

**FINAL ANSWER KEY**

Paper: Book-keeping and Accountancy (Paper III)  
Date of Examination: 04-09-2019

Question1:-The comparison of financial statement of one year with that of another is possible only when \_\_\_\_\_ concept is followed.

- A:-Going concern
- B:-Accrual
- C:-Consistency
- D:-Materiality

Correct Answer:- Option-C

Question2:-Which of the following is not a nominal Account?

- A:-Outstanding salaries
- B:-Interest paid
- C:-Commission received
- D:-Salaries account

Correct Answer:- Option-A

Question3:-If wages are paid for construction of business premises \_\_\_\_\_ A/c is credited and \_\_\_\_\_ A/c is debited.

- A:-Wages, Cash
- B:-Cash, Premises
- C:-Premises, Cash
- D:-Cash, Wages

Correct Answer:- Option-C

Question4:-The process of recording financial data upto trial balance is :

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

Correct Answer:- Option-D

Question5:-Change in the capital account of proprietor may occur due to \_\_\_\_\_

- A:-Profit earned
- B:-Loss incurred
- C:-Capital Introduced
- D:-All of these

Correct Answer:- Option-D

Question6:-Historical cost concept requires the valuation of an asset at

- A:-Realisable value
- B:-Original Cost
- C:-Replacement Value
- D:-Market value

Correct Answer:- Option-B

Question7:-When closing stock is over valued, what would its effect on profit?

- A:-It will increase the profit
- B:-It will decrease the profit
- C:-No effect on profit
- D:-None of these

Correct Answer:- Option-A

Question8:-Valuation of stock in accounting follows the principle of cost price or \_\_\_\_\_ which ever is less.

- A:-Net realizable value
- B:-Market Price
- C:-Average cost

D:-None of these

Correct Answer:- Option-A

Question9:-An average cost is also known as

A:-Variable cost

B:-Unit cost

C:-Total cost

D:-Fixed cost

Correct Answer:- Option-B

Question10:-If one of the cars purchased by a car dealer is used for business purpose, instead of resale, then it should be recorded by \_\_\_\_\_

A:-Dr Drawing A/c and Cr Purchases A/c

B:-Dr Motor Car A/c and Cr Purchases A/c

C:-Dr Purchase A/c and Cr Motor Car A/c

D:-Dr Motor Car and Cr Sales A/c

Correct Answer:- Option-B

Question11:-Which of the following is not correct relating to an income and expenditure account?

A:-The whole of the incomes or expenses, even if some amounts are outstanding should be included

B:-No item of capital nature is included in this account but all revenue items are entered

C:-It is prepared as on certain data and not for a period

D:-Expenses and incomes should relate only to the year concerned

Correct Answer:- Option-C

Question12:-In the \_\_\_\_\_ system, a record is made on the basis of amounts having become due for payment or receipt.

A:-Cash

B:-Single entry

C:-Credit

D:-Mercantile

Correct Answer:- Option-D

Question13:-A credit balance shows that

A:-Money is owing to the firm

B:-The firm owns some property

C:-The firm has lost money or has incurred some expense

D:-The firm has earned an income

Correct Answer:- Option-D

Question14:-When a business starts the books of the new year, it has to make the opening entry in the \_\_\_\_\_

A:-Cash book

B:-Ledger

C:-Journal

D:-Profit and loss account

Correct Answer:- Option-C

Question15:-The book which contains accounts is known as the \_\_\_\_\_

A:-Ledger

B:-Journal

C:-Cash book

D:-Balance sheet

Correct Answer:- Option-A

Question16:-Wrong posting either of amount, or on the wrong side, or in the wrong account

A:-Errors of omission

B:-Errors of commission

C:-Errors of principle

D:-Compensating errors

Correct Answer:- Option-B

Question17:-If the benefits of an expenditure are expected to accrue for a long time, the expenditure is \_\_\_\_\_

- A:-Revenue expenditure
- B:-Capital
- C:-Deferred revenue expenditure
- D:-None of these

Correct Answer:- Option-B

Question18:-If a new firm advertises very heavily in the beginning to capture a position in the market, the expense for advertisement will be treated as \_\_\_\_\_

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

Correct Answer:- Option-C

Question19:-Which accounting concepts specifies the practice of crediting closing stock to the trading account?

