

BACHELOR OF MANAGEMENT STUDIES
FYBMS
SEMESTER I
INTRODUCTION TO FINANCIAL ACCOUNTING
SAMPLE QUESTIONS

- 1) The amount in return for goods and services given to outsiders by business during the current accounting year
 - a) Expenses
 - b) Debt
 - c) Cost
 - d) Income
- 2) The difference between the total assets and total liabilities is
 - a) Cash in hand
 - b) Net worth
 - c) Paid up capital
 - d) Net profits
- 3) Accounting standards in India are issued by
 - a) ISI
 - b) ICAI
 - c) The Central government
 - d) IASB
- 4) Accounting standards are to used
 - a) For computation of taxable income
 - b) For calculating net profits
 - c) In presentation of general purpose financial statements
 - d) For preparing cash flow statement
- 5) If accounting standards differ from any law
 - a) Accounts must be prepared as per accounting standard
 - b) Accounts must be prepared by law
 - c) Management has to follow either the law or the accounting standard
 - d) 2 accounts must be prepared one as per law and one as per accounting standard
- 6) The last accounting standard issued by ICAI upto 2014 is AS
 - a) 9
 - b) 26
 - c) 31
 - d) 32
- 7) Which of the following is combination of accounting assumption are fundamental according to accounting standard 1
 - a) Going concern , consistency , prudence
 - b) Entity , accounting period , prudence

- c) Conservatism , accrual , materiality
 - d) Going concern , consistency , accrual
- 8) Accounting standard 1 is
- a) Recommendatory
 - b) Mandatory
 - c) Optional
 - d) No longer valid
- 9) The purpose of accounting standard 1 is to establish a standard as to
- a) The desirable accounting policies
 - b) The fundamental accounting assumption
 - c) Disclosure of accounting policies
 - d) Preparation of final accounts
- 10) Accounting standard 1 fundamental accounting assumption should
- a) Always be disclosed
 - b) Be disclosed if not followed
 - c) Be disclosed in notes to accounts
 - d) Be disclosed in auditor report
- 11) Bookkeeping records only the __ transactions of business.
- a) Cash
 - b) Book
 - c) Financial
 - d) Credit
- 12) Classification of entries is done in a book called as
- a) Journal
 - b) Classified book
 - c) Record book
 - d) Ledger
- 13) Year end balances of income and expenses accounts appearing in ledger are summarized in
- a) Balance sheet
 - b) Profit and loss a/c
 - c) Statement of affairs
 - d) Cash flow statement
- 14) Users of accounting information include
- a) Creditors
 - b) Chief officer
 - c) Public
 - d) Agent
- 15) Following is not an example of internal user
- a) Employees
 - b) Owners

- c) Managers
 - d) Government
- 16) An exchange between 2 parties
- a) Barter
 - b) Transaction
 - c) Sale
 - d) Transfer
- 17) In accounts recording is made of
- a) Only financial transactions
 - b) Only non-financial transactions
 - c) Financial and non-financial transactions
 - d) Personal transactions of the proprietor
- 18) Which of the following is not a limitations of Accounting
- a) Based on Accounting Convention
 - b) Evidence in Legal Matters
 - c) Incomplete Information
 - d) Omission of Qualitative Information
- 19) Purchase of goods for sale is done by
- a) Manufacturing industry
 - b) Service organization
 - c) Trading concern
 - d) Transporter
- 20) The articles purchased sold or produced by a business man
- a) Fixed assets
 - b) Financial assets
 - c) Goods
 - d) Real assets
- 21) According to AS 1 Disclosure should be made of
- a) Fundamental accounting assumption
 - b) All accounting principles
 - c) All significant accounting policies
 - d) All accounting policies
- 22) According to AS 1 disclosure of accounting policies should form part of
- a) The final accounts
 - b) The auditor report
 - c) The director report
 - d) The books of accounts
- 23) According to AS 1 disclosure of accounting policies should be made
- a) In relevant places
 - b) At one place

- c) In the profit and loss a/c
 - d) In the balance sheet
- 24) According to AS 1 the effect of any change in accounting policy on the value of any item in the final accounts should
- a) Be ignored
 - b) Be discounted
 - c) Be reported in directors report
 - d) Also be disclosed
- 25) If fundamental assumption are not followed the fact should be disclosed in
- a) AS 1
 - b) AS 2
 - c) AS 10
 - d) AS 6
- 26) AS 6 deals with
- a) Inventories
 - b) Depreciation
 - c) Revenue recognition ‘
 - d) Fixed assets
- 27) Which of the following is not a depreciable asset
- a) Machinery
 - b) Mines
 - c) Office building
 - d) Land
- 28) Which of the following indicates depreciable amount as defined under AS 6
- a) Historical cost
 - b) Market value
 - c) Realisable value
 - d) Net replacement value
- 29) Which of the following is not a factor on which the amount of depreciation depends ?
- a) Cost of depreciable asset
 - b) Expected useful life of depreciable asset
 - c) Estimated scrap value of the depreciable asset
 - d) Market value of the asset
- 30) Which of the following is not a factor on which the useful life of depreciable asset depends ?
- a) Term fixed by law
 - b) Quantity extracted or consumed
 - c) The wear and tear of asset
 - d) The market of value of the asset
- 31) Gross book value of a fixed asset under accounting standard 10 is equal to
- a) Its historical cost

- b) Its market value
 - c) Its written down value
 - d) Its cost as reduced by its scrap value
- 32) According to AS 10 machinery spares should be treated as
- a) Revenue expenditure
 - b) Inventory
 - c) Capital expenditure
 - d) Deferred revenue expenditure
- 33) Full form of IFRS
- a) International financial reporting standards
 - b) International Financial reserve standards
 - c) Inventory financial reporting standards
 - d) Internal financial reporting standards
- 34) Fixed production overheads are allocated based on
- a) Optimum production
 - b) Actual production
 - c) Normal production
 - d) Abnormal production
- 35) The estimated selling price in the ordinary course of business less estimated cost of completion and estimated selling costs is termed as
- a) Sale value
 - b) Fair value
 - c) Net realisable value
 - d) Cost
- 36) When valuing inventory at lower of cost and net realisable value sales commission should be
- a) Added to cost
 - b) Deducted from cost
 - c) Deducted in arriving at NRV
 - d) Ignored
- 37) Which method is not recognised by IAS 2 for valuation of inventory
- a) Weighted average
 - b) LIFO
 - c) FIFO
 - d) Specific accounting
- 38) Ram wants to install a computerised accounting system but his budget is low. Which software should he opt for ?
- a) Ready to use software
 - b) Customized software
 - c) Tailored software
 - d) He can buy any all are having same cost

- 39) What is advantage of tailor made software
- a) It is ready to use software
 - b) Low secrecy level
 - c) High secrecy level
 - d) Low cost
- 40) A software must be easy to
- a) Install
 - b) Understand
 - c) Uninstall
 - d) Both a and b
- 41) Which of the following is false - the method of depreciation can be changed if
- a) It is required by law
 - b) It is recommended under an accounting period
 - c) It is considered more appropriate
 - d) It is going to result in higher profits
- 42) The economic factors causing depreciation are
- a) Wear and tear
 - b) Obsolescence and inadequacy
 - c) Effluxion of time
 - d) Depletion
- 43) Which accounting standard deals with recognition of revenue
- a) AS 1
 - b) AS2
 - c) AS 9
 - d) AS10
- 44) AS 9 does not deal with revenue arising from
- a) Construction contract
 - b) Sale of goods
 - c) Service contract
 - d) Interest
- 45) Revenue from interest recognised -
- a) When interest is received
 - b) When loan is repaid
 - c) When interest accrues on time basis
 - d) When loan is taken
- 46) Revenue from dividend is recognised -
- a) When payment is received
 - b) When the right to receive payment is established
 - c) When the amount is credited in bank a/c
 - d) When dividend cheque is despatched by the company

- 47) revenue from sale of products is generally realized in the period which
- a) Cash is collected
 - b) Closing stock
 - c) Sale is made
 - d) Product are manufactured
- 48) Where due to foreign exchange control , the sale proceeds cannot be transferred
- a) A bad debt provision should be created
 - b) Recognition cannot take place until permission to transfer funds is granted
 - c) The sale is canceled
 - d) Revenue can still be recognised
- 49) Which of the following deals with accounting for fixed assets ?
- a) AS 10
 - b) AS 1
 - c) AS 2
 - d) AS 8
- 50) Which category of fixed assets are covered in accounting standard 10
- a) Tangible asset
 - b) Natural asset
 - c) Wasting asset
 - d) Financial asset
- 51) When a personal a/c receives the benefit of a transaction it is ____
- a) Credited
 - b) Debited
 - c) Ignored
 - d) Added
- 52) To debit an account means making entry on the ___ of the account
- a) Left hand side
 - b) Right hand side
 - c) Top
 - d) Bottom
- 53) To credit an account means making entry on the ___ of the account
- a) Left hand side
 - b) Right hand side
 - c) Top
 - d) Bottom
- 54) The ___ account shall never have a credit balance
- a) Bank
 - b) Profit and loss
 - c) Capital
 - d) Cash

- 55) ___ discount does not appear in books of accounts
- a) Trade
 - b) Cash
 - c) Retail
 - d) Net
- 56) A brief description of the transaction written below each journal entry is called as
- a) Narration
 - b) Explanation
 - c) Voucher
 - d) Description
- 57) Amount invested in business by its proprietor is known as ___ and it is a ___ a/c
- a) Capital , personal
 - b) Drawings , personal
 - c) Investment real
 - d) Capital , nominal
- 58) Sales to Mohsin on account should be debited to
- a) Cash A/C
 - b) Sales A/C
 - c) Mohsin
 - d) Account Receivable
- 59) Goods purchased for cash - which of the following account will be credited
- a) Cash a/c
 - b) Purchases a/c
 - c) Bank a/c
 - d) Goods a/c
- 60) salary paid to employees - Which of the following account will be debited ?
- a) Salary a/c
 - b) Wages a/c
 - c) Personal a/c of employee
 - d) Cash a/c
- 61) A person who owes money to the firm is called as
- a) Debtor
 - b) Creditor
 - c) Seller
 - d) Purchaser
- 62) Which of the following statements is incorrect?
- a) $\text{Liabilities} + \text{Assets} = \text{Capital}$
 - b) $\text{Assets} - \text{Liabilities} = \text{Capital}$
 - c) $\text{Liabilities} + \text{Capital} = \text{Assets}$
 - d) $\text{Assets} - \text{Capital} = \text{Liabilities}$

- 63) Following are examples of nominal accounts
- Assets
 - Expenses losses and incomes
 - Customers creditors
 - Capital and drawings
- 64) The basic rule of book keeping “ debit the receiver and credit the giver” is applicable to
- Real a/c
 - Personal a/c
 - Nominal a/c
 - Capital a/c
- 65) Following are examples of real accounts ?
- Assets
 - Expenses losses and incomes
 - Customers creditors
 - Only tangible assets
- 66) Cash a/c is a ___ a/c
- Real a/c
 - Personal a/c
 - Nominal a/c
 - Capital a/c
- 67) Mumbai university is a ___ a/c
- Real a/c
 - Personal a/c
 - Nominal a/c
 - Capital a/c
- 68) Salary paid to employees is a ___ a/c
- Real a/c
 - Personal a/c
 - Nominal a/c
 - Capital a/c
- 69) Loss on sale of asset is a ___ a/c
- Real a/c
 - Personal a/c
 - Nominal a/c
 - Capital a/c
- 70) Real a/c always shows ___ balance
- Nil
 - Credit
 - Debit
 - Negative

