

# Mahila Mahavidyalaya, Karad

## B.Com. – I (Information Technology)

### Subject: Financial Accounting Paper - I

#### Multiple Choice Questions

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- 1) Surplus of income over expenses is \_\_\_\_\_.  
a) Profit    b) Deficit    c) Loss    d) Financial Statements
  - 2) In\_\_basis of accounting, actual cash receipts and actual cash payments are recorded.  
a) Accrual    b) Hybrid    c) Cash    d) Mercantile
  - 3) Amount which is not recoverable from customer is known as \_\_\_\_\_.  
a) Bad Debts    b) Debts    c) Debtors    d) Doubtful debts
  - 4) Accounts must be honestly prepared and they must disclose all material information is known as \_\_\_\_\_.  
a) Entity Concepts    b) Dual Aspect Concept    c) Disclosure Concept    d) Cost Concept
  - 5) A commodity in which a trader deals is known as \_\_\_\_\_.  
a) Goods    b) Income    c) Property    d) Expenditure
  - 6) \_\_\_\_ means a reputation of a business valued in terms of money.  
a) Trademark    b) Assets    c) Patents    d) Goodwill
  - 7) According to \_\_\_\_\_ cash flow statement is prepared and presented for the period for which the profit and loss account is prepared.  
a) AS-3    b) AS-10    c) AS-6    d) AS-2
  - 8) The immediate recognition of loss is supported by principle of \_\_\_\_\_.  
a) Conservatism    b) Objective    c) Matching    d) Consistency
  - 9) Brief explanation of an entry is called as \_\_\_\_\_.  
a) Folio    b) Narration    c) Posting    d) Journalising
  - 10) An act of exchange of things or services between the two parties is termed as \_\_\_\_\_.  
a) Ledger    b) Transfer    c) Transaction    d) Business

**Answers :** 1) Profit 2) Cash 3) Bad Debts 4) Disclosure Concept 5) Goods 6) Goodwill 7) AS-3  
8) Conservatism 9) Narration 10) Transaction

- 1) ..... means explanation of the transactions recorded in the Journal.  
a) Narration    b) Journalising    c) posting    d) Casting
- 2) ..... discount is not recorded in the books of accounts.  
a) Trade    b) Cash    c) GST    d) VAT
- 3) Recording of transaction in Journal is called .....  
a) posting    b) journalising    c) narration    d) prime entry

- 4) Every Journal entry require .....  
 a) casting                      b) posting                      c) narration                      d) journalising
- 5) The ..... column of the Journal is not recorded at the time of journalising.  
 a) date                      b) particulars                      c) ledger folio                      d) amount
- 6) Goods sold on credit should be debited to .....  
 a) purchase A/c      b) customer A/c      c) sales A/c                      d) cash A/c
- 7) Wages paid for installation of Machinery should be debited to .....  
 a) wages A/c                      b) machinery A/c      c) cash A/c                      d) Installation A/c
- 8) The commission paid to the agent should be debited to .....  
 a) drawing A/c      b) cash A/c                      c) commission A/c      d) Agent A/c
- 9) Loan taken from Dena Bank should be credited to .....  
 a) Capital A/c      b) Dena Bank A/c      c) Cash A/c                      d) Dena Bank Loan A/c
- 10) Purchase of animals for cash should be debited to .....  
 a) Live stock A/c      b) Goods A/c                      c) Cash A/c                      d) Bank A/c

**Answer :** 1) Narration, 2) Trade, 3) Journalising, 4) Narration, 5) Ledger folio, 6) Customer A/c, 7) Machinery A/c, 8) Commission A/c, 9) Dena Bank Loan A/c, 10) Live stock A/c

- 1) International Accounting day is observed on .....  
 a) 10th November                      b) 12th November  
 c) 10th December                      d) 15th December
- 2) Conventional system of accounting is .....  
 a) English entry system                      b) Double entry system  
 c) Indian system                      d) None of these
- 3) Every debit has corresponding .....  
 a) Debit                      b) Credit                      c) Right hand side      d) None of these
- 4) RadhaRs.s Account is a type of ..... account.  
 a) Nominal                      b) Personal                      c) Real                      d) Expenses
- 5) Machinery Account is ..... account.  
 a) Nominal                      b) Income                      c) Personal                      d) Real
- 6) Goodwill is .....asset.  
 a) Tangible                      b) Current                      c) an intangible                      d) None of these
- 7) Prepaid expenses is ..... account.  
 a) Real                      b) Personal                      c) Nominal                      d) Income



