

## Financial Accounting

- 1) Purpose of Financial Accounting is to provide financial information to
  - a) Shareholders
  - b) Board Of Directors
  - c) Tax Authorities
  - d) All Of these.**
  
- 2) According to the Money Measurement concept, the following will be recorded in the books of accounts
  - a) Quality Control in Business
  - b) Commission Payable to salesmen**
  - c) Extra profits made due to introduction of Budgetary Control System
  - d) All of these.
  
- 3) A provision is a
  - a) General Reserve
  - b) pecific Reserve**
  - c) Capital Reserve
  - d) None of these.
  
- 4) Market value of Investments is shown as a Footnote to Balancesheet as per
  - a) Consistency concept
  - b) Disclosure concept**
  - c) Materiality concept
  - d) Going Concern
  
- 5) Which of the followings is Operating Expense?
  - a) Bad debts
  - b) Salary of General Manager
  - c) Expired Insurance
  - d) All of the above.**
  
- 6) A business has assets Rs.55826/- & Owner's Equity Rs.14150/- What is the amt. of Liabilities?
  - a) Rs.41676/-**
  - b) Rs.57522/-
  - c) Rs.44312/-
  - d) None of these.

- 7) Liabilities of business are Rs.11220/-&Owner's Equity Rs.15000/-What will be the assets of the business?
- a) Rs.11220
  - b) Rs.3780
  - c) Rs.15000
  - d) Rs.26220**
- 8) Contingent Liability is shown due to
- a) Convention of full Disclosure**
  - b) Convention of Convertism
  - c) Convention of Materiality
  - d) Dual aspect Concept.
- 9) Cartage paid on purchase of a new machine is debited to
- a) Cartage a/c
  - b) P& L a/c
  - c) Machine a/c**
  - d) Trading a/c
- 10) Rs.15000/-Custom duty paid on import of a machinery for modernization of a factory production during the current year & Rs.5000/- paid as import duty on purchase of raw material.What is the amt. Of capital expenditure?
- a) Rs.15000/-**
  - b) Rs.5000/-
  - c) NIL
  - d) Rs.20000/-
- 11) Amt.received from subletting a part of the office building is a revenue receipt,What is the receipt of Govt.Grant for construction?
- a) Misc.Receipt
  - b) Trade Receipt
  - c) Cash Receipt
  - d) Capital Receipt**
- 12) Huge Sales promotion expenditure is a Deffered Revenue Expenditure,What can be the realization from the sale of Govt.Securities?
- a) Misc.Receipt
  - b) Trade Receipt
  - c) Cash Receipt
  - d) Capital Receipt**

- 13) Revenue arising from the use by others of enterprise resources yielding interest should be recognized on
- a) Time proportion basis**  
 b) Accrual basis  
 c) Actual Receipt basis  
 d) When the right to revenue payment is established.
- 14) In the case of sale on the consignment basis, revenue should be recognized on
- a) When goods are received by the consignee  
 b) When advance payment is received against the consignment  
**c) When goods are sold by consignee to third party**  
 d) When consignee has settled full & final payment relating to consignment.
- 15) In the case of service transactions, When performance consists of the execution of a single act, Revenue recognition takes place by
- A) Accrual  
**B) Proportionate Completion**  
 c) Consistency  
 d) Completed Service Contract Method.
- 16) Total of the Sales Book for March indicates
- a) Total sales for the month  
**b) Total credit sales for the month**  
 c) Total cash sales for the month  
 d) Total sales less sales returns.
- 17) The debts written off as Bad, if subsequently recovered are credited to
- a) Debtors a/c  
 b) Sales a/c  
 c) P&L a/c  
**d) Bad Debts a/c**
- 18) Ramlal a Debtor of Rs.2000 became insolvent & a dividend of 50% is declared by the official receiver for which accounting entry can be
- a) Bad Debts a/c Dr. Rs.1000**  
 b) Cash a/c Dr. Rs.1000  
**To Debtors a/c Rs.1000**                      To Debtors a/c Rs.1000
- c) Cash a/c Dr. Rs.1000  
 d) Bad Debts a/c Dr. Rs.1000  
 To Bad Debts a/c Rs.1000                      To P&L a/c Rs.1000

- 19) Bank Reconciliation Statement is prepared by
- a) **Customers of the Bank**
  - b) Bank
  - c) Proprietors of the business
  - d) Tax Authorities.
- 20) An Entry of Rs.500/-was wrongly posted to wages a/c instead of Machinery a/c which is an error of
- a) Error of Ommission
  - b) Commission Error
  - c) **Error of Principle**
  - d) Compensating
- 21) Purchase of Office Furniture on a/c is to be recorded in
- a) Purchase Book
  - b) **Journal Proper**
  - c) Cash Book
  - d) Bills Payable Book
- 22) Returns Inword from Rahim is entered in
- a) **Sales Return Book**
  - b) Purchases Return Book
  - c) Petty Cash Book
  - d) Journal.
- 23) Which of the following errors is revealed by Trial Bal.?
- a) Testing an expense as an asset
  - b) Posting an amt.on the correct side but in the wrong a/c
  - c) Compensating Errors
  - d) **None of the above.**
- 24) LIFO Inventory Method was used in 1st year,FIFO in 2nd year,Weighted Average Method in 3rd year,Which accounting principle is violated?
- a) Cost
  - b) **Consistency**
  - c) Materiality
  - d) None.

