

FINAL ANSWER KEY

Paper: Book-keeping (Theory and Practical) (Paper III)
Date of Examination 05-09-2019

Question1:-In Journal, the business transaction is recorded

- A:-Once in a month
- B:-Next day
- C:-Once in a week
- D:-Same day

Correct Answer:- Option-D

Question2:-The process of entering all transactions from the journal to ledger is called

- A:-Posting
- B:-Entry
- C:-Accounting
- D:-None of the above

Correct Answer:- Option-A

Question3:-The following is a statement showing the financial status of the company at any given time

- A:-Trading account
- B:-Profit and Loss statements
- C:-Balance sheet
- D:-Cash book

Correct Answer:- Option-C

Question4:-In which order does the journal list transactions?

- A:-Alphabetical
- B:-Chronological
- C:-Increasing
- D:-Decreasing

Correct Answer:- Option-B

Question5:-The _____ reports activity over a period of time.

- A:-Income statement
- B:-Balance sheet
- C:-Audit
- D:-Cash flow statement

Correct Answer:- Option-A

Question6:-What is the main purpose of Bank Reconciliation?

- A:-To locate cashier's mistake
- B:-Reconciliation of the cash book and bank balances
- C:-To find out bank balances
- D:-To find out cash balances

Correct Answer:- Option-B

Question7:-Sales day book is best described as

- A:-A list of customers account
- B:-A list containing real accounts
- C:-A list of credit sales
- D:-None of the above

Correct Answer:- Option-C

Question8:-Which is the most important characteristic that all assets of a business have?

- A:-Long life of assets
- B:-Value of assets
- C:-Intangible nature of assets

D:-Future economic benefits

Correct Answer:- Option-D

Question9:-Long term capital loss can be set off from which of the following?

A:-Short term capital gain only

B:-Long term capital gain only

C:-Income from business or profession

D:-Income from salary

Correct Answer:- Option-B

Question10:-Cost of goods sold is reported on the

A:-Cash flow statement

B:-Profit and Loss statement

C:-Balance sheet

D:-Trading account

Correct Answer:- Option-D

Question11:-Net loss occurs when

A:-Expenses are greater than income

B:-Expenses are less than income

C:-Expenses = Income

D:-Liabilities are greater than income

Correct Answer:- Option-A

Question12:-The following is also known as External Internal Equity ratio

A:-Current ratio

B:-Acid test ratio

C:-Debt equity ratio

D:-Debt service coverage ratio

Correct Answer:- Option-C

Question13:-Balance sheet is prepared

A:-Daily

B:-Weekly

C:-Monthly

D:-Annually

Correct Answer:- Option-D

Question14:-A cash discount is best described as a reduction in the sum to be paid

A:-If payment is made within a previously agreed period

B:-If payment is made either by cash or cheque

C:-If purchases are made for cash, not on credit

D:-If payment is made by cash, not cheque

Correct Answer:- Option-A

Question15:-Liabilities payable in more than a year and are not be liquidated from current assets called

A:-Current liabilities

B:-Fixed liabilities

C:-Contingent liabilities

D:-All of the above

Correct Answer:- Option-B

Question16:-In the absence of any agreement partners are liable to receive interest on their loans @

A:-12%

B:-10%

C:-6%

D:-8%

Correct Answer:- Option-C

Question17:-Auditing refers to

- A:-Reporting the financial information
- B:-Examination of financial information
- C:-Preparation of financial statements
- D:-Maintaining the ledger accounts

Correct Answer:- Option-B

Question18:-Earnings are the result of the difference between

- A:-Revenue and assets
- B:-Revenue and liabilities
- C:-Liabilities and expenses
- D:-Revenue and expenses

Correct Answer:- Option-D

Question19:-The measure of how efficiently the assets resources are employed by the firm is called

- A:-Liquidity ratio
- B:-Leverage ratios
- C:-Activity ratios
- D:-Profitability ratios

Correct Answer:- Option-C

Question20:-Unpresented cheques also referred as

- A:-Outstanding cheques
- B:-Uncollected cheques
- C:-Bounced cheques
- D:-Uncredited cheques

Correct Answer:- Option-A

Question21:-The sales income of a business during a given period is called

- A:-Transactions
- B:-Sales returns
- C:-Turnover
- D:-Purchase returns

Correct Answer:- Option-C

Question22:-The credit entry for net profit is on the credit side of

- A:-The capital account
- B:-The drawing account
- C:-The trading account
- D:-Profit and loss account

Correct Answer:- Option-A

Question23:-Which financial statement uses the expanded accounting equation?