1. Decrease in the value of fixed assets is known as .....  
 a) Depreciation    b) Appreciation    c) Combination    d) None of these
2. Depreciation is charged only on..... assets.  
 a) Fixed    b) Current    c) Non-performing.    d) Fictitious.
3. The amount spent on installation of new machinery is a ..... expenditure.  
 a) Revenue    b) Capital    c) Deferred Revenue    d) Income.
4. The amount that a fixed asset is expected to realise on its disposal is known as.....  
 a) Book value    b) Scrap value    c) Market value    d) Original value.
5. The amount of depreciation reduces year after year under.....  
 a) Fixed Instalment Method    b) Written Down Value Method  
 c) Depreciation Fund Method.    d) Revaluation Method.
6. The amount of depreciation remains constant every year under.....  
 a) Straight Line Method    b) Diminishing Balance Method  
 c) Revaluation Method.    d) Insurance Policy Method
7. The balance of depreciation account is transferred to .....  
 a) Manufacturing A/c    b) Trading A/c    c) Profit & Loss A/c    d) Balance sheet

**Answers** –1- Depreciation, 2- Fixed, 3 – Capital, 4 - Scrap value, 5 - Written Down Value Method, 6 - Straight Line Method, 7 - Profit & Loss A/c.

- 1) Rectification entries are passed in-----  
 a) Journal Proper    b) Ledger    c) Balance sheet    d) Cash Book
- 2) The type of error for which journal entry is always required for rectification -----  
 a) over casting    b) one sided error    c) under casting    d) two sided error
- 3) Errors occurred due to wrong posting are called as errors of -----  
 a) principle    b) commission    c) compensating    d) omission
- 4) If transaction is totally omitted from the Books, it is called -----  
 a) Error of recording    b) Error of omission  
 c) Error of principle    d) Error of commission
- 5) Suspense Account is opened when \_\_\_\_ does not tally  
 a) Balance sheet    b) Trading account    c) Profit and Loss    d) Trial Balance

**Answer :** 1) Journal Proper , 2) two sided error, 3) commission, 4) -Error of omission, 5) Trial Balance

- 1) is excess of assets over liabilities
  - a) Goodwill
  - b) Capital
  - c) Investments
  - d) Drawings
- 2) Discount earned is transferred to credit side of..... account.
  - a) Current A/c
  - b) Profit & Loss
  - c) Trading
  - d) Capital
- 3) ..... is a statement which shows the financial position of business on a specific date.
  - a) Trading account
  - b) Trial Balance
  - c) Profit & Loss A/c
  - d) Balance Sheet
- 4) Outstanding expenses are shown on the..... side of Balance Sheet.
  - a) Assets
  - b) Liability
  - c) Both
  - d) None of these
- 5) Interest on Drawing is credited to ..... Account.
  - a) Trading
  - b) Profit & Loss
  - c) Capital
  - d) All
- 6) Debit balance of Trading Account means .....
  - a) Gross Loss
  - b) Net Loss
  - c) Net Profit
  - d) Gross Profit
- 7) Carriage Inward is debited to ..... Account.
  - a) Trading
  - b) Profit & Loss
  - c) Capital
  - d) Bank
- 8) Excess of credit over to debit in Profit & Loss Account indicates .....
  - a) Net Profit
  - b) Gross Profit
  - c) Gross Loss
  - d) Net Loss
- 9) Closing stock is always valued at cost or market price which is .....
  - a) more
  - b) less
  - c) zero
  - d) equal
- 10) When specific date is not given, in that case interest on drawing is charged for ..... month.
  - a) Four
  - b) Six
  - c) Eight
  - d) Nine

**Answer :** 1) Capital, 2) Profit & Loss account, 3) Balance Sheet, 4) Liability, 5) Profit & Loss account, 6) Gross loss, 7) Trading A/c 8) Net Profit, 9) Less, 10) Six,

## Cost Sheet

1. The cost data provide invaluable information for taking the following managerial decisions.

1. To make or buy
2. To Own or Hire asset
3. Determine the expansion or contraction policy
- 4. All of the above**

2. Expenditure incurred on material, labour, machine, production and inspection are summed up to find the -----

- 1. Total cost to production**
2. Selling price of the product
3. Factory cost of the product
4. None of the above

