

# 1

## INTRODUCTION TO FINANCIAL ACCOUNTING

### THIS CHAPTER INCLUDES

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### CHAPTER AT A GLANCE

#### Definition

As per the definition of American Institute of Certified Public Accountants- Accounting 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".

#### Characteristics (attributes) of Accounting

- (i) Accounting records transactions and events which are of financial nature.
- (ii) Accounting is an art.
- (iii) It involves the following activities: recording, classifying and summarizing

- (iv) Accounting helps in determining the financial position of an enterprise by analysing and interpreting the summarized records and communicating them to users.
- (v) Accounting information can be manipulated and thus cannot be considered as the true test of performance.
- (vi) It records transactions in terms of money.

**Objectives of Accounting**

- (i) Maintaining accounting records
- (ii) Ascertaining profit/loss of the enterprise
- (iii) Ascertaining the financial position of the enterprise
- (iv) Providing accounting information to the users.

**Functions of Accounting**

- (i) Maintaining systematic records
- (ii) Protecting and controlling business properties
- (iii) Ascertaining the operational profit/loss
- (iv) Ascertaining financial position
- (v) Facilitating rational decision making.

**Advantages of Accounting**

- (i) Provides financial information about the business to interested parties
- (ii) Helps in comparison of financial results
  - Comparison of its own results of different years
  - Comparison of financial results with other firms in the industry
- (iii) Helps in decision making
- (iv) Accounting information can be used as an evidence in legal & Taxation matter
- (v) Helps in valuation of the business
- (vi) Provide information to interested parties

**Disadvantages (Limitations of Accounting)**

- (i) Accounting ignores non monetary transactions
- (ii) Accounting information is sometimes based on estimates which may be unrealistic

- (iii) Window Dressing may lead to faulty results.
- (iv) Accounting ignores the effect of price level changes as the recordings are done at historical costs. Fixed assets recorded at historical cost.
- (v) Accounting information can be manipulated and thus can not be considered as the true test of performance. i.e. it may be biased. Money as measurement unit changes in value.
- (vi) Accounting Information may be biased. Accounting Information is not without personal influence or bias of accountant.

### Book-Keeping

- Book keeping is a branch of knowledge that educates us how the financial records are maintained. Due to clerical in nature it is done by junior employees.
- It is concerned with recording financial data of the business in a significant and orderly manner.
- It is meant to show the effect of all the transactions made during the accounting period on the financial position of the business.
- Book keeping is a clerical work which covers procedural aspects of accounting work and includes record keeping function. It is science and art both.
- Book keeping is mechanical and repetitive.

### Accounting Cycle

#### Steps/Phases of Accounting Cycle:

- (i) **Recording of Transaction:** As soon as a transaction happens it is at first recorded in subsidiary book.
- (ii) **Journal:** The transactions are recorded in Journal chronologically.
- (iii) **Ledger:** All journals are posted into ledger chronologically and in a classified manner.
- (iv) **Trial Balance:** After taking all the ledger account closing balances, a Trial Balance is prepared at the end of the period for the preparations of financial statements.

- (v) **Adjustment Entries:** All the adjustments entries are to be recorded properly and adjusted accordingly before preparing financial statements.
- (vi) **Adjusted Trial Balance:** An adjusted Trial Balance may also be prepared.
- (vii) **Closing Entries:** All the nominal accounts are to be closed by the transferring to Trading Account and Profit and Loss Account.
- (viii) **Financial Statements:** Financial statement can now be easily prepared which will exhibit the true financial position and operating results.

### **Basis of Accounting**

- (i) **Accrual Basis of Accounting**  
Accrual Basis of Accounting is a method of recording transactions by which revenue, costs, assets and liabilities are reflected in the accounts for the period in which they accrue. This basis includes consideration relating to deferrals, allocations, depreciation and amortization. This basis is also referred to as mercantile basis of accounting.
- (ii) **Cash Basis of Accounting**  
Cash Basis of Accounting is a method of recording transactions by which revenues, costs, assets and liabilities are reflected in the accounts for the period in which actual receipts or actual payments are made.

### **Accounting Principles**

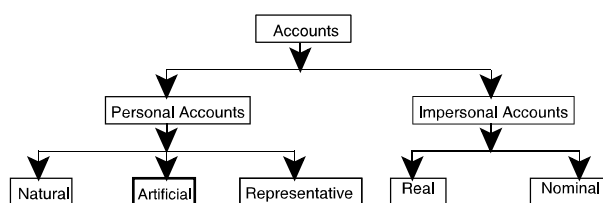
#### **Generally Accepted Accounting Principles**

A widely accepted set of rules, conventions, standards, and procedures for reporting financial information, as established by the Financial Accounting Standards Board are called Generally Accepted Accounting Principles (GAAP). These are the common set of accounting principles, standards and procedures that companies use to compile their financial statements.

## Accounts

An account is an individual records of a person, firm, thing an item of an income or expense.

## Classification of Accounts



## Personal Accounts

- (i) **Natural personal account:** It relates to transactions of human beings like Ram, Shyam etc.
- (ii) **Artificial (legal) personal account:** Business entities have a separate identity from that of its owners. These business entities are said to be artificial legal person. For e.g. : companies, clubs, co-operative societies.
- (iii) **Representative personal accounts:** These accounts are not in the name of any person but are represented as personal accounts. For e.g: outstanding liability, prepaid account, capital account, drawings account etc.

## Impersonal Accounts

- (i) **Real Account :** Accounts which relate to the assets of the firm are known as real accounts e.g - Cash A/c, Building A/c, Investment A/c etc.
- (ii) **Nominal Accounts :** Accounts which relate to expenses, losses, gains, revenue etc. are nominal accounts e.g - salary account, interest paid account, dividend-received account etc.

**Notes :**

- Real Accounts can be divided into tangible real accounts and intangible real accounts.  
Tangible Real Accounts - Land, building etc.  
Intangible Real Accounts - Goodwill, patent, copyright etc.
- Bank balance is an asset but bank account is not a real account but a personal account because it is an account of some banking company which is an artificial person.
- According to Kohler Dictionary for Accounts, an account has been defined as a formal record of a particular type of transaction expressed in money.

**Systems of Record Keeping**

There are two system of record keeping :

- (i) Single Entry System
- (ii) Double Entry System

**Single Entry System**

- (i) Under this system some entries are recorded partially and some are entirely eliminated.
- (ii) It is also known as accounting from incomplete records.
- (iii) This system is economical and time saving but is unscientific and not reliable.

**Double Entry System**

- (i) Under this system, every transaction has two aspects - debit and credit and at the time of recording a transaction, it is written once on the debit side and again on the credit side of another account.
- (ii) This is a system which recognizes and records both aspects of a transaction.

**Features of Double Entry System**

- (i) Every transaction has two fold aspects, i.e., one party giving the benefit and the other receiving the benefit.

- (ii) Every transaction is divided into two aspects, Debit and Credit. One account is to be debited and the other account is to be credited.
- (iii) Every debit must have its corresponding and equal credit.

#### **Advantages of Double Entry System**

- (i) It ensures arithmetical accuracy of the books of accounts, for every debit, there is a corresponding and equal credit. This is ascertained by preparing a trial balance periodically or at the end of the financial year.
- (ii) It prevents and minimizes frauds. Moreover frauds can be detected early.
- (iii) Errors can be checked and rectified easily.
- (iv) The balances of receivables and payables are determined easily, since the personal accounts are maintained.
- (v) The businessman can compare the financial position of the current year with that of the past years.
- (vi) Helps in decision making.
- (vii) It becomes easy for the Government to decide the tax.

#### **Limitations of Double Entry System**

- (i) The system does not disclose all the errors committed in the books accounts.
- (ii) The trial balance prepared under this system does not disclose certain types of errors.
- (iii) It is costly as it involves maintenance of numbers of books of accounts.

#### **Types of Accounts**

1. **Personal Account:** As the name suggests these are accounts related to persons.
  - (a) These persons could be natural persons like Suresh's A/c, Anil's a/c, Rani's A/c etc.
  - (b) The persons could also be artificial persons like companies, bodies corporate or association of persons or partnerships etc.
  - (c) There could be representative personal accounts as well.

- 2. Real Accounts:** These are accounts related to assets or properties or possessions. Depending on their physical existence or otherwise, they are further classified as follows:
- (a) Tangible Real Account:** Assets that have physical existence and can be seen, and touched. e.g. Machinery A/c, Stock A/c, Cash A/c, Vehicle A/c, and the like.
- (b) Intangible Real Account:** These represent possession of properties that have no physical existence but can be measured in terms of money and have value attached to them. e.g. Goodwill A/c, Trade mark A/c, Patents & Copy Rights A/c, Intellectual Property Rights A/c and the like.
- 3. Nominal Account:** These accounts are related to expenses or losses and incomes or gains e.g. Salary and Wages A/c, Rent of Rates A/c, Traveling Expenses A/c, Commission received A/c, Loss by fire A/c etc.

Based on Traditional Classification of Accounts			Based on Modern Classification of Accounts		
Types of Account	Debit	Credit	Types of Account	Debit	Credit
1. Personal A/c	The Receiver	The giver	1. Assets A/c	Increase	Decrease
2. Real A/c	What comes in	What goes out	2. Liabilities A/c	Decrease	Increase
3. Nominal A/c	Expenses and losses	Incomes and gains	3. Capital A/c	Decrease	Increase
			4. Revenue A/c	Decrease	Increase
			5. Expense A/c	Increase	Decrease



**Example :**

S. N.	Transaction	Entry	Type of A/c	Reason
1.	Cash deposited for opening an account	Bank A/c Dr. To Cash A/c	Personal Real	Debit the receiver, credit what goes out.
2.	Cash withdrawn	Cash A/c Dr. To Bank A/c	Real Personal	Debit what comes in, credit the giver
3.	Payment of Expenses (Say Rent)	Rent A/c Dr. To Bank A/c	Nominal Personal	Debit all expenses and losses, credit the giver
4.	Interest allowed by the bank	Bank A/c. Dr. To Interest Received A/c	Personal Nominal	Debit the receiver, credit all incomes and gains

**Debit and Credit relating to various accounts****Personal Accounts**

**Debit:** The person has become a debtor of company.

**Credit:** The person has become a creditor of company.

**Real Accounts**

**Debit:** Increase in asset, Decrease in liability

**Credit:** Increase in liability, Decrease in asset

**Nominal Accounts**

**Debit:** Expenses or losses

**Credit:** Incomes or gains

**Accounting Equation:**

All business transactions are recorded as having a dual aspect. Thus,

- (i) Total Assets = Total Liabilities, or
- (ii) Capital + Liabilities = Assets, or
- (iii) Capital = Assets – Liabilities, or

$$\begin{aligned} \text{(iv) Assets} &= (\text{Capital at the beginning} + \text{Incomes} - \text{Expenditures}) \\ &= \text{Capital at the end.} \end{aligned}$$

This equation is known as accounting equation. This is based on the concept that for every debit, there is an equivalent credit.