- A:-Income statement
- B:-Cash flow statement
- C:-Statement of stockholder's equity
- D:-Balance sheet

Correct Answer:- Option-D

Question24:-An entry which is made on both sides of a cash book is called

- A:-Cash entry
- B:-Contra entry
- C:-Payment entry
- D:-Compound entry

Correct Answer:- Option-B

Question25:-The assets that can be converted into cash within a short period (i.e. 1 year or less) are known as

- A:-Current assets

- B:-Fixed assets
- C:-Intangible assets
- D:-Investments

Correct Answer:- Option-A

Question26:-Double entry implies that

- A:-Recording entries in journal
- B:-Recording entries in ledger account
- C:-Recording two aspects of every transaction
- D:-Recording every transaction in books

Correct Answer:- Option-C

Question27:-According to accounting equation assets are equal to

- A:-Liabilities
- B:-Liabilities and equities
- C:-Equities
- D:-None of these

Correct Answer:- Option-B

Question28:-Which of the following is a financial asset?

- A:-Inventories
- B:-Equipment
- C:-Loan to an associate
- D:-Accounts receivable

Correct Answer:- Option-D

Question29:-Which financial statement is used to show what the firm owns?

- A:-Income statement
- B:-Balance sheet
- C:-Statement of retained earnings
- D:-Cash flow statement

Correct Answer:- Option-B

Question30:-Any written evidence in support of a business transaction is called

- A:-Journal
- B:-Ledger
- C:-Ledger posting
- D:-Voucher

Correct Answer:- Option-D

Question31:-The debts, which are to be repaid within a short period (year or less) are known as

- A:-Current liabilities
- B:-Fixed liabilities
- C:-Contingent liabilities
- D:-All of the above

Correct Answer:- Option-A

Question32:-What is the main purpose of financial accounting?

- A:-Organize financial information
- B:-Minimize company taxes
- C:-Provide useful financial information to outsiders
- D:-Keep track of company expenses

Correct Answer:- Option-C

Question33:-Accounting provides information on

- A:-Cost and income for managers
- B:-Company's tax liability for a particular year
- C:-Financial conditions of an institution

D:-All of the above

Correct Answer:- Option-D

Question34:-The cost of Air-Conditioning of the Manager's office will be

A:-A capital expenditure

B:-A revenue expenditure

C:-A deferred revenue expenditure

D:-None of these

Correct Answer:- Option-A

Question35:-Liabilities are which of the following?

A:-Resources

B:-Obligations

C:-Future benefits

D:-Expenses

Correct Answer:- Option-B

Question36:-A minimum quantity of stock always held as precaution against out of stock situation is called

A:-Zero stock

B:-Risk stock

C:-Base stock

D:-None of the above

Correct Answer:- Option-C

Question37:-Cash book records

A:-Cash payments and cash receipts

B:-Purchases and sales

C:-Cash payments

D:-Cash receipts

Correct Answer:- Option-A

Question38:-Petty cash fund is supposed to be replenished

A:-At the end of every quarter

B:-At the end of every month

C:-At the end of every accounting year

D:-At the end of every year

Correct Answer:- Option-C

Question39:-The characteristics of a budget

A:-It outlines projected activities

B:-Expressions are made in quantitative terms

C:-It is for a fixed period

D:-All of the above

Correct Answer:- Option-D

Question40:-Which of these best describes fixed assets?

