

» MCQs » Accounting Multiple Choice Questions#1

1) We can say that the business is in profit, when:

- A) Assets exceed Expenditure
- B) Income exceeds Liabilities
- C) Income exceeds Expenditure
- D) Income exceeds Liabilities

2) According to the double entry system of accounting, an account that obtains benefit is:

- A) Credit
- B) Debit
- C) Income
- D) No need to show as accounting record

3) Term "Credit" means _____ by the business.

- A) Receiving of benefits
- B) It has no effect on business
- C) Providing of benefits
- D) It depends upon items

4) When a Liability is reduced or decreased, it is recorded on the:

- A) Left or credit side of the account
- B) Right or debit side of the account
- C) Right or credit side of the account
- D) Left or debit side of the account

5) When Capital is increased by an amount, it is recorded on the:

- A) Right or debit side of the account
- B) Left or credit side of the account
- C) Left or debit side of the account
- D) Right or credit side of the account

6) What type of expenses are paid out of Gross Profit?

- A) General Expenses
- B) Financial Expenses
- C) Selling Expenses
- D) All of the given options**

7) Which of the following shows summary of a company's financial position at a specific date?

- A) Profit & Loss Account
- B) Cash Flow Statement
- C) Balance Sheet**
- D) Income & Expenditure Account

8) Which of the following is NOT an example of intangible assets?

- A) Franchise rights
- B) Goodwill
- C) Patents
- D) Land**

9) Which of the following is an example of business liability?

- A) Land
- B) Building
- C) Cash
- D) Creditors**

10) The unfavorable balance of Profit and Loss account should be:

- A) Added in liabilities
- B) Subtracted from current assets
- C) Subtracted from capital**
- D) Subtracted from liabilities

11) Which of the following account will be credited, if business bought goods on credit from Mr. Z

- A) Purchases account
- B) Mr.Z account**
- C) Cash account
- D) Sales account

12) Interest on loan paid by business is an example of :

- A) Revenue expense**
- B) Income
- C) Asset
- D) Return outward

13) Which of the following is NOT a function of bank reconciliation statement?

- A) To check for errors in balance sheet**
- B) To update omitted entries into the cash book
- C) To update omitted entries into the bank statement
- D) To reconcile the difference in bank statement and cash book

14) Which of the following account will be credited when a typewriter is sold that has been used in the office?

- A) Office Equipment Account**
- B) Cash Account
- C) Sales Account
- D) Purchase Account

15) Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- A) Sales Day Book
- B) Sales Return
- C) Debtors Ledger
- D) All of the given options**

16) The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- A) Appreciation
- B) Depreciation**
- C) Fluctuation
- D) None of the given options

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18) Which of the following entry will be recorded when the Bad Debts are recovered?

- A) Cash(Dr.) & Bad Debts recovered(Cr)**
- B) A/C Receivable(Dr.) & Bad Debts recovered(Cr.)
- C) Bad debts recovered(Dr.) and Profit & Loss(Cr.)
- D) Provision for doubtful debts(Dr.) & Cash(Cr.)

19) Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- A) Sales Day Book
- B) Sales Return
- C) Debtors Ledger
- D) All of the given options**

20) Which of the following item will be shown on debit side of debtors account?

- A) Discount received
- B) Return inwards
- C) Discount allowed
- D) Credit sales**

21) Goods of \$1,000 purchased from Mr. "A" were recorded in sales book, the rectification of this error will:

- A) Increase the gross profit
- B) Reduce the gross profit**
- C) Have no effect on gross Profit
- D) None of the given options

22) Which of the following account will be credited when a typewriter is sold that has been used in the office?

- A) Purchase Account
- B) Sales Account
- C) Cash Account
- D) Office Equipment Account**

23) When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:

- A) Error of principle**
- B) Error of omission
- C) Error of commission
- D) Error of original entry

24) Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?

- A) Bank charges**
- B) An error on the Bank Statement
- C) An uncredited deposit
- D) An unrepresented cheque

25) It is supposed that on 31st December, 2007, the sundry debtors are amounted to \$40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are \$ 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

- A) \$4599

B) \$3400

C) \$2400

D) \$1500

26) Which of the following is an example of operating expense?

A) Purchasing operating equipment

B) Purchasing a vehicle

C) Purchasing cleaning services

D) buying a computer

27) Which of the following would NOT be considered as a component of 'cost' of stock?

A) Transportation inward costs

B) Import duties

C) Salaries of selling staff

D) Purchase price

28) Which of the following will be debited, if cash is drawn by Proprietor?

A) Proprietor's drawings

B) Proprietor's cash

C) Proprietor's capital

D) Out flows

29) Which of the following is TRUE about the treatment of insurance paid in advance \$ 1200?

A) Current asset

B) Current liability

C) Short term liability

D) Fixed asset

30) When closing stock is given in trial balance, then it will effect:

A) Trading and Profit & Loss account only

B) Balance sheet only

C) Owner's equity only

D) Trading and Profit & Loss account and Balance sheet

31) Current accounts of the partners should be opened when the capitals are:

A) Fixed

B) Fluctuating

C) Floating

D) Normal

32) Which of the following is (are) type(s) of Public Limited Companies?

A) Listed company

B) Non listed company

C) Private limited company

D) Both Listed Company and non listed company

33) The charter of a company which defines the limitations and powers of the company is called:

A) The memorandum of association

B) Articles of association

C) Statutory report

D) Certificate of commencement

34) Merchandise on hand at either the beginning or end of the reporting period is called_____.