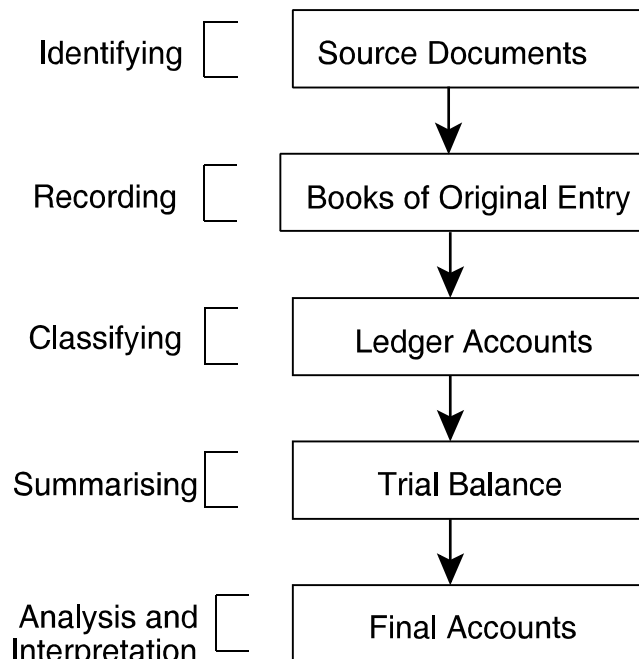
### The Accounting Process

**A. American approach:** In order to understand the rules of debit and credit according to these approach transactions are divided into the following five categories:

- (i) Transactions relating to owner, e.g., Capital – These are personal accounts
- (ii) Transactions relating to other liabilities, e.g., suppliers of goods – These are mostly personal accounts
- (iii) Transactions relating to assets, e.g., land, building, cash, bank, stock-in-trade, bills receivable – These are basically all real accounts
- (iv) Transactions relating to expenses, e.g., rent, salary, commission, wages, cartage – These are nominal accounts
- (v) Transactions relating to revenues, e.g., interest received, dividend received, sale of goods – These are nominal accounts

**B. British Approach or Double Entry System:**

When one identifies the account that is getting affected by a transaction and type of that account, the next step is to apply the rules to decide whether the accounting treatment is to debit or credit that account. The Golden Rules will guide us whether the account is to be debited or credited.

**Accounting cycle/Accounting process****Recording - Journal**

- ⇒ A journal is a book of original entry/prime entry wherein transactions are first recorded before being posted to the ledger.
- ⇒ A journal is that book of accounts in which transactions are originally recorded in a chronological order.
- ⇒ An entry done in a journal is called a journal entry and the process of recording a transaction in a journal is known as journalising.
- ⇒ A journal records both debit and credit aspects of a transaction.
- ⇒ A journal contains the following columns :
  - (i) **Date:** The date on which the transaction took place.
  - (ii) **Particulars :** The two aspects (debit and credit) are recorded here.

- (iii) **Ledger Folio (L.F.)** : It records the page number in the ledger in which the accounts of the given entry are posted.
- (iv) **Amount (Debit)** : Debit amount is recorded in the Dr. column.
- (v) **Amount (Credit)** : Credit amount is recorded in the Cr. column.

#### Functions of Journal

- (i) Analytical Function
- (ii) Recording Function
- (iii) Historical Function

#### Advantages of Journal

- (i) Chronological Record
- (ii) Minimizing the possibility of errors
- (iii) Narration
- (iv) Helps to finalize the accounts

#### Importance of Sub-division of Journals

- (i) The system of recording all transactions in a journal requires
- (ii) Such a system cannot provide the information on a prompt basis.
- (iii) Such a system does not facilitate the installation of an internal check system because the journal can be handled by only one person.
- (iv) The journal becomes huge and voluminous.
- (v) To overcome the shortcomings of the use of the journal only as a book of original entry, the journal is sub-divided into special journal.

#### Process of Journalising

- Step - 1** Ascertain what accounts are affected in the transaction.
- Step - 2** Ascertain the nature of the account (i.e. real, nominal, personal etc.).
- Step - 3** Apply the rules of debit and credit to each type of account.
- Step - 4** Pass the entry.

**Example**

Transaction - Rent paid in cash.

**Step - 1 Ascertain what accounts are affected.**

Accounts affected are -Rent A/c and Cash A/c

**Step - 2 Ascertain the nature of account**

Rent A/c — Nominal A/c (Expense)

Cash A/c — Real A/c (Asset)

**Step - 3 Apply golden rules of accounting :**

Rent (Nominal A/c's) — Debit all expenses

Cash A/c (Real) — Credit what goes out (as cash is going out of business)

**Step - 4 Pass the entry**

Rent A/c      Dr. (with the amount of rent)

    To Cash A/c

(Being rent paid in cash)

**Note**

1. The account to be credited is written preceded by a word "To".
2. After every entry a brief description of the transaction is given in the next line of the entry. This called **narration** and is written in brackets.

**Points to Note**

- When goods are purchased "Purchase A/c" is debited, when goods are sold "Sales A/c" is credited.
- If it is not stated that purchase/sale is on cash/credit, it is assumed to be on credit.
- In a journal, the amount of debit and credit columns of each page are totaled and carried forward to the next page. 'Total c/f' (carried forward)
- Sometimes a journal entry may have more than one debit or credit aspects. These types of entries are known as **compound entries**. The total of debit should be equal to total of credits or *vice versa*.

**Example**

Mohan purchased goods worth ₹ 15,000. He got ₹ 1,000 as discount and paid ₹ 14,000 in cash.

Purchase A/c	Dr.	15,000	
To Cash A/c			14,000
To Discount received A/c			1,000

(Being goods purchased on discount)

Discount received is an income and is a Nominal A/c.

**Ledger (Principal Book of Accounts)**

- A ledger may be defined as a "book or register which contains in a summarized and classified form, a permanent record of all transactions".
- It is a book which contains all set of accounts - (real, personal, nominal)
- Ledger is known as a principal book of account as it helps in the preparation of Trial Balance and financial statements (like P/L, B/S etc.)

**Format of ledger**

- It has two sides left side is the debit side whereas right side is the credit side.
- It has the following columns :
  - ⇒ **Date** - Date of transaction
  - ⇒ **Particulars** - Name of other account
  - ⇒ **Journal folio (J. F.)** - Page number of journal where entry was first recorded
  - ⇒ **Amount:** Amount of transaction
 Same columns will be there on the other side also.

**Ledger posting**

- (i) The process of transferring the information contained in a journal to a ledger is called posting.
- (ii) Steps for posting:  
 For account debited in a journal entry:  
**Step - 1** Identify the ledger account to be debited  
**Step - 2** In the debit side of that A/c, post the other aspect of the entry in the particular column by writing the word “To.....”.  
**Step - 3** Enter other details like amount J. F. and date.
- (iii) Rules for posting
  - The name of the account in the journal and ledger should exactly be the same.
  - The account debited in journal will be debited in ledger and the account credited in ledger will be credited.
  - The word “To” will be added in the name of the accounts on the debit side and “By” will be added in the accounts on the credit side e.g. “To Sales”, “By Purchases” etc.
  - The page number of the journal from where the entry is transferred is to be written in the Folio Column.
  - The date of transactions is to be written in the date column.

**Example**

Rent paid in cash ₹ 10,000

**Entry :** Rent A/c                      Dr.      10,000  
                     To Cash A/c                                      10,000

Posting Debit aspect of the entry - Rent A/c

**Difference between Journal and Ledger**

Basis	Journal	Ledger
1. Nature of Book	It is a book of primary entry.	It is a book of final entry.

2. Basis for Preparation	Primary documents (such as vouchers, receipts etc.) are the basis for recording transactions in the journal.	Journal is the basis for recording transactions in the ledger.
3. Stage of Recording	Recording in the Journal is the first stage.	Recording in the ledger is the second stage.
4. Process	The process of recording in Journal is called journalising.	The process of recording in the ledger is called posting.

### Subsidiary Book

- Subsidiary books are the journals in which transactions of similar nature are recorded at the first instance.
- Recording all the entries in the journal will make the journal too lengthy and complicated. So for similar nature transactions separate journals are prepared which are known as subsidiary books.
- The transactions will first time be recorded in subsidiary books.

### Types of subsidiary books

#### Purchase Book

It records the **credit purchase** of goods **traded in**.

Ex- Stationery dealer purchased stationery in credit from Ram.

1. Entries in the Purchase Book are made from the Invoice received from supplier at the end of week/month, total of Purchase Book is Debited to Purchases A/c in ledger.
2. Entries in the purchase books are made from the invoice received from the supplier.



**Sales Day Book**

1. It records the credit sale of goods dealt in (traded in) Ex- Furniture dealer sold furniture on credit.
- 2 Sales Book is prepared on the basis of copies of invoice sent to customers.

**Purchase Return Book (Return Outward Book)**

It records the goods or material returned to the supplier that have been purchased on credit. When goods are returned to the supplier a debit note is issued to him indicating that his account has been debited with the amount mentioned in the debit note.

**Sales Return Day Book (Return Inwards Book)**

It records the goods or material returned by the purchaser that had been sold on credit. When goods are returned by a customer a credit note is sent to him mentioning that his account has been credited with the value of goods returned.

**Bills Receivable Book**

It records the bills of exchange or promissory note received by a business entity.

**Bills Payable Book**

It records the acceptance given to the creditor in the form of bills or promissory notes.

**Cash Book**

It is used to record all cash transactions of the business.

**General Journal OR Journal Proper**

All entries which cannot be recorded in the above subsidiary books are recorded in this book.