3. Which of the following calculate the actual cost of production.

- 1. Cost estimation**
2. Costing
3. Both of 1 and 2
4. None of the above

4. The following is the cost of indirect materials.

1. Octroi
2. Import Duties
3. Insurance
- 4. Lubricating Oil**

5. The following is the cost of direct materials.

- 1. Freight Charges**
2. Grease
3. Postal Charges
4. Cotton waste

6. The payment made to the following is cost of direct labour.

1. Inspector
2. Sweeper
3. Supervisor

#### 4. Mechanic

7. The payment made to the following is cost of indirect labour.
1. Welder
  2. Turner
  - 3. Time Keeper**
  4. Moulder
8. The calculate cost of product knowledge of following factory include.
1. Effect of change in facilities on costing rates
  2. Use of previous estimates of comparable parts
  3. Production time required
  - 4. All of the above**
9. The accounting is specialize branch of accounting which deals with ----.
1. Classification, processing, allocation and direction
  - 2. Classification, recording, allocation and control of cost**
  3. Classification, recording, planning and control of cost
  4. Classification, allocation directing and recording
10. The following is also as overhead cost?
1. Cost of direct labour
  2. Cost of indirect labour
  3. Direct expenditure
  - 4. Indirect expenditure**
11. Out of pocket cost is the cost which involves to outsider.
1. Imputed cost
  2. National cost
  - 3. Out of pocket cost**
  4. None of the above
12. An item of cost that is direct of the one business may be indirect for another business.
1. Direct
  2. Indirect
  - 3. Imported**
  4. None of the above
13. Semi variable cost are partially fixed and partially variable in relation to output.

1. Variable
2. Fixed
- 3. Semi variable**
4. Both of 1 and 2

14. Work cost is total of -----.

1. Indirect material, indirect labour
2. Direct material, direct labour
- 3. Direct material, direct labour, direct or chargeable expenses and works expenses**
4. Direct material, indirect labour

15. An opportunity cost does not involve.

1. Cash
- 2. Direct cost**
3. Indirect cost
4. None of the above

16. A total of all direct expenses is known as cost.

- 1. Prime**
2. Work
3. Production
4. None of the above

17. Variable cost changes proportionally within change in output.

1. Inversely
- 2. Proportionally**
3. Disproportionally
4. Sometimes

18. An opportunity cost is a

- 1. Direct expense**
2. Indirect expense
3. Variable expense
4. Fixed expense

19. Depreciation is .....expenditure.

1. Variable
2. Fixed
3. Direct



#### 4. Semi-variable

20. Costing is a technique of

1. Inventory control
2. Management control
- 3. Ascertainment of cost**
4. Calculation of cost

### Ratio Analysis

1. The gross profit is require to be studied in relation to the sales to decide the percentage of ----.

- 1. Gross Profit**
2. Gross Loss
3. Net Profit
4. Net Loss

2. The relation between the two figures express mathematically is called a-----.

1. Percentage
2. Numbers
- 3. Ratio**
4. None of the above

3. The ratio is calculated by ----- one figure by the other figure.

1. Addition
2. Multiply
- 3. Dividing**
4. None of the above

4. It is expressed in any of the ----- ways.

1. One
2. Two
- 3. Three**
4. Four

5. Which of the following ways in expressed the ratio.

1. Times
2. Proportion
3. Percentage
- 4. All of the above**

6. When ----- value is divided by other; the quotient obtained indicates “Times”.

1. **One**
2. Two
3. Three
4. Four

7. If the quotient is multiplied by ----- we get the percentage.

1. 30
2. 50
3. 70
4. **100**

8. Suppose the current assets are of Rs. 50,000 and current liabilities are Rs. 12,500 the ratio of current assets and current liabilities is -----.

1. 1:4
2. **4:1**
3. 3:1
4. 1:3

9. Ratio simplifies the comprehension of ----- statement.

1. **Financial**
2. Funds flow
3. Profit
4. Loss

10. ---- Ratios exhibiting the relationship between two items or groups of items in the balance sheet.

1. **Balance Sheet**
2. Current Ratio
3. Gross Profit
4. Operating Ratio

11. ----- Profit it means gross profit less operating expenses

1. Gross
2. **Operating**
3. Net
4. Final

12. Sales – Gross Profit = -----.

1. Operating Profit
2. Net Profit
- 3. Cost of goods sold**
4. Net Loss

13. The ratio disclosing the relationship between two items or groups of items in the profit and loss account is called -----.

1. Balance sheet ratio
2. Inter statement ratio
- 3. Profit and Loss ratio**
4. None of the above

14. ----- to be paid within 12 months from the date of Balance Sheet.