A) Raw material

B) Cost of good sold

C) Work in process

D) Inventory

35) The balance sheet reported a beginning balance of \$20,000 in Accounts Receivable and an ending balance of \$15,000. Credit Sales of \$200,000 were made during the year. Using this information, compute cash collected from customers.

A) \$205,000

- B) \$195,000
- C) \$200,000
- D) \$215,000

36) Please choose one

	\$
Gross profit	50,000
Operating profit	42,000
Sales	250,000
What is the amount of operating expenses	?

- A) \$92,000
- B) \$62,500
- C) \$300,000
- D) \$8,000**

37) Please choose one

	\$
Debentures	1, 50, 000
Equity Capital	2, 00,000
General Reserve	90, 000
Accumulated profit	60,000
What is debt equity ratio	?

- A) 15: 20 (or 3:4)
- B) 15:24 (or 5: 8)
- C) 15:29
- D) 15:35 (or 3: 7)**

38) A company declares a cash dividend to be paid to its stockholders next month. The effect of the transaction is to:

- A) Decrease assets and liabilities.
- B) Increase assets and stockholders' equity.

C) Decrease assets and stockholders' equity.

D) Increase liabilities and decrease capital.

39) Please choose one

	\$
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost	?

A) \$130,000

B) \$110,000

C) \$140,000

D) \$190,000

40) The amount owed by debtors at the end of a month appears on the _____ side of the control account

A) Left side or debit

B) Left side or credit

C) Right side or debit

41) What would be the value of conversion cost, if the cost of material consumed during the month is \$5,000, labor cost incurred is \$2,000 and the factory overhead cost is \$1,000?

A) \$3,000

B) \$5,000

C) \$7,000

D) \$8,000

42) Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive \$10,000 and Mr. B will receive \$8,000 as salary allowance. The net income for the year is \$85,000. What will be the total share of Mr. A?

A) \$52,500

B) \$42,500

C) \$43,500

D) \$50,500

43) Which of the following capital is taken up by the general public?

A) Issued capital

B) Subscribed capital

C) Authorized capital

D) Reserve capital

44) All of the following have an effect on 'operating activities' while preparing the statement of cash flows except:

A) Provision for doubtful debts

B) Gain or loss on currency exchange rate

C) Depreciation charged on fixed asset

D) Amount received for disposal of a fixed asset

45) Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

A) Balance Sheet

B) Income Statement

C) Statement of cash flows

D) Statement of changes in equity

46) According to the statement of cash flows following are the examples of investing activities except:

A) Sales of machinery

B) Capital invested by the owners

C) Purchase of building for the business use

D) Cash received from the disposal of equipment

47) Which of the following items of balance sheet are useful in evaluating a company's liquidity?

A) Current assets and other assets

B) Current liabilities and current assets

- C) Current liabilities and plant and equipment
- D) Non current liabilities and other assets

48) Which of the following can be distributed among the share holders?

- A) Capital reserve.
- B) General reserve**
- C) Revaluation reserve
- D) All of the given options

49) Fixed Assets (WDV) + Working Capital =?

- A) Total assets employed**
- B) Total liabilities
- C) Total assets
- D) Current assets

50) Shares for which amount is paid by public are called _____ shares.

- A) Authorized
- B) Paid up**
- C) Bonus shares
- D) All are correct options

51) Which of the following is non- profit organization?

- A) Sole proprietorship
- B) Partnership
- C) Limited company
- D) Trust**

52) Commercial Accounting is based on:

- A) Single entry book keeping
- B) Double entry book keeping**
- C) Both single and double entry book keeping

D) Cash basis of book keeping

53) An Asset that is NOT physical in nature is called

A) Intangible Asset

B) Liquid Asset

C) Current Asset

D) Fixed Asset

54) In cost of goods sold statement, the 'cost of material consumed' is equal to:

A) Opening raw material stock+ Purchases
– Ending raw material stock

B) Opening raw material stock- Purchases
+ Ending raw material stock

C) Ending raw material stock+ Opening stock
- Purchases

D) Ending raw material stock+ Opening stock
+ Purchases

55) What would be the value of total factory cost, if the cost of material consumed during the month is \$6,000, labor cost incurred is \$2,000 and the factory over head cost is \$2,500?

A) \$10,500

B) \$6,000

C) \$8,000

D) \$4,500

56) In cost of goods sold statement the 'cost of goods manufactured' is equal to:

A) Total factory cost + Opening work in process
– Ending work in process

B) Total factory cost + Opening work in process
+ Ending work in process

C) Total factory cost - Opening work in process
+ Ending work in process

D) Ending work in process +Total factory cost
– Opening work in process

57) Which of the following entry is passed to record discount allowed in control account?

A) Discount Allowed (Dr) and Debtors Control A/c (Cr)

B) Discount Allowed (Dr) and Debtors A/c (Cr)

C) Debtors Control A/c (Dr) and Discount Allowed (Cr)

D) Debtors A/c (Dr) and Discount Allowed (Cr)

58) Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

A) Bank Account (Dr.) and Debtor's Account (Cr.)

B) Debtor's Account (Dr.) and Bank Account (Cr.)

C) Creditor Account (Dr.) and Bank Account (Cr.)

D) Creditor's Account (Dr.) and Bank Account (Cr.)

59) In which of the following auditor's remuneration payable is shown?

A) In balance sheet under the head of current liabilities

B) In income statement under the administrative expense

C) In the statement of changes in equity

D) In Cash flow statement under investing activities

60) In which of the following interim dividend is treated?

A) In profit and Loss account

B) In profit and Loss appropriation account

C) On the asset side of the Balance Sheet

D) In trading account