**E.g.** opening entries, closing entries, rectification entries, purchase and sale of asset etc.

In Journal proper book, following types of transactions are recorded

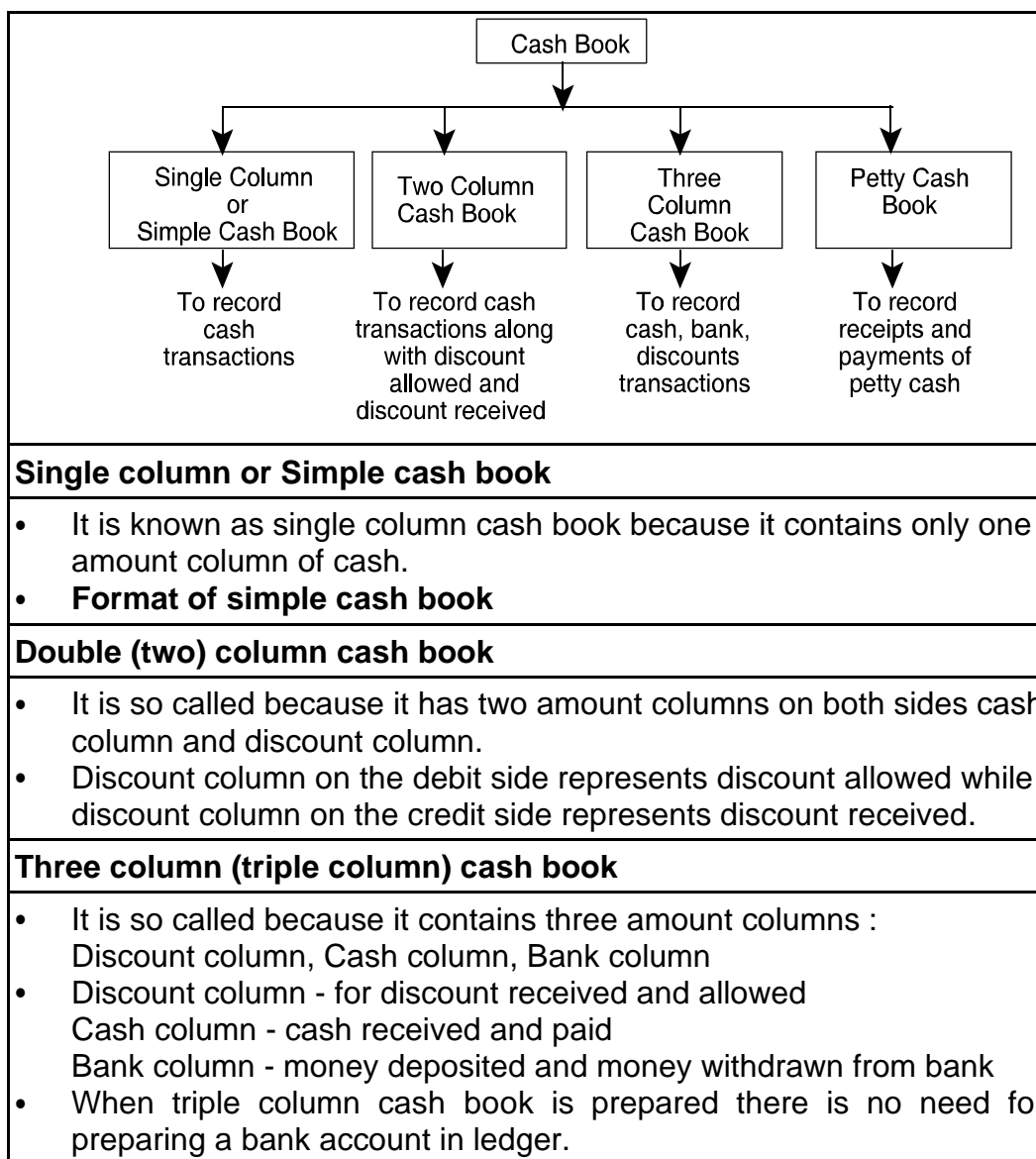
1. opening journal entry
2. closing journal entry
3. adjustment entry
4. transfer entry
5. rectification entry
6. purchase of fixed asset/stationary on credit
7. sale of worn out or obsolete assets on credit

**Cash Book**

- Cash book is a book of prime entry in which cash and bank transactions of a business are recorded in a chronological order.
- Cash book acts as both a book of original entry and a ledger. Hence, it is both a principal book and a subsidiary book. It records transaction concerning cash receipts and cash payments.
- A cash book has two sides:  
Debit: Cash and cheques received are recorded here  
Credit: Cash and cheque payments are recorded here.

**Types of Cash Book**

It records only one aspect of transaction i.e. cash.



**Concept of Contra Entry**

- (i) An entry which involves both cash and bank transactions is called a contra entry.
- (ii) These entries are posted on both sides of a cash book — one in bank column and other in cash column. [on opposite sides]
- (iii) A letter “C” is written in L. F. column showing that the entry is a contra entry.

**Petty Cash Book**

- Petty means small. A book which is used to record petty cash expenses of the business is called a petty cash book
- Petty cash book is maintained by a petty cashier
- The system by which petty cash book is maintained is known as “**Imprest System**”
- Petty cash book treated either as a part of double entry system or as a memorandum Book.

**Note: Imprest System**

Under this system, a fixed sum of money is given to the petty cashier for meeting expenses for a prescribed period called as Float. At the end of the period if all the amount is used for meeting expenses, then the same fixed sum will be given to the petty cashier for the next period. If any balance is left, then the remaining amount will be given to the cashier for the next period.

**Example:** If ₹ 500 are given to the cashier every month. For the month of January, he spends only ₹ 300 and ₹ 200 are left with him. So, for the month of Feb, he will be given only additional ₹ 300 to complete ₹ 500.

- The balance of petty cash book at the year end is shown as an asset.
- Petty cash book has columns showing the amount allocated to various expenses.

**Trial Balance**

- “A trial balance is a statement prepared with the debit and credit balances of the ledger accounts including cash and bank balances to test the arithmetical accuracy of books”.
- Trial balance is a statement and not an account and it is **not** a part of double entry system.
- As per double entry system totals of debit shall always be equal to totals of credit. To check this trial balance is prepared. All the accounts showing either a debit balance or a credit balance are placed in the trial balance and the debit and credit balances of the accounts are placed at the debit and credit columns respectively. At last, total of debit and credit columns are done.
- If both sides are equal - the accounts are arithmetically correct. However, there may be some hidden errors.

**MULTIPLE CHOICE QUESTIONS**

1. In each of the following one of the alternatives is correct, indicate the correct one:  
The convention that states that the accounting practice should be followed consistently over the years
  - (a) Consistency
  - (b) Conservation
  - (c) Materiality
  - (d) Disclosure
2. Claims against the company not acknowledged as debts are
  - (a) Contingent liability
  - (b) Current liability
  - (c) Secured loan
  - (d) Unsecured loan

3. A concern maintains a petty cash book under the imprest system. The imprest amount is ₹ 250. At the beginning of a week the petty cash book has a debit balance of ₹ 27. Amount needed to restore the imprest is
  - (a) ₹ 250
  - (b) ₹ 227
  - (c) ₹ 27
  - (d) ₹ 223.
4. A petty cash account has an imprest of ₹ 250. Currently the account has a debit balance of ₹ 30 Cash needed to restore the imprest is
  - (a) ₹ 30
  - (b) ₹ 220
  - (c) ₹ 250
  - (d) ₹ 280
5. Conservatism concept does not require
  - (a) Making provision for doubtful debts
  - (b) Valuing stock at lower of cost or net realisable value
  - (c) Creating provision for discount on creditors
  - (d) Making provision for an unfavourable legal suit
6. As per duality concept or accounting equivalence concept, which of the following is correct?
  - (a) All increase in liabilities and increase in assets represent sources of funds
  - (b) All decrease in liabilities and decrease in assets represent sources of funds
  - (c) All increase in liabilities and decrease in assets represent sources of funds
  - (d) All increase in liabilities and increase in assets represent uses of funds
7. The petty cash is kept on the imprest system and the balance at the start of the month is ₹ 300 if petty cash expenses during the month of ₹ 270 are incurred, the amount received from the cashier at the start of the next month should be
  - (a) ₹ 30

- (b) ₹ 270
  - (c) ₹ 300
  - (d) ₹ 570
8. Recording of Fixed Assets at cost ensures adherence of
- (a) Conservatism Concept
  - (b) Going Concern Concept
  - (c) Cost Concept
  - (d) Both (a) and (b) above
9. Human resources will not appear in the balance sheet according to \_\_\_\_\_ concept.
- (a) Accrual
  - (b) Going concern
  - (c) Money measurement concept
  - (d) None
10. The main purpose of petty cash is
- (a) to pay employees' wages
  - (b) to pay suppliers for their goods
  - (c) to provide change for the till
  - (d) to pay small day to day business expenses
11. 'A Limited' purchased goods of ₹ 10,00,000, and sold 90% of goods and remaining goods market value is ₹ 90,000, and closing stock is 10%, but he recorded ₹ 90,000 and not ₹ 1,00,000. Which concept does he follows:
- (a) Materiality concept
  - (b) Cost concept
  - (c) Entity concept
  - (d) Conservatism concept
12. Under the imprest system the petty cash is
- (a) increased every week
  - (b) reduced every week
  - (c) always restored to the original amount
  - (d) used up completely before being restored
13. Assets are held in the business for the purpose of:
- (a) Re-sale

- (b) Conversion into cash
  - (c) Earning reverse
  - (d) None of the above.
14. It is essential to standardize the accounting principles and policies in order to insure:
- (a) Transparency
  - (b) Consistency
  - (c) Comparability
  - (d) All of the above.
15. In the financial statement, contingent liability is:
- (a) Recognized
  - (b) Not Recognized
  - (c) Adjusted
  - (d) None of the above.
16. Rohan purchased goods for ₹ 25,00,000 and sold 4/5th of the goods amounting ₹ 18,00,000 and met expenses amounting ₹ 2,50,000 during the year, 2013. He counted net profit as ₹ 3,50,000 which accounting concept was followed by him?
- (a) Entity
  - (b) Periodicity
  - (c) Matching
  - (d) Conservation.
17. The determination of expenses for an accounting period is based on the principle of:
- (a) Objectivity
  - (b) Materiality
  - (c) Matching
  - (d) Periodicity.
18. The concepts of Conservation in balance sheet results in:
- (a) Increase in Cash
  - (b) Decrease in Cash
  - (c) Decrease in assets
  - (d) No change in assets.



19. An analytical petty cash book
  - (a) lists different petty cash expenses under their relevant headings
  - (b) is used instead of a three column cash book
  - (c) is not part of the double entry system
  - (d) is always run on the imprest system
20. A petty cash book is usually maintained by
  - (a) small traders
  - (b) big business houses
  - (c) all business houses—big and small
21. Which of the following is not a contingent liability ?
  - (a) Claims against the company not acknowledged as debts
  - (b) Debts included on debtors which are doubtful in nature
  - (c) Uncalled liability on partly paid shares
  - (d) Arrears of cumulative fixed dividends.
22. A petty cash book records
  - (a) receipts and payments of small amounts
  - (b) only small payments
  - (c) only small expenses
  - (d) small expenses and income
23. The concept of conservatism will have the effect off:
  - (a) Overstatement of Assets
  - (b) Understatement of Assets
  - (c) Overstatement of Liabilities
  - (d) Understatement of Liabilities.
24. The balance of petty cash book represents
  - (a) petty expenses
  - (b) profit
  - (c) petty cash in hand
  - (d) none of these
25. Accounting is a / an \_\_\_\_\_.
  - (a) Science
  - (b) Art
  - (c) Subject matter of sociology
  - (d) Subject matter philosophy.
26. Accounting does not record non-financial transactions because

- of \_\_\_\_\_.
- (a) entity concept
  - (b) accrual concept
  - (c) measurement concept
  - (d) going concept
27. The determination of expenses for an accounting period is based on the concept of
- (a) Objectivity
  - (b) Materiality
  - (c) Matching
  - (d) Periodicity
28. Decrease in the amount of creditors results in
- (a) increase in cash
  - (b) decrease in cash
  - (c) increase in assets
  - (d) no change in assets
29. Accounting does not record non-financial transactions because of
- (a) Entity Concept
  - (b) Accrual Concept
  - (c) Cost Concept
  - (d) Money Measurement Concept
30. Which of the following transactions will be entered in the journal Proper?
- (a) purchase of furniture for resale
  - (b) sale of old office equipment for cash
  - (c) recovery of a debit previously written off as bad
  - (d) return of machinery previously purchased for use in the business
31. Which one of the following character is not related to Financial Accounting?
- (a) Evaluates the financial strength of the whole business.
  - (b) Based on monetary transactions of the enterprise.
  - (c) Reports are always subject to statutory audit.
  - (d) Reports are as per requirement of management.
32. Which one of the following equation is correct?
- (a) Owner's Equity = Liability + Asset

