

FINAL ANSWER KEY

Paper: Book-keeping and Accountancy (Paper III)
Medium of Question: English
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Question1:-A person who owes money to the firm is a _____.

- A:-Creditor
- B:-Debtor
- C:-Proprietor
- D:-Share holder

Correct Answer:- Option-B

Question2:-Book Keeping is concerned with _____.

- A:-recording of transactions
- B:-Analysis of transactions
- C:-Classification of transactions
- D:-Summarising of transactions

Correct Answer:- Option-A

Question3:-Current Assets are also known as _____.

- A:-Fixed Assets
- B:-Floating Assets
- C:-Fictitious Assets
- D:-Tangible Assets

Correct Answer:- Option-B

Question4:-Short term liabilities which become due and payable within a period of _____ years/years.

- A:-1
- B:-2
- C:-3
- D:-4

Correct Answer:- Option-A

Question5:-The Rules and guidelines used in preparing accounting reports are termed as _____.

- A:-Accounting rules
- B:-Accounting standards
- C:-Generally accepted accounting principles
- D:-Accounting concepts

Correct Answer:- Option-C

Question6:-In India accounting standards are issued by _____.

- A:-Institute of Chartered Accountants of India
- B:-Indian Accounting Bureau of standards
- C:-International Accounting standards Committee
- D:-Accounting standards Board constituted by ICAI

Correct Answer:- Option-D

Question7:-Which Financial Statement displays the revenues and expenses of a company for a period of time?

- A:-Income Statement
- B:-Balance Sheet
- C:-Cash Flow Statement
- D:-Cash Book

Correct Answer:- Option-A

Question8:-What is the main purpose of financial accounting?

- A:-Minimise company taxes
- B:-Provide useful informations to the outsiders
- C:-Keep track of company expenses
- D:-Organise financial informations

Correct Answer:- Option-D

Question9:-Asset accounts have what types of balance?

- A:-Credit
- B:-Contra
- C:-Debit
- D:-Debit and credit

Correct Answer:- Option-C

Question10:-_____ is used to record a business event as they occur throughout the year.

- A:-Ledger
- B:-Cash book
- C:-Journal Entry
- D:-Day book

Correct Answer:- Option-C

Question11:-Which account is not a liability account?

- A:-Bills Payable
- B:-Accrued expense
- C:-Cash
- D:-Salary Outstanding

Correct Answer:- Option-C

Question12:-The _____ summarises the accounting equations.

- A:-Cash book
- B:-Balance Sheet
- C:-Profit and Loss account
- D:-Ledger

Correct Answer:- Option-B

Question13:-Interest is an example of _____ income reported on the Income Statement.

- A:-Capital
- B:-Operating
- C:-Non-operating
- D:-Deferred revenue

Correct Answer:- Option-C

Question14:-Profit and loss is calculated at the stage of

- A:-Recording
- B:-Posting
- C:-Classifying
- D:-Summarising

Correct Answer:- Option-D

Question15:-Accounts Payable is a _____, reported on the Balance Sheet.

- A:-Current liability
- B:-Permanent liability
- C:-Current asset
- D:-Capital asset

Correct Answer:- Option-A

Question16:-The modern system of accounting owes its origin to _____.

- A:-Luca Pacioli
- B:-Alfred Pitman
- C:-E.L. Kohler
- D:-Adam Smith

Correct Answer:- Option-A

Question17:-The value of assets and liabilities are depicted in the _____.

- A:-Profit and Loss Account
- B:-Receipts and Payments Account
- C:-Income and Expenditure Account
- D:-Balance sheet

Correct Answer:- Option-D

Question18:-_____ is an example of intangible asset.

- A:-Land
- B:-Goodwill
- C:-Building
- D:-Stock of goods

Correct Answer:- Option-B

Question19:-Assets which are held for a short period are known as _____.

- A:-Capital Assets
- B:-Tangible Assets
- C:-Current Assets
- D:-Intangible Assets

Correct Answer:- Option-C

Question20:-_____ is the amount earned by a business concern through sale of products or providing services to customers.

- A:-Profit
- B:-Revenue
- C:-Income
- D:-Gain

Correct Answer:- Option-B

Question21:-Amount spent for acquisition of fixed asset is a _____ expense.

- A:-Capital
- B:-Revenue
- C:-Deferred revenue
- D:-Nominal

Correct Answer:- Option-A

Question22:-Withdrawal of goods or cash from the business by the owner for personal use is called _____.

- A:-Liability
- B:-Prepaid Expense
- C:-Drawings
- D:-Reserve

Correct Answer:- Option-C

Question23:-Assets-Liabilities = _____.