A:-Which are bought to be used in the business

B:-Which are of long life and are not bought specifically for resale

C:-Which are expensive items bought for the business

D:-Which are items will not wear out quickly

Correct Answer:- Option-B

Question41:-The Four principal qualitative characteristics of useful financial statements are

A:-Understandability, relevance, reliability, comparability

B:-Timeliness, relevance, reliability, comparability

C:-Understandability, relevance, accuracy, comparability

D:-Understandability, relevance, reliability, simplicity

Correct Answer:- Option-D

Question42:-Given figures showing : Sales Rs. 8,200, Opening stock Rs. 1,300, Closing stock Rs. 900, Purchases Rs. 6,400, Carriage inwards Rs. 200, the cost of goods is

A:-Rs. 7,000

B:-Rs. 6,200

C:-Rs., 6,800

D:-None of the above

Correct Answer:- Option-A

Question43:-Carriage inwards is charged to the trading account because

A:-It is not part of motor expenses

B:-Carriage outwards goes in the profit and loss account

C:-It is an expense connected with buying goods

D:-It should not go in the balance sheet

Correct Answer:- Option-C

Question44:-A loan can be described as a short-term loan if the period is

A:-Three years

B:-Less than one year

C:-Over one year

D:-More than two years

Correct Answer:- Option-B

Question45:-Capital of a business decreases if there is an increase in

A:-Drawings

B:-Income

C:-Gains

D:-Fresh capital

Correct Answer:- Option-A

Question46:-The left side of an account is known as _____ and right side as _____.

A:-Credit, Debit

B:-Debit, Credit

C:-Liability, Asset

D:-None of the above

Correct Answer:- Option-B

Question47:-Which of the following accounting equation is correct?

A:-Cash + Other assets = Capital - Liabilities

B:-Capital + Liabilities = Assets + Income

C:-Assets - Liabilities = Capital

D:-Assets + Capital = Liabilities

Correct Answer:- Option-C

Question48:-Identify the correct sequence of accounting process

A:-Recording - Communicating - Identifying

B:-Communicating - Recording - Identifying

C:-Identifying - Communicating - Recording

D:-Identifying - Recording - Communicating

Correct Answer:- Option-D

Question49:-Given a purchases invoice showing 5 items of Rs. 80/- each, less trade discount of 25% and cash discount of 5%, if paid within the credit period, your cheque would be made out for

A:-Rs. 260

B:-Rs. 280

C:-Rs. 285

D:-Rs. 400

Correct Answer:- Option-C

Question50:-An alternative name for a sales journal is

- A:-Sales day book
- B:-Sales ledger
- C:-Sales invoices
- D:-Daily sales

Correct Answer:- Option-A

Question51:-If a Trial Balance totals do not agree, the difference must be entered in

- A:-Capital Account
- B:-Nominal Account
- C:-Profit and Loss Account
- D:-Suspense account

Correct Answer:- Option-D

Question52:-Credit notes issued by us will be entered in our

- A:-Sales account
- B:-Returns inwards journal
- C:-Return outwards journal
- D:-Returns inwards account

Correct Answer:- Option-B

Question53:-If the market value of closing inventory is less than its cost price, inventory will be shown at

- A:-Market value
- B:-Fair market value
- C:-Both
- D:-None

Correct Answer:- Option-A

Question54:-Financially, shareholders are rewarded by

- A:-Interest
- B:-Profits
- C:-Dividends
- D:-None of these

Correct Answer:- Option-C

Question55:-Which account is not a liability account?

- A:-Accounts payable
- B:-Accrued expenses
- C:-Notes payable
- D:-Cash

Correct Answer:- Option-D

Question56:-_____ is also called as purchase ledger.

- A:-Personal ledger
- B:-Creditors ledger
- C:-Debtors ledger
- D:-Nominal ledger

Correct Answer:- Option-B

Question57:-Last activities list on the cash flow statement

- A:-Financing activities
- B:-Withdrawals
- C:-Expenditures
- D:-Outstanding liabilities

Correct Answer:- Option-A

Question58:-Debit the receiver and credit the giver is _____ account.

- A:-Real
- B:-Personal

- C:-Nominal
- D:-All of the above

Correct Answer:- Option-B

Question59:-Unearned revenues are reported on the

- A:-Income statement
- B:-Profit and Loss statement
- C:-Balance sheet
- D:-Cash flow statement

Correct Answer:- Option-C

Question60:-The accounting cycle represents a series of steps that a business uses

- A:-To record and classify the transactions
- B:-To summarize the transactions
- C:-To communicate financial events
- D:-For all of these

Correct Answer:- Option-D

Question61:-Which of these best describes a balance sheet?