- (b) Owner's Equity = Asset – Liability
  - (c) Liability = Owner's Equity + Asset
  - (d) Asset = Owner's Equity – Liability
33. Returns Inward Book is used to record
- (a) Returns of goods previously sold
  - (b) Returns of goods previously purchased
  - (c) Returns of fixed assets previously purchased
  - (d) Returns of fixed assets previously sold
34. Accounting does not record non-financial transactions because of
- (a) Entity concept
  - (b) Accrual concept
  - (c) Cost concept
  - (d) Money measurement concept
35. Returns Inward Book is used to record
- (a) Returns of goods previously sold
  - (b) Returns of goods previously purchased
  - (c) Returns of fixed assets previously purchased
  - (d) Returns of fixed assets previously sold
36. Sales Day Book is used to record
- (a) all sales
  - (b) all credit sales
  - (c) all credit sales of goods
  - (d) all credit sales of assets
37. Purchase Day Book is used to record
- (a) all purchases
  - (b) all credit purchases
  - (c) all credit purchases of goods
  - (d) all credit purchases of assets
38. Gopal Bros. have purchased a filing cabinet for office use, from Office Supplies Ltd. paying immediately by cash. This transaction will be entered in the
- (a) journal proper
  - (b) purchase day book
  - (c) cash book

- (d) none of the above
39. Accounting cycle ends with preparation of \_\_\_\_\_.
- (a) the journal/ledger
  - (b) the trial balance
  - (c) the financial statement
  - (d) the closing entries record
40. The credit purchases of fixed assets are recorded in
- (a) Purchase Book
  - (b) Cash Book
  - (c) Journal Proper
  - (d) Sales Return Book
41. The total of discount column on the debit side of the Cash Book, is posted to the
- (a) Credit of the discount allowed account
  - (b) Debit of the discount received account
  - (c) Credit of the discount received account
  - (d) Debit of the discount allowed account
42. The Trial Balance checks:
- (a) Arithmetical Mistake.
  - (b) Honesty of the book keeper.
  - (c) Valuation of Closing Stock.
  - (d) Nature of the business.
43. Cash sales at exhibition hall are:
- (a) Recorded in Journal Proper
  - (b) Recorded in Cash Book
  - (c) Recorded in Sales Book
  - (d) Not recorded
44. A Capital Reserve is built out of
- (a) Recurring profits
  - (b) Non-recurring profits
  - (c) Revenue

- (d) Reserve Fund
45. Wages paid for installation of assets should be debited to
- (a) Wages A/c
  - (b) Assets A/c
  - (c) Trading A/c
  - (d) P & L A/c
46. Revenue Reserves are built out of
- (a) Recurring profit
  - (b) Non recurring profit
  - (c) Capital Reserves
  - (d) None of the above
47. A transaction affects three accounts, one account is debited by ₹ 7,500, another account is credited by ₹ 9,000. Third account will be
- (a) Credited by ₹ 7,500
  - (b) Debited by ₹ 9,000
  - (c) Credited by ₹ 1,500
  - (d) Debited by ₹ 1,500
48. Shiva who was a creditor for ₹ 47,000, his account was settled for ₹ 45,850. At the time of settlement, Shiva's account would be debited by
- (a) ₹ 45,850
  - (b) ₹ 47,000
  - (c) ₹ 1,150
  - (d) None of the above
49. Which of the following is a transaction of contra entry ?
- (a) Purchased goods from X ₹ 10,000
  - (b) Cash deposited into Bank ₹ 15,000
  - (c) Paid to Y ₹ 4,800 in full settlement of ₹ 5,000
  - (d) Shop rent of ₹ 6,000, paid by cheque
50. Which of the following is not a business transaction ?
- (a) Rent paid to Landlord ₹ 5,000
  - (b) Goods purchased from Z ₹ 20,000
  - (c) Placed an order to Chandra & Co. for purchasing the goods for ₹ 35,000

- (d) Received interest from Bank ₹ 2,000
51. Cash column of cash book can never have
- (a) Credit balance
  - (b) Debit balance
  - (c) Zero balance
  - (d) None of the above
52. Interest paid on loan taken for purchase of asset should be debited to
- (a) Interest A/c
  - (b) Asset A/c
  - (c) Profit and Loss A/c
  - (d) Trading A/c
53. Identify Personal Account from the following :
- (a) Furniture A/c
  - (b) Bank of India A/c
  - (c) Rent A/c
  - (d) Investment A/c
54. Compound journal entry contains
- (a) More than one debit entry only
  - (b) More than one credit entry only
  - (c) More than one debit entry or more than one credit entry or both
  - (d) No Narrations
55. Which one of the equation is correct
- (a) Total Assets - Liabilities = Capital - Profit
  - (b) Total Assets - Liabilities = Capital + Profit
  - (c) Total Assets + Profit = Capital + Liabilities
  - (d) Total Assets + Liabilities = Capital - Profit
56. Journal is a
- (a) Memorandum record
  - (b) Secondary record
  - (c) Primary record
  - (d) None of the above
57. Which is the correct, if cash sales of ₹ 2000 is omitted to be recorded in

cash sales account?

- (a) Debit amount in trial balance has been increased by ₹ 2,000
  - (b) Debit amount in trial balance has been increased by ₹ 4,000
  - (c) Credit amount in trial balance has been increased by ₹ 2,000
  - (d) Credit amount in trial balance has been increased by ₹ 4,000
58. How is the "distribution of goods as free sample" recorded in the Journal?
- | Debit                     | Credit                  |
|---------------------------|-------------------------|
| (a) Trading Account       | Sales Account           |
| (b) Advertisement Account | Profit and Loss Account |
| (c) Purchase Account      | Advertisement Account   |
| (d) Advertisement Account | Purchase Account        |
59. Which is the correct equation as per the double entry concept?
- (a) Liabilities = capital + assets
  - (b) Assets + liabilities = capital
  - (c) Capital = assets - liabilities
  - (d) Assets = capital - liabilities
60. Which of the following is not a personal account?
- (a) Capital account
  - (b) Pre-paid rent account
  - (c) Salary account
  - (d) Interest outstanding account
61. From the following, which is not considered as subsidiary book?
- (a) Bills Receivable Book
  - (b) Bills Payable Book
  - (c) Journal Proper
  - (d) Cash Book
62. Journal is a
- (a) Memorandum Record
  - (b) Primary Record
  - (c) Secondary Record
  - (d) All of the above
63. Ledger is also called

- (a) Principal book of accounts
  - (b) Cash books
  - (c) Subsidiary book
  - (d) None of these
64. The process of balancing of an account involves equalization of both sides of the account. If the debit side of an account exceeds the credit side, the difference is put on the credit side. The said balance is
- (i) A Debit balance
  - (ii) A Credit balance
  - (iii) An expenditure or an Asset
  - (iv) An Income or a Liability
- (a) Only (ii) above
  - (b) Only (iv) above
  - (c) Both (i) and (iii) above
  - (d) Both (ii) and (iii) above
65. Credit sale is recorded in:
- (a) Sales Book
  - (b) Sales Account
  - (c) Creditor
  - (d) None
66. If wages are paid for construction of business premises \_\_\_\_\_ A/c is credited and \_\_\_\_\_ A/c is debited.
- (a) Wages, Cash
  - (b) Premises, Cash
  - (c) Cash, Wages
  - (d) Cash, Premises
67. Which of the following is not a Real Account?
- (a) Cash A/c
  - (b) Investments A/c
  - (c) Outstanding rent A/c
  - (d) Purchases A/c
68. What is the principle of nominal A/c?



- (a) Debit what comes in, credit what goes out.
  - (b) Debit all expenses & losses & credit all incomes & gains.
  - (c) Debit the receiver, credit the giver.
  - (d) Debit all assets, credit all liabilities.
69. Debit notes issued are used to prepare \_\_\_\_\_.
- (a) Sales Returns Book
  - (b) Purchase Returns Book
  - (c) Journal Proper
  - (d) Purchases Book
70. The \_\_\_\_\_ in a ledger helps in locating the accounts contained in it:
- (a) Folio
  - (b) Pages
  - (c) Serial Number
  - (d) None of these.
71. Purchase of goods on credit:
- (a) Increases Liabilities
  - (b) Increases Assets
  - (c) Increases both Assets and Liabilities
  - (d) Decreases Assets.
72. An Investment in one asset A/c may lead to:
- (a) Increase in Liability A/c
  - (b) Decrease in A/c asset
  - (c) Either a or b
  - (d) Both a and b
73. In an account if Debit side > Credit side, the balance is known as the:
- (a) Negative Balance
  - (b) Debit Balance
  - (c) Positive Balance
  - (d) Credit Balance
74. Which of these transactions will not be recorded in cash book:

- (a) Cash received from debtors
  - (b) Cash paid to creditors
  - (c) Salary remained outstanding
  - (d) Cash deposited with bank.
75. Revenue is generally recognised as being earned at that point of time when:
- (a) Sale is effected
  - (b) Cash is received
  - (c) Production is completed
  - (d) Debts are collected.
76. A Customer returning the goods purchased on credit, may inform the seller by sending:
- (a) Debit Note
  - (b) Credit Note
  - (c) Court Notice
  - (d) Return Invoice.
77. Sales of office furniture should be credited to:
- (a) Sales Account
  - (b) Furniture Account
  - (c) Purchase Account
  - (d) Cash Account
78. Sale or Return Day Book and Sale or ledger Return Ledger are known as:
- (a) Principal books
  - (b) Subsidiary books
  - (c) Memorandum books
  - (d) None of the above
79. ₹ 1,000 paid as wages for erecting machine should be debited to:
- (a) Repair account
  - (b) Machine account
  - (c) Capital account
  - (d) Furniture account.
80. The process of balancing of an account involves equalization of both sides of the account. If the debit side of an account exceeds the credit

side the difference is put on the credit side. The said balance is :

- (i) A debit balance
  - (ii) A credit balance
  - (iii) An expenditure or an asset
  - (iv) An income or a liability
  - (a) Only (ii) above
  - (b) Only (iv) above
  - (c) Both (i) and (ii) above
  - (d) Both (ii) and (iii) above
81. Which of the following is an example of Personal Account?
- (a) Machinery
  - (b) Rent
  - (c) Cash
  - (d) Creditor
82. Which of the following is not a financial statement?
- (a) Profit and loss account
  - (b) Balance sheet
  - (c) Funds flow statement
  - (d) Trial Balance.
83. Which English alphabet is similar to the shape of an account?
- (a) I
  - (b) T
  - (c) H
  - (d) None of the above.
84. Which column of Cash Book never balanced?
- (a) Discount column
  - (b) Cash
  - (c) Bank
  - (d) Petty cash.
85. The amount payable to a person as consideration for the use of right vested in him is:
- (a) Dividend

