

Choose the correct answer:

1. A firm has assets of Rs. 1,00,000 and the external liabilities of Rs.60,000. Its capital would be _____.
 - a. Rs. 1,60,000
 - b. Rs. 60,000
 - c. Rs. 1,00,000
 - d. Rs. 40,000
2. Withdrawal of cash from business by the proprietor should be credited to _____.
 - a. Drawing A/C
 - b. Cash A/C
 - c. Capital A/C
 - d. Purchase A/C
3. Real accounts deals with _____.
 - a. Individual persons
 - b. Expenses and Losses
 - c. Assets
 - d. Income and Gains
4. The root of financial accounting system is _____.
 - a. Social accounting
 - b. Stewardship accounting
 - c. Management accounting
 - d. Responsibility accounting
5. Financial position of a business is ascertained on the basis of __.
 - a. Journal
 - b. Trial balance
 - c. Balance sheet
 - d. Ledger
6. The concept which assumes that a business will last indefinitely is _____.
 - a. Business entity
 - b. Going concern
 - c. Periodicity
 - d. Conservatism
7. In, India accounting standards are issued by _____.
 - a. Reserve Bank of India
 - b. The cost and management accountants of India
 - c. Supreme Court of India
 - d. The Institute of Chartered Accountants of India
8. GAAPs are
 - a. Generally Accepted Accounting Policies
 - b. Generally Accepted Accounting Principles
 - c. Generally Accepted Accounting Provisions
 - d. None of these
9. Which one of the following is not a branch of accounting?
 - a. Financial accounting
 - b. Management accounting
 - c. Human Resources Accounting
 - d. None of the above
10. Who is considered to be the internal users of the financial information?
 - a. Creditor
 - b. Employee
 - c. Customer
 - d. Government
11. ____ is the sequence steps involved in the accounting process.
 - a. Assets
 - b. Liabilities
 - c. Accounting cycle
 - d. Balance sheet
12. Which one of the following is not a steps involved in accounting process?
 - a. Preparation of trial balance
 - b. Aid to decision making
 - c. Preparation of profit and loss account
 - d. Preparation of balance sheet

13. The results are communicated to the users of accounting information for the purpose of
 - a. analysis and decision making
 - b. aid to decision making
 - c. systematic record
 - d. none of these
14. All the indirect revenues and indirect expenses along with gross profit and gross losses are transferred to
 - a. trading account
 - b. profit and loss account
 - c. balance sheet
 - d. statement of affairs
15. Transferring the entries from the journal to the ledger is called
 - a. posting
 - b. changing
 - c. losing
 - d. preparing
16. Accounting provides relevant information to the management for
 - a. planning
 - b. evaluation of performance
 - c. control
 - d. all the above
17. Management is provided with a complete picture of
 - a. liquidity
 - b. profitability
 - c. solvency
 - d. all the above
18. Accounting records are the basic source of computation and settlement of
 - a. profit and loss
 - b. income tax and other tax
 - c. stock
 - d. goodwill
19. An activity which involves transfer of money or money's worth
 - a. computation of tax
 - b. solvency
 - c. transactions
 - d. expenses
20. The amount withdrawn from the business by the owner for the personal use is _____.
 - a. drawings
 - b. asset
 - c. liabilities
 - d. income
21. Balance sheet =
 - a. assets – liabilities
 - b. assets – capital
 - c. assets + liabilities
 - d. none of these
22. Which one of the following is not a main objective of accounting?
 - a. systematic record of transaction
 - b. ascertainment of the profitability of the business
 - c. ascertainment of the financial position of the business
 - d. solving tax disputes with tax authorities
23. The business is liable to the proprietor of the business in respect of capital introduced by the person according to
 - a. money measurement
 - b. cost concept
 - c. business entity concept
 - d. dual aspect concept

24. The rule of stock valuation 'cost price or realizable value' whichever is lower is based on the accounting principle of
 a. materiality b. money measurement
c. conservation d. accrual
25. Prepaid rent is a
 a. nominal A/C b. personal A/C
 c. real A/C d. representative personal A/C
26. In double entry system of book keeping every business transaction affects _____.
 a. minimum of two accounts
 b. same account on two different dates
 c. two sides of same account
 d. minimum three accounts
27. Which one of the following is representative personal account?
 a. building A/C b. outstanding salary A/C
 c. maher A/C d. balan & co A/C
28. Accounting equation is formed based on the accounting principle of
 a. dual aspect b. consistency c. going concern d. accrual
29. Accounting equation signifies
 a. capital of a business is equal to assets
 b. liabilities of a business are equal to assets
 c. capital of business is equal to liabilities
 d. assets of a business are equal to the total of capital and liabilities
30. The incorrect accounting equation is
 a. assets = liabilities + capital
 b. assets = capital + liabilities
c. liabilities = assets + capital
 d. capital = assets + liabilities
31. The gradual reduction in the value of fixed asset is
 a. assets b. cash c. depreciation d. appreciation
32. Unsold goods lying in a business on a particular date are known as
 a. stock b. prepaid expenses c. income d. loss
33. Any written or printed document in a support of business transaction is _____.
 a. goods b. voucher c. invoice d. bill
34. Buying goods with the intention of resale is
 a. sale b. purchase c. solvency d. insolvency
35. ____ is the capability of a person or an enterprises to pay the debts.
 a. solvency b. insolvency c. bad debts d. none of these
36. Which one of the following is not a bases of accounting?
 a. cash basis b. accrual basis
 c. hybrid basis d. accountancy basis
37. Which one of the following is not a external users of accounting?
 a. investors b. government c. researchers d. employees
38. The accountant maintains a systematic records of
 a. trading a/c b. financial transactions
 c. financial position d. profit and loss a/c
39. ____ is the process of recording financial transactions in the books of accounts.
 a. book keeping b. single entry system
 c. double entry system d. none of these
40. ____ transactions are recorded in the books of accountants.
 a. business b. financial c. monetary d. non-monetary
41. Invoice is used for
 a. cash purchase b. credit sales
c. cash purchase and credit sales d. credit purchase
42. A statement prepared by the seller who receives back from his customer the goods sold is _____.
 a. debit note b. credit note c. purchase book d. sales book
43. Cheque is a _____.
 a. negotiable instrument b. book keeping
 c. double entry d. none of these
44. ____ denotes an increases in assets or expenses or a decreases in liabilities, income or capital.
 a. debit b. credit c. loss d. profit
45. Transactions can be classified into _____.
 a. cash transaction b. bank transaction
 c. credit transaction d. all the above
46. Every transactions has two aspects and each aspects minimum ____ account.
 a. one b. two c. three d. four
47. Account relating to persons is called _____.
 a. personal b. real c. nominal d. none of these
48. All accounts relating to tangible and intangible properties are called _____.
 a. personal b. real c. nominal d. none of these
49. The accounts relating to expenses, losses, revenues and gains are called _____.
 a. personal b. real c. nominal d. none of these
50. Transactions are recorded daily in the _____.
 a. ledger b. journal c. assets d. liabilities