would cause the balance shown in the bank statement to be higher or lower than cash book balance depending on the nature of the error or the omission. **The difference needs to be eliminated by adjusting the cash book of the company before the preparation a bank reconciliation.**

Question No: 10 (Marks: 1) - Please choose one

Sale proceeds of goods are an example of:

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

Revenue Receipts

Receipts which are recurring by nature and which are available for meeting all day to day expenses of a business concern are known as 'Revenue Receipts'. For example, sale proceeds of goods, interest received, rent received etc.

Question No: 11 (Marks: 1) - Please choose one

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

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

Question No: 12 (Marks: 1) - Please choose one

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

Ending inventory

20 x 13=260

Question No: 13 (Marks: 1) - Please choose one

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	<u>200, 000</u>
=	
Material Available for use	300,000
Less	
Closing stock of raw material	85,000
=	
Cost of Material Consumed	215,000

Question No: 14 (Marks: 1) - Please choose one

Under the reducing balance method, depreciation is calculated on:

► Scrap value of an asset

► Original cost of an asset

► **Book value of an asset**

► Fair value of an asset

Straight line method or Original cost method or Fixed installment method

Reducing Balance Method

Under this method, depreciation is calculated on written down value/ **Book Value**

Question No: 15 (Marks: 1) - Please choose one

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?

► Rs. 160,000

► Rs. 96,000

► **Rs. 75,000**

► Rs. 57,600

Depreciation = (cost – Residual value) / Expected useful life of the asset

Depreciation = 400,000 – 25,000 /5

Depreciation =375,000/5

Depreciation =75,000

Question No: 16 (Marks: 1) - Please choose one

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 th 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

75,000-50,000 =(25,000)

Question No: 17 (Marks: 1) - Please choose one

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**
- ▶ Rs.160, 000

Conversion Cost = Direct labor cost + Factory overhead cost

Conversion cost = 30,000 + 60,000 = 90,000

Question No: 18 (Marks: 1) - Please choose one

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

Question No: 19 (Marks: 1) - Please choose one

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

Purchase A/c	Dr
Cash A/c	Cr

Question No: 20 (Marks: 1) - Please choose one

Following are the inventories of Manufacturing Concern EXCEPT:

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

▶ **Merchandise inventory**

Question No: 21 (Marks: 1) - Please choose one

The stock of manufacturing concern consists of:

- ▶ Work in Process Inventory
- ▶ Raw Materials Inventory
- ▶ Finished Goods Inventory

▶ **All of the given options**

Question No: 22 (Marks: 1) - Please choose one

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

- 4) Name of the organization
- 5) Cash code
- 6) Date of transaction

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

▶ **(1), (2) & (3)**

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Question No: 23 (Marks: 1) - Please choose one

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

Financial statements present the results of operations and the financial position of the company

The balance sheet / Statement of financial position tells you whether the company can pay its bills on time, its financial flexibility to acquire capital and its ability to distribute cash in the form of dividends to the company's owners.

The income statement (also known as the profit and loss statement or P&L) tells you both the earnings and profitability of a business.

Question No: 24 (Marks: 1) - Please choose one

If the cost of sales is Rs. 95,000, sales are Rs. 100,000 and operating expenses are Rs. 200,000 during the year, what would be the net result?

▶ **Loss of Rs. 1, 95,000**

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

Sale- CGS = Gross profit – operating expense = net profit/loss

$100,000 - 95,000 = 5,000 - 200,000 = (195,000)$

Question No: 25 (Marks: 1) - Please choose one

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

Sale- CGS = Gross profit – operating expense = net profit/loss

$95,000 - 60,000 = 35,000 - 20,000 = 15,000$

Question No: 26 (Marks: 1) - Please choose one

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

Question No: 27 (Marks: 1) - Please choose one

Which of the following account will be credited, if the goods are sold on credit to Mr. Mahmood?

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

Question No: 28 (Marks: 1) - Please choose one

"Electricity bill for the month is paid by Mr. Imran Rs. 325". What is the journal entry to record this transaction?

- ▶ Cash a/c Rs. 325 (Dr.) , Utilities Expense a/c Rs. 325 (Cr.)
- ▶ **Utilities Expense a/c Rs. 325 (Dr.), Cash a/c Rs. 325 (Cr.)**
- ▶ Accounts Receivable a/c Rs. 325 (Dr.), Utilities Expense a/c Rs. 325 (Cr.)
- ▶ Utilities Expense a/c Rs. 325 (Dr.), Accounts Receivable a/c Rs. 325 (Cr.)

Question No: 29 (Marks: 1) - Please choose one

Which of the following entry will be recorded in the books of accounts for the goods returned to Mr. 'A'?

- ▶ Purchases return account (Dr) and Trading account (Cr)
- ▶ Mr." A" / creditor account (Dr) and purchases return account (Cr)
- ▶ **Purchases return account (Dr) and Mr." A" / creditor account (Cr)**
- ▶ Mr." A" / creditor account (Dr) and Profit & Loss account (Cr)

Question No: 30 (Marks: 1) - Please choose one

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

▶ **Bank Overdraft**

- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

Bank overdraft is the liability of the organization. Bank overdraft is the running finance that is provided by the bank to the organization.

Question No: 31 (Marks: 1) - Please choose one

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

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

Question No: 32 (Marks: 1) - Please choose one

Which of the following is NOT an example of intangible assets?

- ▶ Franchise rights
- ▶ Goodwill
- ▶ Patents
- ▶ **Land**

Question No: 33 (Marks: 1) - Please choose one

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

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

Question No: 34 (Marks: 1) - Please choose one

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

Question No: 35 (Marks: 1) - Please choose one

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)**

Question No: 36 (Marks: 1) - Please choose one

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

Question No: 37 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?

- 1) Title of account
- 2) Amount of transaction

3) Date of transaction

▶ (1) & (2) only

▶ (2) & (3) only

▶ (1) & (3) only

▶ **(1), (2) & (3)**

Usually the ledger is required to provide following information:

o **Title of account**

o Ledger page number, called Ledger Folio / Account Code

o **Date of transaction**

o Voucher number

o Narration / particulars of transaction

o **Amount of transaction**

Question No: 38 (Marks: 1) - Please choose one

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

Double entry accounting is based on the fact that every financial transaction has equal and opposite effects in at least two different accounts.

Question No: 39 (Marks: 1) - Please choose one

Word "Credit" is derived from ____ language.

▶ **Latin**

▶ English

▶ French

▶ Chinese

Debit and Credit are two Latin words and as such it is difficult to say what do these mean.

Question No: 40 (Marks: 1) - Please choose one

Mr. "A" sold goods for Rs. 3,00,000 to Mr. "B", Rs. 3,00,000 will be treated as _____ for business.

▶ **Revenue**

- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

PAPER # 06

Question No: 1 (Marks: 1) - Please choose one

Net Profit + Expenses= _____

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

Net Profit = Income – Expenses

Net profit + Expenses = Income

Question No: 2 (Marks: 1) - Please choose one

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

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

Land is recorded at cost .

Question No: 3 (Marks: 1) - Please choose one

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

Question No: 4 (Marks: 1) - Please choose one

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**

Question No: 5 (Marks: 1) - Please choose one

The basic purpose of depreciation is to achieve the:

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

Depreciation, as the term is used in accounting, is the allocation of the cost of a tangible plant asset to expense in the periods in which services are received from the asset. In short, the basic purpose of depreciation is to achieve the matching principle that is to offset the revenue of the accounting period with the cost of the goods and services being consumed in the effort to generate the revenue

Question No: 6 (Marks: 1) - Please choose one

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

- ▶ **Rs. 22,000 owner's equity**
- ▶ Rs. 23, 000 owner's equity
- ▶ Rs. 24,000 owner's equity

- ▶ Rs. 46,000 owner's equity

Assets =34,500

Liabilities

Account payable 1000

Other liability 11500

Total liabilities =12500

Assets = liabilities + owner equity

34,500 = 12500 + ?

Owner equity = assets – liabilities

Owner equity =34500 – 12500 =22,000

Question No: 7 (Marks: 1) - Please choose one

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

Prepaid Expenses are amounts that are paid in advance to a vender or creditor for goods and services

Question No: 8 (Marks: 1) - Please choose one

While adjusting the cash balance of cash book, which of the following is **NOT** taken into account.

- ▶ Mistakes in the cash book
- ▶ **Mistakes in the pass book**
- ▶ Interest credited in the pass book but not entered in cash book
- ▶ Interest debited in the pass book but not entered in cash book

Question No: 9 (Marks: 1) - Please choose one

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

Balance as per cash book (Dr)

Add

- ✓ Cheques issued but not presented for payment
- ✓ Interest allowed by the bank
- ✓ Interest on investment and dividend collected by bank
- ✓ Direct payment in to bank by customers
- ✓ Cheques paid in to bank but omitted to be recorded in the cash book
- ✓ Any wrong entry in the credit side of the pass book
- ✓ Overcast of credit side of cash book
- ✓ Undercast of debit side of cash book

Less

- ✓ Cheques paid in to bank for collection but not collected
- ✓ Cheques paid in to bank for collection but dishonoured by the bank
- ✓ Bank charges and commission charged by the bank direct payment made by the bank on trader's behalf
- ✓ Cheques issued but omitted to be recorded in the cash book
- ✓ Any wrong entry made by bank in the debit side of the pass book
- ✓ Overcast of debit side of cash book
- ✓ Discounted bill dishonoured but not recorded in cash book
- ✓ Balance as per pass book (Cr)

Question No: 10 (Marks: 1) - Please choose one

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

Question No: 11 (Marks: 1) - Please choose one

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**

Question No: 12 (Marks: 1) - Please choose one

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

Sold

$$10 \times 10 = 100$$

$$35 \times 11 = 385$$

$$40 \times 12 = 480$$

$$100 + 385 + 480 = 965 = \text{Cost of good sold}$$

Ending inventory /Unsold

$$20 \times 13 = 260$$

Question No: 13 (Marks: 1) - Please choose one

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**

$$10 \times 10 = 100$$

$$35 \times 11 = 385$$

$$35 \times 40 = 420$$

$$10 + 35 + 35 = 80 \text{ unit sold}$$

$$100 + 385 + 420 = 905$$

Question No: 14 (Marks: 1) - Please choose one

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 th 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

WDV/book value – Sale price = Profit /Loss

75,000 -50,000 = (25,000) loss

Question No: 15 (Marks: 1) - Please choose one

The products that are ready for sale are known as:

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

Finished Goods

Finished goods contain items that are ready for sale, but could not be sold at the end of accounting period.

Question No: 16 (Marks: 1) - Please choose one

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

Purchase Account	Dr
Cash Account	Cr

Question No: 17 (Marks: 1) - Please choose one

Partially completed products that are not yet ready for sale are known as:

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

Work in Process

In manufacturing concern, raw material is put into process to convert it into finished goods. At the end of the year, some part of raw material remains under process. It is neither in shape of raw material nor in shape of finished goods. Such items are taken in stock as work in process

Question No: 18 (Marks: 1) - Please choose one

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

- 7) Name of the organization
- 8) Cash code
- 9) Date of transaction
- ▶ (1) & (2) only
- ▶ (1) & (3) only
- ▶ (2) & (3) only
- ▶ **(1), (2) & (3)**

Question No: 19 (Marks: 1) - Please choose one

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

Question No: 20 (Marks: 1) - Please choose one

The return of goods by a customer should be debited to:

- ▶ Customer's account
- ▶ **Sales return account**
- ▶ Goods account
- ▶ Accounts receivable

Sale Return Account	Dr
Customer's Account	Cr

Question No: 21 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

- ▶ Furniture account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

Furniture Account	Dr
Cash Account	Cr

Question No: 22 (Marks: 1) - Please choose one

Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?

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

► **Bank account**

Vehicle Account	Dr
Bank Account	Cr

Question No: 23 (Marks: 1) - Please choose one

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

Purchase asset = Dr

Bank payment = Cr

Question No: 24 (Marks: 1) - Please choose one

Accrued expenses are the example of:

► **Current liabilities**

- Long term liabilities
- Deferred costs
- Capital expenses

Accrued expenses are the examples of current liabilities of the business because business is expected to pay these back within one accounting period.

Question No: 25 (Marks: 1) - Please choose one

Which of the following item will appear on the Balance Sheet as current assets?

▶ **Prepaid expenses**

- ▶ Accrued expenses
- ▶ Furniture and Equipment
- ▶ Unearned revenue

Prepaid Expenses is a Current Asset for our business. **Prepaid Expenses** are amounts that are paid in advance to a vender or creditor for goods and services

Question No: 26 (Marks: 1) - Please choose one

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

Balance sheet is prepared on a specific date and can provide information of financial position as on that date only

Question No: 27 (Marks: 1) - Please choose one

Which of the following organizations prepare Income & Expenditure account?

- ▶ Public libraries
- ▶ NGOs
- ▶ Labor unions
- ▶ **All of the given options**

Question No: 28 (Marks: 1) - Please choose one

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

▶ **General Ledger**

- ▶ Balance Sheet
- ▶ Profit and Loss Account
- ▶ Cash Flow Statement

Question No: 29 (Marks: 1) - Please choose one

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

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

Question No: 30 (Marks: 1) - Please choose one

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

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

Question No: 31 (Marks: 1) - Please choose one

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

- ▶ Journalizing
- ▶ **Posting**
- ▶ Balancing
- ▶ Analyzing

Posting: The process of transferring entries from a journal of original entry to a ledger book.

Question No: 32 (Marks: 1) - Please choose one

Which of the following are the components of General Ledger?