- A:-A statement of assets
- B:-A listing of balances
- C:-A record of closing entries
- D:-An account proving the book balance

Correct Answer:- Option-B

Question62:-Which of the following is not a Real Account?

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

Correct Answer:- Option-D

Question63:-The long term assets that have no physical existence but are rights that have value is known as

- A:-Current assets
- B:-Fixed assets
- C:-Intangible assets
- D:-Investments

Correct Answer:- Option-C

Question64:-Cash deposit made by business appears on the bank statement as _____ balance.

- A:-Credit
- B:-Debit
- C:-Expenses
- D:-Liability

Correct Answer:- Option-A

Question65:-Sales expenditure budget is prepared by estimating the expenses of

- A:-Advertisement
- B:-Market analysis
- C:-Salesman's salary
- D:-All of the above

Correct Answer:- Option-D

Question66:-Liquid or Quick assets =

- A:-Current assets - (Stock + Work in progress)
- B:-Current assets + Stock + Work in progress
- C:- (Current assets + Stock) + Work in progress
- D:- (Current assets + Work in progress) - Stock

Correct Answer:- Option-A

Question67:-A higher inventory ratio indicates

A:-Better inventory management

B:-Quicker turnover

C:-Both (1) and (2)

D:-None of the above

Correct Answer:- Option-C

Question68:-Lower the Debt Equity ratio

A:-Lower the protection to creditors

B:-Higher the protection to creditors

C:-It does not affect the creditors

D:-None of the above

Correct Answer:- Option-B

Question69:-Patents, copyrights and Trademarks are

A:-Current assets

B:-Fixed assets

C:-Intangible assets

D:-Investments

Correct Answer:- Option-C

Question70:-What is the minimum number of parties in a consignment?

A:-1

B:-2

C:-3

D:-5

Correct Answer:- Option-B

Question71:-Which of the following is not a current assets?

A:-Accounts receivable

B:-Inventory of finished products

C:-Inventory of raw materials

D:-Land

Correct Answer:- Option-D

Question72:-Asset accounts have what type of balance?

A:-Debit

B:-Credit

C:-Contra

D:-All of the above

Correct Answer:- Option-A

Question73:-Dead rent is also called

A:-Outstanding rent

B:-Minimum rent

C:-Prepaid rent

D:-Future rent

Correct Answer:- Option-B

Question74:-Operating activities are reported on the _____ before financing activities.

A:-Income statement

B:-Balance sheet

C:-Statement of equity

D:-Cash flow statement

Correct Answer:- Option-D

Question75:-The account that records expenses, gains and losses is

- A:-Personal account
- B:-Real account
- C:-Nominal account
- D:-None of the above

Correct Answer:- Option-C

Question76:-Financial statement that lists only temporary accounts

- A:-Income statement
- B:-Profit and Loss statement
- C:-Balance sheet
- D:-Cash flow statement

Correct Answer:- Option-A

Question77:-The statement that shows the cause of change in the financial position of an organization is known as

- A:-Balance Sheet
- B:-Funds flow statement
- C:-Statement of financial position
- D:-None of these

Correct Answer:- Option-C

Question78:-Capital A/c is a _____ A/c.

- A:-Personal
- B:-Real
- C:-Nominal
- D:-None

Correct Answer:- Option-A

Question79:-The current liability includes

- A:-Bills payable
- B:-Outstanding expenses
- C:-Bank overdraft
- D:-All of the above

Correct Answer:- Option-D

Question80:-Auditing begins where _____ ends.

- A:-Selling
- B:-Accounting
- C:-Inventory valuation
- D:-Purchases

Correct Answer:- Option-B

Question81:-In which cases accounting estimates are needed?

- A:-Employees benefit scheme
- B:-Impairment of losses
- C:-Inventory obsolescence
- D:-All of the above

Correct Answer:- Option-D

Question82:-An audit which is compulsory by the law _____.

- A:-Government audit
- B:-Internal audit
- C:-Statutory audit
- D:-Cost audit

Correct Answer:- Option-C

Question83:-Place where extra financial information is attached to financial statements

- A:-Annexures
- B:-Footnotes

C:-Statements

D:-None of the above

Correct Answer:- Option-B

Question84:-Current liabilities need to be paid

A:-Within one accounting cycle

B:-Beyond one accounting cycle

C:-Within 3 years

D:-Within 6 months

Correct Answer:- Option-A

Question85:-_____ is the evidence that a transaction took place.