- A:-Cost
- B:-Realisation
- C:-Going concern
- D:-Matching

Correct Answer:- Option-D

Question20:-Money spent to acquire or upgrade physical asset is known as \_\_\_\_\_

- A:-Capital expenditure
- B:-Revenue expenditure
- C:-Operating expenditure
- D:-Administrative expenditure

Correct Answer:- Option-A

Question21:-The accounting cycle represents a series of steps that a business uses to

- A:-Record and classify the transactions
- B:-Communicate financial events
- C:-Summarie the transactions
- D:-All of these

Correct Answer:- Option-D

Question22:-Value of goods withdrawn by the proprietor for his personal use should be credited to \_\_\_\_\_ account.

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

Correct Answer:- Option-C

Question23:-Which of the following is incorrect?

- A:-Sundry debtors - Current asset
- B:-Outstandind expense - Current assets
- C:-Goodwill - intangible asset
- D:-Machinery - Fixed asset

Correct Answer:- Option-B

Question24:-A stationery mart will debit the purchase of stationery to \_\_\_\_\_ A/c.

- A:-Printing and Stationery
- B:-General expense
- C:-Purchase
- D:-Cash

Correct Answer:- Option-C

Question25:-The policy of anticipate no profit and provide for all possible losses arise due to the concept of \_\_\_\_\_

- A:-Conservatism

B:-Consistency

C:-Disclosure

D:-Matching

Correct Answer:- Option-A

Question26:- \_\_\_\_\_ helps in verifying the correctness of books of accounts.

A:-Source document

B:-Journal

C:-Ledger

D:-Balance sheet

Correct Answer:- Option-A

Question27:-If an important part of an existing machine wears out and is replaced, it will be a \_\_\_\_\_ expenditure.

A:-Preliminary

B:-Capital

C:-Development

D:-Revenue

Correct Answer:- Option-D

Question28:-Human resources will not appear in the balance sheet according to \_\_\_\_\_ concept.

A:-Accrual

B:-Going concern

C:-Money measurement

D:-Accounting entity

Correct Answer:- Option-C

Question29:-The results of business activities are reflected in

A:-Profit and loss account

B:-Receipts and payments account

C:-Income and expenditure account

D:-Balance sheet

Correct Answer:- Option-D

Question30:-Revenue causes

A:-decreases in shareholder's equity

B:-increase in shareholder's equity

C:-decrease or increase in share holder's equity

D:-none of these

Correct Answer:- Option-B

Question31:-Amount spent for increasing the earning capacity is \_\_\_\_\_ expenditure.

A:-Revenue

B:-Indirect

C:-Deferred revenue

D:-Capital

Correct Answer:- Option-D

Question32:-The accrual basis of accounting records revenues when they are \_\_\_\_\_

A:-Collected

B:-Earned

C:-Contracted

D:-Readily available for use

Correct Answer:- Option-B

Question33:-The account format that displays debits, credits, balance and headings

A:-Ledger account

B:-General journal

C:-Cash book

D:-Profit and loss account

Correct Answer:- Option-A

Question34:- \_\_\_\_\_ accounts have always a debit balance.

A:-Income

B:-Assets

C:-Outstanding expenses

D:-Liabilities

Correct Answer:- Option-B

Question35:-Any expense that gives benefit for a period of less than 12 months is called

A:-Capital revenue

B:-Deferred expense

C:-Revenue expense

D:-Nominal expense

Correct Answer:- Option-C

Question36:-Goods worth Rs. 1,500 purchased was recorded in Sales book. The rectification of this error will

A:-Reduces the Gross profit

B:-Increases the Gross profit

C:-Have no effect

D:-None of these

Correct Answer:- Option-A

Question37:-What will be debited if Kumar commenced business with cash?

A:-Capital account

B:-Kumar's account

C:-Drawings account

D:-Cash account

Correct Answer:- Option-D

Question38:-A collection of all accounts is \_\_\_\_\_

A:-Ledger

B:-Trial balance

C:-Cash book

D:-Profit and loss account

Correct Answer:- Option-A

Question39:-Income tax paid debited to \_\_\_\_\_ account.

A:-Profit and Loss

B:-Trading

C:-Capital

D:-Receipts and Payment

Correct Answer:- Option-C

Question40:-Expenses for the formation of a company

A:-Preliminary expense

B:-Trading expenditure

C:-Overhead

D:-Revenue expenditure

Correct Answer:- Option-A

Question41:-A trader has made a sale of Rs. 75,500 out of which cash sales amounted to Rs. 25,500. He showed trade receivables on 31.3.2018 at Rs. 25,500. Which concept is followed by him?

A:-Cost

B:-Going concern

C:-Accrual

D:-Money measurement

Correct Answer:- Option-C

Question42:-Valuation of stock in accounting follows the principle of cost price or \_\_\_\_\_ whichever is lower.

- A:-Average Price
- B:-Net realizable value
- C:-Market Price
- D:-None of these

Correct Answer:- Option-B

Question43:-For every debit there will be an equal credit according to

- A:-Matching concept
- B:-Cost concept
- C:-Money measurement concept
- D:-Dual aspect concept

Correct Answer:- Option-D

Question44:-Profit and Loss is calculated at the stage of

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

Correct Answer:- Option-D

Question45:-In which of the following cases, accounting estimates are needed?

- A:-Employs benefits schemes
- B:-Impairment of losses
- C:-Inventory obsolescence
- D:-All of the above

Correct Answer:- Option-D

Question46:-The proprietor of the business is treated as creditor for the capital introduced by him due to \_\_\_\_\_ concept.

- A:-Entity
- B:-Dual aspect
- C:-Money measurement
- D:-Cost

Correct Answer:- Option-A

Question47:-In certain business, a period of time must elapse before goods can be manufactured and sold. The expenditure during this period is called

- A:-Revenue expenditure
- B:-Development expenditure
- C:-Manufacturing expenditure
- D:-Prepaid expenditure

Correct Answer:- Option-B

Question48:-Anand carrying on real estate business sold a piece of land for Rs. 5,00,00,000 (cost Rs. 4,25,00,000) then the type of receipt is \_\_\_\_\_ nature and profit on sale is transferred to \_\_\_\_\_ account.

- A:-Revenue and P and L a/c
- B:-Capital and Capital reserve
- C:-Capital and P and L a/c
- D:-Revenue and General reserve

Correct Answer:- Option-A

Question49:-Consistency with reference to application of accounting procedures means

- A:-Income and Assets have not been overstated
- B:-Any accounting method can be followed as per convenience
- C:-Accounting methods and procedures shall be followed uniform basis year after year
- D:-All companies in the same industry should use identical accounting procedures

Correct Answer:- Option-C

Question50:-Which of the following is not a Real Account?

- A:-Investments
- B:-Outstanding rent
- C:-Cash
- D:-Purchases

Correct Answer:- Option-B

Question51:-Which accounting concept specifies the practice of crediting closing stock to the trading account?

- A:-Matching
- B:-Going concern
- C:-Realisation
- D:-Cost

Correct Answer:- Option-A

Question52:-Which of the following factor is not considered while selecting accounting policies?

- A:-Substance over form
- B:-Materiality
- C:-Prudence
- D:-Accountancy

Correct Answer:- Option-D

Question53:-In case of a debt becoming bad, the amount should be credited to \_\_\_\_\_

- A:-Bad debts account
- B:-Trade receivables account
- C:-Sales account
- D:-Cash account

Correct Answer:- Option-B

Question54:-Which account is the odd one out?

- A:-Land and Buildings
- B:-Plant and Machinery
- C:-Inventory of materials
- D:-Furniture and equipment

Correct Answer:- Option-C

Question55:-All of the following are valuation principles except

- A:-Present value
- B:-Historical cost
- C:-Future value
- D:-Realisable value

Correct Answer:- Option-C

Question56:-The debts written off as bad, if recovered subsequently are

- A:-Credited to bad debts recovered A/c
- B:-Debited to S. Debtors A/c
- C:-Debited to Profit and Loss A/c
- D:-Credited to S. Creditors A/c

Correct Answer:- Option-A

Question57:-The debit note issued are used to prepare

- A:-Purchases book
- B:-Purchase returns book
- C:-Sales book
- D:-Sales return book

Correct Answer:- Option-B

Question58:-Decrease in the amount of trade payable results in

- A:-Increase in cash
- B:-Decrease in bank overdraft

C:-No change in assets

D:-Decrease in assets

Correct Answer:- Option-D

Question59:-Accounting standards in India are issued by

A:-International Accounting Standards Committee

B:-Accounting Standards Board Constituted by ICAI

C:-Central Government

D:-Indian Accounting Bureau

Correct Answer:- Option-B

Question60:-If an individual asset is increased, there will be a corresponding

A:-Increase of another asset or increase of capital

B:-Decrease of specific liability or decrease of capital

C:-Decrease of another asset or increase of liability

D:-Increase of drawings and liability

Correct Answer:- Option-C

Question61:-The total of discounts column on the debit side of the cash book is posted to the \_\_\_\_\_ account.