- 4) Title of account
- 5) Amount of transaction
- 6) Date of transaction
- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only

▶ (1), (2) & (3)

Usually the ledger is required to provide following information:

- o Title of account
- o Ledger page number, called Ledger Folio / Account Code
- o Date of transaction
- o Voucher number
- o Narration / particulars of transaction
- o Amount of transaction

Question No: 33 (Marks: 1) - Please choose one

The original book of entry, in which all vouchers are first recorded, is called:

▶ **General Journal**

- ▶ General Ledger
- ▶ Trial Balance
- ▶ Balance Sheet

The Journal is used to record financial transactions in chronological (day-to-day) order. All vouchers were first recorded in books of accounts. It was also called the Book of Original Entry or Day Book

Question No: 34 (Marks: 1) - Please choose one

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

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

Credit side < debit side = debit balance

Credit side > debit side = Credit balance

Question No: 35 (Marks: 1) - Please choose one

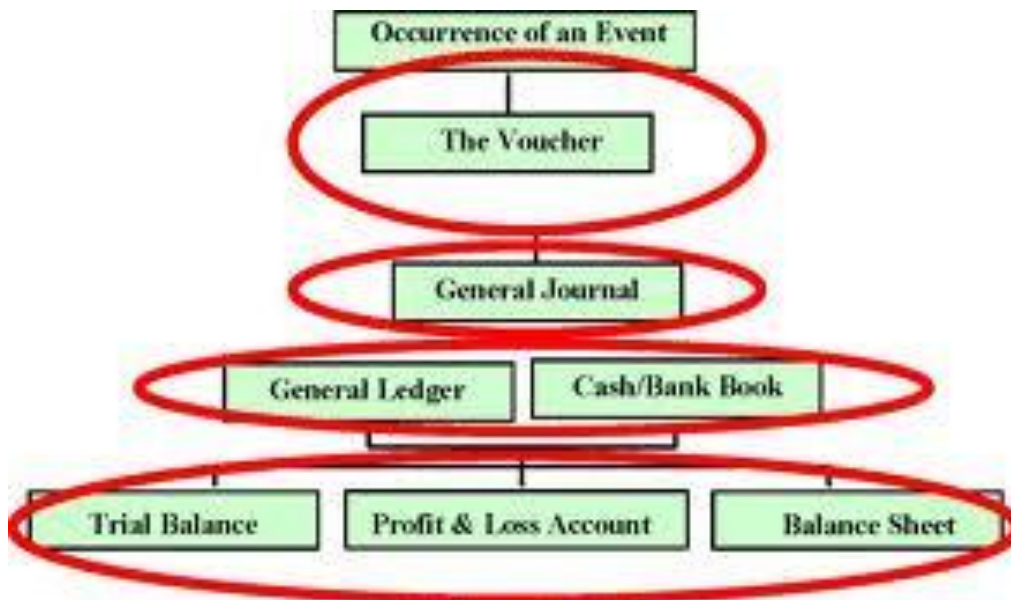
Which of the following is **CORRECT** about the flow of recording a transaction?

► 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



Question No: 36 (Marks: 1) - Please choose one

An Asset that is **NOT** physical in nature is called _____.

▶ **Intangible Asset**

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

Intangible assets which have no physical existence like goodwill, patents and copyrights etc.

Question No: 37 (Marks: 1) - Please choose one

What is the nature of an expense account?

▶ **Debit**

- ▶ Credit
- ▶ Revenue
- ▶ None of the given options

Question No: 38 (Marks: 1) - Please choose one

Term "Credit" means _____ by the business.

- ▶ Receiving of benefits
- ▶ It has no effect on business
- ▶ **Providing of benefits**
- ▶ It depends upon items

Any account that provides a benefit is **Credit**.
OR
Anything to which the business has a responsibility to return a benefit in future is **Credit**.

Question No: 39 (Marks: 1) - Please choose one

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

- ▶ Assets exceed Expenditure

▶ Assets exceed Liabilities

▶ **Income exceeds Expenditure**

▶ Income exceeds Liabilities

Profit is the excess of income over expenses in a specified accounting period.

Profit= Income - expenses

Question No: 40 (Marks: 1) - Please choose one

An organization operating with the objective of making profit from the sale of goods or services is called:

▶ Transaction

▶ **Business**

▶ Society

▶ Trust

PAPER # 07

Question No: 1 (Marks: 1) - Please choose one

Why we use financial accounting

Business need

Accounting need

Financial need

Managerial need

The need for recording financial transactions arises because the individual or business wants to know the performance of the business and to assist the person in making decisions related to the business. *Accounting* is the backbone of the *business financial* world.

Question No: 2 (Marks: 1) - Please choose one

Which of the following shows a debit balance under normal circumstances?

Capital

Asset

Liability

Profit

Question No: 3 (Marks: 1) - Please choose one

Normally the practice of Book Keeping under Single Entry System is followed by:

Smalle business only

Governments only

Large scale businesses only

Both small businesses and governments

This is the conventional style of keeping records of financial transactions. In single entry book keeping system, as it is clear from the name, **only one aspect of the transaction is recorded**. This actually is not a system but is a procedure by which small business concerns, like retailers and small shopkeepers, keep record of their sale / income

Question No: 4 (Marks: 1) - Please choose one

An accounting system is used by a business to:

Analyze transactions

Handle routine book-keeping tasks

Classify and summarize financial information

All of the given options

Question No: 5 (Marks: 1) - Please choose one

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

If an asset is not completed at that time when balance sheet is prepared, all costs incurred on that asset up to the balance sheet date are transferred to an account called Capital Work in Progress Account

Question No: 6 (Marks: 1) - Please choose one

Which of the following is TRUE for Company's negative working capital?

Current Asset > Current Liability

Current Asset = Current Liability

Current Asset < Current Liability

None of the given options

Question No: 7 (Marks: 1) - Please choose one

What will be the effect of decrease in closing stock on gross profit?

Gross profit increased

Gross profit decreased

No effect on Gross profit

Gross profit will become positive

Question No: 8 (Marks: 1) - Please choose one

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

Question No: 9 (Marks: 1) - Please choose one

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

Ending inventory

20 x 13 =260

Question No: 10 (Marks: 1) - Please choose one

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?

Rs. 160,000

Rs. 96,000

Rs. 75,000

Rs. 57,600

Depreciation = Cost – Residual value/estimated useful life

Depreciation = 400,000 - 25,000 / 5

Depreciation = 75,000

Question No: 11 (Marks: 1) - Please choose one

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

Depreciation

Accumulated Depreciation

Appreciation

Written Down Value

Question No: 12 (Marks: 1) - Please choose one

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

Question No: 13 (Marks: 1) - Please choose one

Which of the following item will appear on the Balance Sheet as current assets?

Prepaid expenses

Accrued expenses

Furniture and Equipment

Unearned revenue

Question No:14 (Marks: 1) - Please choose one

Which of the following entities is not profit oriented entity?

Sole - proprietorship

Partnership

Companies

Trust

Question No: 15 (Marks: 1) - Please choose one

Which concept of an accounting describes that for every debit there is a credit?

Dual aspect concept

Matching concept

Separate entity concept

Money measurement concept

Dual Aspect of Transactions

For every debit there is an equal credit

Question No:1 6 (Marks: 1) - Please choose one

Which of the following is the act of recording each transaction in the Journal?

Journalizing

Posting

Folioing

Transferring

The process of recording each transaction in a journal is called journalizing. The process of transferring journal entry information to the ledger is called posting

Question No: 17 (Marks: 1) - Please choose one

Which of the following account would be debited when direct material is purchased on cash of Rs. 2,000?

Indirect material

FOH

Material/Stock

Cash

Material/ Stock Account	Dr
Cash Account	Cr

Question No: 18 (Marks: 1) - Please choose one

Which one of the following methods for inventory valuation may increase income tax due during the period of inflation?

FIFO Method

Weighted Average Method

Specific Identification Method

LIFO Method

FIFO

If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. **The income tax is larger.** Value of unsold inventory is also higher.

LIFO

If costs are increasing, then recently acquired items are more expensive. This increases the cost of goods sold (COGS) under LIFO and decreases the net profit. **The income tax is smaller.** Value of unsold inventory is lower.

Question No: 19 (Marks: 1) - Please choose one

Which of the following is another name of salvage value?

Face value

Fair value

Break up value

Book value

Salvage value/ residual value/ scrap value/ break-up value: The estimated value that an asset will realize upon its sale at the end of its useful life.

Question No: 20 (Marks: 1) - Please choose one

What is the treatment of Depreciation in accounting?

Written in balance sheet under the head of fixed assets

Charged to profit and loss account

Written in balance sheet under the head of current assets

Written in balance sheet under the head of liabilities

Depreciation is a systematic allocation of the cost of a depreciable asset to expense over its useful life. It is a process of charging the cost of fixed asset to profit & loss account

Question No: 21 (Marks: 1) - Please choose one

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

Question No: 22 (Marks: 1) - Please choose one

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

Interest expenses

Wages and Salaries

Depreciation expenses

Discount Allowed

Question No: 23 (Marks: 1) - Please choose one

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

Mr. Been / Accounts Receivable account (Dr) and sales account (Cr)

Cash account (Dr) and sales account (Cr)

Sales account (Dr) and Mr. Been / Accounts Receivable account (Cr)

Goods Sold account (Dr) and Mr. Been / Accounts Receivable account (Cr)

Question No: 24 (Marks: 1) - Please choose one

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

Voucher?

1) Name of the organization

2) Cash code

3) Date of transaction

(1) & (2) only

(1) & (3) only

(2) & (3) only

(1), (2) & (3)

Question No: 25 (Marks: 1) - Please choose one

Partially completed products that are not yet ready for sale are known as:

Raw material

Work in process

Finished goods

Closing stock

Work in Process

In manufacturing concern, raw material is put into process to convert it into finished goods. At the end of the year, some part of raw material remains under process. It is neither in shape of raw material nor in shape of finished goods. Such items are taken in stock as work in proc

Question No: 26 (Marks: 1) - Please choose one

Which of the following organizations prepare Income & Expenditure account?

Public libraries

NGOs

Labor unions

All of the given options

Question No: 27 (Marks: 1) - Please choose one

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

Balance Sheet shows the Financial State of Affairs of the entity at a given date

Question No: 28 (Marks: 1) - Please choose one

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

Question No: 29 (Marks: 1) - Please choose one

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

Sale – CGS = Gros profit

95,000-60, 00 =45,000

Gross profit – operating expenses = Net profit

45,000-20,000 = 15,000

PAPER # 08

Question No: 1 - Please choose one

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

Question No: 2 - Please choose one

What is the nature of an expense account?

- ▶ **Debit**
- ▶ Credit
- ▶ Revenue
- ▶ None of the given options

Nature of Accounts

Asset and expense = Dr Nature

Capital, Liability and owner equity = Cr Nature

Question No: 3 - Please choose one

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

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

In case of Income and Expenditure account, Surplus/Deficit is to be found and in case of Profit and loss

account, profit or loss is to be found.

Income and Expenditure account

Excess of income over expenses = Surplus

Excess of expenses over Income = Deficit

Profit and loss account

Excess of income over expenses = Profit

Excess of expenses over Income = Loss

Question No: 4 - Please choose one

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

- ▶ Furniture account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

Question No: 5 - Please choose one

The amount of salary paid to Mr. Sohail should be debited to:

- ▶ Mr. Sohail account
- ▶ **Salaries account**
- ▶ Cash account
- ▶ Drawings account

Question No: 6 - Please choose one

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

Sale – CGS = Gross profit – operating expenses = Net profit

95,000-60,000=35,000 -20,000 =15,000

Question No: 7 - Please choose one

The stock of manufacturing concern consists of:

▶ Work in Process Inventory

▶ Raw Materials Inventory

▶ Finished Goods Inventory

▶ **All of the given options**

Question No: 8 - Please choose one

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

Straight line method =Cost- Residual value/ Expected useful life of asset

Question No: 9 - Please choose one

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

Ending inventory

$20 \times 13 = 260$

Question No: 10 - Please choose one

Which of the following particular is **NOT** included in the specimen of a Journal Voucher?

► Name of organization

► **Bank receipt**

► Debit amount

► Credit amount

Question No: 11 - Please choose one

Accountancy covers which of the following area(s):

► Book-keeping

► Accounting

► Auditing

► **All of the given options**

Question No: 12 - Please choose one

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

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

- ▶ Rs. 12,000 liabilities
- ▶ Rs. 11,000 liabilities
- ▶ **Rs. 1, 10,000 liabilities**
- ▶ Rs. 1, 11,000 liabilities

Cash & debtor, other assets = assets $1,00,000 + 10,000 + 1,000 = 111,000$

Assets = liabilities + owner equity

$111,000 = ? + 1,000$

$111,000 = 110,000 + 1,000$

$111,000 = 111,000$

Or

Assets = liabilities + owner equity

Rearrange

Liabilities = Assets – owner equity

$\text{Liabilities} = 111,000 - 1,000$

Liabilities = 110,000

Question No: 13 - Please choose one

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

Assets = liabilities + owner equity

Owner equity = assets – liabilities

Owner equity = 80,385 – 20,000

Owner equity = 60,385

Question No: 14 - Please choose one

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

► **Rs.130, 000**

► Rs.110, 000

► Rs.140, 000

► Rs.190, 000

Prime cost = direct material cost + direct labor costs + other direct production cost

Prime cost = 80,000 + 50,000 + 0

Prime cost = 130,000

Question No: 15 - Please choose one

Mr. B provided the following information at the end of the month:

Particulars	Rs.
Cash	100
Accounts Receivable	500
Accounts Payable	200
Bank Loans	1,000

Based on the information provided, what are the total assets of Mr. B?

► Rs.200

► **Rs. 600**

► Rs. 800

► Rs. 1,700

Asset = Cash + Accounts Receivable

Asset = 100+500

Assets=600

Liabilities = Accounts payable, Bank loans

Question No: 16 - Please choose one

Which of the following is an example of liability in a business enterprise?

▶ **Accounts payable**

- ▶ Accounts receivable
- ▶ Commission received
- ▶ Commission paid

Question No: 17 - Please choose one

Which of the following system of recording transactions is based on dual aspect concept of accounting?

▶ **Double entry system**

- ▶ Cash accounting system
- ▶ Single entry system
- ▶ Management system

Question No: 18 - Please choose one

Which of the following shows a debit balance under normal circumstances?

- ▶ Asset
- ▶ Expenses
- ▶ **Both assets and expenses**
- ▶ Revenue

Question No: 19 - Please choose one

Which of the following account would be credited in case of goods given away as charity?

- ▶ Charity account

► **Purchases account**

- Sales account
- Assets account

Charity is an expense so it will be debited because expense account is debited for increase... Good is an asset. It is decreasing so good accounts should be credited as per the rule of assets . Goods given as charity must have been charged at cost price so it is preferable to credit purchase account instead of good account. Purchase account is debited when there is increase in stock of goods due to purchase. In this case the stock will decrease so purchases account should be credited.

