

FINAL ANSWER KEY

Paper: Book-keeping (Theory and Practical) (Paper III)
Date of Test 01-11-2020

- Question1:-Bookkeeping mainly consists of which part of accounting process?
A:-Analysing
B:-Preparing financial statements
C:-Auditing the books of accounts
D:-Recording financial information
Correct Answer:- Option-D
- Question2:-Which of the following describes a record of the transactions?
A:-Journal
B:-Income statement
C:-Balance sheet
D:-General ledger
Correct Answer:- Option-A
- Question3:-Which of the following is a liability?
A:-Cash
B:-Equipment
C:-Creditors
D:-Debtors
Correct Answer:- Option-C
- Question4:-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:-Liquidated damages
Correct Answer:- Option-B
- Question5:-The process of recording financial data upto trial balance is
A:-Book keeping
B:-Analyzing
C:-Summarising
D:-Classifying
Correct Answer:- Option-A
- Question6:-Revenue
A:-Causes a decrease in shareholder's equity
B:-Causes a decrease or an increase in shareholder's equity
C:-Has no impact on shareholder's equity
D:-Causes an increase in shareholders' equity
Correct Answer:- Option-D
- Question7:-Wages and Salaries of employees which company owns in the accounts are called
A:-Accrued expenses
B:-Accruals accounts
C:-Both 1 and 2
D:-Zero liabilities
Correct Answer:- Option-C
- Question8:-In cost of goods sold statement, the 'Cost of material consumed' is equal to
A:-Opening raw material inventory - Purchases + Closing raw material inventory
B:-Opening raw material inventory + Purchases - Closing raw material inventory
C:-Closing raw material inventory + Opening raw material inventory - Purchases
D:-Closing raw material inventory + Opening raw material inventory + Purchases
Correct Answer:- Option-B
- Question9:-Types of Journal includes
A:-Purchase Journal
B:-Sales Journal
C:-Cash Journal
D:-All of the above
Correct Answer:- Option-D
- Question10:-The total of Purchase Journal is transferred to the
A:-Debit side of the Purchase Account
B:-Debit side of the Purchase Dat Book
C:-Credit side of the Purchase Account
D:-Credit side of the Purchase Book
Correct Answer:- Option-A
- Question11:-In income statement, gross profit is always equal to
A:-Sales - expenses
B:-Sales - cost of goods sold
C:-Incomes - expenses
D:-Sales - selling costs
Correct Answer:- