FINANCIAL ACCOUTING – MGT101

All of the following are components of financial statements EXCEPT.

- Statement of Profit or Loss and other Comprehensive Income
- Trial Balance
- Statement of Cash Flows
- Statement of Changes in equity

All of the following are contra accounts EXCEPT.

- Drawings
- Sales return
- Purchases
- Provision of doubtful debts

Which of the following are recorded in sales journal?

- Cash sales transactions
- Credit sales transactions
- Credit sales return transactions
- Both credit and cash sales transactions

Which of the following is TRUE?

- Nature of Incomes is Credit
- Nature of Expenses is Debit
- Nature of Owners' Equity is Credit
- All of the given options

Which of the following should be debited in bank statement?

- Amount deposited in bank
- Interest on deposit
- Amount withdrawn from bank
- Dividend received on behalf of customer

"5/10. n/30" is an example of:

- Bulk purchase discount
- Regular customer discount
- Season end discount
- Settlement discount

The process of picking up an amount from journal and placing into the debit or credit side of relevant ledger account in ledger is known as:

- Journalizing
- Posting
- Balancing
- Crediting

Which of the following is used to check the arithmetic accuracy of bookkeeping?

- Chart of accounts
- Trial balance
- Profit & loss account
- Balance sheet

All of the following are examples of current assets EXCEPT:

- Bank overdraft
- Cash at bank
- Cash at hand
- Accounts receivables

Which of the following is/are prepared for a specific period?

- Statement of Profit or Loss
- Statement of Financial Position
- All financial statements
- None of the given options

Posting is done in ------

- Invoice
- Journal
- Ledger
- Trial balance

Which of the following represents the basic ideology of income statements?

- Profit = Income - Expenses
- Profit = Income + Expenses
- Assets = Owners equity + Liabilities
- Assets = Owners equity – Liabilities

Which of the following is also known as balance sheet?

- Statement of cash flow
- Statement of financial position
- Statement of changes in equity
- Statement of profit or loss

Which of the following (s) the part of cost of goods sold?

- Opening stock
- Purchases
- Closing stock
- All of the given items

In _____ ledger accounts produce balance continuously throughout the accounting period like after each Dr/Cr posting.

- Running balance style
- T account style
- Report style
- All of the given options

Which of the following is a contra account?

- Sales
- Purchase return
- Capital
- Debt

Which of the following is an example of a current liability?

- Bank overdraft
- Furniture
- Closing stock
- Discount received

Which is also known as day book?

- Journal
- Ledger
- Trial balance
- Balance sheet

Which of the following refers to the resources of entity

- Sum of total assets
- Sum of total liability
- Sum of total assets and owner equity
- Sum of All

Which of the following errors can be deducted through a trial balance

- Omission of complete transaction from recording
- Arithmetic accuracy of bookkeeping
- Giving Dr and Cr effect to wrong accounting head
- Passing correct journal entry with wrong amount

When a company deposit a cash in its bank account then what is the nature of the deposited account?

- It is the liability of the bank
- It is the expense of the bank
- It is the equity of the bank
- It is the asset of the bank

_____ is the list of the names of accounts that business accountant identifies from the journal and prepares for recording transaction in its general ledger.

- Trial balance
- Profit and loss account
- Chart of accounts
- None of the given options

Sales – Cost of goods sold =?

- Gross profit
- Operating profit
- Net profit
- Current assets

Which of the following is the 'Contra Account'?

- Purchases
- Drawings
- Capital
- Debit

Which of the following is NOT an operating expense?

- Stationary
- Repairs
- Salaries & Wages
- Loan from bank

Post reference Column of a journal is:

- Ever occurring after transaction takes place
- Page number of relevant ledger account
- Name of person recording the journal entry
- None of the given options

ABC& Co made its monthly office rent payment. Which of the following accounts would be affected from this transaction?

- Assets and expenses
- Liabilities and assets
- Expenses and liabilities
- Revenue and assets

Which of the following is/are the examples of the intangible asset?

- Copy rights
- Good will
- Patent rights
- All of the above

An expenditure whose benefit is finished or enjoyed immediately is called

- Expenses
- Liability
- Cost
- Income

All of the following are recognized as capital expenses except

- Purchase of land
- Acquiring office building
- Acquiring furniture
- Disbursement of fuel bill

Net profit = Income - ____

- Liabilities
- Assets
- Expenses
- Capital

All of the following are liabilities EXCEPT:

- Prepaid insurance
- Accrued rent
- Accounts payable
- Loan from bank

Increase in liability can cause increase in:

- Receivables
- Profits
- Goods
- Equity

Machinery purchased on Credit for Rs. 17,000 will have an effect on which of the following accounts?

- Machinery account & creditor account
- Machinery account & accounts receivable account
- Purchases account & accounts receivable account
- Purchases account & accounts payable account

Withdrawal by the owner for personal use reduces:

- Cash
- Revenues
- Loss
- Liabilities

An event can be classify as monetary:

- Losing a match
- Purchases on cash
- Placing purchase order
- Winning a trophy

ABC & Company purchased good for resale purposes on cash. Which one of the following account head will decrease?

- Capital
- Cash
- Creditor
- Debtor

In journal, transactions are recorded in _____.

- Alphabetical order
- All of the given options
- Chronological order
- Random order

The commission earned accounts falls under which of the following classification of accounts?

- Assets
- Liability
- Income
- Expenses

The fees earned account will fall under which of the following classification of accounts?

- Assets
- Expenses
- Liabilities
- Revenues

Which of the following accounts will be affected when we acquire building and paid rupees Rs. 500,000?

- Capital account
- Bank account
- Expense account
- Cash account

All of the following are parts of journal entry EXCEPT:

- Narration
- Closing balance
- Date
- Post reference

When a business purchases goods from ABC & Co. and promises to pay the amount at certain future time period, ABC & Co. is recorded as:

- Creditors of the business
- Equity of the business
- Assets of the business
- Debtors of the business

Owner's Equity = ?

- Capital + expenses
- Capital - losses
- Capital + drawings
- Capital + losses

Trade discount is recorded in the books of:

- Buyer
- Both seller and buyer
- Seller
- Neither seller nor buyer

Outsider's claim against the assets of the business is also called _____ for entity.

- Liabilities
- Income
- Resources
- Expense

Cash received from sale is recorded in cash register only. It is an example of which of following?

- Commercial Accounting
- Double Entry Book Keeping
- Accrual Accounting
- Single Entry Book Keeping

_____ is a list of the names of accounts that business accountant identifies from the journal and prepares for recording transactions in its general ledger.

- Profit & loss account
- Trial balance
- None of the given options
- Chart of accounts

Machinery purchased on Credit for Rs. 15,000 will have an effect on which of the following accounts?

- Machinery Account & Creditor Account
- Machinery Account & Accounts Receivable Account
- Purchase Account & Accounts Payable Account
- Purchase Account & Accounts Receivable Account

Debit note is issued by the buyer when _____ are returned.

- Cash sales
- Credit Purchases
- Credit Sales
- Cash Purchases

Which of the following is WRONG?

- Nature of owner's equity is credit
- Nature of Assets is debit
- Nature of Income is debit
- Nature of Expenses is debit

In the post reference column of journal, _____ is written in which its effect is to be posted.

- Page number of the balance sheet
- Closing balance of account
- Page number of the ledger
- Page number of the Journal

The person who is responsible for maintaining a journal is known as:

- Bookkeeper
- Internal auditor
- Chief financial officer
- Financial manager

Which of the following is an asset?

- Wages
- Account payable
- Sales
- Prepaid Insurance

Which of the following best describes a 'Trial balance'?

- List of ledger balances
- List of all assets and liabilities
- List of cash inflows and outflows
- List of accounting heads

“5/10, n/30” is an example of:

- Regular customer discount
- Settlement discount
- Season end discount
- Bulk purchase discount

An event can be classified as non-monetary:

- Purchase on cash
- Placing purchase order
- Selling on credit
- Loss by accident

Owner’s equity=?

- Capital-revenues
- Capital+ loses
- Capital+ expenses
- Capital – drawings

After specific intervals sum of purchases return journal is posted to the debit side of____

- Total creditors account
- Total debtors account
- Purchases return account
- None of the given option

If resources in business are supplied by the owner and out siders, then accounting equation looks like as___

- Assets= liabilities
- Assets= liabilities - capital
- Assets= liabilities+ capital
- Assets= capital

In the post reference column of a ledger account____ is written from which this entry is posted

- Page number of the balance sheet
- Page number of the journal
- Page number of the ledger
- Closing balance of account

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

- Voucher
- Trial balance
- General ledger
- General journal

The term debit is derived from____ language.

- English
- Latin
- Chinese
- French

Goods sold on credit increase

- Liabilities
- Creditors
- Expenses
- Revenues

Sales journal is totaled after_____

- The preparation of income statement
- Each transaction of balance sheet
- The preparation of balance sheet
- A specific interval

An event can be classified as monetary

- Losing a match
- Winning a trophy
- Purchases on cash
- Placing place order

Total assets- total liabilities=?

- Resource
- Owner's equity
- Cost of sales
- Expenses

The main purpose of _____ is to a certain true and fair result of the business operations during a particular period of time, for external reporting only

- Financial accounting
- Tax accounting
- Cost accounting
- Managerial accounting

Settlement discount is recorded in the books of

- Both seller and buyer
- Seller only
- Buyer only
- Neither seller nor buyer

When a company deposit a cash in its bank account then what is the nature of the deposited account?

- It is the liability of the bank
- It is the expense of the bank
- It is the equity of the bank
- It is the asset of the bank

_____ is the list of the names of accounts that business accountant identifies from the journal and prepares for recording transaction in its general ledger.

- Trial balance
- Profit and loss account
- Chart of accounts
- None of the given options

Sales – Cost of good sold =?

- Gross profit
- Operating profit
- Gross profit
- Current assets

Which of the following represents the basic ideology of income statement?

- Profit = Incomes – Expenses
- Profit = Incomes + Expenses
- Assets = Owners equity + Liabilities
- Assets = Owners equity - Liabilities

Which of the following is the 'Contra Account'?

- Sales
- Purchases return
- Capital
- Debit

Post reference Column of a journal is:

- Ever occurring after transaction takes place
- Page number of relevant ledger account
- Name of person recording the journal entry
- None of the given options

Which of the following represents the basic ideology of a balance sheet.

- Profit = income – expenses
- Profit = income + expenses
- Assets = owner's equity + liabilities
- Assets = owner's equity – liabilities

A ledger account with full details is prepared in which of the following two styles:

- Direct account style and indirect account style
- T account style and running balance account style
- Report style and indirect account style
- T account style and indirect account style

___ is a part of owner's equity.

- Drawing
- Liabilities
- Inventory
- Accounts receivable

Which of the following refers to source of an entity?

- Sum of owner's equity and total assets
- Sum of total liabilities only
- Sum of owner's equity and total liabilities
- Sum of total assets, owner's equity and total liabilities

Which of the following normally provide economic benefits to the entity for than one accounting year?

- Current asset
- Fixed asset
- Current liability
- All of the give option

Which of the following is/are a reconciling items that cause disagreements between cash book and pass book.

- Credit transfers
- Direct debits
- Un-presented cheques
- All of the given option

Which of the following is NOT to be adjusted in cash book.

- Interest on bank deposit
- Direct payment by a customer in to the account
- Bank charges deducted by the bank
- Cheques issued but presented for payment

When the company deposits the cash in bank account, then what is the nature of the deposited amount?

- It is the liability of the bank
- It is the expense of the bank
- It is equity of the bank
- It is the asset of the bank

Which of the following best describes that chart of account?

- List of ledger balances
- List of accounting heads
- List of all assets liabilities
- List of cash inflow and outflows

Furniture is purchased for Rs. 55000 from Mr. ABC on credit basis. The effects of this transaction are:

- Increase in assets increase in liability
- Increase in assets decrease in liability
- Increase in assets decrease in assets
- Decrease in assets increase in liability

_____in the art of recording, classifying and summarizing the transactions and events of a business and interpreting the results there of.

- Accounting
- Auditing
- Management
- Book keeping

Withdrawals by the owner for personal use reduces:

- Loss
- Equity
- Revenues
- Liabilities

Identify the two accounting heads that are affected from the transaction of rent received in cash.

- Rent income and bank account
- Rent expense and cash account
- Rent income and cash account
- Rent expenses and bank account

After specific intervals, sum of sales journal is posted to the debit side of _____.

- Total debtors account
- Sales account
- None of these
- Total creditors account

The normal balance of income account is similar to.

- Assets account
- Expenses account
- Liabilities account
- Drawings account

Which of the following is TRUE regarding a cash account?

- None of these
- It always shows a debit balance
- It can show either debit or credit balance
- It always shows a credit balance

Outsider claim against the assets of the business is also considered as _____ for entity.

- Expense
- Drawings
- Income
- Sources

Trade discount is recorded in the books of:

- Both seller and buyer
- Seller
- Buyer
- Neither seller nor buyer

Which of the following main accounting heads would be affected on receipt of rent.

- Asset
- Expense
- Liability
- Capital

Which of the following is a part of owner equity?

- Drawings
- Inventory
- Liabilities
- Account receivables

PIA purchased a computer machine for Rs.150, 000 and paid through cheque. Which of the following accounts would be affected from the transaction?

I) Assets II) Liabilities III) Expenses IV) Revenues

- II and III
- I and II
- I and IV
- I only

CCA & Co. made its monthly office rent payment on cash. Which of the following accounts would be affected from this transaction?

I) Assets II) Liabilities III) Expenses IV) Revenues

- I and III
- I and IV
- II and III
- I and II

Which of the following is a condition that changes the financial position of entity?

- Purchase on cash
- Placing purchase order
- Loss by fire
- Recording provision

Goods sold for Rs. 5000 on settlement terms (5/10), n/30).
The amount of settlement discount is.

- 500
- 300
- 250
- 1000

Generally accepted accounting principles (GAAP) are necessary financial statements.

- Are publicly available
- Should be standardized
- Should understandable
- All of the above

Accounting condition means recording------.

- Interview
- Story
- Event
- Adjustments

Which of the following are recorded in purchase journal?

- Cash purchases transactions
- Credits purchase return transitions
- Both credit and cash purchase transactions
- Credit purchases transactions

The main purpose of------ is to ascertain true and fair result of the business operations during a particular period of time, for external reporting only.

- Tax accounting
- Financial accounting
- Cost accounting
- Managerial accounting

Which of the following is an asset?

- Prepaid insurance
- Wages
- Account payable
- Sales

If resources in business are supplied by the outsiders (other than the owner), then accounting equation looks like:

- Assets = liabilities + capital
- Assets = liabilities
- Assets = capital
- Assets = liabilities – capital

When goods are sold to a customer by an entity and customer promises to pay the amount at certain future time period, that customer is known as:

- Debtor
- Equity
- Liabilities
- Payables

Commissions earned account will fall under which of the following classification of accounts?

- Expenses
- Revenues
- Assets
- Liabilities

If resources in business are supplied by the owner(s) only, then financial position looks like:

- Assets = liabilities – capital
- Assets = capital
- Assets = liabilities
- Assets = liabilities + capital

Goods sold on credit increase:

- Creditors
- Revenues
- Expense
- Liabilities

Which of the following is a condition that changes the financial position of entity?

- Purchases on cash
- Placing purchase order
- Loss by fire
- Recording provision

Cash invested by the owner in his business is also considered as -------- for entity.

- Liabilities
- Sources
- Expense
- Income

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

- Record
- Transaction
- Data
- Information

The creditor account will fall under which of the following classification of accounts?

- Liabilities
- Expenses
- Assets
- Revenues

Which of the following accounts will be credited, when we acquire building of Rs 500,000 on cash?

- Building Account
- Bank Account
- Capital Account
- Cash Account

Furniture is published for Rs. 55000 from Mr. ABC on credit basis. The effects of this transaction are

- Increase Asset Increase liability
- Increase Asset Decrease in liability
- Increase Asset Decrease in Asset
- Decrease in Asset increase in liability

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

- Equity or Shareholders equity
- Total revue
- Net income or Net loss
- Total expenses

Which voucher is used as proof that creditor Mr. A's outstanding amount has cleared

- Petty cash voucher
- Cash payment voucher
- Bank receipt voucher
- Cash receipt voucher

_____ is the art of recording, classifying and summarizing the transaction and events of business and interpreting the results thereof.

- Accounting
- Management
- Book-keeping
- Auditing

Which of the following is a Contra account?

- Account receivable
- Sale
- Sales return
- Fixed asset

An event which can be measured in terms of money and qualify to be recorded in books of accounts is called:

- Transaction
- Information
- Record
- Data

Which of the following account is Credit if the owner has paid RS. 500 from the business for his personal use?

- Drawing account
- Cash account
- Capital account
- Bank account

Another name of net income or positive financial return is _____ .