Charity A/c	Dr	
Purchase A/c		Cr

Question No: 20 - Please choose one

If two sides of an account are equal, that account will shows a/an:

► **Zero balance**

- Debit balance
- Credit balance
- Opening balance

Question No: 21 - Please choose one

Which of the following statement is **TRUE** about Trial Balance?

- It shows the balance of assets a/c only
- It shows the balance of revenue and expenses a/c only
- It shows the balance of capital and liabilities a/c only
- **It shows the balance of all types of accounts**

Question No: 22 - Please choose one

Which of the following account would be credited when goods are given as charity?

- ▶ Charity a/c
- ▶ Free sample a/c
- ▶ **Purchases a/c**
- ▶ Sales a/c

Purchases account always shows debit balance. It is debited for both cash and credit purchases. In the following cases, goods are valued at cost or purchase price so purchase account is credited

- Goods given as charity
- Good taken/withdrawn by proprietor
- Loss of good by theft
- Loss of good by fire
- Free distribution of goods as sample
- Distribution of goods to employee free sample

Question No: 23 - Please choose one

Which of the following is used to record the receipts of cash or cheque?

- ▶ Journal Voucher
- ▶ **Receipt Voucher**
- ▶ Payment Voucher
- ▶ Cash voucher

Receipt Voucher

Receipt voucher is used to record cash or bank receipt. Receipt vouchers are of two types:

- Cash receipt voucher
- Bank receipt voucher

Question No: 24 - Please choose one

What types of transactions are recorded in journal vouchers?

- ▶ Cash transactions

- ▶ Bank transactions
- ▶ Both Cash & Bank transactions
- ▶ **None of the given options**

Written-down value is also called book value or net book value. It is calculated by subtracting accumulated depreciation or amortization from the asset's original value.

Question No: 25 - Please choose one

Which of the following account would be credited when Rs.5, 000 were paid to vendor?

- ▶ Cash
- ▶ **Voucher payable**
- ▶ Sundry debtors
- ▶ Personal account of customer

An *INVOICE* from a vendor is the bill that is received by the purchaser of goods or services from an outside supplier. The vendor invoice lists the quantities of items, brief descriptions, prices, total amount due, credit terms, where to remit payment, etc.

A *VOUCHER* is an internal document used in a company's accounts payable department in order to collect and organize the necessary documentation and approvals before paying a vendor invoice. The unpaid vouchers provide the detail for the total amount reported as **vouchers payable or accounts payable**.

Question No: 26 - Please choose one

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Prime Cost is Rs. 30,000

Then:

What is the amount of Manufacturing Cost?

- ▶ Rs. 20,000
- ▶ Rs. 10,000
- ▶ **Rs. 35,000**
- ▶ Rs. 45,000

Manufacturing Cost = Labor + Materials + Overhead

Direct Material

+Direct Labor

+Other direct production cost

≡Prime cost

Prime Cost

+Factory overhead cost

Total Production Cost/Manufacturing Cost

Prime cost + FOH = Manufacturing Cost

30,000 +5,000 = 35, 000

Question No: 27 - Please choose one

Depreciation of office building is charged to:

- ▶ Cost of Goods Sold
- ▶ **Administrative Expenses**
- ▶ Selling Expenses
- ▶ Financial expenses

Depreciation account is charged to profit & loss account under the heading of Administrative Expenses.

Question No: 28 - Please choose one

Which of the following is a book value of an asset after deducting the accumulated depreciation from the original cost of an asset?

- ▶ Residual value
- ▶ **Written down value**
- ▶ Face value
- ▶ Fair value

Written-down value is also called book value or net book value. It is calculated by subtracting accumulated depreciation or amortization from the asset's original value.

Question No: 29 - Please choose one

Cost of asset	Rs. 100,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 th 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. 100,000 profit

75,000 -15,000 = (60,000) loss

Question No: 30 - Please choose one

Which of the following **CANNOT** easily be converted into cash?

- ▶ Cash at bank
- ▶ Marketable securities
- ▶ Accounts receivable

► **Property, plant and equipment**

Current assets include cash, accounts receivable, inventory, marketable securities, prepaid expenses and other liquid assets that can be readily converted to cash.

The term **FIXED ASSETS** refers to assets that can not be converted in to cash easily- most notably a company's property, plant and equipment.

Question No: 31 - Please choose one

What would be the Book value of asset, if its Original cost is Rs. 100,000; Accumulated depreciation is Rs. 40,000 at the end of current year; and Depreciation expense of previous year is Rs. 20,000.

- Rs. 140,000
- Rs. 160,000
- Rs. 80,000
- **Rs. 60,000**

Book value is obtained by deducting accumulated depreciation from original cost of the asset

Book value = Cost of asset – accumulated depreciation

Book value = 100,000 – 40,000

Book value =60,000

Question No: 32 - Please choose one

Particulars	Rs.
Opening written down value of machine	?
Cost of machine purchased during the year	50,000
Depreciation during the year	20,000
Closing written down value of the Machine	430,000

► **Rs. 400,000**

► Rs. 500,000

► Rs. 470,000

► Rs. 70,000

As

Opening WDV of machine + Cost of machine purchase during the year – Depreciation during the year = Closing WDV

Rearrange

Opening WDV of machine = Closing WDV + Depreciation – Cost of machine purchase during the year

Opening WDV of machine = 430,000 + 20,000 – 50,000

Opening WDV of machine = 400,000

Opening WDV of machine = 400,000

Question No: 33 - Please choose one

The loss on the sale of fixed assets is a:

► Normal loss

► Ordinary loss

► **Capital loss**

► Revenue loss

The amount of loss suffered due to the sale of fixed assets, shares and debentures at a price less than their book value or face value is capital loss. It does not occur in the normal course of the business. It occurs in the course of selling assets and raising capital. Usually, it is shown on the asset side of the balance sheet and written off out of the capital profit.

Items relating to capital loss

Loss on sale of fixed assets

Discount on issue of share and debentures

Premium on redemption of debentures

Loss on sale of investment

Question No: 34 - Please choose one

Which of the following contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement?

▶ **Bank reconciliation statement**

- ▶ Cash statement
- ▶ Balance statement
- ▶ Bank statement

Bank Reconciliation statement is statement which contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement. The preparation of bank reconciliation statement is not a part of the double entry bookkeeping system. It is just a procedure to prove the cash book balance.

PAPER # 09

Question No: 1 - Please choose one

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

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

Any account that obtains a benefit is Debit.

Question No: 2 - Please choose one

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

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

Question No: 3 - Please choose one

An Asset that is **NOT** physical in nature is called _____

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

Question No: 4 - Please choose one

The favorable balance of Profit and Loss account should be:

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

▶ **Added in capital**

The net profit belongs to the ownership of the business which is represented by the Capital account. Therefore, the net profits or losses are ultimately transferred to the Capital account.

Profit is added in the capital account because it increases the retained earnings and thus increases the owner's equity of the business and vice versa

Question No: 5 - Please choose one

If the cost of sales is Rs. 95,000, sales are Rs. 100,000 and operating expenses are Rs. 200,000 during the year, what would be the net result?

▶ **Loss of Rs. 1, 95,000**

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

Sale – CGS= gorss profit - operating expense = Net profit/loss

100,000 -95,000 =5,000 -200,000= (195,000)

Sales 600,000

Less Cost of goods sold

Gross profit

Less Operating expenses

Selling and marketing

Distribution

Administrative

Operating profit

Less Financial Expenses

Interest on loan

Profit before tax

Less Income Tax

Net profit

Question No: 6 - Please choose one

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

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

Question No: 7 - Please choose one

Partially completed products that are not yet ready for sale are known as:

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

Question No: 8 - Please choose one

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

- ▶ **Conversion cost**
- ▶ Prime cost
- ▶ Total factory cost
- ▶ Cost of goods manufactured

Conversion Cost = Direct labor cost + Factory overhead cost

Question No: 9 - Please choose one

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

- ▶ **Depreciation**

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

Question No: 10 - Please choose one

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

Depreciation = 5,000 x 5 =25000

WDV /Book value =1,00,000 -25000=75,000

Question No: 11 - Please choose one

Interest on loan paid by business is an example of :

- ▶ Deferred expense
- ▶ **Revenue expense**
- ▶ Capital expense
- ▶ None of the given options

Interest on Loan – is normally revenue expenditure but when the loan is taken to purchase an asset its interest is treated as Capital and is added to cost of the asset

Question No: 12 - Please choose one

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

- ▶ Separate Legal Entity
- ▶ Limited Liability
- ▶ **Easy Formation**
- ▶ Common Seal

The joint

stock company has the following feature:

- Creation of Law
- Separate Legal Entity
- Limited Liability
- Transferability of shares
- Number of Members
- Common Seal

Question No: 13 - Please choose one

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

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

Question No: 14 - Please choose one

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

Question No: 15 - Please choose one

Accounting is concerned with which of the following?

- ▶ Recording data
- ▶ Classifying data
- ▶ Summarizing data
- ▶ **Communicating what has been learned from the data**

Accounting is termed as the analysis, classification and recording of financial transactions, and the ascertainment of how such transactions affect the performance and financial position of a business.

Accounting is therefore concerned with:

- recording of data
- classification and summary of data
- communicating what has been learned from the data.

Question No: 16 - Please choose one

Expenditure is revenue in nature when it:

- ▶ **Benefits the current period**
- ▶ Benefits the future period
- ▶ Belong to the previous period
- ▶ None of the given options

Question No: 17 - Please choose one

Which of the following is the act of recording each transaction in the Journal?

- ▶ **Journalizing**
- ▶ Posting
- ▶ Folioing

- ▶ Transferring

Question No: 18 - Please choose one

Wages of workmen employed for setting up new machinery should be debited to:

- ▶ Expenses account
- ▶ Wages account
- ▶ Salaries account

▶ **Machinery account**

The cost of installation is part of the cost of the asset. An asset's cost is considered to be all of the costs of getting an asset in place and ready for use. Therefore, the labor cost of installing a new machine is considered to be part of the asset's cost and not an immediate expense of the period.

Question No: 19 - Please choose one

A purchase of furniture for cash should be debited to:

- ▶ Cash account
- ▶ **Furniture account**
- ▶ Purchases account
- ▶ Fixture account

Question No: 20 - Please choose one

Which of the following account would be debited in case of goods given away as charity?

- ▶ **Charity account**
- ▶ Purchases account
- ▶ Sales account
- ▶ Assets account

Question No: 21 - Please choose one

The cash book in book-keeping records:

- ▶ All cash and credit purchase of goods
- ▶ Only cash payments
- ▶ **All receipts and payments in cash**
- ▶ All cash and credit sale of goods

Cash Book

All cash transactions (receipts and payments) are recorded in the cash book.

Question No: 22 - Please choose one

Cash book and bank book are the integral part of:

- ▶ **General ledger**
- ▶ Bank statement
- ▶ Voucher
- ▶ Transaction

Cash book and bank book are part of general ledger

Question No: 23 - Please choose one

Which of the following journal entry will be recorded, if the cash is deposited in the bank?

- ▶ **Bank account (Dr) and Cash account (Cr)**
- ▶ Cash account (Dr) and Bank account (Cr)
- ▶ Bank account (Dr) and Profit & Loss account (Cr)
- ▶ Cost of goods Sold account (Dr) and Bank account (Cr)

Question No: 24 - Please choose one

Which of the following is used to record the payments of cash or cheque?

- ▶ Journal Voucher
- ▶ Receipt Voucher
- ▶ **Payment Voucher**
- ▶ Cash voucher

Payment voucher is used to record a payment of cash or cheque. Payment vouchers are of two types:

- Cash Payment voucher
- Bank Payment voucher

Question No: 25 - Please choose one

Which one of the following is the type of stock for trading concerns?

- ▶ Raw Material
- ▶ Work in Process
- ▶ Finished Goods
- ▶ **Stock in Trade**

Question No: 26 - Please choose one

If:

- Manufacturing Cost is Rs. 30,000
- Opening Work in Process Inventory is Rs. 5,000
- Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

- ▶ Rs. 35,000
- ▶ **Rs. 25,000**
- ▶ Rs. 15,000
- ▶ Rs. 20,000

$$\text{Manufacturing Cost} + \text{Opening WIP} - \text{Closing WIP} = \text{Cost of good manufactured}$$
$$30,000 + 5,000 - 10,000 = 25,000$$

Question No: 27 - Please choose one

If:

- Manufacturing Cost is Rs. 15,000
- Opening Work in Process Inventory is Rs. 5,000
- Cost of Goods Manufactured is Rs. 5,000

Then:

What is the amount of closing Work in Process inventory?

- ▶ Rs. 10,000
- ▶ Rs. 20,000
- ▶ **Rs. 15,000**
- ▶ Rs. 30,000

Manufacturing Cost + Opening WIP inventory – Closing WIP = Cost of good manufactured

Rearrange

Closing WIP = Manufacturing cost + Opening WIP -Cost of good manufactured

Closing WIP = 15,000 + 5,000 – 5,000

Closing WIP = 15,000

Question No: 28 - Please choose one

If:

- Manufacturing Cost is Rs. 30,000
- Closing Work in Process Inventory is Rs. 10,000
- Cost of Goods Manufactured is Rs. 35,000

Then:

What is the amount of opening Work in Process inventory?

- ▶ Rs. 40,000
- ▶ **Rs. 15,000**
- ▶ Rs. 25,000
- ▶ Rs. 20,000

Manufacturing Cost + Opening WIP inventory – Closing WIP = Cost of good manufactured

Rearrange

Opening WIP inventory = Cost of good manufactured + Closing WIP – Manufacturing Cost

Opening WIP inventory = $35,000 + 10,000 - 30,000$

Opening WIP Inventory = 15,000

Question No: 29 - Please choose one

Which of the following is another name of straight line method of depreciation?

- ▶ Written down value method
- ▶ Diminishing balance method
- ▶ **Original cost method**
- ▶ Sum of year digit method

STRAIGHT LINE METHOD is also known as fixed installment METHOD and ORIGINAL COST METHOD.

Question No: 30 - Please choose one

Which of the following is the unexpired portion of the cost of an asset?

- ▶ Carrying value
- ▶ Depreciable value
- ▶ Original cost
- ▶ **Residual value**

Residual value is the cost of the asset after the expiry of its useful life.

Question No: 31 - Please choose one

Loss on revaluation account is charged to:

- ▶ **Profit and loss account immediately**
- ▶ Capital account
- ▶ Revaluation reserve account
- ▶ Liability account

If an asset is revalued at higher cost than its original cost, the excess amount will be treated as profit on revaluation of fixed assets and it is credited to Revaluation Reserve Account.

On the other hand, if an asset is revalued at lower cost than its original value, the balance amount will be treated as loss on revaluation of fixed assets and it is shown in the profit & loss account of that year in which asset was revalued

Question No: 32 - Please choose one

Distinction between capital and revenue items is important for the preparation of:

- ▶ Income statement only
- ▶ Balance sheet only
- ▶ **Final accounts**
- ▶ Bank statement

When preparing final accounts it is important to distinguish between capital and revenue expenditure.

Question No: 33 - Please choose one

Which of the following is **TRUE** about revenue receipt?

- ▶ It has long term effects
- ▶ It does not occur again and again
- ▶ It is shown in balance sheet
- ▶ **It is shown in income statement**

Receipts which are recurring by nature and which are available for meeting all day to day expenses of a business concern are known as 'Revenue Receipts'. For example, sale proceeds of goods, interest received, rent received etc

Sample Income statement

Income/Sales/Revenue

Less: Cost of sales

Gross profit

Less: Administration expenses

Selling expenses

Question No: 34 - Please choose one

Which of the following is/are **TRUE** about the revaluation of fixed assets?

- ▶ Revaluation should be carried out at a regular interval
- ▶ Revaluation should be carried out by an expert.
- ▶ The change in value should be permanent.

▶ **All of the given options**

Revaluation should be carried out by an expert

Rules for Revaluation

- Revaluation has to be carried out at regular intervals
- The change in the value should be permanent
- Whole class of asset has to be revalued

PAPER # 10

Question No: 1 (Marks: 1) - Please choose one

Double entry accounting system includes

Accrual accounting only

Cash accounting only

Both cash and accrual accounting

None of the given options

Question No: 2 (Marks: 1) - Please choose one

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

Increase in an asset, increase in owner's equity

Increase in an asset, increase in a liability

Decrease in an asset, decrease in owner's equity

Decrease in an asset, decrease in a liability

Question No: 3 (Marks: 1) - Please choose one

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

Balance Sheet

Trading and Profit & Loss account

Cash Flow Statement

Statement of Retained Earnings

Question No: 4 (Marks: 1) - Please choose one

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

Question No: 5 (Marks: 1) - Please choose one

Which of the following is **NOT** a type of voucher?

Journal Voucher

Receipt Voucher

Payment Voucher

Drawings Voucher

Question No: 6 (Marks: 1) - Please choose one

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

Rs. 6,000

Rs. 8,000

Rs. 4,500

Rs. 10,500

As Prime cost = direct labor+direct materail +Other direct production cost

Total factory cost = Prime cost + FOH

Total factory cost =6,000 + 2,000 +2,500

Total factory cost =10500

Question No: 7 (Marks: 1) - Please choose one

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

Question No: 8 (Marks: 1) - Please choose one

Accounting is the language of:

Business

School

Proprietor

Management

ACCOUNTING is the universal LANGUAGE OF business

Question No: 9 (Marks: 1) - Please choose one

An accounting system is used by a business to:

Analyze transactions

Handle routine book-keeping tasks

Classify and summarize financial information

All of the given options

Question No: 10 (Marks: 1) - Please choose one

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

Question No: 11 (Marks: 1) - Please choose one

Normally the practice of Book Keeping under Single Entry System is followed by:

Small businesses only

Governments only

Large scale businesses only

Both small businesses and governments

Question No: 12 (Marks: 1) - Please choose one

The amount brought by the proprietor in the business should be credited to:

Cash account

Capital account

Drawings account

Assets account

Question No: 13 (Marks: 1) - Please choose one

Which of the following shows a debit balance under normal circumstances?

Asset

Capital

Liability

Profit

Question No: 14 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?

Increase in capital is Credit

Decrease in capital is Debit

Increase in expense is Debit

All of the given options

Question No: 15 (Marks: 1) - Please choose one

Wages of workmen employed for setting up new machinery should be debited to:

Expenses account

Wages account

Salaries account

Machinery account

Question No: 16 (Marks: 1) - Please choose one

Which of the following account would be debited in case of goods given away as charity?

Charity account

Purchases account

Sales account

Assets account

Question No: 17 (Marks: 1) - Please choose one

Which of the following is the process of equalizing two sides of an account?

Balancing

Posting

Journalizing

None of the given options

Question No: 18 (Marks: 1) - Please choose one

Trial balance shows:

Both debit and credit balance

Only debit balance

Only credit balance

Debit or Credit balance

Question No: 19 (Marks: 1) - Please choose one

What is the objective of a Balance sheet?

To ascertain the true profit or loss of business

To ascertain the true financial position of business

To make the SWOT analysis of business

To check the arithmetic accuracy for books of accounts

Question No: 20 (Marks: 1) - Please choose one

Which of the following account would be debited when the owner of business sold machinery of Rs. 10,000 on cash?

Sales a/c

Machinery a/c

Owner a/c

Cash a/c

Question No: 21 (Marks: 1) - Please choose one

Which of the following is **TRUE** for Company's negative working capital?

Current Asset > Current Liability

Current Asset = Current Liability

Current Asset < Current Liability

None of the given options

Question No: 22 (Marks: 1) - Please choose one

What will be the effect of decrease in closing stock on gross profit?

Gross profit increased

Gross profit decreased

No effect on Gross profit

Gross profit will become positive

Question No: 23 (Marks: 1) - Please choose one

What is the value of closing raw material inventory based on the following information?

Opening stock Rs. 1,000

Cost of material used Rs. Rs. 9,500

Cost of material available for use Rs. 10,000

Rs. 9,000

Rs. 500

Rs.11,500

Rs. 8,500

Cost of material available for use – Closing stock = Cost of material consumed

Rearrange

Closing Stock = Cost of material available for use – Cost of material Consumed

Closing Stock = 10,000 – 9,500 = 500

Question No: 24 (Marks: 1) - Please choose one

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Manufacturing Cost is Rs. 30,000

Then:

What is the amount of Prime Cost?

Rs. 25,000

Rs. 20,000

Rs. 35,000

Rs. 45,000

Total Production Cost/Manufacturing=Prime Cost +Factory overhead cost

Rearrange

Prime cost = Manufacturing cost – FOH

Prime cost = 30,000 – 5,000

Prime Cost = 25,000

Question No: 25 (Marks: 1) - Please choose one

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Prime Cost is Rs. 30,000

Then:

What is the amount of Manufacturing Cost?

Rs. 20,000

Rs. 10,000

Rs. 35,000

Rs. 45,000

Manufacturing Cost /Production Cost = Prime cost +FOH

Manufacturing Cost /Production Cost = 30,000+ 5,000 = 35,000

Question No: 26 (Marks: 1) - Please choose one

If:

- Manufacturing Cost is Rs. 30,000
- Closing Work in Process Inventory is Rs. 10,000
- Cost of Goods Manufactured is Rs. 35,000

Then:

What is the amount of opening Work in Process inventory?

Rs. 40,000

Rs. 15,000

Rs. 25,000

Rs. 20,000

Manufacturing cost + opening WIP –Closing WIP = cost of good manufactured

Rearrange

Opening WIP = Cost of good manufacture – Manufacturing cost + Cosing WIP

Opening WIP = 35,000 – 30,000 +10,000

Opening WIP =5,000+10,000

Opening WIP =15,000

Question No: 27 (Marks: 1) - Please choose one

Which of the following would be required for the calculation of depreciation under Reducing Balance method?

Cost of asset

Expected Life of asset

Depreciation rate

All of the given options

Question No: 28 (Marks: 1) - Please choose one

Firms charge depreciation each year:

To ensure that 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 shareholders

Because the law states they must be reduced

Question No: 29 (Marks: 1) - Please choose one

Which of the following is another name of salvage value?

Face value

Fair value

Break up value

Book value

Question No: 30 (Marks: 1) - Please choose one

What is the treatment of Depreciation in accounting?

Written in balance sheet under the head of fixed assets

Charged to profit and loss account

Written in balance sheet under the head of current assets

Written in balance sheet under the head of liabilities

Question No: 31 (Marks: 1) - Please choose one

If:

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

• Sale price at the end of 4th year = Rs. 40,000
What will be the profit or loss on disposal of machine using straight line method?

Loss of Rs. 40,000

Profit of Rs. 40,000

Profit of Rs. 80,000

Loss of Rs. 80,000

Depreciation = cost – residual value/estimated useful life of asset

Depreciation = $400,000 - 0 / 5$ Residual value = 0

Depreciation = $400,000 / 5$

Depreciation = 80,000

WDV = 80,000

WDV – Sale price = $80,000 - 40,000 = (40,000)$

Question No: 32 (Marks: 1) - Please choose one

Which one of the following is **NOT** the component of cost?

Import duty

Installation cost

Cost of site preparation

Transportation outwards

TRANSPORTATION OUT is part of cost of selling therefore included as selling expense

Direct costs include materials and installation. Varieties of sales taxes, import/export duties , and other special fees indirectly affect the cost of material.

Question No: 33 (Marks: 1) - Please choose one

Which of the following is **TRUE** about the revaluation of fixed assets?

Revaluation should be carried out at a regular interval

Revaluation should be carried out at irregular interval

Revaluation should be carried out by stakeholders

Revaluation should be carried out by stockholders

Rules for Revaluation

• Revaluation has to be carried out at regular intervals

- The change in the value should be permanent
- Whole class of asset has to be revalued

Question No: 34 (Marks: 1) - Please choose one

When Pass Book shows a debit balance it means:

Favourable balance as per cash book

Unfavorable balance as per bank statement

Debit balance as per cash book

Favourable balance as per bank statement

If pass book /Bank book show debit balance it shows bank has debited our account with more amount than what it has credited. Excess of debit over the credit will mean that we are the debtors of the bank or in other words bank is our creditor. We have to pay to the bank the amount overdrawn, so it will be a minus balance.

PAPER # 11

Question No: 1 (Marks: 1) - Please choose one

Which of the following account/s will be affected under the rule of accrual accounting, when furniture is purchased on cash?

- ▶ Only Cash Account
- ▶ Only Furniture Account
- ▶ **Cash & Furniture Account**
- ▶ Only Purchases Account

Question No: 2 (Marks: 1) - Please choose one

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

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

Liabilities are obligations (to pay cash, render services, or deliver goods) to other parties. When customer pay in advance, the firm has an obligation to the customer

Question No: 3 (Marks: 1) - Please choose one

Which of the following is used to record financial transactions in chronological (day-to-day) order?

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

The General Journal

The Journal is used to record financial transactions in chronological (day-to-day) order

Question No: 4 (Marks: 1) - Please choose one

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

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

Question No: 5 (Marks: 1) - Please choose one

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

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

Question No: 6 (Marks: 1) - Please choose one

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

- ▶ **Rs. 5,000**
- ▶ Rs. 25,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

Sale – CGS= Gross profit – Operating expenses = net profit /net loss

90,000 -60,000 =30,000 – 25,000 = 5,000 profit

Question No: 7 (Marks: 1) - Please choose one

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

Question No: 8 (Marks: 1) - Please choose one

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**

Question No: 9 (Marks: 1) - Please choose one

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**

Prime cost + Factory overhead Cost = Total factory cost

Opening inventory of material + net purchases = material available for use – closing stock of material = Direct material consumed/ cost of material consumed

Direct material consumed + Direct Labor = Prime Cost

Prime cost + FOH = Total Factory Cost

Question No: 10 (Marks: 1) - Please choose one

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**

$$400 \times 21.00 = 8,400$$

Question No: 11 (Marks: 1) - Please choose one

Increase in an asset 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

Question No: 12 (Marks: 1) - Please choose one

Which one of the following is **NOT** true about revaluation of fixed assets?

- ▶ Revaluation should be made after regular intervals
- ▶ Change in value should be permanent
- ▶ Only relevant asset should be revalued in the whole class of asset
- ▶ **The profit or loss will be transferred to revaluation account**

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Question No: 13 (Marks: 1) - Please choose one

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

- ▶ **Rs.130, 000**
- ▶ Rs.110, 000
- ▶ Rs.140, 000
- ▶ Rs.190, 000

Prime Cost=Direct Material+Direct Labor +Other direct production cost

Prime cost =80,000+50,000 =130,000

Question No: 14 (Marks: 1) - Please choose one

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

Conversion Cost = Direct labor cost + Factory overhead cost

Conversion cost = 2,000 + 1,000 = 3,000

Question No: 15 (Marks: 1) - Please choose one

Which of the following is the recording phase of an accounting system?

▶ Financial Accounting

▶ Cost Accounting

▶ Management Accounting

▶ **Book-keeping**

BOOKKEEPING: The systematic recording of a company's financial transactions.

Question No: 16 (Marks: 1) - Please choose one

Which of the following are the obligations or debts of the business?

▶ Withdrawals

▶ Expenses

▶ Assets

▶ **Liabilities**

Liabilities are the **debts** and **obligations** of the business. Liability is the obligation of the business to provide a benefit or asset on a future date

Question No: 17 (Marks: 1) - Please choose one

The accounting equation is based on:

- ▶ **Dual aspect concept**
- ▶ Money measurement concept
- ▶ Going concern concept
- ▶ Separate entity concept

Question No: 18 (Marks: 1) - Please choose one

The book in which accounts are maintained is called:

- ▶ Day book
- ▶ Journal
- ▶ **Ledger**
- ▶ Sales book

Advantages of ledger:

Transactions relating to different persons or concerns are recorded in the account of each person or concern separately. As a result, complete and reliable information is available in respect of each and every account.

Question No: 19 (Marks: 1) - Please choose one

Which one of the following is called the king of all books of account?

- ▶ The cash book
- ▶ Journal
- ▶ **Ledger**
- ▶ Trial balance

Ledger is called the king of all books of accounts because all entries from the books of original entry must be posted to the various accounts in the ledger. It should be noted that **journal** contains a chronological record while ledger contains a classified record of all transactions.

Question No: 20 (Marks: 1) - Please choose one

Any mistake in ledger can easily be detected with the help of:

▶ **Journal**

- ▶ Compound entry
- ▶ Single entry
- ▶ Memorandum entry

Advantages of journal:

1. Each transaction is recorded as soon as it takes place. So there is no possibility of any transaction being omitted from the books of account.
2. Since the transactions are kept recorded in journal, chronologically with narration, it can be easily ascertained when and why a transaction has taken place.
3. For each and every transaction which of the two concerned accounts will be debited and which account credited, are clearly written in journal. So, there is no possibility of committing any mistake in writing the ledger.
4. Since all the debits of transaction are recorded in journal, it is not necessary to repeat them in ledger. As a result ledger is kept tidy and brief.
5. Journal shows the complete story of a transaction in one entry.
6. **Any mistake in ledger can be easily detected with the help of journal**

Question No: 21 (Marks: 1) - Please choose one

Which of the following account would be credited in case of loss of goods by fire?

▶ **Purchase account**

- ▶ Sales account
- ▶ Loss by fire account
- ▶ Capital account

Question No: 22 (Marks: 1) - Please choose one

Which of the following is a book of original entry in which all the vouchers are recorded at first?

▶ **General Journal**

- ▶ General Ledger
- ▶ Trial Balance

- ▶ Balance Sheet

General Journal

The Journal is used to record financial transactions in chronological (day-to-day) order. All vouchers were first recorded in books of accounts. It was also called the Book of Original Entry or Day Book

Question No: 23 (Marks: 1) - Please choose one

The cash book in book-keeping records:

- ▶ All cash and credit purchase of goods
- ▶ Only cash payments
- ▶ **All receipts and payments in cash**
- ▶ All cash and credit sale of goods

Question No: 24 (Marks: 1) - Please choose one

Which of the following journal entry will be recorded, if the cash is deposited in the bank?

- ▶ **Bank account (Dr) and Cash account (Cr)**
- ▶ Cash account (Dr) and Bank account (Cr)
- ▶ Bank account (Dr) and Profit & Loss account (Cr)
- ▶ Cost of goods Sold account (Dr) and Bank account (Cr)

Question No: 25 (Marks: 1) - Please choose one

What is the best condition to finance a business?

- ▶ Fully financed from your own resource
- ▶ Fully relied on financial institutions
- ▶ **Investment through own resources as well as rely on financial institutions**
- ▶ None of the given options

The owners of the business may feel that their business can flourish, if there are more funds. These funds can be arranged from their own resources, if possible, or they can ask a bank or financial institution for funds.

Question No: 26 (Marks: 1) - Please choose one

Which of the following is/are the method(s) for calculating the cost of inventory?

- ▶ FIFO Method
- ▶ Weighted Average Method
- ▶ LIFO Method
- ▶ **All of the given options**

Methods of Stock valuation

- First in first out (FIFO)
- Last in first out (LIFO)
- Weighted average

Question No: 27 (Marks: 1) - Please choose one

Which of the following account would be debited in case of depreciation charged to fixed assets?

- ▶ Accumulated depreciation – Fixes assets
- ▶ Fixed assets
- ▶ **Depreciation expense**
- ▶ Depletion

Depreciation expense account contains the depreciation of the current year. Accumulated depreciation contains the depreciation of the asset from the financial year in which it was bought up to the present financial year. .

Question No: 28 (Marks: 1) - Please choose one

Depreciation of office building is charged to:

- ▶ Cost of Goods Sold
- ▶ **Administrative Expenses**
- ▶ Selling Expenses
- ▶ Financial expenses

Depreciation account is charged to profit & loss account under the heading of Administrative Expenses

Question No: 29 (Marks: 1) - Please choose one

Written down value of an asset = -----.

- ▶ Original cost – Accumulated depreciation
- ▶ Original cost – Appreciation
- ▶ **Book value – Accumulated depreciation**
- ▶ Original cost – Salvage value

WDV = Original cost of fixed asset – Accumulated Depreciation

Question No: 30 (Marks: 1) - Please choose one

If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what would be the value of accumulated depreciation at the end of 2nd year?

- ▶ Rs. 20,000
- ▶ **Rs. 40,000**
- ▶ Rs. 80,000
- ▶ Rs. 60,000

Particular	Depreciation	Accumulated Depreciation
Year 1 Dep	20% 100,000=20,000	20,000
Year 2 Dep	20% 100,000=20,000	40,000

Question No: 31 (Marks: 1) - Please choose one

If:

Cost of machine = Rs. 420,000
Useful life = 5 years
Residual value = Rs. 20,000

Sale price at the end of 5th year = Rs. 40,000
What will be the profit or loss on disposal of machine using straight line method?

- ▶ Loss of Rs. 40,000
- ▶ Profit of Rs. 40,000
- ▶ **Profit of Rs. 20,000**
- ▶ Loss of Rs. 20,000

Sale – Residual value

$$40,000 - 20,000 = 20,000$$

Question No: 32 (Marks: 1) - Please choose one

Which of the following is **TRUE** about the revaluation of fixed assets?

- ▶ **Revaluation should be carried out at a regular interval**
- ▶ Revaluation should be carried out at irregular interval
- ▶ Revaluation should be carried out by stakeholders
- ▶ Revaluation should be carried out by stockholders

Rules for Revaluation

- Revaluation has to be carried out at regular intervals
- The change in the value should be permanent
- Whole class of asset has to be revalued

Question No: 33 (Marks: 1) - Please choose one

Which of the following is/are **TRUE** about the revaluation of fixed assets?

- ▶ Revaluation should be carried out at a regular interval
- ▶ Revaluation should be carried out by an expert.
- ▶ The change in value should be permanent.
- ▶ **All of the given options**

Question No: 34 (Marks: 1) - Please choose one

Favourable balance of the cash book means:

- ▶ Credit balance in cash book
- ▶ Debit balance in pass book
- ▶ **Debit balance in cash book**
- ▶ Unfavorable balance in pass book

The debit balance of a cashbook is referred to as a favorable balance while credit balance is considered as an unfavorable balance of the cashbook

PAPER # 12

Question No: 1

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

Question No: 2

Word "Credit" is derived from _____ language.

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

Question No: 3

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

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

Question No: 4

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

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

Question No: 5

Which of the following organizations do NOT prepare Income & Expenditure account?

- ▶ Public limited companies
- ▶ Private limited companies
- ▶ Partnership firms
- ▶ **All of the given options**

Question No: 6 Which of the following account will be credited, If Mr. "A" started business with cash

Rs. 2, 00,000?

- ▶ Capital account
- ▶ Cash account
- ▶ **Mr. A's account**
- ▶ Business account

Question No: 7

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

Sale – CGS = Gross profit – operating expense = profit/loss

Question No: 8

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

Question No: 9

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	80,000
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

Opening raw material inventory + Purchases – Ending raw material inventory

Question No: 10

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

85 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. 992

10 x 10 = 100

35 x 11 = 385

40 x 12 = 480

85 unit sold of Rs = 965 Cost of goods sold

Question No: 11

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**

Question No: 12

Sale proceeds of goods are an example of:

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

Revenue Receipts

Receipts which are recurring by nature and which are available for meeting all day to day expenses of a

business concern are known as 'Revenue Receipts'. For example, sale proceeds of goods, interest received, rent received etc.

Capital Receipts

Receipts which are non-recurring and whose benefits are enjoyed over a long period are called 'Capital

Receipts'. For instance, Capital invested, Loan from bank, Sale proceed of fixed assets etc. Capital

receipts are shown on the liability side of the balance sheet

Question No: 13

Accounting is the language of:

- ▶ **Business**
- ▶ School
- ▶ Proprietor
- ▶ Management

Question No: 14

Depreciable value of an asset is equal to:

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

Question No: 15

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

Opening WDV + Cost of new machine purchased – Depreciation during the year
=Closing WDV

Question No: 16

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

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

Budget. AN ESTIMATE OF THE INCOME AND EXPENSES NEEDED TO CARRY OUT programs for a FISCAL YEAR.

Question No: 17

Which of the following is concerned with to maintain the books of accounts in a systematic way?

- ▶ **Accounting**
- ▶ Recording
- ▶ Book-keeping
- ▶ Summarizing

Financial accounting means systematic way of maintaining books of Accounts & Transactions..

Question No: 18

Which of the following statement is **TRUE**?

- ▶ Cash in hand is always equal to Profit due to accruals
- ▶ Cash in hand is always greater than Profit due to accruals
- ▶ Cash in hand is always Lessor than Profit due to accruals
- ▶ **Cash in hand is different from Profit due to accruals**

Question No: 19

Which of the following system of recording transactions is based on dual aspect concept of accounting?

- ▶ **Double entry system**
- ▶ Cash accounting system
- ▶ Single entry system
- ▶ Management system

Question No: 20

Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?

- ▶ Decrease in income is Debit
- ▶ Increase in asset is Debit
- ▶ **All of the given options**
- ▶ Increase in income is Credit

Question No: 21

Sales of goods to Mr. X for cash should be debited to:

- ▶ X's account
- ▶ Sales account
- ▶ **Cash account**
- ▶ Drawings account

Question No: 22

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

- ▶ 1st January to 31st December
- ▶ 1st June to 31st May
- ▶ **1st July to 30th June**

▶ 1st October to 30th September

Question No: 23

Which of the following is/are **NOT** the example of intangible assets?

- ▶ Copyright
- ▶ Goodwill
- ▶ Patent
- ▶ **Land**

Question No: 24

Which of the following account would be credited when goods are given as charity?

- ▶ Charity a/c
- ▶ Free sample a/c
- ▶ **Purchases a/c**
- ▶ Sales a/c

Question No: 25

Which of the following is **TRUE** for Company's negative working capital?

- ▶ Current Asset > Current Liability
- ▶ Current Asset = Current Liability
- ▶ **Current Asset < Current Liability**
- ▶ None of the given options

Question No: 26

Which of the following account would be debited, when goods are return to suppliers?

- ▶ **Voucher payable account**
- ▶ Stock account
- ▶ Purchases account
- ▶ Sales account

A credit to Accounts Payable will increase the balance in Accounts Payable, and a debit to Accounts Payable will decrease the balance.

Question No: 27 Which of the following account would be debited when Rs.5, 000 were paid to vendor?

- ▶ Cash
- ▶ **Voucher payable**
- ▶ Sundry debtors
- ▶ Personal account of customer

An **INVOICE** from a vendor is the bill that is received by the purchaser of goods or services from an outside supplier. The vendor invoice lists the quantities of items, brief descriptions, prices, total amount due, credit terms, where to remit payment, etc.

A **VOUCHER** is an internal document used in a company's accounts payable department in order to collect and organize the necessary documentation and approvals before paying a

vendor invoice. The unpaid vouchers provide the detail for the total amount reported as **vouchers payable or accounts payable.**

Question No: 28

If:

Manufacturing Cost is Rs. 30,000

Opening Work in Process Inventory is Rs. 5,000

Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

▶ Rs. 35,000

▶ **Rs. 25,000**

▶ Rs. 15,000

▶ Rs. 20,000

Manufacturing Cost / Production cost / Total factory cost	
Manufacturing cost	30,000
Add	
Opening work in process inventory	5,000
=	
Cost of Goods to be manufactured	
Less	
Closing working in process inventory	10,000
=	
Cost of Goods Manufactured	25,000

Question No: 29

Which one of the following is **TRUE** with respect to “FIFO” in inventory valuation?

▶ First-In-Freight-Out

▶ Freight-In-First-Out

▶ **First-In-First-Out**

▶ Freight-In-Freight-Out

Question No: 30

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

▶ **Book Value**

▶ Residual Value

▶ Fair Value

▶ Break up Value

Also known as book value, carrying value is the worth of an asset that is reflected in the accounting records of a business

Question No: 31

Which of the following represents tangible resources with long life used in operation of the business?

- ▶ Current assets
- ▶ **Fixed assets**
- ▶ Absolute assets
- ▶ Liquid assets

Fixed assets are considered tangible entities used for business operations but are not consumed during operation. A fixed asset is also known as a long-term, tangible or capital resource

Question No: 32

What is the treatment of Accumulated Depreciation in accounting?

- ▶ **Charged to profit and loss account**
- ▶ Written in balance sheet under the head of current assets
- ▶ Written in balance sheet under the head of liabilities
- ▶ Written in balance sheet as a reduction in relevant fixed asset

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the time of purchase of the asset to the present time. This is the amount that has been charged to profit and loss account from the year of purchase to the present year.

Question No: 33

Which of the following is a total depreciation recorded on an asset since its acquisition?

- ▶ **Accumulated Depreciation**
- ▶ Depreciation
- ▶ Amortization
- ▶ Depletion

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the time of purchase of the asset to the present time.

Question No: 34

Which of the following contains a complete and satisfactory explanation of the difference in balances as per cash book and bank statement?

- ▶ **Bank reconciliation statement**
- ▶ Cash statement
- ▶ Balance statement
- ▶ Bank statement

PAPER # 13

Question No: 1

An organization operating with the objective of making profit from the sale of goods or services is called:

- ▶ Transaction
- ▶ **Business**
- ▶ Society
- ▶ Trust

Question No: 2

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

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

Question No: 3

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

- ▶ **Capital Expense**
- ▶ Revenue Expense
- ▶ Deferred Expense
- ▶ Preliminary Expense

Question No: 4

Income of the business includes:

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

Question No: 5

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

Question No: 6

Which of the following is NOT true about Double Entry System?

- ▶ Both credit and debit transactions are recorded
- ▶ Accurate profit and loss is calculated
- ▶ Financial statements can be made directly from the accounts

▶ **Non cash transaction are not recorded under this system**

Question No: 7 Economic resources owned by a business and expected to benefit for the future operations are called:

▶ Expenses

▶ **Assets**

▶ Capital

▶ Liabilities

Question No: 8

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**

Question No: 9 A summarized record of transactions related to individuals or things is called a/an _____.