- 25) What do you mean by the concept/principle of Materiality?
- a) Application of same accounting method from one period to another
  - b) Relative size & importance of items**
  - c) Inappropriate assumption of firm undergoing Bankruptcy
  - d) Normal basis of accounting of Assets
- 26) What do you mean by the concept/principle of Consistency?
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  - c) Inappropriate assumption of firm undergoing Bankruptcy
  - d) Normal basis of accounting of Assets
- 27) Owner's Equity stands for
- a) Fixed Assets Less Fixed Liabilities
  - b) Fixed Assets Less Current Liabilities
  - c) Current Assets Less Fixed Liabilities
  - d) Total Assets Less Outside Liabilities.**
- 28) X started business with capital of Rs.20000/- & purchased goods worth Rs.2000/- on credit. It can be expressed in Accounting Equation as
- a)  $Rs.22000 = Rs.20000 + Rs.2000$**
  - b)  $Rs.20000 = Rs.22000 - Rs.2000$
  - c)  $Rs.22000 = Rs.22000 + 0$
  - d)  $Rs.2000 = Rs.22000 - Rs.20000.$
- 29) Gross Book value of Fixed Asset is its
- a) Cost Less Depreciation
  - b) Historical Cost**
  - c) Wear & Tear Cost
  - d) Fair Market Value.
- 30) Revenue from the sale of goods should be recognized when
- a) Goods sold have been actually delivered
  - b) Payment for goods sold have been received
  - c) Property in the Goods has been transferred to the buyer & it is not unreasonable to expect collection**
  - d) Any of the above.

- 31) A business has assets of Rs.44312&Owner's equity 12310,What is the amt.of Liabilities?
- a) **Rs.31102**
  - b) Rs.57522
  - c) Rs.44312
  - d) None of these.
- 32) Income earned,to be collected results in
- a) Increase in capital&decrease in liability
  - b) **Increase in capital&increase in liability**
  - c) Increase in capital&increase in asset
  - d) Increase in capital,decrease in asset.
- 33) Net assets of the business on 1st Jan.&31st Jan.are Rs.24000&Rs.25500 respectively.If additional investment by owner during Jan.are Rs.1000,What is the amt.of net income for Jan.?
- a) Rs.1500
  - b) Rs.Rs.2500
  - c) **Rs.500**
  - d) None of these.
- 34) What is the meaning of Inflation?
- a) Down strain in the economy
  - b) Downward changes in the prices of goods &services of the general consumption
  - c) **Upward changes in the prices of goods &services of the general consumption**
  - d) All of these.
- 35) In which method current costs are matched with the current revenues to derive profit?
- a) Cost Accounting
  - b) Financial Accounting
  - c) **Historical Cost Accounting**
  - d) None of these.
- 36) Which capital maintenance can be measured with consideration of the monetary units or constant purchasing power?
- a) **Financial Capital**
  - b) Physical Capital
  - c) Working Capital
  - d) Both(a)&(b).

- 37) Multiple Irregularities are observed in the Corporate Greed in US.
- a) **True**
  - b) False
  - c) 50%True,50%False
  - d) 30%False,70%True.
- 38) 261}How many Dollars are spent by Kmart on new corporate airplanes?
- a) \$40 Million
  - b) \$20Million
  - c) \$27Million
  - d) **\$12Million.**
- 39) How many subsidiaries are covered in tax heaven countries?
- a) 250
  - b) 150
  - c) **100**
  - d) 50
- 40) Interest earned by the subsidiary co. in US was taxed at the special rates.
- a) True
  - b) **False**
  - c) Sometimes
  - d) Partly
- 41) Which was one of the major system of the computerization?
- a) Cost Accounting
  - b) **Financial Accounting**
  - c) Tax Accounting
  - d) Management Accounting.
- 42) What can be the financial accounting in the EDP revolution?
- a) Trustee
  - b) **Natural Beneficiary**
  - c) Co-trustee
  - d) Co-Beneficiary.

- 43) Which type of transactions are tackled by Computerized Environment?
- a) Different
  - b) **Repetitive**
  - c) Interceptive
  - d) Contradictory
- 44) What is our meaningful try to find out in accounting system?
- a) **Prominent Common Features**
  - b) Same Entries
  - c) Exact nature of transactions
  - d) None of these.
- 45) Which programming language can be used to write accounting programmes?
- a) COBOL
  - b) PASCAL
  - c) FOXPRO
  - d) **NO SUCH NEED.**
- 46) Who was the Tyco's CEO?
- a) Peter Drucker
  - b) **Dennis Kozlowski**
  - c) George Wellington
  - d) John Shroff.
- 47) How many subsidiaries are covered in tax heaven countries?
- a) 250
  - b) 150
  - c) 100
  - d) 50
- 48) How is the Temptation in the corporate world?
- a) Delicious
  - b) Malicious
  - c) **Ubiquitous**
  - d) Any of these.



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- a) Cost Accounting
- b) Financial Accounting
- c) Historical Cost Accounting**
- d) None of these.

50) When excessive Dividends are distributed to shareholders, there is

- a) Capital Appreciation
- b) Capital Erosion**
- c) Capitalization
- d) Capital Subscription.