

Financial Accounting - MGT101 Solved MCQs Collections from Online Quizzes (II)

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Which of the following is (are) item (s) of cost of goods sold statement?

Purchase of raw material

Any tax/freight paid on purchases

Any expense incurred on carriage/transportation of raw material purchased items

All of the given options (Right Answer)

Question No. 2 of 20

Which of the following voucher is used to record transactions that do not affect bank & cash?

Journal Voucher (Right Answer)

Receipt Voucher

Payment Voucher

Nominal Voucher

Question No. 3 of 20

Rs. 400

Rs. 2,500

Rs. 2,900 (Right Answer)

Rs.20, 900

Question No. 4 of 20

What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?

Rs.130, 000

Rs.110, 000 (Right Answer)

Rs.140, 000

Rs.190, 000

Question No. 5 of 20

A form that allows 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 (Right Answer)

Question No. 6 of 20

Cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date are called:

Current liability

Current assets (Right Answer)

Fixed assets

Long-term assets

Question No. 7 of 20

An accounting system is used by a business to:

Analyze transactions

Handle routine bookkeeping tasks

Structure information

All of the given options (Right Answer)

Question No. 8 of 20

Particulars Rs. Opening written down value of machine 3,75,000 Cost of machine 50,000

Depreciation during the year 11,500 Closing written down value (WDV) of the Machines ?

Rs. 4,13,500 (Right Answer)

Rs. 4, 25,000

Rs. 3, 36,500

Rs. 61,500

Question No. 9 of 20

Furniture account (Right Answer)

Cash account

Business account

Bank account

Expenditure incurred in acquiring the patent right for the business is an example of:

Revenue expenditure (Right Answer)

Capital expenditure

Deferred revenue expenditure

Administrative expenditure

Question No. 11 of 20

Total assets - Total liabilities =?

Owner's Equity (Right Answer)

Expenses

Retained earnings

Net profit

Question No. 12 of 20

What will be debited, if business bought goods on credit from Mr. Ali?

Purchases account (Right Answer)

Mr. Ali account

Cash account

Sales account

Question No. 13 of 20

Prepaid rent given in the Trial Balance will be treated as a (an):

Asset

Liability

Revenue (Right Answer)

Deferred expense

Question No. 14 of 20

A business event which can be measured in terms of money and must be recorded in books of accounts is called:

Condition

Transaction (Right Answer)

Information

Record

Question No. 15 of 20

Which one of the following is NOT a feature of sole proprietorship business.

Easy Formation

Easy Dissolution

Unlimited Liability

Separate Legal Entity (Right Answer)

Question No. 16 of 20

In which of the following statement opening stock is shown?

Profit and loss account

Balance sheet (Right Answer)

Cash flow statement

Owner's equity

Question No. 17 of 20

The profitability of its business operations for a period of time

Its financial position at the end of an accounting period

Its cash receipts and cash payments during an accounting period (Not Sure)

None of the given options

Question No. 18 of 20

Which of the following is (are) example(s) of non distributable profit?

General reserve

Accumulated profit and loss (credit balance)

Revaluation reserves

None of the given options (Not sure)

Question No. 19 of 20

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

Trading concern

Manufacturing concern (Right Answer)

Merchandising concern

Service concern

In firms cash flow statements, which of the following would appear as a cash outflow?

The payments for share in a company whose shares are treated on a stock exchange

A decrease in trade debtors over the course of an accounting period

Money received as a result of issuing new shares

Money received as result of selling fixed assets (Not sure)

Which of the following particular/s is/are included in receipt voucher?

Name of organization

Bank receipt

Date

All of the given options (Right Answer)

Which of the following assets is most likely to appreciate rather than depreciate?

Land (Right Answer)

Motor vehicles

Plant and machinery

Fixtures and fittings

Which of the following item needs to be entered in the Cash Book in order to bring it in line with the entries on the Bank Statement?

A bank charges (Right Answer)

An error on the Bank Statement

An uncredited deposit

An unrepresented cheque

Wages paid to laborers working in the manufacturing department is treated as an expense of:

Cost of goods sold (Right Answer)

Administrative expenses

Selling expenses

Marketing expenses

Bad debts written off (given in adjustment) always affect the:

Debtors account (Right Answer)

Creditors account

Cash account

Capital account

Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:

Only carriage account

Only machinery account (Right Answer)

Both carriage and machinery account

None of the given options

Cost of goods manufactured - opening work in process + ending work in process =?

Cost of goods sold

Prime cost

Conversion cost

Total factory cost (Right Answer)

If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?

Rs. 1, 95,000 Losses (Right Answer)

Rs. 1, 95,000 Profits

Rs 1, 05,000 Profits

Rs1, 05,000 Losses

What is the proper order of the following steps in the accounting process? I. Prepare and analyze the trial balance II. Record relevant transactions and events in a journal III. Analyze each transaction and event from source documents IV. Post journal information to ledger accounts

III. IV. I. II.

I. II. III. IV.

III. II. IV. I. (Right Answer)

III. II. I. IV.

All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:

Bank Charges

Interest on Overdraft

Un-presented Cheques (Right Answer)

Direct Receipts

Which of the following is Not an Asset Account?

Plant & Machinery

Loan to XYZ co.

Cash at Bank

Loan from ABC co. (Right Answer)

A balance of pass book written in brackets () by the bank is known as:

Favorable balance for customer(Right Answer)

Unfavorable balance for bank

Unfavorable balance for customer

None of the above

Which of the following is an example of direct materials cost?

Production worker's wages(Right Answer)

Depreciation expenses

A piece of wood for the production of chair

Polish and finishing material for chair

other are non direct or factroy

Question No. 7 of 20

Expenditure incurred in acquiring the patent right for the business is an example of:

Revenue expenditure

Capital expenditure (Right Answer)

Deferred revenue expenditure

Administrative expenditure

Cash book is a part of _____ .

Voucher

General Journal

General Ledger (Right Answer)

Trial Balance

What will be the entry of disposal of an asset at cost price?