▶ **Account**

▶ Voucher

▶ Journal

▶ Trial balance

Question No: 10

Documentary evidence, in a specific format used to record the details of a transaction is known as:

▶ Account

▶ **Voucher**

▶ Journal

▶ Ledger

Vouchers are the documentary evidence of each financial transaction. Normally three types of vouchers are used:

• Receipt voucher

• Payment voucher

• Journal voucher

Question No: 11 The original book of entry, in which all vouchers are first recorded, is called:

▶ **General Journal**

▶ General Ledger

▶ Trial Balance

▶ Balance Sheet

Question No: 12

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

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

Question No: 13

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

Question No: 14

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

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

Question No: 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**

Question No: 16

If the cost of sales is Rs. 95,000, sales are Rs. 100,000 and operating expenses are Rs. 200,000 during the year, what would be the net result?

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

Question No: 17 Which of the following is NOT a type of voucher?

- ▶ Journal Voucher
- ▶ Receipt Voucher
- ▶ Payment Voucher
- ▶ **Drawings Voucher**

Question No: 18

Following are the inventories of Manufacturing Concern EXCEPT:

- ▶ Raw material

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

Question No: 19

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**

Question No: 20

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

Question No: 21

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

- ▶ **Conversion cost**
- ▶ Prime cost
- ▶ Total factory cost
- ▶ Cost of goods manufactured

Conversion Cost = Direct labor cost + Factory overhead cost

Question No: 22

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

- ▶ Total factory cost + Opening work in process + Ending work in process
- ▶ **Total factory cost + Opening work in process – Ending work in process**
- ▶ Total factory cost - Opening work in process + Ending work in process
- ▶ Ending work in process + Total factory cost – Opening work in process

Question No: 23

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 th 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

Sale –WDV
 $50,000 - 75,000 = (25,000)$

Question No: 24

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

- ▶ Machinery account
- ▶ **Depreciation account**
- ▶ Cash account
- ▶ Capital account

Question No: 25

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	
Material available for use	300,000
Less	
Closing stock of raw material	85,000
=	
Material Consumed/Cost of material consumed	215,000

Question No: 26

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

Ending Inventory
 $20 \times 13 = 260$

Question No: 27

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

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

Cost of moving machinery to a new location. Normally, only the cost of one installation should be capitalized for any piece of equipment. Thus the original installation and any accumulated depreciation relating thereto should be removed from the accounts and the new installation costs (i.e., cost of moving) should be capitalized. In cases where this is not possible and the cost of moving is substantial, it is capitalized and depreciated appropriately over the period during which it makes a contribution to operations.

Question No: 28

Interest on loan paid by business is an example of :

- ▶ Deferred expense
- ▶ **Revenue expense**
- ▶ Capital expense
- ▶ None of the given options

Interest on Loan – is normally revenue expenditure but when the loan is taken to purchase an asset its interest is treated as Capital and is added to cost of the asset.

Question No: 29

A form that allow individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

- ▶ Bank statement
- ▶ Income statement
- ▶ Financial statement
- ▶ **Bank Reconciliation statement**

Question No: 30

Bank Reconciliation Statement is prepared by:

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

Question No: 31

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**

Question No: 32

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

Question No: 33

Consider the following data:

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**

Assets = liabilities + owner equity

Liabilities = Owner equity- Assets

Liabilities = 380,000 - 820,000

Liabilities = 440,000

Question No: 34

In accounting accumulated depreciation is:

- ▶ Treated as a reserve
- ▶ **Treated as a contra asset**
- ▶ Treated as a surplus
- ▶ Treated as an expense

The first contra asset account is the accumulated depreciation account. It is associated with an asset account and is used to 'adjust' that account. Increases in contra asset accounts means larger 'adjustments' to the assets.

Question No: 35

Which of the following is CORRECT regarding depreciation?

- ▶ It refers to the end life of an asset

- ▶ It refers to the increase in value of asset
- ▶ It is another name of Impairment
- ▶ **It is a systematic allocation of depreciable amount of an asset over its estimated useful life**

Question No: 36

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

Opening written down value of machine	2,00,000
Add	
Cost of new machine purchased during the year	50,000
Less	
Depreciation during the year	25,000
=	
Closing written down value (WDV) of machines	225,000

Question No: 37

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

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

Bank statement is the detail of transactions in one's account provided by the bank

Question No: 38

Net Profit + Expenses = _____

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

Net Profit = Income – Expenses
Net Profit + Expenses = Income

Question No: 39

If Cost of asset=Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what is the depreciation rate under reducing balance method?

- ▶ 10%
- ▶ 22%
- ▶ **42%**
- ▶ 52%

$$\text{Rate} = 1 - \sqrt[n]{RV / C}$$

Where:

“RV” = Residual Value

“C” = Cost

“n” = Life of Asset

$$\text{Rate} = 1 - 0.2^{1/3}$$

Question No: 40

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**
- ▶ Rs. 8,000
- ▶ Rs. 4,500
- ▶ Rs. 8,500

Total factory cost	6,000
Add	
Opening WIP	2,000
=	
Cost of good to be manufactured	8,000
Less	
Closing WIP	2,500
=	
Cost of good manufactured	5,500

PAPER # 14

Question No: 1 (Marks: 1) - Please choose one

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

Opening written down value of machine	375,000
Add	
Cost of machine purchase	50,000
Less	
Depreciation during the year	11,000
=	
Closing written down value (WDV) of the Machines	414,000

Question No: 2 (Marks: 1) - Please choose one

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

► Rs. 1, 21,000

► Rs. 71,000

Opening written down value of machine	100,000
Add	
Cost of machine purchase	50,000
Less	
Depreciation during the year	21,000
=	
Closing written down value (WDV) of the Machines	129,000

Question No: 3 (Marks: 1) - Please choose one

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

Question No: 4 (Marks: 1) - Please choose one

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**

Question No: 5 (Marks: 1) - Please choose one

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

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

Question No: 6 (Marks: 1) - Please choose one

Accountancy covers which of the following area(s):

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

Question No: 7 (Marks: 1) - Please choose one

Bank Reconciliation Statement is prepared by:

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

Question No: 8 (Marks: 1) - Please choose one

_____ is the detail of transaction in one's account provided by the bank.

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

Question No: 9 (Marks: 1) - Please choose one

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

Question No: 10 (Marks: 1) - Please choose one

_____ 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

Fair value

“the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.”

Question No: 11 (Marks: 1) - Please choose one

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

Ending inventory

$$20 \times 13 = 260$$

Question No: 12 (Marks: 1) - Please choose one

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

Annual Depreciation = 40%

Year 1 Depreciation = 40 % of 400,000 = 160,000

Year 1 WDV = 400,000 – 160,000 = 240,000

Question No: 13 (Marks: 1) - Please choose one

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 th 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

Sale – WDV

$50,000 - 25,000 = 25,000$ profit

Question No: 14 (Marks: 1) - Please choose one

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

Conversion Cost = Direct Labor + FOH

Conversion Cost = $2,000 + 1,000$

Conversion Cost = 3,000

Question No: 15 (Marks: 1) - Please choose one

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

Question No: 16 (Marks: 1) - Please choose one

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)

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Question No: 17 (Marks: 1) - Please choose one

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

- ▶ Liability

► **Owner's net worth**

- Working capital
- Asset

Question No: 18 (Marks: 1) - Please choose one

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**

Question No: 19 (Marks: 1) - Please choose one

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

Question No: 20 (Marks: 1) - Please choose one

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

► **Bank Overdraft**

- Accounts Receivable

► Notes Receivable

► Prepaid Expenses

Question No: 21 (Marks: 1) - Please choose one

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

► Accounts Receivable

► Accounts Payable

► **Sales Revenue**

► Marketable Securities

Question No: 22 (Marks: 1) - Please choose one

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

Question No: 23 (Marks: 1) - Please choose one

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

Question No: 24 (Marks: 1) - Please choose one

What types of expenses are paid out of Gross Profit?

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

PAPER # 15

Question No: 1 (Marks: 1) - Please choose one

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

Opening written down value of machine	300,000
Add	
Cost of machine purchase during the year	50,000
Less	
Depreciation during the year	9,000
=	
Closing written down value (WDV) of the Machines	341,000

Question No: 2 (Marks: 1) - Please choose one

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

Opening written down value of machine	200,000
Add	
Cost of machine purchase during the year	50,000
Less	
Depreciation during the year	25,000
=	
Closing written down value (WDV) of the Machines	225,00

Question No: 3 (Marks: 1) - Please choose one

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

Assets = Liabilities + owner equity

Liabilities = assets – owner equity

Liabilities = 198,000 - 95,000

Liabilities = 103,000

Question No: 4 (Marks: 1) - Please choose one

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

Total asset = Total liabilities + total owner equity

Total owner equity = total asset – total liabilities

Total owner equity =80,385- 20,000

Total owner equity=60,385

Question No: 5 (Marks: 1) - Please choose one

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

Assets = Cash+ furniture+ debtors +other assets =201,000

Total asset = Total liabilities + total owner equity

Assets – owner equity = Liabilities

201,000-90,000=111,000

Liabilities =111,000

Check

Assest = liabilities + owner equity

201,000 =111,000+90,000

201,000 = 201,000

Question No: 6 (Marks: 1) - Please choose one

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

When production is completed

Debit: Finished Goods Stock Account

Credit: Work in process account

Question No: 7 (Marks: 1) - Please choose one

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

Current assets

Liquid assets

Floating assets

Fixed assets

Written-down value reflects the asset's present worth from an accounting perspective. An asset's written-down value will appear on the company's balance sheet. Land is recorded and cost and other fixed asset are recorded at book value.

Question No: 8 (Marks: 1) - Please choose one

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

Factory Buildings

Office Equipment

Plant & Machinery

Land

No depreciation is charged for 'Land'. In case of 'Leased Asset/Lease Hold Land' the amount paid for it is charged over the life of the lease and is called **Amortization**

Question No: 9 (Marks: 1) - Please choose one

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

Question No: 10 (Marks: 1) - Please choose one

Sale proceeds of goods are an example of:

Revenue expense

Capital expense

Capital receipt

Revenue receipt

Question No: 11 (Marks: 1) - Please choose one

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

Revenue expenditure is recorded as expenses in the Income Statement.

Question No: 12 (Marks: 1) - Please choose one

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

Ending inventory

$20 \times 13 = 260$

Question No: 13 (Marks: 1) - Please choose one

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

10 x 10 = 100

35 x 11 = 385

35 x 12 = 420

420 + 385 + 100 = 905 Cost of good sold

Question No: 14 (Marks: 1) - Please choose one

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

Annual Depreciation = 40%

Year 1 Depreciation = 40 % of 400,000 = 160,000

Year 1 WDV = 400,000 – 160,000 = 240,000

Question No: 15 (Marks: 1) - Please choose one

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

Depreciation of 5 year = 5000 x 5 = 25,000

WDV after 5 year = 100,000 - 25,000 = 75,000

Question No: 16 (Marks: 1) - Please choose one

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 th 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

Sale – WDV

50,000 -75,000 = (25,000)

Question No: 17 (Marks: 1) - Please choose one

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 th 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

Sale – WDV

15,000 - 75,000 = (60,000)

Question No: 18 (Marks: 1) - Please choose one

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

Prime cost

Conversion cost

Sunk cost

Opportunity cost

Conversion cost it is the cost incurred to convert raw material to finished goods.

Question No: 19 (Marks: 1) - Please choose one

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

Question No: 20 (Marks: 1) - Please choose one

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

Working Capital = current asset – current liabilities

Current liabilities = Current assets- Working capital

Current liabilities = 15,000- 5,000

Working capital=10,000

Question No: 21 (Marks: 1) - Please choose one

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

Interest expenses

Wages and salaries

Depreciation expenses

Discount Allowed

Salaries and wages major portion is of salaries it should be debited to profit and loss account. If the item is wages and salaries it should be charge to trading account because the first itme wages refers to trading account.

Question No: 22 (Marks: 1) - Please choose one

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

Liability

Owner’s net worth

Working capital

Asset

Capital is often called the owner's net worth.

Question No: 23 (Marks: 1) - Please choose one

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

Question No: 24 (Marks: 1) - Please choose one

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

$\text{Sale} - \text{CGS} = \text{Gross profit} - \text{operating expense} = \text{net profit /loss}$

$200,000 - 95,000 = 105,000 - 100,000 = 5,000 \text{ profit}$

Question No: 25 (Marks: 1) - Please choose one

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

Question No: 26 (Marks: 1) - Please choose one

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

Question No: 27 (Marks: 1) - Please choose one

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)

Question No: 28 (Marks: 1) - Please choose one

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

Question No: 29 (Marks: 1) - Please choose one

What type of expenses are paid out of Gross Profit?

Selling Expenses

General Expenses

Financial Expenses

All of the given options

Question No: 30 (Marks: 1) - Please choose one

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

Deficit

Surplus

Profit

Loss

Question No: 31 (Marks: 1) - Please choose one

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

Profit & Loss account

Income & Expenditure account

Receipts & Payments account

Balance Sheet

Question No: 32 (Marks: 1) - Please choose one

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

Question No: 33 (Marks: 1) - Please choose one

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

1st January to 31st December

1st June to 31st May

1st July to 30th June

1st October to 30th September

Question No: 34 (Marks: 1) - Please choose one

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

Question No: 35 (Marks: 1) - Please choose one

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

Assets

Liabilities

Equities

Expenses

Question No: 36 (Marks: 1) - Please choose one

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

Question No: 37 (Marks: 1) - Please choose one

Word “Credit” is derived from _____ language.

Latin

English

French

Chinese

Question No: 38 (Marks: 1) - Please choose one

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

Question No: 39 (Marks: 1) - Please choose one

Double entry accounting system includes:

Accrual accounting only

Cash accounting only

Both cash and accrual accounting

None of the given options

Question No: 40 (Marks: 1) - Please choose one

An accounting system is used by a business to:

Analyze transactions

Handle routine book-keeping tasks

Structure information

All of the given options

PAPER # 16

Question No: 1

Vehicles which are used to supply finished products are called business _____.

Tangible assets

Intangible assets

Capital

Liabilities

Tangible Assets that have physical existence (are further divided into Fixed Assets and Current Assets)

Intangible Assets that have no physical existence

Question No: 2

An asset on the balance sheet which is expected to be sold or used within one year is known as:

Tangible asset

Current asset

Fixed asset

Long term asset

Current assets include assets that are expected to be used within one year or the operating cycle,

Assets that are reasonably expected to be converted into cash within one year in the normal course of business. Current assets include cash, accounts receivable, inventory, marketable securities, Cash in hand, Cash at Bank, prepaid expenses etc and other liquid assets that can be readily converted to cash.

