

Basic Accounting MCQs with answers

- 1) ___ is the art of recording, classifying and summarizing in a significant manner, and in terms of money transactions and events which are in part at least, of a financial character and interpreting the results thereof.
- a) Journal Entry
 - b) Ledger
 - c) Accounting**
 - d) None
- 2) Any form of accounting which enables a business to be conducted more efficiently can be regarded as ___ accounting.
- a) Financial
 - b) Management**
 - c) Cost
 - d) None
- 3) Inflation accounting is also called ___
- a) Revaluation
 - b) Replacement**
 - c) None
 - d) All
- 4) A process of accounting that recognizes the impact of transactions on the financial statements in the time periods when revenues and expenses occur instead of when cash is received or disbursed is called ___ basis
- a) Accrual**
 - b) Cash
 - c) None
 - d) a & b
- 5) A process of accounting where revenue and expense recognition would occur when cash is received and disbursed is called ___
- a) Cash**
 - b) Accrual
 - c) None
 - d) a & b
- 6) ___ they are the present obligations arising from past events. It also arises when an asset is created or acquired.
- a) Asset
 - b) Liabilities**
 - c) Equity
 - d) All
- 7) ___ is an increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or a decrease in liabilities, thereby increases equity and net worth.
- a) Income**
 - b) Equity
 - c) Expenses
 - d) None

8) ___ is a residual interest in the assets after deducting liabilities

- a) Income
- b) Equity**
- c) Expenses
- d) None

9) ___ concept implies that each transaction and event must be expressible in monetary terms

- a) Money measurement**
- b) Business Entity
- c) Going Concerned
- d) None

10) ___ implies that a business unit is separate and distinct from the person who owns or controls it

- a) Money measurement
- b) Business Entity**
- c) Going Concerned
- d) None

11) ___ concept tells that to recognize revenue it has to be realized.

- a) Accrual concept
- b) Matching concept
- c) Realization concept**
- d) None

12) The conventions, concepts, rules and procedures that together make up accepted accounting practice at any given time are called ___

- a) AICPA
- b) GAAP**
- c) GAPA
- d) None of the above

13) ___ is the after-tax cash flow generated by a business minus the cost of the capital it has deployed to generate that cash flow.

- a) EVA**
- b) GAAP
- c) AICPA
- d) None of the above

14) Prepaid Insurance A/c is ___ A/c

- a) Real
- b) Personal**
- c) Nominal
- d) None

15) Outstanding wages A/c is ___ A/c

- a) Personal**
- b) Real
- c) Nominal
- d) None

16) Bad Debts A/c is ___ A/c

- a) Real
- b) Personal
- c) Nominal**
- d) None

17) The ___ accounting system provides a system of checks and balances

- a) Single Entry
- b) Financial Entry
- c) Double Entry**
- d) Triple Entry

18) It means that cash is received by the business from the proprietor. It results in the immediate receipt of cash

- a) Antony commenced business with Rs 10,000**
- b) Bought goods for cash rs 2,000
- c) Charged commission to Chander rs 100
- d) Sold goods for cashrs1000

19) Debt may be of ___ types

- a) 3**
- b) 2
- c) 5
- d) None

20) Creditor may be ___ types

- a) 3
- b) 2
- c) 4**
- d) 5

21) ___ is a brief explanation to a journal entry, given below the journal entry, within brackets

- a) Narration**
- b) Ledger
- c) Credit
- d) Debit

22) ___ is written in a ledger A/c at the time of its closing to indicate that the balance in that A/c has been carried down to the next period.

- a) c/f
- b) c/d**
- c) b/d
- d) b/f

23) A cashbook, which is used to record both cash and bank transactions, is referred to as a ___ column cash book.