Debit Fixed Asset Disposal and Credit Fixed Asset Cost

Debit Accumulated Dep. and Credit Fixed Asset Disposal

Debit Cash / Bank and Credit Fixed Asset Disposal

None of the given options

ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?

Rs. 20,000

Rs. 150,000

Rs. 10,000 (Right Answer)

Rs. 25,000

A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Conversion cost will be:

Rs. 150,000

Rs. 175,000

Rs. 125,000 (Right Answer)

Rs. 225,000

The Sales Returns Day Book would include:

Goods bought on credit

Fixed Assets bought that are inappropriate for business

Stock that customers have returned (Right Answer)

Goods bought on credit that are returned to the original supplier

Total Sales are calculated by adding:

Cash sales and cash received from debtors

Credit sales and cash received from debtors

Cash sales and credit sales (Right Answer)

Cash sales and credit purchases

In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:

Conversion cost (Right Answer)

Prime cost

Total factory cost

Cost of goods manufactured

Outsider's claim against the assets of the business is called:

Capital

Liability (Right Answer)

Expense

Income

Which of the following particular/s is/are included in payment voucher?

Name of organization

Cash payment

Date

All of the given options (Right Answer)

Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:

Mr. B is Debit Sales Returns is Credit (Right Answer)

Sales Returns is Debit Mr. B is Credit

Mr. B is Debit Accounts Receivable Credit

Purchases Return Debit Mr. B is Credit

A form that allows 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 (Right Answer)

Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs. 245,000 Purchases Rs. 250,000 Freight Inward Rs. 5,000 Closing Stock Rs. 25,000 What will be the amount of Opening Stock?

Rs. 15,000 (Right Answer)

Rs. 10,000

Rs. 25,000

Rs. 20,000

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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 Owner's equity ?

Select correct option:

Rs. 22,000

Rs.24, 000

Rs. 45,000

Rs. 46,000

Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?

Select correct option:

Rs. 49,000

Rs. 55,000

Rs. 125,000

Rs. 115,700

Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?

Select correct option:

Rs. 35,000

Rs. 1, 75,000

Rs. 7, 35,000

Rs. 1, 05,000

Which of the following is NOT correct?

Select correct option:

Decrease in Assets will be debit

Decrease in Liabilities will be debit

Decrease in Expenses will be credit

Decrease in Revenue will be debit

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

Select correct option:

General Journal

Balance Sheet

Profit and Loss account

None of the given options

Which one of the following will result in increase in revenues?

Select correct option:

Purchased fixed asset

Received discount

Payment to creditors

Return of goods, sold on credit

The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as:

Select correct option:

Going-concern concept

Separate entity principle

Realization principle

Objectivity principle

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

Select correct option:

Negative Balance

Debit balance

Positive Balance

Credit balance

Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1, 000 Liabilities ?

Select correct option:

Rs. 12,000

Rs. 11,000

Rs. 110,000

Rs. 111,000

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 Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500

Select correct option:

Rs. 102,885 other assets

Rs. 102,885 current liabilities

Rs. 99,885 current liabilities

Rs. 99,385 other assets

If Gross profit Rs. 16,500 and Cost of goods sold Rs. 183,500, what will be the amount of Net Sales?

Select correct option:

Rs. 183, 500

Rs. 167, 000

Rs. 200, 000

Rs. 230, 000

Which of the following is NOT correct?

Select correct option:

Decrease in Assets will be credit

Decrease in Liabilities will be credit

Decrease in Expenses will be credit

Decrease in Revenue will be debit

Debit signifies:

Select correct option:

Increase in Asset account

Decrease in liability account

Decrease in capital account

All of the given options

When total liabilities are subtracted from total assets the remaining amount is known as:

Select correct option:

Equity or net assets

Net income or net loss

Total expenses

Total revenue

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

Select correct option:

Rs. 60,385 owner's equity

Rs. 61,385 owner's equity

Rs. 99,885 owner's equity

Rs. 99,385 owner's equity

Which one of the following cannot be classified as Revenue Income?

Select correct option:

Goods sold for cash
Goods sold on credit
Income from the sale of services
Income from the sale of fixed assets

What will be debited, If Mr. "A" started business with Rs. 2, 00,000.
Select correct option:

Capital account
Cash account
Mr. A's account
Business account

If Salaries Rs. 12, 000, Rent Rs. 5,000, Gross profit Rs. 58,000 and Discount received Rs. 10, 000. What will be the amount of Net Profit?
Select correct option:

Rs. 41,000
Rs. 51,000
Rs. 61,000
Rs. 65,000

Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title (3) Amount
Select correct option:

1 only
1 & 2 only
1 & 3 only
1, 2 & 3

Question # 1 of 20

Find out the missing value of an Accounting Equation with the help of given data: Furniture Rs. 90,000 Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 90, 000 Liabilities?

Select correct option:

Rs. 201,000
Rs. 111, 000

Rs. 290, 000
Rs. 291, 000

Question # 3 of 20

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

Select correct option:

Separate Legal Entity
Limited Liability of shareholders

Easy formation

Common Seal

Question # 4 of 20

Any expense that gives benefit for a period of less than twelve months is called _____.

Select correct option:

Capital Expense

Revenue Expense

Revenue Receipt

Deferred Expense

Question # 5 of 20

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

Select correct option:

Journalizing

Posting

Balancing

Analyzing

Question # 6 of 20

Total assets - Total liabilities =?

Select correct option:

Owner's Equity

Expenses

Retained earnings

Retained earnings

Question # 8 of 20

Debit signifies:

Select correct option:

Increase in Asset account

Decrease in liability account

Decrease in capital account

All of the given options

Question # 9 of 20

The term "Debit" is derived from _____ language.

Select correct option:

Latin

English

French

Chinese

Question # 10 of 20

A book that keeps separate record for each account is known as:

Select correct option:

Trial Balance

Voucher

General Journal

General Ledger

Question # 11 of 20

Which one of the following is called the book of primary Entry?