- (b) Royalty
  - (c) Purchase consideration
  - (d) Installment.
86. The closing balance of a petty cash book is a / an\_\_\_\_\_ .
- (a) Liability
  - (b) Gain
  - (c) Assets
  - (d) Loss.
87. Goods bought for ₹ 25,000 passed through sales day book will result in \_\_\_\_\_.
- (a) decrease in Gross Profit
  - (b) no effect on Gross Profit
  - (c) increase in Gross Profit
  - (d) decrease in Net Profit
88. Narration are given at the end of
- (a) Final Accounts
  - (b) Each Ledger Account in Trial Balance
  - (c) Each Ledger Account
  - (d) Each Journal Entry
89. Nominal Account represents
- (a) Profit & Gain
  - (b) Loss/Expenses
  - (c) Both (a) and (b)
  - (d) None of the above
90. Prepaid rent is a
- (a) Nominal Account
  - (b) Representative Personal Account
  - (c) Tangible Assets Account
  - (d) None of the above
91. Purchases book is used to record
- (a) All purchases of goods
  - (b) All credit purchase
  - (c) All credit purchases of goods

- (d) All credit purchases of assets other than goods
92. The source document or voucher used for recording entries in Sales Book is
- (a) invoice received
  - (b) invoice sent out
  - (c) credit notes sent out
  - (d) debit notes received
93. Trade discount allowed at the time of sale of goods is
- (a) recorded in Sales Book
  - (b) recorded in Cash Book
  - (c) recorded in Journal
  - (d) not recorded in Books of Accounts
94. A sale of goods to Ram for cash should be debited to
- (a) Ram
  - (b) Cash A/c
  - (c) Sales A/c
  - (d) Capital A/c
95. Ledger contains various \_\_\_\_\_ in it.
- (a) transactions
  - (b) entries
  - (c) accounts
  - (d) None of the above
96. The balance of the Petty Cash is a/an
- (a) expense
  - (b) income
  - (c) asset
  - (d) liability
97. Closing stock appearing in the Trial Balance is shown in
- (a) Trading A/c and Balance Sheet
  - (b) Profit and Loss A/c
  - (c) Balance Sheet only
  - (d) Trading A/c only

98. Identify the 'Personal Account' from the following.
- (a) Salary Payable Account
  - (b) Taxes Paid Account
  - (c) Investment Account
  - (d) Trademark Account
99. Which of the following is a transaction of contra entry?
- (a) Sale goods to Y ₹ 12,500.
  - (b) Godown rent ₹ 7,000 paid by cheque.
  - (c) Received ₹ 12,000 in full settlement of ₹ 12,500.
  - (d) Cash deposited to bank ₹ 9,000.
100. When Trial Balance will not tally/mismatch?
- (a) Two errors those are compensating each other.
  - (b) A transaction recorded twice.
  - (c) Taking balance to the wrong side in the Trial Balance.
  - (d) If an entry is totally missed.
101. Which balance is not considered for closing entries on the basis of trial balance for transferring to Trading and Profit & Loss Account?
- (a) Salary and Wages
  - (b) Discount Received
  - (c) Commission Paid
  - (d) Cash in Hand
102. Cash book is a
- (a) Subsidiary book
  - (b) Subsidiary book and a Ledger account
  - (c) Ledger account
  - (d) None of the above
103. The periodical total of the Sale Return Book is posted to the
- (a) Debit side of Sales Account.
  - (b) Debit side of Sales Return Account.
  - (c) Credit side of Sales Return Account.
  - (d) Debit side of Debtors Return.
104. Narration is given at the end of

- (a) Final accounts
  - (b) Trial balance
  - (c) Each ledger account
  - (d) Each journal entry
105. Which one of the following is an example of Personal Account?
- (a) Machinery
  - (b) Rent
  - (c) Cash
  - (d) Creditor
106. A withdrawal of cash from business by the proprietor should be credited to
- (a) Drawing Account
  - (b) Capital Account
  - (c) Cash Account
  - (d) Purchase Account
107. Which financial statement represent the accounting equation \_\_\_\_\_  
Asset = Liability + Owner's equity:
- (a) Income statement
  - (b) Cash flow statement
  - (c) Balance Sheet
  - (d) None of the above
108. A debit note issued to a creditor for goods returned is to be recorded in the
- (a) Bills receivable book
  - (b) Purchase book
  - (c) Purchase return book
  - (d) Journal proper
109. Cash book is a form of
- (a) Ledger
  - (b) Journal
  - (c) Trial Balance
  - (d) All of the above

110. A sale of goods to Laxman for cash should be debited to
- (a) Laxman A/c
  - (b) Cash A/c
  - (c) Sales A/c
  - (d) Capital A/c
111. The debts written off earlier as bad, subsequently recovered are
- (a) Debited to profit and loss A/c
  - (b) Credited to bad debt recovery A/c
  - (c) Credited to trade receivable A/c
  - (d) Credited to debtors A/c
112. Which of the following transaction is not recorded in cash book?
- (a) Bad debts recovered
  - (b) Prepaid expenses
  - (c) Trade discount allowed
  - (d) Freight paid for acquiring an asset
113. Credit purchase of fixed asset is recorded in
- (a) Journal proper
  - (b) Purchase book
  - (c) Cash book
  - (d) Petty cash book
114. When cash received for services rendered in the past
- (a) Owner's equity increases
  - (b) Current asset increases
  - (c) Profit increases
  - (d) None of the above
115. The trial balance checks
- (a) Nature of business
  - (b) Valuation of closing stock
  - (c) Correctness of cash in hand
  - (d) Arithmetical accuracy
116. \_\_\_\_\_ does fulfil the function of both a journal and a ledger.
- (a) Purchase book



- (b) Cash book
  - (c) Sales book
  - (d) Bills Payable book
117. Which of the following is artificial personal account?
- (a) SBI account
  - (b) Wages paid account
  - (c) Discount received account
  - (d) Drawings account
118. Journal proper uses to record \_\_\_\_\_.
- (a) bad debts recovered
  - (b) all cash purchases of assets other than goods
  - (c) writing of bad debts
  - (d) purchase of goods on credit
119. Double Entry Principle means :
- (a) Having debit for every credit and similarly, credit for each debit
  - (b) Writing all the entries twice in the book
  - (c) Maintaining the double account for all business transactions
  - (d) Writing two times the same entry.
120. Which of the following is not a function of accounting
- (a) Keeping systematic record
  - (b) Protecting properties of business
  - (c) Maximising the results
  - (d) Meeting legal requirements
121. The system of recording transactions based on dual concept is called
- (a) Double account system
  - (b) Double entry system
  - (c) Single entry system
  - (d) Cash system.
122. Which is not function of accounting?
- (a) Decision making
  - (b) Measurement
  - (c) Forecasting
  - (d) Ledger posting.
123. The total of the Purchases Day Book for the month will be entered on

- the
- (a) debit side of the purchases account
  - (b) credit side of the purchases account
  - (c) debit side of the individual accounts of creditors
  - (d) credit side of the individual accounts of creditors
124. The sale of a business asset on credit is recorded in
- (a) sales journal
  - (b) cash receipt journal
  - (c) general journal
  - (d) none of these
125. On 31<sup>st</sup> Dec, 2006 assets of the business are ₹ 3,00,000 and its capital is ₹ 1,00,000. Its liabilities on that date will be
- (a) ₹ 4,00,000
  - (b) ₹ 2,00,000
  - (c) ₹ 1,00,000
  - (d) None of the above.
126. When goods are returned to suppliers, the suppliers will also receive
- (a) credit note
  - (b) debit note
  - (c) either credit note or debit note
  - (d) credit note and debit note both
127. Book-keeping is mainly concerned with
- (a) Recording of financial data
  - (b) Designing the systems in recording, classifying and summarizing the recorded data.
  - (c) Interpreting the data for internal and external users.
  - (d) None of the above.
128. The books of accounts of a firm of office equipment suppliers include the usual subsidiary books and three ledgers; purchases, sales and general. If a typewriter is purchased on credit for the purpose of resale, the subsidiary book and ledger(s) to be used for recording this transaction should be

- (a) journal and general ledger
  - (b) journal, general ledger and purchases ledger
  - (c) purchases day book and general ledger
  - (d) purchases day book general ledger and purchases ledger
129. Accounting cycle starts with \_\_\_\_\_ ends with \_\_\_\_\_ :
- (a) Recording of transactions, preparation of final accounts
  - (b) Recording of transactions, posting them in ledger.
  - (c) Recording & posting of transaction, preparation of final accounts
  - (d) None of the above.
130. According to Dual aspect concept, which of the following is incorrect :
- (a) Increase in one asset & decrease in other asset
  - (b) Decrease in one liability & increase in other liability
  - (c) Decrease in both liability & asset
  - (d) None of the above.
131. What does 'AICPA' stands for:
- (a) American Institute of Certified Public Accountants
  - (b) Anglo Institute of Certified Public Accountants
  - (c) African Institute of Certified Public Accountants
  - (d) American Institute of Certified Private Accountants
132. "The system of book keeping by double entry is, perhaps the most beautiful one in the wide domain of literature or science. Were it less common, it would be the administration of the learned world" is spoken by:
- (a) Luca Pacioli
  - (b) Edwin T. Freedly
  - (c) Warren Buffet
  - (d) Richard Notebaert
133. Who originated the double entry system of accounting:
- (a) Alfred Marshall
  - (b) Edwin T. Freedly
  - (c) Luco Pacoli
  - (d) Warren Buffet
134. A credit note received from a supplier would be recorded in
- (a) cash book
  - (b) returns inward book

- (c) journal
  - (d) returns outward book
135. Closing entries are recorded in
- (a) journal proper
  - (b) ledger
  - (c) cash book
  - (d) none of these
136. Which organisation uses cash system of Accounting?
- (a) Company
  - (b) NPO's
  - (c) Partnership Firms
  - (d) None of the above
137. What is the full form of GAAP:
- (a) Generally Accepted Accounting Parts
  - (b) Generally Accepted Accounting Provisions
  - (c) Generally Accepted Accounting Principals
  - (d) Generally Accepted Accounting Principles
138. Who defined this statement "An account has been defined as a formal record of a particular type of transaction expressed in money"
- (a) Luco Pacoli
  - (b) Warren Buffet
  - (c) Philip Kotler
  - (d) Kohler
139. Which of the following is NOT a characteristic of Accounting?
- (a) Accounting is an art
  - (b) It records transactions only in monetary terms
  - (c) It is concerned with interpretation of results
  - (d) None of the above
140. Which of the following is NOT a branch of Accounting?
- (a) Financial Accounting
  - (b) Cost Accounting
  - (c) Corporate Accounting
  - (d) Management Accounting
141. "Book keeping starts where accounting ends":
- (a) True

- (b) Partly True
  - (c) False
  - (d) Partly False
142. Following one is not a book of original entry
- (a) purchases book
  - (b) cash book
  - (c) ledger
  - (d) bills payable book
143. Which of the following is not a form of personal account?
- (a) Natural Personal Account
  - (b) Artificial Personal Account
  - (c) Representative Personal Account
  - (d) Nominal Personal Account
144. Closing entries are recorded in
- (a) purchases book
  - (b) sales book
  - (c) cash book
  - (d) journal proper
145. Which of the following is not the purpose of accounting?
- (a) Providing information about the assets, liabilities and capital of business entity
  - (b) Maintaining record of business
  - (c) Providing information about the performance of business
  - (d) Providing details about the personal assets and liabilities of the owners of business entity.
146. Mohan a cloth merchant buys cloth for ₹ 50,000 paying cash ₹ 20,000. What is the amount of expense as per accrual concept?
- (a) 50,000
  - (b) 20,000
  - (c) 30,000
  - (d) Nil
147. The principal book of account is
- (a) cash book
  - (b) ledger
  - (c) journal

(d) none of these

148. Match List I with List II and select the correct answer using the codes given below the lists.

List I (Types of Accounts)	List II (Principles)
X. Real account	1. Debit the receiver, credit the giver
Y. Nominal Account	2. Debit what comes in, credit what goes out
Z. Personal Account	3. Debit all expenses, credit all gains

Correct option is:

	X	Y	Z
(a)	3	2	1
(b)	1	3	2
(c)	2	3	1
(d)	1	2	3.