- a) 1
- b) 2**
- c) 3
- d) 4

- 24) ___ provides internet technology to navigate the vast resources available in the market.
- a) **WWW**
 - b) Internet
 - c) Intranet
 - d) None
- 25) ___ are devices that allow direct data entry into the computer without doing any manual data entry.
- a) Standard Programmes
 - b) **Scanner**
 - c) Flow Charts
 - d) None
- 26) ___ helps in conducting business electronically with the help of internet technology.
- a) Parity Bit
 - b) **E-Commerce**
 - c) Computer Checks
 - d) None
- 27) Mines quarries is the example of ___ assets
- a) Fictitious assets
 - b) Liquid assets
 - c) Intangible assets
 - d) **wasting assets**
- 28) Which of the following accounts is prepared to find out the cost of production?
- a) **Manufacturing account**
 - b) Trading account
 - c) Profit and Loss account
 - d) Balance Sheet
- 29) Sale proceeds of fixed assets are a
- a) Capital profit
 - b) Revenue profit
 - c) **Capital receipt**
 - d) Revenue receipt
- 30) Preliminary expenses are an example of
- a) Capital expenditure
 - b) Revenue expenditure
 - c) **Deferred Revenue expenditure**
 - d) Capital loss
- 31) Petty Cashbook is prepared to
- a) Meet the requirements of small business
 - b) Meet the small expenses paid in cash
 - c) Cover small and miscellaneous incomes
 - d) **All of the above**

32) Who draws B/E?

- a) **Debtor**
- b) Bank
- c) Fixed asset
- d) Creditor

33) Commerce is ____

- a) Industry and trade
- b) **Trade and aids to trade**
- c) Industry and business
- d) Industry and aids to trade

34) In double entry system, every business transaction affects

- a) Two sides of the same account
- b) The same side of two accounts
- c) **Two accounts only**
- d) Two or more accounts

35) The concept of conservatism takes into account

- a) All expected income and losses
- b) All expected income but no losses
- c) **All expected losses but no expected income**
- d) None

36) Financial position of the business means

- a) Position about profits and losses
- b) Position about incomes and expenses
- c) Position about liquid funds
- d) **What the business owes to others and what it owns at a given point of time**

37) A Bank Reconciliation Statement is a

- a) Part of Pass Book
- b) Part of Cash Book
- c) Statement prepared by the bank
- d) **Statement prepared by the customer**

38) Income from the sale of scrap is usually shown in

- a) **Profit and Loss account**
- b) Trading account
- c) Manufacturing account
- d) All of the above

39) Sales to Ram Rs. 450 posted to his account as Rs. 550 would affect

- a) Sales account
- b) **Ram's account**
- c) Cash account
- d) None

40) Trial Balance contains the balances of

- a) **All real and personal accounts**
- b) All personal and nominal accounts
- c) All nominal and real accounts
- d) All accounts

41) The book value of old furniture was Rs. 1,500. It was sold for Rs. 500. The difference is a ----

- a) Revenue expenditure
- b) Revenue loss
- c) Capital expenditure
- d) **Capital loss**

42) Which of the following expenses will be shown in the Profit and Loss Account?

- a) Wages
- b) **Carriage inwards**
- c) None of the above
- d) Both (a) and (b) above

43) Overcasting of Purchases Journal would affect

- a) Sales Account only
- b) Purchases Account only
- c) **Supplier's Account and Purchases Account**
- d) Sales Account and Purchases Account

44) Salary paid to Rehman was recorded in the Cashbook as payment to Rehman. This is an error of

- a) Omission
- b) Commission
- c) Compensating error
- d) **Principle**

45) According to the money measurement concept, which transaction will be recorded in the books of the account?

- a) Health of manager
- b) Quality of goods
- c) **Value of building**
- d) Qualifications of employees

46) Revenue is said to be realized when

- a) The sale is made
- b) Goods are manufactured
- c) **Cash is received**
- d) Sale is made and cash is received

47) Discount allowed on the issue of shares is an example of

- a) Capital loss
- b) **Capital expenditure**
- c) Revenue expenditure
- d) Deferred revenue expenditure

48) Repair incurred for using a second-hand car purchased recently

- a) **Capital expenditure**
- b) Revenue expenditure
- c) Capital loss
- d) Deferred revenue expenditure

49) Sales are equal to

- a) **Cost of Goods Sold + Gross Profit**
- b) Cost of Goods Sold - Gross Profit
- c) Gross Profit - Cost of Goods Sold
- d) Cost of Goods Sold - Stock

50) Interest in drawings is regarded as

- a) Expenditure for the business
- b) Loss for the business
- c) **Gain for the business**
- d) Liability for the business

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