A:-Journal

B:-Source document

C:-Ledger

D:-Cash Book

Correct Answer:- Option-B

Question86:-The total of purchase journal is transferred to the

A:-Debit side of the Purchase Account

B:-Debit side of the Purchase Date Book

C:-Credit side of the Purchase Account

D:-Credit side of the Purchase Book

Correct Answer:- Option-A

Question87:-When a petty cash book is kept, there will be

A:-No entries made at all in the general ledger for items paid by petty cash

B:-The same number of entries in the general ledger

C:-Fewer entries made in the general ledger

D:-More entries made in the general ledger

Correct Answer:- Option-C

Question88:-A credit balance of Rs. 250 on the cash columns of the book would mean

A:-The person have Rs. 250 cash in hand

B:-Somebody has stolen Rs. 250

C:-The person has spent Rs. 250 more than he received

D:-The accountant has made a mistake

Correct Answer:- Option-D

Question89:-The debit balance of Rs. 250 in a cash account shows that

A:-There was Rs. 250 cash in hand

B:-Rs. 250 was the total of cash paid out

C:-Cash has been over spend by Rs. 250

D:-Total cash received was less than Rs. 250

Correct Answer:- Option-A

Question90:-Manufacturing account is calculated

A:-The production costs paid in the year

B:-The production cost of goods completed in the period

C:-The gross profit of the goods sold

D:-The total cost of goods produced

Correct Answer:- Option-B

Question91:-When Mr. X makes out a cheque for Rs. 2,500 and sent it to Mr. Z, then Mr. X is known as

A:-The payee

B:-The banker

C:-The drawer

D:-The creditor

Correct Answer:- Option-C

Question92:-Which account increases equity?

- A:-Expenses
- B:-Withdrawals
- C:-Treasury stock
- D:-Revenues

Correct Answer:- Option-D

Question93:-Operating profit is

- A:-Profit after deducting normal operating expenses including depreciation
- B:-Profit after deducting taxes
- C:-Profit after deducting financial costs
- D:-Equal to net profit

Correct Answer:- Option-A

Question94:-Depreciation is _____.

- A:-A credit to shareholders
- B:-The increase in the value of an asset
- C:-An appreciation to the company
- D:-The decrease in the value of an asset

Correct Answer:- Option-D

Question95:-Which of the following should not be called sales?

- A:-Goods sold for cash
- B:-Office fixtures sold
- C:-Goods sold on credit
- D:-None of the above

Correct Answer:- Option-B

Question96:-Accountancy work is done throughout the accounting period although auditing work is done

- A:-From the second month of accounting period
- B:-In the middle of accounting period
- C:-After the end of accounting period
- D:-After the end of one month

Correct Answer:- Option-C

Question97:-Current ratio =

- A:-Current assets / Current liabilities
- B:-Quick assets / Current liabilities
- C:-Debt / Equity
- D:-Current assets / Equity

Correct Answer:- Option-A

Question98:-Which of the following is correct?

- A:-Profit reduce capital
- B:-Profit increases capital
- C:-Profit does not alter capital
- D:-Capital can only come from profit

Correct Answer:- Option-B

Question99:-When the final accounts are prepared, the Bad Debts Accounts is closed and transferred to the

- A:-Trading Account
- B:-Balance Sheet
- C:-Profit and Loss Account
- D:-Provision for doubtful debts account

Correct Answer:- Option-C

Question100:-Balance sheet as at 31 March 2018
In Rs.

Non-current assets	20,000
Inventories	5,000
Trade receivables	3,000
Investments	1,500
Cash and bank	500
Bank overdraft	1,650
Trade payables	6,000
Taxation	1,000
Dividend proposed	200
Loan	1,000
Ordinary shares	4,000
Share premium	4,650
Retained earnings	11,500

What is the Current Liabilities?

A:-Rs. 7,200

B:-Rs. 7,650

C:-Rs. 7,000

D:-Rs. 8,850

Correct Answer:- Option-D