- A:-Profit
- B:-Income
- C:-Closing Stock
- D:-Capital

Correct Answer:- Option-D

Question24:-A business unit is assumed to have an indefinite life comes under _____ concept.

- A:-Business entity
- B:-Going concern
- C:-Accounting entity
- D:-Accounting period

Correct Answer:- Option-B

Question25:-In the _____ each account is opened preferably on a separate page.

- A:-Journal
- B:-Day Book
- C:-Book of original entry
- D:-Ledger

Correct Answer:- Option-D

Question26:-The process of transferring entries from books of original entry to the ledger is called _____.

- A:-Transfer entry
- B:-Accounting
- C:-Journal entry
- D:-Posting

Correct Answer:- Option-D

Question27:-The statement prepared with the balance of ledger accounts to test their arithmetical accuracy is called a _____.

- A:-Source document
- B:-Trial balance

C:-Journal entry
D:-Receipts and Payment A/c
Correct Answer:- Option-B

Question28:-The documents on the basis of which transactions are recorded in the books of accounts are known as_____.

A:-Source document
B:-Narration
C:-Journal
D:-Trial balance

Correct Answer:- Option-A

Question29:-A collection of all accounts is a _____.

A:-Trial balance
B:-Journal
C:-Cash Book
D:-Ledger

Correct Answer:- Option-D

Question30:-The process of recording transactions in a _____ is called journalising.

A:-Ledger
B:-Cash Book
C:-Journal
D:-Profit and Loss A/c

Correct Answer:- Option-C

Question31:-_____is the technique and process of ascertaining cost.

A:-Invoicing
B:-Costing
C:-Financial accounting
D:-Management accounting

Correct Answer:- Option-B

Question32:-The assets which are not generally regarded as being readily convertible into cash are _____.

A:-Current assets
B:-Capital Assets
C:-Fixed assets
D:-Tangible assets

Correct Answer:- Option-C

Question33:-Any form of money which can be used as a medium of exchange is called _____.

A:-Bills of Exchange
B:-Promissory note
C:-Cheque
D:-Currency

Correct Answer:- Option-D

Question34:-An allowance made by the receiver of cash to the payer for prompt Payment is known _____.

A:-Cash discount
B:-Trade discount
C:-Rebate
D:-Bonus

Correct Answer:- Option-A

Question35:-A debit balance on _____on any date would mean the value the particular asset in hand on that date.

A:-Personal account
B:-Real account
C:-Nominal account
D:-Fictitious account

Correct Answer:- Option-B

Question36:-A credit balance on a _____ account would mean that the income or gain from a particular head has exceeded the expense or loss

A:-Personal
B:-Sales
C:-Nominal
D:-Real

Correct Answer:- Option-C

Question37:-Select from the following that does not form part of Book of original entry

A:-Purchase Book
B:-Sales Book
C:-Salaries Account
D:-Returns Inwards Account

Correct Answer:- Option-C

Question38:-It is usual for the party returning the goods to send a _____ containing description and price of the goods returned.

A:-Credit Note
B:-Invoice
C:-Proforma Invoice
D:-Debit Note

Correct Answer:- Option-D

Question39:-_____ is maintained by a business to record the smaller cash transactions that occur frequently.

A:-Petty Cash Book
B:-Day Book
C:-Ledger Account
D:-Journal Entry

Correct Answer:- Option-A

Question40:-A purchase of Fixed Asset on account is first recorded in the _____.

A:-Cash book
B:-General journal
C:-Petty cash book
D:-Ledger Account

Correct Answer:- Option-B

Question41:-A cash account will always show a _____ balance.

- A:-Credit
- B:-Debit
- C:-Both debit and Credit
- D:-None of these

Correct Answer:- Option-B

Question42:-Sale of old furniture for cash will be first entered in the _____.

- A:-Journal Proper
- B:-Petty Cash Book
- C:-Cash Book
- D:-Special Journal

Correct Answer:- Option-C

Question43:-When cash discount is allowed to a customer _____ account is debited and _____ account is credited.

- A:-Discount Received and Customer's
- B:-Customer's and Discount Received
- C:-Customer's and Discount Allowed
- D:-Discount Allowed and Customer's

Correct Answer:- Option-D

Question44:-Nominal accounts are also called _____ account.

- A:-Impersonal
- B:-Real
- C:-Personal
- D:-Artificial personal

Correct Answer:- Option-A

Question45:-Purchase of equipment for cash _____.