Question No: 3

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

Question No: 4

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

Trading concern

Manufacturing concern

Merchandising concern

Service concern

In manufacturing concern, (an organization that converts raw material into finished product by putting it in a process) stock consists of:

- o Raw material
- o Work in process
- o Finished goods

Question No: 5

In the cost of goods sold statement, Cost of direct material consumed + Direct labor=?

Conversion cost

Prime cost

Total factory cost

Cost of goods manufactured

Prime cost = Direct material + Direct labour + other direct cost

Question No: 6

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

Opening stock of raw material	100,000
Add	
Purchases of raw material during the period	200,000
=	
Raw Material available for used	300,000
Less	
Closing stock of raw material	85,000
=	
Cost of Material Consumed	215,000

Question No: 7

Stock of Trading concern consists of:

Raw material

Work in process

Merchandise inventory

All of the given options

Merchandise inventory is the goods owned by the business organization which are held for sale to the consumers. In a trading form of business organization, the primary function of the business is the sale of a product.

Question No: 8

Consider the following data:

Particulars	Rs.
Assets	?
Owner's equity	1,50,000
Liabilities	1,00,000

Rs. 49,000

Rs. 55,000

Rs. 50,000

Rs. 2, 50,000

Assets = Liabilities + Owner equity

Assets = 150,000 + 100,000

Question No: 9

What is the treatment of Accumulated Depreciation in Balance Sheet?

It may treated as a deficit

It may treated as a surplus

It may treated as a revenue

None of the given options

Accumulated Depreciation is the depreciation that has been charged on a particular asset from the time of purchase of the asset to the present time. This is the amount that has been charged to profit and loss account from the year of purchase to the present year.

Accumulated depreciation is subtracted from the asset's cost to arrive at the net book value that appears on the face of the balance sheet.

Accumulated depreciation is a contra-asset account. It is presented in the balance sheet as a deduction to the related fixed asset

Question No: 10

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

Also known as book value, carrying value is the worth of an asset that is reflected in the accounting records of a business

Written Down Value / Book Value – Cost minus Accumulated Depreciation

Question No: 11

Which of the following statement is TRUE with respect to Book-keeping?

It does not give the complete picture of financial condition of a business unit

It gives the complete picture of financial condition of a business unit

It provides information for taking managerial decision

It is the summarizing phase of an accounting system

Bookkeeping

Bookkeeping is an integral part of accounting

Book keeping: it is process concerned with recording of transaction

Book keeping: It constitutes as a base of accounting

Book keeping: Financial statement do not form part of this process

Book keeping: Managerial decision cannot be taken with the help of these records

Book-keeping: There is no sub-fields of book-keeping

Book-keeping: Financial position of the business cannot be ascertained through book-keeping records

Accounting: It is a process concerned with summarizing of recorded transactions

Accounting: Financial statements are prepared in this process on the basis of book keeping records.

Accounting: It is concerned as a language of the business

Accounting: Management takes decisions on the basis of these records.
Accounting: It has several sub-fields like financial accounting, management accounting, cost accounting etc.
Accounting: Financial position of the business is ascertained on the basis of the accounting reports

Question No: 12

Which of the following is an Organization's plan of a future period expressed in money terms?

Budget

Cost

Expense

Planning

A budget is a plan expressed in quantitative, usually monetary term, covering a specific period of time, usually one year. In other words a budget is a systematic plan for the utilization of manpower and material resources.

Question No: 13

Which of the following is not incurred repeatedly and regularly?

Capital expenditure

Revenue expenditure

Short term expenditure

Current expenditure

Any expenditure which is not incurred repeatedly and regularly (non-recurring) is a capital expenditure

Question No: 14

Which of the following system of recording transactions is based on dual aspect concept of accounting?

Double entry system

Cash accounting system

Single entry system

Management system

Question No: 15

Which one of the following is called the king of all books of account?

The cash book

Journal

Ledger

Trial balance

Ledger is called the king of all books of accounts because all entries from the books of original entry must be posted to the various accounts in the ledger. It should be noted that journal contains a chronological record while ledger contains a classified record of all transactions

Question No: 16

Which of the following shows the credit balance under normal circumstances?

Revenue

Capital

Liability

All of the given options

Question No: 17

Any mistake in ledger can easily be detected with the help of:

Journal

Compound entry

Single entry

Memorandum entry

Any mistake in ledger can be easily detected with the help of journal

Question No: 18

Cash book is a part of:

Voucher

Transaction

General Ledger

Trial Balance

Cash book and bank book are part of general ledger

Question No: 19

Trial balance shows:

Both debit and credit balance

Only debit balance

Only credit balance

Debit or Credit balance

Trial balance is a listing of the accounts in your general ledger and their balances as of a specified date. Since the basic accounting system relies on double-entry bookkeeping, a trial balance will have the same total debit amount as it has total credit amounts. Both sides of trial balance i.e. Debit side and credit side must be equal. If both sides are not equal, there are some errors in the books of accounts. Trial balance shows the mathematical accuracy of the books of accounts.

Question No: 20

Which of the following statement is TRUE about a Profit & Loss Account?

It is prepared to show the financial performance of a business

It is prepared to show the financial position of a business

It is prepared at a particular point of time

It constrains all types of accounts

the income statement, sometimes referred to as the statement of profits and losses, reports a business entity's various revenues, costs and expenses, as well as net income. Thus, an **income statement is a summary of a business entity's financial performance during a given accounting period**

The profit and loss statement is a statement showing the firm's financial performance and shows information on the different transactions and activities, expenses, income and profit that has been paid off and earned.

Question No: 21

Which of the following statement is/are TRUE about a Profit & Loss Account?

All of the given options

It is prepared to show the financial performance of a business

It is prepared for a particular period of time

It is prepared after the preparation of trial balance

An adjusted trial balance is a trial balance that shows the balances of all accounts, including those that have been adjusted, **at the end of an accounting period**. It is the main basis for the preparation of financial statement, To verify that debits equal credits in the general ledger after the entries are posted, another trial balance is prepared. This trial balance is called an adjusted trial balance

Question No: 22

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

Accounts Receivable

Accounts Payable

Sales Revenue **Profit & Loss Statement item**

Marketable Securities

Question No: 23

What will be the effect of decrease in closing stock on gross profit?

Gross profit increased

Gross profit decreased

No effect on Gross profit

Gross profit will become positive

$\text{Sale} - \text{CGS} = \text{Gross profit}$

$\text{CGS} = \text{Opening stock} + \text{Purchases} - \text{Closing stock}$

Let Sale = 200, opening stock = 100, purchases = 50, Closing stock = 10

$\text{CGS} = 100 + 50 - 10 = 140$

$\text{Sale} - \text{CSG} = \text{Gross profit}$

$200 - 140 = 60$ gross profit

If closing stock decrease let 10 to 5

$\text{CGS} = 100 + 50 - 5 = 145$

$\text{Sale} - \text{CGS} = \text{Gross profit}$

$200 - 145 = 55$ gross profit

if closing stock increase the gross profit will increase and vice versa.

Question No: 24

Which of the following is written evidence used for supporting the transactions?

Voucher

General Journal

General Ledger

Account

Vouchers are the documentary evidence of each financial transaction

Question No: 25

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

1. Name of the organization

2. Cash code

3. Date of transaction

(1) & (2) only

(1) & (3) only

(2) & (3) only

(1), (2) & (3)

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Question No: 26

Which of the following represent(s) the Cost of goods sold?

Cost of goods Manufactured + Opening Finished Goods Inventory – Closing Finished Goods Inventory

All of the given options

Sales – Gross Profit

Opening Stock + Purchases – Closing Stock

Question No: 27

Which one of the following methods for inventory valuation may overstate the income during the periods of rising prices?

Specific Identification Method

FIFO Method

LIFO Method

Weighted Average Method

FIFO

If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. The income tax is larger. Value of unsold inventory is also higher.

Question No: 28

Which of the following is a method of calculating depreciation?

Straight Line Method

Direct Method

Indirect Method

Equity method

Question No: 29

Purpose of charging depreciation expense is the application of:

Matching principle

Dual aspect concept

Separate entity concept

Money measurement concept

Purpose of depreciation is to achieve the matching principle that is to offset the revenue of the accounting period with the cost of the goods and services being consumed in the effort to generate the revenue

Question No: 30

If Original cost is Rs. 100,000; Depreciation rate is 20% p.a. using straight line method; what would be the value of accumulated depreciation at the end of 2nd year?

Rs. 20,000

Rs. 40,000

Rs. 80,000

Rs. 60,000

Particular	Depreciation	Accumulated Depreciation
Year 1 Dep	20% of 100,000 =20,000	
Year 2 Dep	20% of 100,000 =20,000	20,000+20,000 =40,000

Question No: 31

Under the straight line method of depreciation, depreciation expense is calculated on:

Salvage value of asset

Original cost of asset

Book value of asset

Fair value of asset

Straight line method or Original cost method or Fixed installment method

Question No: 32

Particulars	Rs.
Opening written down value of machine	350,000
Cost of machine purchased during the year	50,000
Depreciation during the year	13,000

Book value of Machine at the year end	?
---------------------------------------	---

Rs. 387,000

Rs. 400,000

Rs. 413,000

Rs. 63,000

Particulars	Rs.
Opening written down value of machine	350,000
Add	
Cost of machine purchased during the year	50,000
Less	
Depreciation during the year	13,000
=	
Book value of Machine at the year end	387,000

Question No: 33

Which of the following is/are TRUE about the revaluation of fixed assets?

Revaluation should be carried out at a regular interval

Revaluation should be carried out by an expert.

The change in value should be permanent.

All of the given options

Question No: 34

When Bank Statement shows a debit balance it means:

Favourable balance as per cash book

Debit balance as per cash book

Favourable balance as per bank statement

Overdraft as per bank statement

The credit balance of a bank statement is known as a favorable balance while debit balance is considered as an unfavorable balance

Overdraft is debited in bank statement since in case of overdraft banks treat the customers same like debtors. On the other hand, the person or organization that has obtained the overdraft records overdraft as a liability and treat bank as a creditor which is why overdraft is credited in cash book.

PAPER # 17

Question No: 1

Double entry accounting system includes:

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

Question No: 2

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

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

Question No: 3

Vehicles which are used to supply finished products are called business _____.

- ▶ **Tangible assets**
- ▶ Intangible assets
- ▶ Capital
- ▶ Liabilities

Question No: 4

Accrued expenses are the example of:

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

Accrued Expenses

When an expense or other payable is accrued, it also creates a current liability but it is not recorded as Creditors. It is shown separately as accrued expenses or expenses payable

Question No: 5

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

- ▶ **Bank Over draft**
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

Question No: 6

The unfavorable balance of Profit and Loss account should be:

- ▶ Added in liabilities

- ▶ Subtracted from current assets
- ▶ Subtracted from liabilities
- ▶ **Subtracted from Capital**

Profit is added in the capital account because it increases the retained earnings and thus increases the owner's equity of the business and vice versa

Question No: 7

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

Question No: 8

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

▶ **Rs. 5,000**

- ▶ Rs. 25,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

Sale – CGS = Gross profit – Operating expenses = net profit /net loss
 90,000 -60,000 =30,000 – 25,000 = 5,000 profit

Question No: 9

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

- ▶ Machinery account
- ▶ **Depreciation account**
- ▶ Cash account
- ▶ Capital account

Depreciation Charge Account Dr
 Accumulated Depreciation account Cr

Question No: 10

A form that allow individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

- ▶ Bank statement
- ▶ Income statement
- ▶ Financial statement
- ▶ **Bank Reconciliation statement**

Question No: 11

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

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

But land is recorded at cost and other fixed asset are recorded at book value/WDV.

Question No: 12

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

Question No: 13

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**
- ▶ Rs. 8,000
- ▶ Rs. 4,500
- ▶ Rs. 8,500

Total Factory/Production/Manufacturing Cost + Opening WIP - Closing WIP = Cost of good Manufactured

Cost of good Manufactured =

Total Factory/Production/Manufacturing Cost + Opening WIP - Closing WIP = Cost of good Manufactured
 $6,000 + 2,000 - 2500 = 5,500$

Question No: 14

Which of the following are the obligations or debts of the business?

- ▶ Withdrawals
- ▶ Expenses
- ▶ Assets
- ▶ **Liabilities**

Question No: 15

Which of the following is an example of expense in business enterprises?

- ▶ Accounts payable
- ▶ Accounts receivable

- ▶ Salary received
- ▶ **Salary Paid**

Question No: 16

Which of the following statement is **TRUE** under double entry system of accounting?

- ▶ **It is possible to verify the arithmetical accuracy of books through Trial Balance.**
- ▶ It is not possible to verify the arithmetical accuracy of books through Trial Balance.
- ▶ It is the system of incomplete records
- ▶ It is not possible to prepare the financial statements

A Trial Balance is prepared to check the arithmetical accuracy of the books of accounts

Question No: 17

Which of the following is/are **TRUE** with respect to the rules of Debit & Credit?

- ▶ Decrease in income is Debit
- ▶ Increase in asset is Debit
- ▶ **All of the given options**
- ▶ Increase in income is Credit

Question No: 18

Which of the following account would be credited in case of goods given away as charity?

- ▶ Charity account
- ▶ **Purchases account**
- ▶ Sales account
- ▶ Assets account

Question No: 19

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

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

The General Journal is used to record financial transactions in chronological (day-to-day) order. All vouchers were first recorded in books of accounts. It was also called the Book of Original Entry or Day Book

Question No: 20

Which of the following is the excess of net sales over net cost of purchases including all expenses relating to purchases?

- ▶ **Gross profit**
- ▶ Operating profit

- ▶ Net profit
- ▶ Revenue

Sale – Cost of Good Sold = Gross profit

The contents of cost of goods sold are:

Opening stock
 Plus: purchases
 Plus: Freight/ carriage paid on purchases
 Less: closing stock

Question No: 21

“Electricity bill for the month is paid by Mr. Imran Rs. 325”. What is the journal entry to record this transaction?