Select correct option:

General Journal

General Ledger
Trial Balance
Profit and loss account

Question # 12 of 20

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

Select correct option:

Negative Balance

Debit Balance

Credit Balance

Positive Balance

Question # 13 of 20

Normally single entry book keeping is followed by the:

Select correct option:

Small businesses only

Governments only

Large scale businesses only

Both Small businesses and Governments

Question # 14 of 20

What will be debited, if business sold goods for Rs.10, 000 on credit?

Select correct option:

Cash account

Sales account

Accounts receivable account

Purchases account

Question # 15 of 20

An expenditure whose benefit is finished or enjoyed immediately is called:

Select correct option:

Expense

Liability

Cost

Income

Question # 16 of 20

What should be debited, if Sales made to Mahmood for cash?

Select correct option:

Cash account

Mahood account

Sales account

Purchases account

Question # 17 of 20

Which of the following is NOT a characteristic of Journal?

Select correct option:

Transactions are recorded in chronological order

Transaction is first recorded in Journal from Voucher

It is also called "The original book of entry"

None of the given options

Question # 18 of 20

Consider the following data: Particulars Rs. Assets 1,05,000 Owner's

equity 70,000 Liabilities ?

Select correct option:

Rs. 35,000

Rs. 1, 75,000

Rs. 7, 35,000

Rs. 1, 05,000

Question # 4 of 20

Which of the following is/are the example/s of Intangible Asset?

Select correct option:

Copy rights

Good will

Patent rights

All of the given options

Question # 7 of 20

Assets are divided in which of the following categories in balance sheet.

Select correct option:

Current assets, Long term assets and capital assets

Current assets, Long term assets and fixed assets

Current assets, Quick assets and business debts

Current assets, Fixed assets and deferred cost

Question # 8 of 20

Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000

Owner's equity Rs. 1, 000 Liabilities ?

Select correct option:

Rs. 12,000

Rs. 11,000

Rs. 110,000

Rs. 111,000

Question # 9 of 20

What will be debited, if business purchased Vehicle on cash?

Select correct option:

Vehicle account

Cash account

Business account

Bank account

Question # 10 of 20

Franchise rights, goodwill and patents are the examples of:

Select correct option:

Liquid assets

Tangible assets

Intangible assets

Current assets

Question # 19 of 20

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

Select correct option:

Journalizing

Posting

Balancing

Analyzing

Question # 20 of 20

Which of the following is NOT correct?

Select correct option:

Decrease in Assets will be credit

Decrease in Liabilities will be credit

Decrease in Expenses will be credit

Decrease in Revenue will be debit

Question # 1 of 20

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

Select correct option:

Profit

Loss

Surplus

Deficit

Question # 2 of 20

An accounting system is used by a business to:

Select correct option:

Analyze transactions

Handle routine bookkeeping tasks

Structure information

All of the given options

Question # 3 of 20

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

Select correct option:

Separate Legal Entity

Limited Liability of shareholders

Easy formation

Common Seal

Question # 4 of 20

What should be debited, if Sales made to Mahmood for cash?

Select correct option:

Cash account

Mahood account

Sales account

Purchases account

Question # 5 of 20

Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?

Select correct option:

Rs. 49,000

Rs. 55,000

Rs. 125,000

Rs. 115,700

Question # 6 of 20

When income is reduced or decreased, that amount is recorded on:

Select correct option:

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

Question # 7 of 20

Which of the following expenses are called financial expenses?

Select correct option:

Payment of rent & Salary expense

Markup on loan & Bank Charges

Interest & advertisement expense

Wages and Depreciation expense

Question # 8 of 20

An expenditure whose benefit is finished or enjoyed immediately is called:

Select correct option:

Expense

Liability

Cost

Income

Question # 9 of 20

In which of the following all vouchers are first recorded_____.

Select correct option:

General Journal

General Ledger

Balance Sheet

Trial Balance

Question # 10 of 20

The main purpose of _____ is to ascertain true result of the business operation during particular period of time.

Select correct option:

Cost Accounting

Financial Accounting

Managerial Accounting

Tax Accounting

Question # 11 of 20

Find out the missing value of an Accounting Equation with the help of given data: Bank Rs. 22,500 Other assets Rs. 1,000 Creditors Rs. 8,385 Other liabilities Rs. 9,000 Owner's equity ?

Select correct option:

Rs. 6,115

Rs. 31,885

Rs. 17,385

Rs. 14,115

Question # 12 of 20

Office salaries, advertising and sales commissions are the examples of:

Select correct option:

Financial Expenses

Operating Expenses

Marketing Expenses

Direct Expenses

Question # 13 of 20

What will be debited, if business purchased Vehicle on cash?

Select correct option:

Vehicle account

Cash account

Business account

Bank account

Question # 14 of 20

Which of the following is the example of current liability?

Select correct option:

Notes payable

Notes receivable

Accounts receivable

Prepaid expenses

Question # 15 of 20

What should be credited, if rent paid in cash?

Select correct option:

Landlord's account

Rent account

Cash account

Accounts receivable account

Question # 16 of 20

Cash book is a part of _____ .

Select correct option:

Voucher

General Journal

General Ledger

Trial Balance

Question # 17 of 20

A book that keeps separate record for each account is known as:

Select correct option:

Trial Balance

Voucher

General Journal

General Ledger

Question # 18 of 20

Which of the following item is found in a Journal entry? (1) Date of each transaction (2) Rupee amount of each debit and credit (3) Explanation of each transaction

Select correct option:

1 only

1 & 2 only

2 & 3 only

1, 2 & 3

Question # 19 of 20

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 Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500

Select correct option:

Rs. 102,885 other assets

Rs. 102,885 current liabilities

Rs. 99,885 current liabilities

Rs. 99,385 other assets

Question # 20 of 20

If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?

Select correct option:

Rs. 183, 500

Rs. 167, 000

Rs. 200, 000

Rs. 230, 000

1. Which English alphabet is similar to the shape of an account?

(a) I

(b) T

(c) H

(d) None

2. Gross Profit is the difference between

(a) Net Sales and Cost of goods sold

(b) PAT and Dividends

(c) Net Sales and Cost of production

(d) Net Sales and Direct costs of productions

[Hints: (a) Trading account is prepared to find out the Gross Profit due to the operations of a

business. It is the difference between the Net Sales (i.e., Sales less sales return) and the Cost of

goods sold. Cost of goods sold= Opening Stock+ Net Purchases - Closing Stock + Direct expenses.