A:-Debit of the discount allowed

B:-Credit of the discount allowed

C:-Debit of the discount received

D:-Credit of the discount received

Correct Answer:- Option-A

Question62:-The balance in the petty cash book is

A:-An expense

B:-An asset

C:-A profit

D:-A liability

Correct Answer:- Option-B

Question63:-Insurance claim received on account of machinery damaged completely by fire is

A:-Revenue receipt

B:-Revenue expenditure

C:-Capital expenditure

D:-Capital receipt

Correct Answer:- Option-D

Question64:-A bad debts recovered during the year will be

A:-Capital receipt

B:-Capital expenditure

C:-Revenue receipt

D:-Revenue expenditure

Correct Answer:- Option-C

Question65:-If the amount is posted in the wrong account or it is written on the wrong side of the account, it is called

A:-Error of omission

B:-Error of principle

C:-Error of commission

D:-Compensating error

Correct Answer:- Option-C

Question66:-Goods worth Rs. 100 given as charity should be credited to

A:-Sales account

B:-Purchase account

C:-Cash account

D:-Charity account



Correct Answer:- Option-B

Question67:-A debit balance in the depositor's cash book will be shown as

- A:-A debit balance in the bank statement
- B:-A credit balance in the bank statement
- C:-An overdrawn balance in the bank statement
- D:-None of these

Correct Answer:- Option-B

Question68:-When balance as per Cash Book is the starting point uncollected cheques are

- A:-Subtracted in the bank reconciliation statement
- B:-Added in the bank reconciliation statement
- C:-Not required to be adjusted in the bank reconciliation statement
- D:-Neither of these

Correct Answer:- Option-A

Question69:-If the profit is 25% of the cost price then it is

- A:-25% of the sales price
- B:-15% of the sales price
- C:-33% of the sales price
- D:-20% of the sales price

Correct Answer:- Option-D

Question70:-Which of the following is not true with regard to fixed assets?

- A:-They are not meant for resale to earn profit
- B:-Depreciation is to be charged on most of the fixed assets
- C:-They are acquired for using them in the conduct of the business operations
- D:-They can easily be converted into cash

Correct Answer:- Option-D

Question71:-In which of the following methods, is the cost of the asset written off in equal proportion, during its useful economic life?

- A:-Straightline method
- B:-Written down value method
- C:-Reducing balance method
- D:-Annuity method

Correct Answer:- Option-A

Question72:-For charging depreciation, on which of the following assets, the depletion method is adopted?

- A:-Plant and machinery
- B:-Land and building
- C:-Mines and quarries
- D:-Goodwill

Correct Answer:- Option-C

Question73:-Wages paid before it has become due is shown in the balance sheet as

- A:-Assets
- B:-Liabilities
- C:-Outstanding expenses
- D:-Capital

Correct Answer:- Option-A

Question74:-Scrap value can also be called as \_\_\_\_\_ value.

- A:-Realisable
- B:-Resale
- C:-Break up
- D:-Market

Correct Answer:- Option-C

Question75:-The decrease in the value of fixed assets by constant use is termed as depreciation by

A:-Expiry of time

B:-Wear and tear

C:-Obsolescence

D:-Depletion

Correct Answer:- Option-B

Question76:-Creations of general reserve leads to additional \_\_\_\_\_

A:-Liability

B:-Dividend

C:-Assets

D:-Working capital

Correct Answer:- Option-D

Question77:-The process of paying the amount of the Bills payable before the due date is called \_\_\_\_\_ the bill.

A:-Honouring

B:-Noting

C:-Accepting

D:-Retiring

Correct Answer:- Option-D

Question78:-\_\_\_\_\_ is the act of recording the fact of dishonour of a bill by notary public.

A:-Retiring

B:-Noting

C:-Dishonouring

D:-Discounting

Correct Answer:- Option-B

Question79:-Under \_\_\_\_\_ method, the percentage of depreciation is applied on the diminished value of asset.

A:-Diminishing balance

B:-Fixed instalment

C:-Equal instalment

D:-Original cost

Correct Answer:- Option-A

Question80:-The excess of income over expenditure in the Income and Expenditure account is known as \_\_\_\_\_

A:-Profit

B:-Reserve

C:-Surplus

D:-Deficit

Correct Answer:- Option-C

Question81:-Income and Expenditure account is a \_\_\_\_\_ account.