- 71) Cash book is used to record
- All receipts only
 - All payments only
 - All cash and credit sales
 - All receipts and payments of cash
- 72) Which of the following is correct ?
- Cash book is a journal and not a ledger
 - Cash book is ledger and not a journal
 - Cash book is both journal and ledger
 - Cash book is neither journal nor a ledger
- 73) When a cheque received is endorsed it must be entered on
- Credit side of cash book
 - Debit side of cash book
 - Both sides of cash book
 - Neither debit nor credit
- 74) Bank column of the cash book may show
- Only debit balance
 - Only credit balance
 - Only nil balance
 - Either debit or credit
- 75) Which is entered on the debit side of the cash book ?
- Trade discount allowed
 - Trade discount received
 - Cash discount allowed
 - Cash discount received
- 76) The allowances made for prompt payment is called _
- Trade discount
 - Commission
 - Doubtful debt
 - Cash discount
- 77) ___ is not a subsidiary book
- Purchase book
 - Purchase return book
 - Sales book
 - Journal
- 78) Purchase book records only purchase of
- Goods for cash
 - Goods on credit
 - Goods or assets on credit
 - Goods and assets on credit

79) ___ contains the list of accounts arranged alphabetically showing the folio number of each account in the ledger

- a) Journal
- b) Folio
- c) Trial balance
- d) Index

80) ___ means finding the difference between the total of debit side and the credit side of an account

- a) Posting
- b) Totalling
- c) Sub totalling
- d) Balancing

81) Money raised by issue of shares is

- a) Capital receipt
- b) Revenue expenditure
- c) Capital expenditure
- d) Revenue receipt

82) Wages paid to workers for construction of railway platform is

- a) Capital receipt
- b) Revenue expenditure
- c) Capital expenditure
- d) Revenue receipt

83) Rs 2,00,000 spent on painting a factory building is

- a) Capital receipt
- b) Revenue expenditure
- c) Capital expenditure
- d) Revenue receipt

84) Rent receive for sub letting the flat above office is

- a) Capital receipt
- b) Revenue expenditure
- c) Capital expenditure
- d) Revenue receipt

85) Purchase of new car is

- a) Capital receipt
- b) Revenue expenditure
- c) Capital expenditure
- d) Revenue receipt

86) Drawings are deducted from

- a) Sales
- b) Purchases

- c) Capital
 - d) Loan
- 87) Outstanding wages appearing in trial balance is shown in
- a) Manufacturing a/c
 - b) Trading a/c
 - c) Appropriation a/c
 - d) Balance Sheet
- 88) Return outward appearing in trial balance is deducted from
- a) Sales
 - b) Purchases
 - c) Closing stock
 - d) Opening stock
- 89) Capital expenditure means an expenditure
- a) From which no benefits can be expected
 - b) From which no future benefits can be expected
 - c) Carrying probable future benefits
 - d) Carrying definite benefits
- 90) Capital expenditure is __ expenditure
- a) Abnormal
 - b) Recurring
 - c) Non recurring
 - d) Wasteful
- 91) Writing of transaction in the ledger is called as
- a) Casting
 - b) Balancing
 - c) Journalizing
 - d) Posting
- 92) Bank reconciliation is a __ and not an __
- a) Account , statement
 - b) Statement , account
 - c) Ledger , journal
 - d) Letter , account
- 93) Bank reconciliation statement is prepared by
- a) Bank
 - b) Customer of bank
 - c) Creditor of business
 - d) Officer of business
- 94) Amortization refers to writing off
- a) Depletion
 - b) Wasteful assets

- c) Intangible assets
 - d) Fictitious assets
- 95) Depreciation is charged only on the ___ assets of a business
- a) Current
 - b) Intangible
 - c) Fixed
 - d) Immovable
- 96) Depreciation is calculated from the date of
- a) Purchase of assets
 - b) Receipt of asset at business premise
 - c) Starting of commercial use of asset
 - d) Asset installed
- 97) When the ledger balance are considered for a trial balance , it is ___ trail balance
- a) Gross
 - b) Agreed
 - c) Nil
 - d) Net
- 98) Opening stock of finished goods will be shown -
- a) On debit side of manufacturing a/c
 - b) On credit side of trading a/c
 - c) On debit side of trading a/c
 - d) On asset side of balance sheet
- 99) Trademark is
- a) Current asset
 - b) Fictitious asset
 - c) Tangible asset
 - d) Intangible asset
- 100) Custom duty paid on imported on machinery is
- a) Capital receipt
 - b) Revenue expenditure
 - c) Capital expenditure
 - d) Revenue receipt