- Recourses
- Profit
- Contribution Margin
- Creditor

Which of the following in WRONG?

- Nature of assets is credit
- Nature of income is credit
- Nature of Owners Equity is credit
- Nature of Expenses is Debit

Which if the following is a source from preparation of a Trial Balance?

- Journal entry
- Journal
- Ledger
- Invoice

Identify the liability from the given list.

- Cash
- Prepaid Insurance
- Rent payable
- Accounts Receivable

Which of the following is TRUE regarding an Expense account?

- It always has a credit balance
- Debit side of an expense is always greater than its credit side
- It always shown in balance sheet
- Credit side of an expenses is always greater than it debit side

Which of the following is another name of cash discount?

- Regular customer discount
- Season end discount
- Bulk purchase discount
- Settlement discount

Which voucher is prepared when bank collects money from a debtor Mr. A?

- Petty cash voucher
- Bank payment voucher
- Bank receipt voucher
- Cash receipt voucher

In 'journal folio' column of ledger account, _____ is written from which this entry was posted.

- Code of account in journal
- Closing balance of account
- Page number of the ledger
- Page number of the journal

_____is a list of balances extracted from the ledger, containing final balance of each ledger account.

- Balance sheet
- Chart of accounts
- Profit & loss account
- Trial balance

After specific intervals, sum of sales journal is posted to the credit side of _____.

- Sales account
- Total debtors account
- Total creditors account
- None of the given options

Which of the following is a book of original entries?

- Ledger
- Journal
- Balance sheet
- Trial balance

Goods purchased on account increase:

- Creditors
- Debtor
- Revenues
- Cash

In 'ledger folio' column of journal, _____ is written in which its effect was posted.

- Page number of the journal
- Page number of the balance sheet
- Closing balance of account
- Page number of the ledger

Which of the following is a source for preparation of a trial balance?

- Invoice
- Journal entry
- Journal
- Ledger

Which of the following is a part of owner's equity?

- Liabilities
- Inventory
- Accounts receivable
- Drawings

Commissions paid will fall under which of the following classification of accounts?

- Expenses
- Revenues
- Assets
- Liabilities

Income is recorded when earned either received or not according to:

- Cost accounting
- Management accounting
- Accrual accounting
- Cash accounting

Income is recorded when received either earned or not according to:

- Accrual accounting
- Management accounting
- Cost accounting
- Cash accounting

Expenses are reordered when incurred either paid or not according to

- Accrual Accounting
- Management accounting
- Coast accounting
- Cash accounting

Expenses are recorded when paid either incurred or not according to:

- Cash accounting
- Cost accounting
- Management accounting
- Accrual accounting

Which of the following account is/are 'debit' if "sold goods in credit to ABC Corporation for Rs. 8000 and for cash Rs. 4000"?

- Sales account
- Debtors account only
- Cash account only
- Both debtors and cash accounts

Which of the following account is/are 'credit' if "sold goods on credit to ABC Corporation for Rs. 8000 and for cash Rs. 4000"?

- Debtors account
- Cash account
- Sales account
- Both debtors and cash account

Goods purchased on cash increase:

- Creditors
- Liabilities
- Expenses
- Cash

Which group of account is credited, when it is decreased?

- Assets and income
- Assets and expenses
- Assets and liability
- Income and liability

Which of the following account will be debited when we acquire building of Rs. 500,000 on cash?

- Building account
- Cash account
- Capital account
- Bank account

Which of the following accounts will be debited when we acquire building of RS 500,000 on credit?

- Bank account
- Cash account
- Building account
- Capital account

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

- Bank charges
- Interest on over draft
- Un presented cheque
- Direct receipt

The inventory account falls under which of the following classification of accounts?

- Income
- Liability
- Assets
- Expenses

At the closing date of the period, the sum of purchase journal is credited to:

- Purchase account
- None of the given option
- Total creditors account
- Total debtors account

Increase in liability can cause increase in:

- Receivables
- Expenses
- Profit
- Equity

Which of the following is TRUE regarding Discount allowed to a debtor?

- It is a cash receipt
- It is an expense
- It is an income
- It is a cash payment

Which of the following is true regarding a CONTRA Account?

- It is added into its original accounting head
- It is always written in balance sheet
- It is deducted from its original accounting head
- It is always written in income statement