A:-Real

B:-Personal

C:-Nominal

D:-None of these

Correct Answer:- Option-C

Question82:-Receipts and payments account is a \_\_\_\_\_ account.

A:-Real

B:-Nominal

C:-Personal

D:-None of these

Correct Answer:- Option-A

Question83:-Fixed assets are double the current assets and half the capital. The current assets are Rs. 3,00,000 and investments are Rs. 4,00,000. Then the current liabilities recorded in balance sheet will be

A:-Rs. 1,00,000

B:-Rs. 2,00,000

C:-Rs. 3,00,000

D:-Rs. 4,00,000

Correct Answer:- Option-A

Question84:-Which of the following is not a subfield of accounting?

A:-Financial accounting

B:-Book keeping

C:-Cost accounting

D:-Management accounting

Correct Answer:- Option-B

Question85:-Outstanding expenses account is a/an \_\_\_\_\_ account.

A:-Nominal

B:-Real

C:-Impersonal

D:-Personal

Correct Answer:- Option-D

Question86:-As per accrual concept, which of the following is not true?

A:-Revenue - Expenditure = Profit

B:-Sales + Profit = Revenue

C:-Revenue - Profit = Expenditure

D:-Revenue = Profit + Expenditure

Correct Answer:- Option-B

Question87:-Which among the following is a fictitious assets?

A:-Stock

B:-Preliminary expenses

C:-Patent

D:-Machinery

Correct Answer:- Option-C

Question88:-In a manufacturing concern, at any time there will be some unfinished or semi-finished work. This is called \_\_\_\_\_

A:-Inventory

B:-Closing stock

C:-Work in progress

D:-Stock-in-trade

Correct Answer:- Option-C

Question89:-As a consideration governing the selection of accounting policy by the management, materiality denotes

A:-Uncertainties inevitable surround many transactions

B:-Provision is made for all known liabilities

C:-Transactions and other events should be accounted for in accordance with their substance

D:-Financial statements should disclose all items which are material enough to affect evaluations

Correct Answer:- Option-D

Question90:-The date of maturity of a bill of exchange is always calculated by adding \_\_\_\_\_ days of grace.

A:-Two

B:-Three

C:-Four

D:-Five

Correct Answer:- Option-B

Question91:-Double Entry System was introduced in

A:-Italy

B:-America

C:-Japan

D:-India

Correct Answer:- Option-A

Question92:-Which of the following errors are not disclosed by Trial Balance?

- A:-Errors of Principle
- B:-Errors of Omission
- C:-Compensatory Errors
- D:-All the three

Correct Answer:- Option-D

Question93:-How many accounting standards have been issued in India so far?

- A:-2
- B:-20
- C:-30
- D:-32

Correct Answer:- Option-D

Question94:-The order in which assets and liabilities are shown in the Balance Sheet

- A:-Order of liquidity
- B:-Marshalling
- C:-Classification
- D:-Order of permanence

Correct Answer:- Option-B

Question95:-After the preparation of ledgers, the next step is the preparation of

- A:-Trading account
- B:-Profit and Loss account
- C:-Trial balance
- D:-Balance Sheet

Correct Answer:- Option-C

Question96:-Which of the following is not a column of a three-column cash book?

- A:-Petty Cash column
- B:-Cash column
- C:-Bank column
- D:-Discount column

Correct Answer:- Option-A

Question97:-Present liability of uncertain amount, which can be measured reliably by using a substantial degree of estimation is termed as

- A:-Contingent liability
- B:-Provision
- C:-Reserve
- D:-Suspense

Correct Answer:- Option-B

Question98:-The portion of the acquisition cost of the asset, yet to be allocated is known as

- A:-Accumulated value
- B:-Realisable value
- C:-Salvage value
- D:-Written down value

Correct Answer:- Option-D

Question99:-The amounts set apart for replacement of an asset are invested periodically in government securities of shares and the account to which these amounts are credited is described as \_\_\_\_\_

- A:-Reserve fund
- B:-Capital fund
- C:-Retained profit
- D:-Provision

Correct Answer:- Option-A

Question100:-Sales is equal to

A:-Gross profit-Cost of goods sold

B:-Cost of goods sold + Net profit

C:-Cost of goods sold + Gross profit

D:-Cost of goods sold - Gross profit

Correct Answer:- Option-C