Hence option (a) is the right option. Option (c) is incorrect because cost of production does not

consider the opening stock and closing stock adjustment. Similarly option (d) ignores stock

balance adjustment.]

3. Recording of Capital contributed by the owner as liability ensures the adherence of principle of

(a) Double Entry

(b) Going Concern

(c) Separate Entry

(d) Materiality

[Hints: (c) Recording of capital contributed by the owner as liability ensures the adherence of

principle of the —Separate entity or Business entity concept]]. The concept requires the business to

be treated as distinct from the persons who own it; then it becomes possible to record transactions

of the business with the proprietor also. Without such a distinction, the affairs of the firm will be

mixed up with the private affairs of the proprietor and the true picture of the firm will not be

available.

Under the Going Concern Concept, it is assumed that the business will exit for a long time and

transactions are recorded from this point of view. It is this that necessitates distinction between

expenditure that will render benefit over a long period and that whose benefit will be exhausted

quickly.

Under Double-entry or Dual aspect concept, each transaction has two aspects, if a business has

acquired an asset, it must have resulted in one of the following:

⊗ Some other asset has been given up.

⊗ The obligation to pay for it has arisen.

⊗ There has been a profit, leading to an increase in the amount that the business owes to the

proprietor.

⊗ The proprietor has contributed money for the acquisition of the asset.

⊗ The concept of Materiality requires all the material items to be recorded and disclosed

separately.]

4. The basic concepts related to Balance Sheet are

(a) Cost Concept

(b) Business Entity Concept

(c) Accounting Period Concept

(d) Both (a) and (b) above

[Hints: (d) Cost concept requires the transactions to be recorded in the books of accounts at the

amounts actually involved. Suppose a firm purchases a piece of land for ` 1,50,000 but considers its

worth ` 3,00,000. The purchase will be recorded at ` 1,50,000. Business entity concept requires the

business to be treated as distinct from the persons who own it; then it becomes possible to record

transactions of the business with the proprietor also. Without such a distinction, the affairs of the firm

will be mixed up with the private affairs of the proprietor and the true picture of the firm will not be

available. Accounting period concept is applicable to the Profit & Loss Account which is prepared

for the year ending and cannot be applied to Balance Sheet as it is a statement prepared as on a

particular date. Therefore, cost and entity concepts are related to Balance Sheet.]

5. The basic concepts related to P & L Account are

(a) Realization Concept

(b) Matching Concept

(c) Cost Concept

(d) Both (a) and (b) above

[Hints: (d) Under Realization concept, accounting is a historical record of transactions and unless

money has been realized - either cash has been received or a legal obligation to pay has been

assumed by the customer- no sale can be said to have taken place and no profit can be said to

have arisen. Matching concept requires that all the revenues must be matched with the expenses.

Therefore, the above concepts are related to the Profit & Loss Account.]

6. Which of the following is (are) characteristic(s) of Bad Debt?

(a) It is a definite loss to the business

(b) It must be shown in Profit & loss account

(c) No provision is necessary for it

(d) All of the given options

7. Only the significant events which affect the business must be recorded as per the principle of

(a) Separate Entity

(b) Accrual

(c) Materiality

(d) Going Concern

[Hints: (c) The concept of materiality requires that only the significant events that affect the

business must be recorded.]

8. P & L Account is prepared for a period of one year by following

(a) Consistency Concept

(b) Conservatism Concept

(c) Accounting Period Concept

(d) Cost Concept

[Hints: (c) P&L A/C is prepared for a period of one year by following the concept of Accounting

Period.]

9. If the Going Concern concept is no longer valid, which of the following is true?

(a) All prepaid assets would be completely written-off immediately

(b) Total contributed Capital and Retained Earnings would remain unchanged

(c) Intangible Assets would continue to be carried at net Amortized historical cost

(d) Land held as an Investment would be valued at its realizable value

[Hints: (d) Under the Going Concern Concept, it is assumed that the business will exit for a long

time and transactions are recorded from this point of view. It is this that necessitates distinction

between expenditure that will render benefit over a long period and that whose benefit will be

10. Under which of the following concepts are shareholders treated as creditors for the amount they

paid on the shares they subscribed to?

(a) Cost Concept

(b) Duality Concept

(c) Business Entity Concept

(d) Since the shareholders own the business, they are not treated as creditors

[Hints: (c) Under business entity concept, the shareholders are treated as creditors of the company.

It is also known as separate entity concept.]

Answers:

1 b 2 a 3 c 4 d 5 d 6 d 7 c 8 c 9 d 10 c

11. The underlying accounting principle(s) necessitating amortization of intangible asset(s) is/are

(a) Cost Concept

(b) Realization Concept

(c) Matching Concept

(d) Both (a) and (c) above

[Hints: (c) The matching concept requires that all the revenues must be matched with the

expenses incurred during the accounting period. The expenses relating to intangible assets are

amortized over the periods in which the benefit from intangible assets accrue and therefore the

underlying principle is the matching concept.]

12. Which of the following practices is not in consonance with the convention of conservatism?

(a) Creating Provision for Bad debts

(b) Creating Provision for Discount on Creditors

(c) Creating Provision for Discount on Debtors

(d) Creating Provision for tax

[Hints: (b) The principle of conservatism seeks provisions for all the probable losses. Creating

provision for discount on creditors tantamount to recognition of probable gain in the form of

discount and hence it is not in consonance with conservatism.]

13. The accounting measurement that is not consistent with the Going Concern concept is

(a) Historical Cost

(b) Realization

(c) The Transaction Approach

(d) Liquidation Value

[Hints: (d) Liquidation value is the value of the business when the business is wound up and is under

liquidation whereas the going concern concept assumes that the business will continue over a

long time and therefore the accounting measurement —Liquidation Value|| is inconsistent with

going concern concept.]

14. Recording of Fixed Assets at cost ensures adherence of

(a) Conservatism Concept

(b) Going Concern Concept

(c) Cost Concept

(d) Both (a) and (b) above

[Hints: (c) Cost concept requires the transactions to be recorded in the books of accounts at the

amounts actually involved. Suppose a firm purchases a piece of land for ` 1,50,000 but considers its

worth ` 3,00,000. The purchase will be recorded at ` 1,50,000. Therefore, recording of fixed assets at

cost ensures the adherence of cost concept.]

15. Omission of paise and showing the round figures in financial statements is

based on

(a) Conservatism Concept

(b) Consistency Concept

(c) Materiality Concept

(d) Realization Concept

[Hints: (c) Omission of paise and showing the round figure in financial statements is based on the

concept of materiality.]

16. X Ltd., purchased goods for ` 5 lakh and sold 9/10th of the value of goods for ` 6 lakh. Net expenses

during the year were ` 25, 000. The company reported its net profit as ` 75,000. Which of the

following concept is violated by the company?

(a) Realization

(b) Conservation

(c) Matching

(d) Accrual

[Hints: (c) Matching concept requires the expenses must relate to the goods and services sold

during that period to arrive at the net profits of the enterprise. Hence matching concept requires

the recognition of revenue and expenses on a comparable basis. In the above question that

amount of ` 75,000 as net profit was arrived at by deducting ` 5,00,000 (being cost of purchases)

+ ` 25,000 expenses from the sale proceeds of ` 6,00,000. This does not follow matching concept

since the cost of goods sold is to be deducted and not the cost of purchases, since some

purchases have been left in stock. So the net profit using matching concept is ` 6,00,000 less cost

of goods ` 4,50,000 (i.e. ` 5,00,000 x 9/10) less expenses of ` 25,000 = ` 1,25,000.]

17. Accounting does not record non- financial transactions because of

(a) Entity Concept

(b) Accrual Concept

(c) Cost Concept

(d) Money Measurement Concept

[Hints: (d) The money measurement concept: Accounting records only those

transactions which

are expressed in monetary value, though quantitative records are kept. Hence, accounting does

not record non - financial transactions.]

18. Mr. Rohit, owner of Rohit Furniture Ltd., owns a personal residence that cost ` 6,00,000, but has a market value of ` 9,00,000. During preparation of the financial statement for the business, the entire value of property was ignored and was not shown in the financial statements. The principle that

was followed was

(a) The concept of the Business Entity

(b) The concept of the Cost Principle

(c) The concept of Going Concern Principle

(d) The concept of Duality Principle

[Hints: (a) Business entity concept requires the business to be treated as a separate entity.]

19. Provision for bad debt is made as per the

(a) Entity Concept

(b) Conservatism Concept

(c) Cost Concept

(d) Going Concern Concept

[Hints: (b) Provision for bad debts is made as per the concept of conservatism.]

20. Fixed Assets and Current Assets are categorized as per concept of

(a) Separate Entity

(b) Going Concern

(c) Consistency

(d) Time

Answers:

11 c 12 b 13 d 14 c 15 c 16 c 17 d 18 a 19 b 20

Q-1 The accounting process involves in recording:

- A) Quantifiable economic event
- B) Non quantifiable economic event
- C) All of them
- D) None of them

Q-2 In accounting an Economic event is referred to as:

- A) Cash
- B) Bank statement
- C) Transaction
- D) Exchange of money

Q-3 Identify the correct sequence of accounting process

- A) Communicating→Recording→Identifying
- B) Recording→Communicating→Identifying
- C) Identifying→communicating→recording
- D) Identifying→recording→communicating

Q-4 Bookkeeping mainly concerns with which part of accounting process?

- A) Analysing
- B) Preparing financial statements
- C) Recording financial information
- D) Auditing the books of accounts

Q-5 Financial accounting provides financial information to all of the following external users except:

- A) Government agencies
- B) investors
- C) Creditors
- D) Managers

Q-6 For which step of accounting process the accountants of business entity prepare financial statements?

- A) Identification of economic event
- B) Communication of financial information
- C) Recording financial information
- D) Making decisions about business

Q-7 Keeping the log of financial information in books of original entries is called

- A) Recording
- B) summarizing
- C) Grouping
- D) Processing

Q-8 Auditing is what?

- A) Reporting the financial information
- B) Examination of financial statements
- C) Preparation financial statements
- D) maintaining the ledger records

Q-9 Which of the following is the external user of financial statements?

- A) Manager of the business
- B) CEO of the business
- C) Creditor of the business
- D) Controller of the business

Q-10 Which of the following is the internal user of financial statements?

- A) Creditor of the business
- B) Government agency
- C) Shareholder of the business
- D) Manager of the business

Q-11 _____ is the first phase of accounting cycle

- A) Identifying an economic event or transaction
- B) Preparing journals
- C) Posting entries to ledger accounts
- D) Making decisions about business

Q-12 Financial statements differ from management account because

- A) They are mainly prepared for external users of financial information
- B) They are more complex and hard to prepare
- C) They are the summary of accounting data
- D) They are prepared on basis of actual concept

Q-13 _____ is a separate legal entity that Total capital can be divided in many shares

- A) Partnership
- B) Sole proprietorship
- C) Company
- D) Non-profit organization

Q-14 An asset possesses which of the following?

- A) Future economic benefits for the business
- B) All kind of benefits for the business
- C) Expenses for the business
- D) Merits and Demerits for the business

Q-15 Liabilities are which of the following?

- A) Resources
- B) Obligations
- C) Future benefits
- D) Expenses

Q-16 _____ is the gross inflow of economic benefits

- A) Assets
- B) Liabilities
- C) Income

D) Expenses

Q-17 The gross decrease in economic benefits for the business are what?

- A) Expenses
- B) Obligations
- C) Creditors
- D) Income or gain

Q-18 An asset must be _____ by the business to be shown as an asset in its "balance sheet"

- A) Possessed
- B) Owned
- C) Controlled
- D) Used

Q-19 Liability are arisen from which of the following events?

- A) Present event
- B) Future event
- C) Past event
- D) Non of them

Q-20 Which of the following can be considered as the most important phase of accounting cycle and it is the primarily objective of financial accounting?

- A) Identifying transactions
- B) Preparing "T Accounts"
- C) Preparing financial statements
- D) Preparing trial balances

Q-21 Which is the most important characteristic that all assets of a business have?

- A) Long life of assets
- B) Value of assets
- C) Intangible nature of assets

D) Future economic benefits

Q-22 What is the basic accounting equation?

- A) Capital+Liabilities=Assets
- B) Assets+ liabilities =Capital
- C) Capital+assets=liabilities
- D) Liabilities+Capital

Q-23 Which of the following is a liability?

- A) Cash
- B) Equipment
- C) Debtors
- D) Creditors

Q-24 What is equity?

- A) Cash from the business
- B) liability of a business
- C) Owner's claim on total assets
- D) Owner's claim on total liabilities

Q-25 Identify the asset from the following

- A) Cash and cash equivalent
- B) Creditors
- C) Notes payable
- D) Bank loan

Q-26 _____ the withdrawal of cash and goods by the owner of the busienss for his/her personal use

- A) Depreciation
- B) Drawings
- C) Outflow of cash
- D) Appreciation

Q-27 Net loss occurs when

- A) Expenses are greater than Income
- B) Expenses are less than Income
- C) Expenses=Income
- D) Liabilities are greater than income

Q-28 Double entry implies that

- A) Recording entries in journal
- B) Recoding entries in Ledger account
- C) Recording two aspects of every transaction
- D) Recording every transaction in books

Q-29 Identify the nominal account

- A) Machinery account
- B) Building account
- C) Creditors account
- D) Rent expenses account

Q-30 Which of the following accounts can be classified as a real account?

- A) Rent expenses account
- B) Rent income account
- C) insurance expenses account
- D) Cash account

ANSWERS:

1 A 2 C 3 D 4 C 5 D 6 B 7 A 8 B 9 C 10 D

11 A 12 A 13 C 14 A 15 B 16 C 17 A 18 C 19 C 20 C

21 D 22 A 23 D 24 C 25 A 26 B 27 A 28 C 29 D 30 D

1)

The Basic accounting equation is

- A) $\text{Asset} = \text{Expense} + \text{Income}$
- B) $\text{Assets} = \text{Cash} + \text{Capital}$
- C) $\text{Assets} = \text{Capital} + \text{Liabilities}$
- D) $\text{Assets} = \text{Expenses} + \text{Capital}$

2)

Find out the value of assets if: Liabilities=\$5000 and Capital=\$1000

- A) \$4000
- B) \$6000
- C) \$7000
- D) \$3000

3)

Calculate the amount of cash if: Total assets=\$10,000 Total liabilities=\$10,000 Total Capital=\$5000

- A) \$6000

B) \$10,000

C) \$5000

D) \$1000

4)

Capital increases if _____ increases

A) Expenses

B) Drawings

C) Interest on capital

D) Revenue

5)

Capital of a business decreases if there is an increase in

A) Drawings

B) Income

C) Gains

D) Fresh capital

6)

If the total liabilities of a business decrease by \$5000 what will be the effect on total asset?

(assuming the amount of capital remain same)

- A) Remain constant
- B) Decrease by \$5000
- C) Increase by \$5000
- D) Increase by \$10,000

7)

If the business's owner withdraws cash for his/her personal use what will be the effect on capital?

- A) Increase in capital
- B) Remain the same
- C) Decrease in capital
- D) No effect on capital

8)

Net income equal to Revenues minus

- A) Gains
- B) Depreciation
- C) Expenses
- D) Capital expenditures

9)

Collection of account receivable will

- A) Increase assets and decrease assets
- B) Increase assets and decrease liabilities
- C) Increase assets and increase capital
- D) Increase assets and increase cash

10)

Payment of expenses will _____ the assets

- A) Increase
- B) Reduce
- C) apportion
- D) Overstate

11)

Which of the following is the practical implementation of the accounting equation?

- A) Cash flow statement
- B) Income statement
- C) Statement of changes in equity
- D) Statement of financial position

12)

Which of the following accounting equation is correct?

- A) $\text{Cash} + \text{Other assets} = \text{Capital} - \text{Liabilities}$
- B) $\text{Capital} + \text{Liabilities} = \text{Assets} + \text{Income}$
- C) $\text{Assets} - \text{Liabilities} = \text{Capital}$
- D) $\text{Assets} + \text{Capital} = \text{Liabilities}$

13)

Fresh capital introduction will increase

- A) Assets and liabilities
- B) Assets and equity
- C) Liabilities and equity and bank balance
- D) Capital and liabilities

14)

Cash received for services rendered will

- A) Increase cash and liability
- B) Increase equity and liability
- C) Increase fixed assets and cash
- D) Increase cash and equity

15)

Which of following best describes the increase in equity expands _____

- A) Business operations
- B) cash outflows
- C) Inflows of cash
- D) Appropriation expenses

16)

If Cash=\$1000 inventories=\$4000 Debtors=\$5000 fixed assets=? Capital+Liabilities=\$15000 What is the Amount of total assets?

- A) \$5000
- B) \$10,000
- C) \$15,000
- D) \$20,000

17)

Depreciation decreases

- A) Liabilities
- B) Cash
- C) Bank

D) Capital

18)

An increase in provision for bad debt will

A) Decrease net income

B) Decrease liabilities

C) Increase net income

D) Increase liabilities

19)

Current assets - Current liabilities=?

A) Capital

B) Absorbed capital

C) Net assets

D) Net working capital

20)

Assets-Liabilities=?

A) Cash

B) Equity

C) Net income

D) Net expenses

Answer:

1 c 2 b 3 c 4 d 5 a 6 b 7 c 8 c 9 a 10 b 11 d 12 c 13 b 14 d 15 a
16 a 17 d 18 a 19 d 20 b.