- A:-Decreases total assets
- B:-Increases total assets
- C:-Keeps total assets unchanged
- D:-None of the these

Correct Answer:- Option-C

Question46:-If liabilities exceeds assets, the difference is called _____.

- A:-Sundry debtors
- B:-Sundry creditors
- C:-Over draft
- D:-Capital

Correct Answer:- Option-D

Question47:-Capital as increased by profit or decreased by loss is called _____.

- A:-Net worth
- B:-Reserve
- C:-Dividend
- D:-Equity

Correct Answer:- Option-A

Question48:-In Double entry system every transaction is recorded in _____.

- A:-Two different accounts
- B:-Two sides of the same account
- C:-The Cash Book
- D:-Debit side of two accounts

Correct Answer:- Option-A

Question49:-Loss of goods by fire may be credited to _____account.

- A:-Loss of goods by fire
- B:-Purchase
- C:-Sundry creditors
- D:-Sundry debtors

Correct Answer:- Option-B

Question50:-The entry that begins a new set of books is called _____.

- A:-Journal entry
- B:-Double entry
- C:-Opening entry
- D:-Compound journal entry

Correct Answer:- Option-C

Question51:-Sales Returns are also called _____.

- A:-Returns outwards
- B:-Carriage outwards
- C:-Carriage inwards
- D:-Returns inwards

Correct Answer:- Option-D

Question52:-Goods returned to suppliers are credited to _____account.

- A:-Purchase returns
- B:-Returns inwards
- C:-Sales Returns
- D:-Sales

Correct Answer:- Option-A

Question53:-Personal drawings of goods by the proprietor is credited to _____.

- A:-Drawings account
- B:-Purchase account
- C:-Capital account
- D:-Sales account

Correct Answer:- Option-B

Question54:-The cost of Air Conditioner of the Manager's office will be a _____.

- A:-Revenue expenditure
- B:-Deferred revenue expenditure
- C:-Capital expenditure
- D:-Direct expenditure

Correct Answer:- Option-C

Question55:-The total tax of an assessee has been computed as Rs. 25,423.40. After rounding off, the total tax will be taken as _____.

A:-Rs. 25,420

B:-Rs. 25,425

C:-Rs. 25,430

D:-Rs. 25,400

Correct Answer:- Option-A

Question56:-Which of the following is an example of fictitious asset?

A:-Machinery

B:-Stock

C:-Preliminary expense

D:-Patent

Correct Answer:- Option-D

Question57:-What is the main purpose of Bank Reconciliation?

A:-To reconcile the cash book and bank balance

B:-To find out the pass book balance

C:-To find out the cash balance

D:-To find out the bank balance

Correct Answer:- Option-A

Question58:-Company's profit divided among shareholders is known as _____.

A:-Reserve

B:-Dividend

C:-Surplus

D:-Bonus

Correct Answer:- Option-B

Question59:-Profit after deducting normal operating expenses including depreciation

A:-Operating profit

B:-Gross profit

C:-Net profit

D:-Profit earned

Correct Answer:- Option-A

Question60:-As per this concept the business unit is assumed to have an indefinite life

A:-Matching

B:-Accrual

C:-Money measurement

D:-Going concern

Correct Answer:- Option-D

Question61:-Opening stock : 20000

Purchase : 80000

Cost of goods sold : 110000

Sales : 150000

Profit = ?

A:-50000

B:-60000

C:-40000

D:-30000

Correct Answer:- Option-C

Question62:-The matching principle attempts to find satisfactory bases of association between

A:-Assets and liabilities

B:-Expenses and revenue

C:-Debit and Credit

D:-Profit and loss

Correct Answer:- Option-B

Question63:-Current liabilities need to be paid _____.

A:-Within two years

B:-Within three years

C:-Beyond one accounting cycle

D:-Within one accounting cycle

Correct Answer:- Option-D

Question64:-Which financial statement is used to show what the firm owns?

A:-Income statement

B:-Receipts and Payments account

C:-Balance sheet

D:-Income and Expenditure account

Correct Answer:- Option-C

Question65:-Retained earning is synonymous to _____.

A:-Gross Profit

B:-Accumulated Profit and Loss a/c

C:-Operating profit

D:-Net Profit

Correct Answer:- Option-B

Question66:-Earnings are the result of the difference between

A:-Revenue and expense

B:-Assets and liabilities

C:-Revenue and liabilities

D:-Expense and Assets

Correct Answer:- Option-A

Question67:-Which of the following describes a record of the transaction?