149. Rustam and Co. Purchases a typewriter for office use from Equipment Suppliers Ltd., payment immediately by cash. This transaction will be entered in the

- (a) cash book
- (b) journal proper
- (c) purchases day book
- (d) none of these

150. Revaluation account is a:

- (a) Nominal account
- (b) Real account
- (c) Personal account
- (d) None of the above.

151. In which of the book cash purchase is recorded?

- (a) Cash book
- (b) Purchase book
- (c) Both (a) and (b)
- (d) None of these

152. In case of three column cash book, contra entry is related with:

- (a) Cash; Discount
  - (b) Cash; Bank
  - (c) Bank; Discount
  - (d) None of these
153. Double Entry principle means:
- (a) Writing all entries twice in the book
  - (b) Having debit for every credit and similarly, credit for every debit
  - (c) Maintaining the double account for each business transactions.
  - (d) Writing two times the same entry.
154. If salaries paid appearing in the trial balance for the year ending 2017 is ₹ 7,500 and it is given in the adjustments that the salary unpaid for the year ending 2017 is ₹ 2,500. The total amount to be debited to the Profit and Loss Account under the head salaries will be:
- (a) ₹ 10,000
  - (b) ₹ 5,000
  - (c) ₹ 2,500
  - (d) ₹ 7,500
155. The three columns on each side of a three columns cash book represent:
- (a) Real and personal accounts
  - (b) Real and nominal accounts
  - (c) Personal and nominal account
  - (d) Real, personal and nominal accounts
156. Mathur & Co. purchases a motor car on credit from Auto Distributors for the purpose of resident. This transaction will be entered in the
- (a) cash book
  - (b) journal proper
  - (c) purchase day book
  - (d) none of these
157. Credit balance of a personal account indicates :
- (a) Cash balance
  - (b) Amount payable
  - (c) Amount receivable
  - (d) None of the above.
158. Cash account will show :

- (a) Debit or credit balance
  - (b) A credit balance
  - (c) A debit balance
  - (d) None of these.
159. Ledger Book is popularly known as:
- (a) Secondary book of accounts
  - (b) Principal book of accounts
  - (c) Subsidiary book of accounts
  - (d) None of the above.
160. Cash book is a:
- (a) Subsidiary Book
  - (b) Subsidiary Journal and Ledger
  - (c) Ledger Account
  - (d) None of these.
161. The balance in the petty cash book is:
- (a) An expenses
  - (b) A profit
  - (c) An asset
  - (d) A liability.
162. Balance of cash book is posted to the ledger.
- (a) In the cash account
  - (b) In bank account
  - (c) No where
  - (d) Either (a) or (b)
163. A cheque received and deposited in the same day is recorded in the:
- (a) Cash column of the cash book
  - (b) Bank column of the cash book
  - (c) Credited in the cash book
  - (d) Debited in the cash book
164. In a three column Cash Book :
- (a) Only cash column and discount columns are balanced
  - (b) Only bank column and discount columns are balanced



- (c) Only cash column and bank columns are balanced
  - (d) Cash column, bank column and discount columns are balanced.
165. Purchases book is used to record :
- (a) All purchases of goods
  - (b) All credit purchases
  - (c) All credit purchase of goods
  - (d) All credit purchases of assets other than goods.
166. Sales returns book is used to record :
- (a) Returns of fixed assets sold on credit
  - (b) Returns of goods sold for cash
  - (c) Returns of goods sold on credit
  - (d) Sales of goods.
167. Purchase for office furniture on account is recorded in:
- (a) General journal
  - (b) Cash book
  - (c) Purchases book
  - (d) Sales book.
168. Acceptances received and recorded in Bills Receivable Book are transferred to ledger:
- (a) On the debit side of relevant personal accounts
  - (b) On the credit side of relevant personal account
  - (c) Nowhere
  - (d) Either (a) or (b)
169. A Return Inwards Book is kept to record:
- (a) Returns of goods sold
  - (b) Returns of anything purchased
  - (c) Returns of goods purchased
  - (d) Returns of anything sold.
170. A second hand motor car was purchased on credit from Mohan will be recorded in the —
- (a) Journal proper (General Journal)

- (b) Sales Book
  - (c) Cash Book
  - (d) Purchase Book.
171. Which of these is a method of preparation of Trial Balance ?
- (a) Total method
  - (b) Balance method
  - (c) Both (a) and (b)
  - (d) None.
172. If Trial Balance tallies it surely means that there are no errors in books of account. This statement is \_\_\_\_\_.
- (a) True
  - (b) False
  - (c) Partly True
  - (d) None.
173. Which of the following is both a principal as well as a subsidiary book?
- (a) Sales Book
  - (b) Purchase Book
  - (c) Cash Book
  - (d) Bills Receivable Book
174. If goods worth ₹ 20,000 are stolen, then it shall be recorded in:
- (a) Purchase Book
  - (b) Journal Proper
  - (c) Purchases Return Book
  - (d) All of the above
175. The total of purchase book will be posted in ledger in:
- (a) Debit side of purchase A/c
  - (b) Credit side of purchase A/c
  - (c) Credit side of cash A/c
  - (d) None of the above
176. The total of sales book will be posted in ledger in:
- (a) Debit side of sales A/c
  - (b) Credit side of sales A/c
  - (c) Debit side of cash A/c
  - (d) None of the above

177. The total of sales return will be recorded in the ledger by:
- (a) Debiting sales return A/c
  - (b) Crediting sales return A/c
  - (c) Crediting cash A/c
  - (d) Debiting cash A/c
178. Which of the following transactions will be recorded in the sales book of Mohit Furnitures & Co.?
- (a) Sold Table for cash ₹ 10,000
  - (b) Sold Chair to Mehra & Co. for ₹ 12,000
  - (c) Sold an old Typewriter for ₹ 2,000 to Verma & Co.
  - (d) Both (a) and (c)
179. Which of the following transactions will be recorded in the purchase book of Sharma Cloth House?
- (a) Purchased Cloth worth ₹ 2,000 for cash
  - (b) Purchased stationery worth ₹ 200 on credit
  - (c) Purchased cloth worth ₹ 5,000 from Verma Garments
  - (d) None of the above
180. Which of the following is NOT included in Trial Balance?
- (a) Closing stock
  - (b) Opening stock
  - (c) Suspense A/c
  - (d) All of the above
181. If the trial balance is NOT reconciled, then it is reconciled by opening:
- (a) Suspense A/c
  - (b) Reconciliation A/c
  - (c) Miscellaneous A/c
  - (d) None of the above
182. The overdraft balance in the Savings A/c of the bank will be at the
- (a) Debit side of Bank column
  - (b) Credit side of Bank column
  - (c) Neither (a) nor (b)
  - (d) Both (a) and (b)
183. Which of the following transactions are recorded in purchase book?

- (a) All purchases made during the year
  - (b) Only credit purchases during the year
  - (c) Only credit purchases of goods traded by the firm
  - (d) None the above
184. If goods worth ₹ 5000 are taken by the proprietor for personal use, the entry will be:
- (a) Debit Drawings A/c, Credit Purchases A/c
  - (b) Debit Purchases A/c, Credit drawings A/c
  - (c) Debit Proprietor A/c, Credit Purchases A/c
  - (d) Credit Proprietor A/c, Debit stock A/c
185. The Balance in the bank pass book is:
- (a) Debit
  - (b) Credit
  - (c) Both Debit & Credit
  - (d) None of the above
186. Maintaining petty cash book is:
- (a) Mandatory
  - (b) Necessary
  - (c) Dependant on nature of business
  - (d) All of the above.
187. Purchase book records:
- (a) All purchases made by the firm
  - (b) All purchases of fixed asset used by the firm
  - (c) Credit purchases of goods dealt in by the firm
  - (d) Cash purchases of goods dealt in by the firm.
188. Sales Book is prepared:
- (a) On the basis of Cash Book
  - (b) On the basis of copies of invoices.
  - (c) Both (a) and (b)
  - (d) On the basis of sales orders.
189. In which book does the cash sales will be recorded-
- (a) Cash Book

- (b) Purchase Book
  - (c) General Journal
  - (d) Sales Book.
190. The following is entered in the Journal Proper
- (a) purchase of an asset for cash
  - (b) purchase of goods for cash
  - (c) purchase of an asset on credit
  - (d) purchase of goods on credit
191. The Returns Outward Day Book is entered up from the following documents
- (a) invoices received
  - (b) credit notes received
  - (c) invoices sent out
  - (d) debit notes sent out
192. If capital is ₹ 10,000, creditors ₹ 5,000, B/P ₹ 2,000. Machinery ₹ 2,000, Prepaid expenses ₹ 1,000. Land and Building ₹ 5,000. Find the value of Debtors is:
- (a) ₹ 7,000
  - (b) ₹ 12,000
  - (c) ₹ 9,000
  - (d) ₹ 8,000
193. B/P ₹ 20,000, creditors ₹ 10,000, Debtors ₹ 5,000, Investment ₹ 2,00,000 Plant and Machinery is ₹ 1,50,000, closing stock is ₹ 20,000 find the capital:
- (a) ₹ 3,55,000
  - (b) ₹ 2,00,000
  - (c) ₹ 3,44,000
  - (d) ₹ 3,45,000
194. The Purchase Day Book is entered up from the following documents
- (a) invoices received
  - (b) credit notes sent out
  - (c) invoices sent out
  - (d) debit notes received
195. The Sales Day Book is entered up from the following documents
- (a) invoices received

- (b) credit notes sent out
  - (c) invoices sent out
  - (d) debit notes received
196. A suspense account facilitates the preparation of \_\_\_\_\_ when the \_\_\_\_\_ has not been tallied .
- (a) Trial Balance, Financial Statement
  - (b) Financial Statement, Trial Balance
  - (c) Ledger, Trial Balance
  - (d) Journal, Trial Balance
197. After preparing the trial balance the accountant finds that the total of the debt side is short by ₹ 51,000. This difference will be :
- (a) Debited to suspense account
  - (b) Adjusted to any of the debit balance account
  - (c) Credited to suspense account
  - (d) Adjusted to any of the credit balance account
198. Day books are used because
- (a) the double entry system would not work without them
  - (b) to meet the requirements of the law
  - (c) it is a convenient way of grouping together similar transactions which reduces the number of entries in the ledger
  - (d) None of the above
199. The bank column of a cash book may show
- (a) only a debit balance
  - (b) only a credit balance
  - (c) either a debit balance or a credit balance
200. In a three column Cash Book
- (a) only cash and bank columns are balanced
  - (b) only cash and discount columns are balanced
  - (c) only bank and discount columns are balanced
  - (d) cash, bank and discount columns are balanced
201. when both the aspects of a transaction are recorded in the cash book itself, it is called
- (a) a transfer entry
  - (b) an opening entry