Ledger or T Accounts

1)

Transferring entries from journal to ledger account is commonly known as

- A) Recording
- B) Transferring
- C) Posting
- D) Entry making

2)

An account records the _____ in the balance of an item

- A) Increase
- B) Decrease
- C) Increase or decrease
- D) Appreciation

3)

If credit side of a bank account is greater than the debit side, it indicates which of the

following?

- A) Bank overdraft
- B) Cash at bank
- C) Bank balance
- D) Current Asset

4)

If debit side of a bank account is greater than credit side it indicates which of the following?

- A) Cash at bank
- B) Bank understatement
- C) Bank overdraft
- D) Balance overstatement

5)

_____ will be credited if goods are given as charity

- A) Cash
- B) Charity
- C) Purchases
- D) Sales

6)

Which of the following is known as the base for preparing trial balance?

- A) Journal
- B) Cash account
- C) Ledger account
- D) Balance sheet

7)

If debit balance is greater than credit balance then the account balance will be:

- A) Credit balance
- B) Debit and credit balance
- C) Cash balance
- D) Debit balance

8)

The normal balance of capital account is

- A) Credit balance
- B) Debit balance
- C) Cash balance
- D) Neither debit nor credit balance

9)

The normal balance of asset account is

- A) Credit balance
- B) Debit balance
- C) Cash balance
- D) Neither debit nor credit balance

10)

The normal balance of liability account is

- A) Debit balance
- B) Credit balance
- C) Cash balance

11)

Which of the following statements is incorrect regarding capital account?

- A) Debit increases the capital account balance
- B) Credit increases the capital account balance
- C) Fresh capital increases the capital account balance
- D) Net income increases the capital account balance

12)

Which of the following is the normal balance of a rent expense account?

- A) Credit balance
- B) Cash balance
- C) Overdraft
- D) Debit balance

13)

Revenue and expense accounts are referred as

- A) Nominal accounts
- B) Real account
- C) Cash accounts
- D) Banks account

14)

The real accounts are accounts of Assets, liabilities and _____

- A) Expenses
- B) Revenues
- C) Capital
- D) Drawing

15)

Building account is classified as _____ account

- A) Nominal
- B) Real
- C) Cash
- D) Capital

16)

Office equipments account is classified as _____ account

- A) Nominal
- B) Real
- C) Cash
- D) Capital

17)

_____ helps business to classify transactions according to their nature

- A) General journal
- B) Real accounts
- C) Ledger accounts
- D) Cash accounts

18)

Which of the following is a real account?

- A) Office equipment
- B) Rent expenses
- C) Rent income
- D) Insurance expense

19)

Which of the following accounts are closed at the end of an accounting period?

- A) Nominal accounts
- B) Balance sheet accounts
- C) Real accounts
- D) None of them

20)

Which of the following is the closing balance of a ledger account?

- A) Balance c/d
- B) Balance b/d
- C) Balance e/d
- D) Balance f/c

Answers:

1 c 2c 3 a 4 a 5 c 6 c 7 d 8 a 9 b 10 b 11 a 12 d 13 a
14 c 15 b 16 b 17 c 18 a 19 a 20 a.

Trial balance Mcqs

1)

Trial balance is prepared to check accuracy of

- A) Ledger accounts balances
- B) Balance sheet balances
- C) Income statement balances
- D) Cash flow statement balances

2)

If a transaction is completely omitted from the books of accounts, will it affect the agreement of a trial balance?

- A) Yes
- B) No
- C) Transactions can't be omitted

3)

_____ is the common base for preparing a trial balance

- A) Ledger accounts
- B) General Journal

C) Specialized journals

D) Balance sheet

4)

Which of the following is true about a trial balance?

A) It lists down the balances of accounts

B) It lists down the balances of a balance sheet

C) It is a kind of financial statement

D) It is not a part of accounting cycle

5)

Debit balance = Credit balance in a trial balance indicates that

A) No error in recording transactions

B) No error in posting entries to ledger accounts

C) Account balances are correct

D) Mathematically $\text{Capital} + \text{Liabilities} = \text{Assets}$

6)

Trial balance is commonly prepared

A) Frequently during the year

B) At the end of an accounting period

- C) At the end of a month
- D) At the end of a year

7)

Which of the following will affect the agreement of a trial balance?

- A) Complete omission of a transaction
- B) Partial omission of a transaction
- C) Error of principle
- D) Compensating errors

8)

If debit balances = credit balances, trial balance only shows or check the

and it does not indicate that no errors were made during recording and posting

- A) Arithmetic accuracy
- B) Errors of commission
- C) Omissions of economic events
- D) Understatements of balances

9)

Which of the following account with normal balance is shown at the debit side of a trial balance?

- A) Rent income account
- B) Creditors account
- C) Unearned income account
- D) Cash account

10)

Which of the following account with normal balance is shown at the credit side of a trial balance?

- A) Cash account
- B) Bank account
- C) Equipment account
- D) Accrued expenses account

Answers :

1 a 2 b 3 a 4 a 5 d 6 b 7 b 8 a 9 d 10 d.

Book of original entries - Cash book MCQs

1)

The closing balance of petty cash book is considered as

- A) Liability

- B) Asset
- C) Expenses
- D) Income

2)

Payment of rent expenses is recorded on which side of cash book?

- A) Receipts
- B) Payments
- C) Income
- D) Expense

3)

An entry which is made on both sides of a cash book is called

- A) Cash entry
- B) Contra entry
- C) Payment entry
- D) Compound entry

4)

A cash book with cash, bank and discount column is commonly referred as

- A) Cash book
- B) Two columns cash book
- C) Three columns cash book
- D) Petty cash book

5)

Cash book records

- A) Cash payments
- B) Cash receipts
- C) Cash payments and cash receipts
- D) Neither cash payments nor cash receipts

6)

Cash discount is allowed on _____ repayment of debt

- A) Lump sum
- B) Prompt
- C) Actual
- D) None of them

7)

Cash book is prepared by

- A) Bank
- B) Accountant of business
- C) Manager of a company
- D) Bank's cashier

8)

The most common imprest system is the _____ system

- A) petty cash
- B) Cash book
- C) Cash receipt
- D) Discount

9)

Discount received is recorded on which of the following side of a cash book?