A:-Income statement

- B:-General ledger
 - C:-Balance sheet
 - D:-Journal
- Correct Answer:- Option-D

Question68:-Prepaid rent given in the Trial balance will be treated as _____.

- A:-Asset
 - B:-Liability
 - C:-Deferred revenue
 - D:-Deferred expense
- Correct Answer:- Option-A

Question69:-Which of the following is wrong?

- A:-Each account is opened separately in ledger
 - B:-Nominal accounts are transferred to P and L account
 - C:-All real and personal accounts are transferred to Balance sheet
 - D:-Rent is personal account and outstanding rent is nominal account
- Correct Answer:- Option-D

Question70:-Balance sheet is a statement which discloses an organisation's _____.

- A:-Liabilities
 - B:-Assets
 - C:-Owners equity
 - D:-All of these
- Correct Answer:- Option-D

Question71:-In which order does the journal list transactions?

- A:-Chronological order
 - B:-Alphabetical
 - C:-Ascending order
 - D:-Descending order
- Correct Answer:- Option-A

Question72:-Which of the following is not a current asset?

- A:-Accounts receivable
 - B:-Inventory of finished products
 - C:-Land
 - D:-Closing stock
- Correct Answer:- Option-C

Question73:-Carriage paid on purchase of a machinery is wrongly debited to carriage account. This is an example of _____.

- A:-Error of commission
 - B:-Error of principle
 - C:-Error of omission
 - D:-Compensating error
- Correct Answer:- Option-B

Question74:-All indirect expenses are charged against

- A:-Profit and Loss account
 - B:-Trading account
 - C:-Manufacturing account
 - D:-Balance sheet
- Correct Answer:- Option-A

Question75:-The proprietor of the business is treated as a creditor for the Capital introduced by him due to _____ concept.

- A:-Money measurement
 - B:-Accounting entity
 - C:-Going concern
 - D:-Accounting period
- Correct Answer:- Option-B

Question76:-Provision for discount on debtors is calculated on the amount of debtors :

- A:-After deducting provision for doubtful debts
 - B:-After adding actual bad and doubtful debts
 - C:-Before deducting provision for doubtful debts
 - D:-Before deducting bad and provision for doubtful debts
- Correct Answer:- Option-A

Question77:-Which of the following is not a real account?

- A:-Investments
 - B:-Cash
 - C:-Outstanding rent
 - D:-Purchase
- Correct Answer:- Option-C

Question78:-Small items like pencils, pens, files etc.. are written off within a year according to _____ concept.

- A:-Consistency
 - B:-Realisation
 - C:-Materiality
 - D:-Entity
- Correct Answer:- Option-C

Question79:-If the market value of closing inventory is less than its cost price, inventory will be shown at

- A:-Fair market value
 - B:-Marketable value
 - C:-Cost price
 - D:-Selling price
- Correct Answer:- Option-B

Question80:-A _____ is both a journal and ledger.

- A:-Double entry
 - B:-Cash account
 - C:-Receipts and payments A/c
 - D:-Cash book
- Correct Answer:- Option-D

- A:-Not an expenditure
- B:-Revenue expenditure
- C:-Deferred revenue expenditure
- D:-Capital expenditure

Correct Answer:- Option-A

Question95:-The process of recording financial data upto trial balance is

- A:-Summarising
- B:-Classifying
- C:-Book keeping
- D:-Analyzing

Correct Answer:- Option-C

Question96:-Rohit carrying on real estate business sold a piece of land for Rs. 4,00,00,000 (cost Rs. 3,50,00,000) then the type of receipt is _____ n

- A:-Capital and transferred to capital reserve
- B:-Revenue and transferred to P and L A/c
- C:-Capital and transferred to P and L a/c
- D:-Revenue and transferred to general reserve

Correct Answer:- Option-B

Question97:-Interpretation means

- A:-Systematic analysis of recorded data
- B:-Concerned with preparation and presentation of classified data
- C:-Explanation of meaning and significance of the data in Financial statements
- D:-Methodical classification of data given in Financial statements

Correct Answer:- Option-C

Question98:-The rule debit all expenses and losses and credit all income and gains relates to

- A:-Personal account
- B:-Real account
- C:-Nominal account
- D:-Impersonal account

Correct Answer:- Option-C

Question99:-Any change in the relationship among the partners amounts to _____ of the partnership firm.

- A:-Dissolution
- B:-Resolution
- C:-Reconstruction
- D:-Reconstitution

Correct Answer:- Option-D

Question100:-The Minimum number of persons required to form a partnership is _____.

- A:-Two
- B:-Three
- C:-Five
- D:-Seven

Correct Answer:- Option-A