- ▶ Cash a/c Rs. 325 (Dr.) , Utilities Expense a/c Rs. 325 (Cr.)
- ▶ **Utilities Expense a/c Rs. 325 (Dr.) , Cash a/c Rs. 325 (Cr.)**
- ▶ Accounts Receivable a/c Rs. 325 (Dr.), Utilities Expense a/c Rs. 325 (Cr.)
- ▶ Utilities Expense a/c Rs. 325 (Dr.), Accounts Receivable a/c Rs. 325 (Cr.)

Question No: 22

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

- ▶ Opening capital
- ▶ **Owner’s net worth**
- ▶ Working capital
- ▶ Closing capital

Question No: 23

What is the best condition to finance a business?

- ▶ Fully relied on financial institutions
- ▶ Fully financial from your own resource
- ▶ **Investment through own resources as well as rely on financial instructions**
- ▶ None of the given options

Question No: 24

Which of the following is used to record the receipts of cash or cheque?

- ▶ Journal Voucher
- ▶ **Receipt Voucher**
- ▶ Payment Voucher
- ▶ Cash voucher

Receipt Voucher

Receipt voucher is used to record cash or bank receipt. Receipt vouchers are of two types:

- Cash receipt voucher
- Bank receipt voucher

Question No: 25

Which one of the following is the type of stock for trading concerns?

- ▶ Raw Material
- ▶ Work in Process
- ▶ Finished Goods
- ▶ **Stock in Trade**

INVENTORIES (STOCK-IN-TRADE)

Assets that a business buys and holds for resale = merchandise inventory. STOCK IN TRADE means stocks available for trading

Question No: 26

Which of the following account would be credited on completion of goods?

- ▶ **Work In Process**
- ▶ Finished Goods
- ▶ Stock account
- ▶ Sales account

When the process is completed and the goods are prepared, all the value of work in process is charged to finished goods account

Debit: Finished Goods Account

Credit: Work in process Account

Question No: 27

If:

- Manufacturing Cost is Rs. 30,000
- Opening Work in Process Inventory is Rs. 5,000
- Closing Work in Process Inventory is Rs. 10,000

Then:

What is the amount of Cost of Goods Manufactured?

- ▶ Rs. 35,000
- ▶ **Rs. 25,000**
- ▶ Rs. 15,000
- ▶ Rs. 20,000

Manufacturing Cost / Production cost / Total factory cost	
Manufacturing cost	30,000
Add	
Opening work in process inventory	5,000
=	
Cost of Goods to be manufactured	
Less	
Closing working in process inventory	10,000
=	
Cost of Goods Manufactured	25,000

Question No: 28

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Manufacturing Cost is Rs. 30,000

Then:

What is the amount of Conversion Cost?

► **Rs. 15,000**

► Rs. 20,000

► Rs. 35,000

► Rs. 45,000

Conversion Cost: + Direct Labor Cost + Factory Overheads

1-Find prime Cost

Manufacturing Cost = Prime cost + FOH

30,000 = prime cost + 5,000

Prime cost = 30,000 - 5,000

Prime cost = 25,000

2-Find Direct labor cost

Prime cost = Direct Labor + Direct Material

25,000 = Direct Labor + 15,000

Direct Labor = 25,000 - 15,000

Direct labor = 10,000

3-Conversion Cost

Conversion Cost = Direct Labor cost + Factory Overheads cost

Conversion Cost = 10,000 + 5,000

Conversion Cost = 15,000

Question No: 29

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

- Limited assets
- **Depreciable assets**
- Unlimited assets
- None of the given options

Question No: 30

All of the following are Fixed assets **EXCEPT**:

- Machinery

- ▶ Freehold land
- ▶ **Marketable securities**
- ▶ Leasehold land

Marketable securities are current asset

Question No: 31

Which one of the following is **NOT** a fixed asset?

- ▶ Vehicles
- ▶ Office equipment
- ▶ Land

▶ **Inventory**

Inventory is current asset

Question No: 32

What is the treatment of Depreciation in accounting?

- ▶ Written in balance sheet under the head of fixed assets
- ▶ Written in balance sheet under the head of current assets
- ▶ **Charged to profit and loss account**
- ▶ Written in balance sheet under the head of liabilities

Depreciation for the year' and is charged to profit & loss account.

Question No: 33

A business sells a fixed asset during the year. The following information is known:

- Original cost Rs. 500
- Accumulated depreciation on the date of sale Rs. 240
- Profit on sale Rs. 70

What would be the proceeds from the sale of the fixed asset?

- ▶ Rs. 170
- ▶ **Rs. 190**
- ▶ Rs. 300
- ▶ Rs. 310

Original cost – Accumulated Depreciation = WDV /Book value
 $500 - 240 = 260$

Book value - Sale = Profit
 $260 - \text{Sale} = 70$
 $\text{Sale} = 260 - 70 = 190$

Question No: 34

Particulars	Rs.
Opening written down value of machine	375,000

Cost of machine bought during the year	50,000
Depreciation during the year	11,000
Written down value of the Machine at the year end	?

► **Rs. 414,000**

► Rs. 425,000

► Rs. 61,000

► Rs. 386,000

Particulars	Rs.
Opening written down value of machine	375,000
Add	
Cost of machine bought during the year	50,000
Less	
Depreciation during the year	11,000
=	
Written down value of the Machine at the year end	414,000

PAPER # 18

Question No: 1

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

Cost Accounting

Financial Accounting

Management Accounting

Tax Accounting

Question No: 2

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

Capital expenditures are expenditures creating future benefits

Question No: 3

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

Question No: 4

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

Question No: 5

Which of the following are the components of General Ledger?

1. Title of account
2. Amount of transaction
3. Date of transaction

(1) & (2) only

(2) & (3) only

(1) & (3) only

(1), (2) & (3)

Usually the ledger is required to provide following information:

- o **Title of account**
- o Ledger page number, called Ledger Folio / Account Code
- o **Date of transaction**
- o Voucher number
- o Narration / particulars of transaction
- o **Amount of transaction**

Question No: 6

The favorable balance of Profit and Loss account should be:

Added in liabilities

Subtracted from current assets

Subtracted from liabilities

Added in capital

Profit is added in the capital account because it increases the retained earnings and thus increases the owner's equity of the business and vice versa

Question No: 7

If the cost of sales is Rs. 60,000, sales are Rs. 90,000 and operating expenses are Rs. 25,000 during the year. What would be the Net Profit?

Rs. 5,000

Rs. 25,000

Rs. 55,000

Rs. 60,000

Sales – CGS = Gross profit – Operating expenses = Net profit / Loss

90,000 – 60,000 = 30,000 – 25,000 = 5,000

Question No: 8

In the cost of goods sold statement, Cost of direct material consumed + Direct labor = ?

Conversion cost

Prime cost

Total factory cost

Cost of goods manufactured

Prime cost = Direct material consumed + direct labor + other direct cost

Question No: 9

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

Question No: 10

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

Question No: 11

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

Question No: 12

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

Savings

Net profit

Gross profit

Operating profit

Question No: 13

Which of the following is the type of business owned by one person?

Sole- Proprietorship

Partnership

Public Limited Company

Unlimited Company

Sole-Proprietorship- it is the simplest form of business organization, which is owned and controlled by one man”

Question No: 14

Expenditure is revenue in nature when it:

Benefits the current period

Benefits the future period

Belong to the previous period

None of the given options

“Deferred Revenue Expenditure is an expenditure for which payment has been made but it is assumed that the benefit will extend over a subsequent period or periods.” Deferred revenue expenditure is a revenue expenditure by nature.

Question No: 15

Wages of workmen employed for setting up new machinery should be debited to:

Expenses account

Wages account

Salaries account

Machinery account

The cost of installation is part of the cost of the asset. An asset's cost is considered to be all of the costs of getting an asset in place and ready for use. Therefore, the labor cost of installing a new machine is considered to be part of the asset's cost and not an immediate expense of the period. The cost of the installation labor will include the workers' wages and the fringe benefits applicable to those wages.

Purchased price of machine

Add: Duty

Add: Freight charges for shipment of machine 700

Add: Installation of machine 1,000

Machine A/c Dr

Accounts Payable/Cash/Bank Cr

Question No: 16

Which of the following book is prepared for recording cash transactions?

Cash book

Creditors' book

Debtors' book

None of the given options

All cash transactions (receipts and payments) are recorded in the cash book

Question No: 17

Cash book is:

Ledger account

Subsidiary journal and ledger account

None of the given options

Subsidiary journal

Cash book serves dual role of journal as well as a ledger. As cash book serves the purpose of both journal and ledger it is often said that cash book is a “Journalized Ledger” Cash book and bank book are part of general ledger

Question No: 18

Which of the following is the excess of gross profit over all expenses relating to sales and administration?

Operating profit

Net profit

Revenue

Net loss

Question No: 19

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

Accounts Receivable

Accounts Payable

Sales Revenue

Marketable Securities

Question No: 20

Which of the following entry will be recorded in the books of accounts for the goods returned to Mr. 'A'?

Purchases return account (Dr) and Trading Account (Cr)

Mr.” A”–creditor account (Dr) and purchases return account (Cr)

Purchases return account (Dr) and Mr.” A” –creditor account (Cr)

Mr.” A”–creditor account (Dr) and Profit & Loss account (Cr)

Question No: 21

What is the treatment of depreciation expense in Profit and Loss Account?

Treated as an asset

Treated as an expense

Treated as an income

None of the given options

Depreciation:

In Profit and Loss Account, it is considered as expense and in Balance Sheet it is deducted from the concerned fixed asset

Question No: 22

Which of the following account would be debited, when goods are sold on credit?

Stock account

Account receivable Account

Accounts payable account

Sales account

Question No: 23

Which of the following account would be debited on completion of goods?

Work In Process

Finished goods

Stock account

Sales account

Question No: 24

Which one of the following statement is **FALSE** about FIFO inventory system during the period of inflation?

Current assets have latest marked values

Volume of profitability becomes higher

Amount of taxes increases

Stock is valued at oldest prices

FIFO

If costs are increasing, the items acquired first were cheaper. This decreases the cost of goods sold (COGS) under FIFO and increases profit. **The income tax is larger.** Value of unsold inventory is also higher.

This is widely used method for determining values of cost of goods sold and closing stock.

- In the FIFO method, oldest available purchase costs are transferred to cost of goods sold. That means the cost of goods sold has a lower value and the **profitability of the organization becomes higher.**
- **As the current stock is valued at recent most prices, the current assets of the company have the latest assessed values.**

Question No: 25

If:

- Direct Material Cost is Rs. 15,000
- Factory overhead is Rs. 5,000
- Manufacturing Cost is Rs. 30,000

Then:

What is the amount of Prime Cost?

Rs. 25,000

Rs. 20,000

Rs. 35,000

Rs. 45,000

Total Production Cost/Manufacturing=Prime Cost +Factory overhead cost

Rearrange

Prime cost = Manufacturing cost – FOH

Prime cost = 30,000 – 5,000

Prime Cost = 25,000

Question No: 26

Which one of the following methods for inventory valuation is based on the assumption that the first merchandise purchased is the first merchandise sold?

LIFO Method

Weighted Average Method

Specific Identification Method

FIFO Method

First in first out (FIFO)

The FIFO method is based on the assumption that the first merchandise purchased is the first merchandised issued. The FIFO uses actual purchase cost.

Last in first out (LIFO)

As the name suggests, the LIFO method is based on the assumption that the recently purchased merchandise is issued first. The LIFO uses actual purchase cost

Question No: 27

Which of the following is **CORRECT** regarding depreciation?

It is a systematic allocation of depreciable amount of an asset over its estimated useful life

It refers to the end life of an asset

It refers to the increase in value of asset

It is another name of Impairment

Question No: 28

Which of the following represents a possession that has a value in an exchange?

Asset

Liability

Expense

Revenue

Asset: Any possession that has value in an exchange, Assets are the **properties and possessions of the business**

Question No: 29

Which of the following is **NOT** a method of calculating depreciation?

Straight Line Method

Written Down Value Method

Diminishing Balance Method

Specific Identification Method

There are several methods for calculating depreciation. At this stage, we will discuss only two of them namely:

Straight line method or Original cost method or Fixed installment method

Reducing balance method or Diminishing balance method or written down method.

Question No: 30

What is the treatment of Accumulated Depreciation in accounting?

Charged to profit and loss account

Written in balance sheet under the head of current assets

Written in balance sheet under the head of liabilities

Written in balance sheet as a reduction in relevant fixed asset

Question No: 31

Which one of the following cost is directly attributable to cost of fixed asset?

Costs of site preparation

Administration and other general overhead cost

Costs of conducting business in a new location or with a new class of customer
(including costs of staff training)

All of the given option

The cost of a fixed asset comprises of all amounts incurred in the acquisition of assets and any amounts that can be attributable directly to bringing the asset into running condition. The directly attributable costs include:

Cost of delivery

Costs related with the acquisition of assets, like import duty and stamp duty

Costs incurred while preparing the installation site for the asset

Professional fees, like architects' fees and legal fees

Question No: 32

Particulars	Rs.
Opening written down value of machine	2,50,000
Cost of machine purchased during the year	?
Depreciation during the year	15,000
Closing written down value (WDV) of the Machine	285,000

Rs. 50,000

Rs. 300,000

Rs. 375,000

Rs. 20,000

Opening WDV + Cost of machine purchase during the year – Depreciation during the year = Closing WDV

Rearrange

Cost of machine purchase during the year = Closing WDV + Depreciation during the year – Opening WDV

$$285,000 + 15,000 - 250,000 = 50,000$$

Question No: 33

Distinction between capital and revenue items is important for the preparation of:

Income statement only

Balance sheet only

Final accounts

Bank statement

When preparing final accounts it is important to distinguish between capital and revenue expenditure.

Question No: 34

Cash received from the sale of stock in trade is a:

Capital receipt

Final receipt

Credit receipt

Revenue receipt**Revenue Receipts**

Receipts which are recurring by nature and which are available for meeting all day to day expenses of a

Business concern is known as 'Revenue Receipts'. For example, sale proceeds of goods/Cash received,, interest received, rent received etc.

If a company sells the stock in trade, the amount received will be called revenue receipts.

If a company sells the building, the amount received will be called capital receipts.