- A) Receipts
- B) Payments

C) Incomes

D) Expenditures

10)

Drawings by owner of business are generally recorded on which of the following side of a cash book?

A) Receipts

B) Payments

C) Incomes

D) Expenditures

11)

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

A) Receipts

B) Payments

C) Incomes

D) Expenditures

12)

Cash book with cash and discount column is mostly referred as

A) Simple cash book

- B) Two column cash book
- C) Three column cash book
- D) Petty cash book

13)

A cash book that is used to record the small payments of cash is generally referred as

- A) Simple cash book
- B) Two column cash book
- C) Three column cash book
- D) Petty cash book

14)

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

- A) Bank
- B) Payments
- C) Discount
- D) Cash

15)

Purchase of office equipment for cash will be recorded on which of the following sides of a cash book?

- A) Receipts
- B) Payments
- C) Incomes
- D) Expenditures

16)

Postdated checks are considered as

- A) Cash
- B) Bank balance
- C) Accounts receivable
- D) Cash reserve

17)

Postage stamps on hand are considered as

- A) Bank
- B) Prepaid expenses
- C) Accounts receivable
- D) Creditor

18)

Petty cash fund is supposed to be replenished

- A) Every day
- B) Every half year
- C) Every year
- D) At the end of every accounting period

19)

Which of the following is generally not the party to a check?

- A) Payee
- B) Payer
- C) Bank
- D) Seller

20)

A credit balance in cash book indicates

- A) Bank balance
- B) Cash at bank
- C) Bank overdraft

D) Bank underdraft

Answers:

1 B 2 B 3 B 4 C 5 C 6 B 7 B 8 A 9 B 10 B 11 A 12 B 13 D 14 D 15 B 16 C 17 B 18 D 19 D 20 C.
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Bank reconciliation statement MCQs

1)

Favourable balance of cash book implies that

- A) Credit balance of cash book
- B) Debit balance of cash book
- C) Bank overdraft
- D) Adjusted balance of cash book

2)

A cash deposit made by business appears on the bank statement as _____ balance

- A) Debit
- B) Credit
- C) Expenses
- D) Liability

3)

Bank reconciliation statement is the comparison of a bank

statement (sent by bank) with the _____ (prepared by business)

- A) Cash receipt journal
- B) Cash payment journal
- C) Cash book
- D) Financial statements

4)

A check returned by bank marked "NSF" means that

- A) Bank can't verify your identity
- B) There are not sufficient funds in your account
- C) Check has been forged
- D) Check can't be cashed being illegal

5)

In the Bank reconciliation statement "Deposit in transit" is usually

- A) Subtracted from bank balance
- B) Added to bank balance
- C) Added to Cash book balance
- D) Subtracted from cash book balance

6)

Bank reconciliation statement is prepared by

- A) Accountant of the business
- B) Manager of the business
- C) Controller of the bank
- D) Accountant of the bank

7)

Which of the following error results in unadjusted cash book balance?

- A) Outstanding checks
- B) Unpresented checks
- C) Deposit in transit
- D) Omission of Bank charges

8)

Bank charges amounting to \$5000 was not entered in the cash book. Identify the correct adjustment in cash book

- A) Bank charges will be debited in cash book
- B) Bank charges will be added to cash book balance
- C) Bank charges will be credited in cash book
- D) Bank charges need no adjustment in cash book

9)

Unpresented checks also referred as

- A) Uncollected checks
- B) Uncredited checks
- C) Outstanding checks
- D) Bounced checks

10)

_____ are checks that are issued by the business but not yet presented to bank

- A) Uncollected checks
- B) Uncredited checks
- C) Outstanding checks
- D) Bounced checks

11)

_____ Checks that are presented to bank but not yet credited by the bank

- A) Unpresented checks
- B) Uncredited checks
- C) Outstanding checks
- D) Bounced checks

12)

Uncollected checks also referred as

- A) Unpresented checks
- B) Uncredited checks
- C) Outstanding checks
- D) Bounced checks

13)

Favourable balance of bank statement implies that

- A) Credit balance
- B) Debit balance
- C) Bank overdraft
- D) Adjusted balance

14)

Standing orders are _____

- A) Credited in the cash book
- B) Debited in the cash book
- C) Entered in the bank statement

D) Entered in the petty cash balance

15)

A company was entered in hire purchase agreement and had to pay \$1000 per month. Three payments were made via bank account but no entry was found in cash book. Identify the correct adjustment in cash book

A) \$1000 will be added to cash book balance

B) \$2000 will be deducted from cash book balance

C) \$3000 will be added to cash book balance

D) \$3000 will be subtracted from cash book balance

16)

\$5000 deposited in bank account was entered twice in the cash book. Identify the correct adjustment in cash book

A) \$5000 will be credited

B) \$5000 will be debited

C) \$10,000 will be credited

D) \$10,000 will be debited

17)

Bank sent debit advice of \$500 to company being interest on overdraft. It wasn't entered in cash book. Identify the correct adjustment in cash book

A) \$500 will be debited

B) \$500 will be credited

- C) Non-adjustable
- D) \$1000 will be subtracted

18)

In bank reconciliation statement the amount of outstanding checks is added to _____ balance of cash book

- A) Adjusted
- B) Unadjusted
- C) Understated
- D) Overstated

19)

Balance as per cash book(adjusted)=\$1000, Unpresented checks=\$2000, Uncredited checks=\$500, Deposit in transit=\$500. Compute the balance as per bank statement

- A) \$2000
- B) Zero
- C) \$3000
- D) \$2500

20)

A discount of \$2000 was given to a supplier on his prompt repayment of debt but the cashier entered the gross amount in cash book. What should be the adjustment in cash to work out the correct balance of cash book?

- A) \$2000 will be debited in cash book

B) \$2000 will be credited in cash book

C) \$4000 will be debited in cash book

D) \$4000 will be credited in the cash book

ANSWERS.

1 B 2 B 3 C 4 B 5 B 6 A 7 A 8 C 9 C 10
C

11 12 13 14 15
B B A A D