- (c) a contra entry
  - (d) a compound entry
202. Cash book is a
- (a) ledger account
  - (b) subsidiary book
  - (c) journal as well as ledger
  - (d) none of these
203. Cash Book is
- (a) a journal and not a ledger
  - (b) a ledger and not a journal
  - (c) both a journal and a ledger
  - (d) neither a journal nor a ledger
204. Cash book records
- (a) all receipts only
  - (b) all payments only
  - (c) all cash and credit transactions
  - (d) all receipts and payments of cash
205. When a firm maintains a simple cash book (with cash column only), it need not maintain
- (a) purchases journal
  - (b) sales journal
  - (c) general journal
  - (d) cash account in the ledger
  - (e) bank account in the ledger
206. When a firm maintains a three column cash book, it need not maintain
- (a) cash account in the ledger
  - (b) bank account in the ledger
  - (c) discount accounts in the ledger
  - (d) cash account, bank account and discount accounts in the ledger.
207. A simple cash book (with cash column only) may show
- (a) only a debit balance
  - (b) only a credit balance

- (c) either a debit balance or a credit balance
208. ₹ 3,000 drawn by the proprietor for personal use should be debited to
- (a) travelling expenses account
  - (b) personal expenses account
  - (c) drawings account
  - (d) none of these
209. A Journal is
- (a) a book of accounts
  - (b) a financial statement
  - (c) a book of original entry
  - (d) a ledger
210. A Ledger is
- (a) a book of accounts
  - (b) a financial statement
  - (c) a book of original entry
  - (d) a journal
211. Transactions are first recorded
- (a) in an account
  - (b) in a journal
  - (c) in a ledger
  - (d) none of the above
212. The process by which the entries in the journal are transferred to the accounts in the ledger is called
- (a) journalising
  - (b) ledgerising
  - (c) posting
  - (d) any of the above
213. If more than two accounts are affected by a business transaction, the sum of the debits must be
- (a) greater than the sum of the credits
  - (b) less than the sum of the credits
  - (c) equal to the sum of the credits



214. A book of accounts is called a (an)
- (a) journal
  - (b) account
  - (c) ledger
  - (d) financial statement
215. The following account has a credit balance
- (a) discount allowed
  - (b) carriage outward
  - (c) carriage inward
  - (d) discount received
216. The following account has a credit balance
- (a) returns inward
  - (b) rent paid
  - (c) returns outward
  - (d) cash
217. The following account would be found in the purchases ledger
- (a) purchases
  - (b) P. Sharma, a supplier
  - (c) returns outwards
  - (d) K. Roy, a customer
218. The following account normally has a debit balance
- (a) commission received account
  - (b) a loan account
  - (c) a creditor's account
  - (d) furniture account
219. The following account normally has a credit balance
- (a) sales returns account
  - (b) stock account
  - (c) rent paid account
  - (d) proprietor's capital account
220. Following account has a credit balance
- (a) equipment account

- (b) purchase returns account
  - (c) purchases account
  - (d) depreciation account
221. The following account has a debit balance
- (a) sales account
  - (b) interest received account
  - (c) proprietor's drawings account
  - (d) discount received account
222. A credit balance on Bipin's account (a supplier of goods) in your ledger means that
- (a) Bipin owes you the money
  - (b) you owe Bipin the money
  - (c) you have just paid Bipin that amount of money
  - (d) you have returned that amount of goods to Bipin
223. The following is a book of original entry and is also part of the ledger
- (a) the purchase day book
  - (b) the cash book
  - (c) the sales day book
  - (d) the journal
224. Classified summary of all transactions is called
- (a) cash book
  - (b) journal
  - (c) ledger
  - (d) trial balance
225. What is put in the posting reference column of an account?
- (a) an account number
  - (b) ledger page number
  - (c) date
  - (d) none of the above
226. What is put in the posting reference column of a journal?
- (a) journal page number

- (b) ledger page number
  - (c) date
  - (d) none of the above
227. Which one of the following has a credit balance in the ledger?
- (a) carriage inward
  - (b) carriage outward
  - (c) returns inward
  - (d) returns outward
228. The following account would be found in the debtors ledger
- (a) sales
  - (b) returns inward
  - (c) R. Dutta, a customer
  - (d) P. Arora, a supplier
229. Which one of the following happenings could not account for a credit balance on a trade debtor's account?
- (a) an account has been paid twice by the debtor
  - (b) cash discount has not been deducted from an invoice
  - (c) the debtor's cheque had been made out for the wrong amount
  - (d) returns outward have not been taken into account
  - (e) there has been a misposting in the debtors ledger
230. A credit balance on a sole trader's capital account is
- (a) equal to the cash and bank balances of the business
  - (b) the amount the sole trader owes the business
  - (c) the difference between the assets and external liabilities of the business
  - (d) equal to the value of the fixed assets of the business
231. Sales account, salaries account and capital account normally have
- (a) credit, debit and debit balances respectively
  - (b) credit, credit and debit balances respectively
  - (c) debit, debit and credit balances respectively
  - (d) credit, debit and credit balances respectively
232. Furniture account, rent received account and debtors account normally

have

- (a) debit, debit and debit balances respectively
- (b) debit, credit and debit balances respectively
- (c) credit, debit and credit balances respectively
- (d) debit, debit and credit balances respectively

233. The basic accounting equation is

- (a)  $A = L + OE$
- (b)  $OE = A + L$
- (c)  $A = L - OE$
- (d)  $L = OE + A$

(Note: A stands for Assets L for Liabilities and OE for Owner's Equity.)

234. Assets minus owner's equity equals

- (a) capital
- (b) expenses
- (c) liabilities
- (d) income

235. The equity of owner of a business enterprise is referred to as

- (a) assets
- (b) reserves
- (c) liabilities
- (d) none of the above

236. A business enterprise pays ₹ 500 to its creditor. The effect of the transaction on accounting equation is

- (a) increase in an asset, increase in capital
- (b) increase in an asset, increase in liability
- (c) decrease in an asset, decrease in capital
- (d) none of the above

237. During an accounting period total assets decrease by ₹ 5,000 and capital increases by ₹ 20,000. The amount and direction of the period's change in external liabilities is

- (a) ₹ 15,000 increase
- (b) ₹ 25,000 increase
- (c) ₹ 15,000 decrease

- (d) ₹ 25,000 decrease
238. Which of the following would cause a change in the capital of a sole trader?
- (a) purchase of a typewriter on credit for office use
  - (b) depreciation of a motor vehicle
  - (c) payment to a creditor for goods supplied in the last month
  - (d) collection of cash from a debtor
239. Which of the following transactions would affect the cash position of a sole trader?
- (a) payment from petty cash for purchase of stationery
  - (b) withdrawal of goods for personal purposes by the proprietor
  - (c) depreciation of office furniture
  - (d) bad debt written off
240. Purchase of machine for cash
- (a) increase total assets
  - (b) leaves total assets unchanged
  - (c) decreases total assets
  - (d) increases liabilities
241. withdrawals by proprietor
- (a) reduce both assets and owner's equity
  - (b) reduce owner's equity and increase liabilities
  - (c) reduce assets and increase liabilities
  - (d) affect none of assets, liabilities and owner's equity
242. On sale of old equipment, owners equity
- (a) decreases
  - (b) increases
  - (c) remains unchanged
  - (d) may or may not change
243. The assets of a business are worth ₹ 1,56,000 and its capital is ₹ 96,000. Its liabilities are:
- (a) ₹ 2,52,000
  - (b) ₹ 60,000
  - (c) ₹ 96,000
  - (d) ₹ 1,56,000
244. The liabilities of a business are ₹ 40,000 and the proprietor's claim is

- ₹ 70,000. The total assets amount to
- (a) ₹ 70,000
  - (b) ₹ 30,000
  - (c) ₹ 1,10,000
  - (d) ₹ 40,000
245. Which of the following is true?
- (a) Assets + Reserves = Equity
  - (b) Assets + Equity = Liabilities
  - (c) Assets – Liabilities = Owner's funds
  - (d) Liabilities to outsiders + Reserves = Equity
446. Which of the following events does not represent a business transaction?
- (a) goods are purchased on credit
  - (b) machinery is purchased for cash
  - (c) an employee is dismissed from his job
  - (d) the owner of the business withdraws goods from the business for his personal use
247. Which of the following events represents a business transaction?
- (a) the owner of the firm dies
  - (b) stationery is purchased for cash
  - (c) good are ordered for delivery next month
  - (d) a prospective employee is interviewed
248. In double entry system of book-keeping every business transaction affects
- (a) two sides of the same account
  - (b) two accounts
  - (c) one account
  - (d) the same account on two different dates.
249. Double entry means
- (a) entry made in two sides of books
  - (b) entry made for two aspects of the transaction
  - (c) entry made in two places journal and ledger
  - (d) none of these

250. Which of the following is a personal account?
- (a) wages account
  - (b) cash account
  - (c) debtors account
  - (d) furniture account
251. Purchase of an asset is
- (a) an expense
  - (b) an asset
  - (c) a loss
  - (d) none of these
252. Which of the following one is real account?
- (a) salary account
  - (b) advertisement account
  - (c) cash account
  - (d) creditors account.
253. Commission earned but not received is a
- (a) real account
  - (b) nominal account
  - (c) personal account
  - (d) both real and personal account
254. Which of the following is a nominal account?
- (a) machinery account
  - (b) office equipment account
  - (c) drawings account
  - (d) carriage inwards account
255. Patent right account is of the nature of
- (a) real account
  - (b) nominal account
  - (c) personal account
  - (d) none of these
256. Increase in liability and revenue are recorded on the
- (a) debit side
  - (b) both sides
  - (c) credit side

- (d) neither side
257. Decrease in an asset account is recorded on the
- debit side
  - both sides
  - credit side
  - neither side
258. Increase in an expense account is recorded on the
- debit side
  - both sides
  - credit side
  - neither side
259. Increase in capital is recorded on the
- debit side
  - both sides
  - credit side
  - neither side
260. Purchase of goods for cash from Arun should be recorded by
- | Debit                 | Credit       |
|-----------------------|--------------|
| (a) purchases account | Arun account |
| (b) cash account      | Arun account |
| (c) purchases account | cash account |
| (d) Arun account      | cash account |
261. Payment of a firm's rent from the business bank account should be recorded by
- | Debit            | Credit           |
|------------------|------------------|
| (a) bank account | rent account     |
| (b) rent account | capital account  |
| (c) rent account | drawings account |
| (d) rent account | bank account     |
262. Cash brought in by the proprietor as capital should be recorded by
- | Debit               | Credit          |
|---------------------|-----------------|
| (a) cash account    | bank account    |
| (b) capital account | cash account    |
| (c) cash account    | capital account |
| (d) capital account | bank account    |



263. Withdrawal of goods from stock by the owner of the business for personal use should be recorded by

Debit	Credit
(a) drawings account	cash account
(b) drawings account	purchases account
(c) capital account	drawings account
(d) purchases account	capital account