1. Fixed Assets
2. Fixed Liabilities
3. Current Assets
- 4. Current Liabilities**

15. Gross profit ratio is =  $\frac{?}{Net\ Sales} \times 100$

- 1. Gross Profit**
2. Gross Loss
3. Net Profit
4. Net Loss

16. Operating profit ratio =  $\frac{Operating\ Profit}{?} \times 100$

1. Stock
2. Profit
3. Loss
- 4. Sales**

17. Liabilities of ratio depends upon the liabilities of -----.

1. Numbers
2. Books
- 3. Date**
4. None of the above

18. Long form of GAAP is -----

1. Gross Annual Accounting Principles

2. Generally Any Accounting Project
- 3. Generally Accepted Accounting Principles**
4. Generally Account Add Principles

19. How many categories of ratios?

1. One
2. Two
3. Three
- 4. Four**

20. The standard of current ratio is -----.

- 1. 2:1**
2. 1:1
3. 4:1
4. 3:1

21. The ratios which reveal the final result of the managerial policies and performance is\_\_\_\_\_.

1. Turnover ratios.
- 2. Profitability ratios.**
3. Short term solvency ratio.
4. Long term solvency ratio.

22. The ratio which measures the profit in relation to capital employed is known as\_\_\_\_\_.

- 1. Return on investment.**
2. Gross profit ratio.
3. Operating ratio.
4. Operating profit ratio.

23. Prepaid expenses is an example of\_\_\_\_\_.

1. Fixed assets.
- 2. Current assets.**
3. Fictitious assets.
4. Current liabilities.

24. Stock velocity ratio is known as\_\_\_\_\_.

- 1. Turnover ratio.**
2. Solvency ratio.
3. Liquidity ratio.
4. Profitability ratio.

25. Which ratio is calculated to ascertain the efficiency of inventory management?

1. **Stock velocity ratio.**
2. Debtors velocity ratio.
3. Creditors velocity ratio.
4. Working capital turnover ratio.

26. Which ratio measures the number of times the receivables are rotated in a year in terms of sales?

1. Stock turnover ratio.
2. **Debtors turnover ratio.**
3. Creditors velocity ratio.
4. Working capital turnover ratio.

27. The ratio which indicates the number of times the payables are rotated in a year is \_\_\_\_.

1. Stock turnover ratio.
2. Stock turnover ratio.
3. **Creditors velocity ratio.**
4. Working capital turnover ratio.

28. The ratio of current assets to current liabilities is called \_\_\_\_\_.

1. Liquid ratio.
2. Acid test ratio.
3. **Current ratio.**
4. Cash position ratio.

29. An ideal debt equity ratio is. -----

1. **1:1**
2. 2:1
3. 3:1
4. 4:1

30. Capital gearing ratio is also known as -----

1. **Leverage ratio.**
2. Fixed assets turnover ratio.
3. Proprietary ratio.
4. Debt equity ratio

### Financial Statement

1	The analysis and interpretations of the financial statement will reveal -----	The profitability	The financial position	<b>Both A &amp; B</b>	None of the above
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2	The process of explaining the meaning, significance and relationship between two financial factors is called-----.	Interpretation	<b>Analysis</b>	Summarization	None of the above
3	Which of the following is technique of financial statement analysis?	Common size statement	Comparative statement	Trend analysis	<b>All of the above</b>
4	In ----- figures of two or more periods are placed side by side to facilitate easy and meaningful comparisons.	Common-size statement analysis	<b>Comparative statement analysis</b>	Trend percentage analysis	None of the above
5	The technique of converting figures into percentage in some common base is called...	<b>Ratio analysis</b>	Trend percentages	Common size statement analysis	None of the above
6	Which of the following technique shows the financial condition of a business in a simplified manner?	Balance Sheet	<b>Ratios</b>	Fund Flow Statement	None of the above
7	The technique of taking first year figures as base and comparing with subsequent years is called	Ratio analysis	Common size statement	<b>Trend analysis</b>	None of the above
8	The process of comparing various financial factors of a company over a period of time is known as ----.	Inter-firm comparison	Ratio Analysis	<b>Intra-firm comparison</b>	Inter-industry comparison
9	The ratio which measures the profit in relation to capital employed is known as-----.	<b>Return on Investment</b>	Gross Profit Ratio	Operating Ratio	Operating Profit Ratio
10	What is the expected standard for current ratio?	1:2	<b>2:1</b>	2:3	1:3
11	Net profit ratio shows the relation between net profits and	Gross sales	<b>Net sales</b>	Sales return	Cost of sales
12	What level of operating ratio is ideal?	<b>Very High</b>	High	Low	Average
13	Stock velocity ratio is known as---.	<b>Turnover Ratio</b>	Solvency Ratio	Liquidity Ratio	Profitability Ratio
14	The shareholders funds consist of-----.	Preference shares	Equity shares	Reserves and surplus	<b>All of the above</b>
15	Return on capital employed shows the ---- of a firm.	Profitability	Overall efficiency	<b>Both A &amp; B</b>	None of the above