264. Goods returned by Nisit, a customer should be recorded by

Debit	Credit
(a) sales returns account	Nisit account
(b) purchases account	Nisit account
(c) Nisit account	sales account
(d) Nisit account	goods account

265. Sale of goods on credit to Dipak should be recorded by

Debit	Credit
(a) Dipak account	sales account
(b) cash account	sales account
(c) cash account	Dipak account
(d) sales account	Dipak account

266. Which of the following double entry would not record a purchase of goods for resale?

Debit	Credit
(a) purchases account	cash account
(b) purchases account	supplier's personal account
(c) purchases account	stock account
(d) purchases account	bank account

267. Which of the following is not a satisfactory balance sheet equation?

- (a) assets – liabilities = owners' equity
- (b) assets = liabilities + owners' equity
- (c) assets = liabilities – owners' equity
- (d) assets – owners' equity = liabilities

268. Trial Balance is –  
(a) a real account  
(b) a nominal account  
(c) not an account
269. Trial Balance contains balances –  
(a) of all ledger accounts  
(b) of only personal and real accounts  
(c) of real and nominal accounts
270. The preparation of a trial balance helps in locating –  
(a) errors of omission  
(b) errors of principle  
(c) clerical errors  
(d) None of the above
271. The following is not a book of original entry  
(a) the journal  
(b) the cash book  
(c) the ledger  
(d) the purchase day book
272. The following would be entered in the Journal Proper  
(a) purchases and returns of goods  
(b) correction of errors made in the ledger  
(c) sales and returns of goods  
(d) cash transactions
273. Errors of commission arises when –  
(a) any transaction is left either wholly or partially  
(b) any transaction is incorrectly recorded either wholly or partially  
(c) any transaction is recorded in a fundamentally incorrect manner
274. If the credit side of a Trial Balance exceeds the debit side. The Suspense Account will show –  
(a) credit balance  
(b) debit balance  
(c) credit or debt balance

- (d) none of these
275. A trial balance is –
- (a) a rough draft of the final accounts
  - (b) a list of balance in the ledger
  - (c) a statement of assets and liabilities
  - (d) a statement of incomes and expenses
276. The main purpose of preparing a trial balance is –
- (a) to check the accuracy of the books of original entry
  - (b) to check the arithmetical accuracy of the double entry
  - (c) to help balance the bank account
  - (d) reconcile the bank account with the bank statement
277. The verification that the debits and credits in the ledger are equal is called a –
- (a) bank reconciliation statement
  - (b) trial balance
  - (c) balance sheet
  - (d) journal
278. The following error would normally be revealed by a trial balance –
- (a) a sale to B.Sen has been recorded to the debit of S.Sen account
  - (b) a transaction has been completely omitted from the books
  - (c) a purchase of furniture for resale has been debited to furniture account
  - (d) a payment for purchase of stationery has not been posted from the cash book
279. A trial balance which is out of balance indicates that –
- (a) a journal entry has been completely omitted from the posting process
  - (b) a debit has been posted to the wrong account
  - (c) the number of debit postings in the ledger differs from the number of credit postings
  - (d) there is not an equality of debit and credit amounts in the ledger
280. The following errors would not prevent the trial balance from agreeing –
- (a) a sale of ₹ 358 entered in the sales day book as ₹ 538
  - (b) undercasting the purchase day book by ₹ 100

- (c) bank charges of ₹ 30 entered in the cash book but omitted from the bank charges account
  - (d) a cheque of ₹ 150 from N. Roy posted to the debit of his account
281. The trial balance provides –
- (a) complete proof of the accuracy of accounting records
  - (b) substantial proof of the accuracy of accounting records
  - (c) proof of the equality of debits and credits
  - (d) no proof of accuracy
282. The following errors would prevent the trial balance from agreeing–
- (a) goods sold on credit for ₹ 780 incorrectly invoiced as ₹ 870
  - (b) stock on hand at the end of the year undervalued by ₹ 250
  - (c) a sale of surplus equipment for ₹ 1,600 entered in the sales account
  - (d) a sales day book item for ₹ 293 entered in the customer's account as ₹ 239
283. The following error a trial balance would be able to disclose –
- (a) goods costing ₹ 50 taken from stock by the proprietor but no entry was made in the books
  - (b) uncollected wages totalling ₹ 540 repaid to the cashier but no record was made in the accounts
  - (c) petty cash reimbursement of ₹ 100 was debited to the cash account
  - (d) repairs to machinery ₹ 300 wrongly debited to machinery account
284. A suspense account can be used as temporary measure to balance the –
- (a) manufacturing account
  - (b) appropriation account
  - (c) trading and profit and loss account
  - (d) trial balance
285. If a posting is made to the correct class of account and on the correct side, but in a wrong account, it is an error of

- (a) commission
  - (b) principle
  - (c) omission
  - (d) compensating
286. A suspense account is opened when the –
- (a) bank account does not balance
  - (b) trial balance does not balance
  - (c) profit and loss account does not balance
  - (d) trading account does not balance
287. The following account has a normal debit balance
- (a) trade creditors
  - (b) Anit Sen, capital
  - (c) cash
  - (d) more of these
288. The tabulation of balances of all ledger accounts as a summary statement is known as
- (a) reconciliation statement
  - (b) financial statement
  - (c) trial balance
  - (d) balance sheet
289. The total of the Purchase Day Book will be posted to
- (a) purchases account
  - (b) individual accounts of suppliers
  - (c) cash account
  - (d) none of the above
290. The total of the Sales Day Book will be credited to
- (a) sales account
  - (b) cash account
  - (c) individual accounts of customers
  - (d) none of the above
291. The total of the Purchase Returns Day Book will be posted to
- (a) purchases account

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- (b) purchase returns account
  - (c) individual accounts of suppliers
  - (d) cash account
292. The total of the Sales Returns Day Book will be posted to
- (a) sales account
  - (b) sales returns account
  - (c) individual accounts of customers
  - (d) cash account

**ANSWER**

<b>1</b>	(a)	<b>2</b>	(a)	<b>3</b>	(d)	<b>4</b>	(b)	<b>5</b>	(c)	<b>6</b>	(c)
<b>7</b>	(b)	<b>8</b>	(c)	<b>9</b>	(c)	<b>10</b>	(d)	<b>11</b>	(d)	<b>12</b>	(c)
<b>13</b>	(c)	<b>14</b>	(d)	<b>15</b>	(b)	<b>16</b>	(c)	<b>17</b>	(c)	<b>18</b>	(a)
<b>19</b>	(a)	<b>20</b>	(b)	<b>21</b>	(b)	<b>22</b>	(b)	<b>23</b>	(b)	<b>24</b>	(c)
<b>25</b>	(b)	<b>26</b>	(c)	<b>27</b>	(c)	<b>28</b>	(b)	<b>29</b>	(d)	<b>30</b>	(d)
<b>31</b>	(d)	<b>32</b>	(b)	<b>33</b>	(a)	<b>34</b>	(a)	<b>35</b>	(b)	<b>36</b>	(c)
<b>37</b>	(c)	<b>38</b>	(c)	<b>39</b>	(d)	<b>40</b>	(c)	<b>41</b>	(d)	<b>42</b>	(a)
<b>43</b>	(d)	<b>44</b>	(b)	<b>45</b>	(b)	<b>46</b>	(a)	<b>47</b>	(d)	<b>48</b>	(b)
<b>49</b>	(b)	<b>50</b>	(c)	<b>51</b>	(a)	<b>52</b>	(b)	<b>53</b>	(b)	<b>54</b>	(c)
<b>55</b>	(b)	<b>56</b>	(c)	<b>57</b>	(a)	<b>58</b>	(d)	<b>59</b>	(c)	<b>60</b>	(c)
<b>61</b>	(d)	<b>62</b>	(b)	<b>63</b>	(a)	<b>64</b>	(c)	<b>65</b>	(a)	<b>66</b>	(d)

67	(c)	68	(b)	69	(b)	70	(a)	71	(c)	72	(c)
73	(b)	74	(c)	75	(a)	76	(a)	77	(b)	78	(c)
79	(b)	80	(c)	81	(d)	82	(d)	83	(b)	84	(a)
85	(b)	86	(c)	87	(c)	88	(d)	89	(c)	90	(b)
91	(c)	92	(b)	93	(d)	94	(b)	95	(c)	96	(c)
97	(c)	98	(a)	99	(d)	100	(c)	101	(d)	102	(b)
103	(b)	104	(d)	105	(d)	106	(c)	107	(c)	108	(c)
109	(a)	110	(b)	111	(b)	112	(c)	113	(a)	114	(d)
115	(d)	116	(b)	117	(a)	118	(b)	119	(a)	120	(c)
121	(b)	122	(d)	123	(a)	124	(c)	125	(b)	126	(b)
127	(a)	128	(d)	129	(a)	130	(d)	131	(a)	132	(b)
133	(c)	134	(d)	135	(a)	136	(b)	137	(d)	138	(d)
139	(d)	140	(c)	141	(c)	142	(c)	143	(d)	144	(d)
145	(d)	146	(d)	147	(b)	148	(c)	149	(a)	150	(a)
151	(a)	152	(b)	153	(b)	154	(a)	155	(d)	156	(b)
157	(b)	158	(c)	159	(b)	160	(b)	161	(c)	162	(c)
163	(b)	164	(c)	165	(c)	166	(c)	167	(a)	168	(b)
169	(a)	170	(a)	171	(c)	172	(b)	173	(c)	174	(b)
175	(a)	176	(b)	177	(a)	178	(b)	179	(c)	180	(a)
181	(a)	182	(b)	183	(c)	184	(a)	185	(c)	186	(c)

187	(c)	188	(b)	189	(a)	190	(d)	191	(c)	192	(c)
193	(d)	194	(b)	195	(c)	196	(b)	197	(a)	198	(c)
199	(c)	200	(a)	201	(c)	202	(c)	203	(c)	204	(d)
205	(d)	206	(d)	207	(a)	208	(c)	209	(c)	210	(a)
211	(b)	212	(c)	213	(c)	214	(c)	215	(d)	216	(c)
217	(b)	218	(d)	219	(d)	220	(b)	221	(c)	222	(b)
223	(a)	224	(c)	225	(d)	226	(b)	227	(d)	228	(c)
229	(d)	230	(c)	231	(d)	232	(b)	233	(a)	234	(c)
235	(d)	236	(d)	237	(d)	238	(b)	239	(a)	240	(b)
241	(a)	242	(d)	243	(b)	244	(c)	245	(c)	246	(c)
247	(b)	248	(b)	249	(b)	250	(c)	251	(b)	252	(c)
253	(d)	254	(d)	255	(a)	256	(c)	257	(c)	258	(a)
259	(c)	260	(c)	261	(d)	262	(c)	263	(b)	264	(a)
265	(a)	266	(c)	267	(c)	268	(c)	269	(a)	270	(c)
271	(c)	272	(d)	273	(b)	274	(b)	275	(b)	276	(b)
277	(b)	278	(d)	279	(d)	280	(a)	281	(c)	282	(d)
283	(c)	284	(d)	285	(a)	286	(b)	287	(c)	288	(c)
289	(a)	290	(a)	291	(b)	292	(b)				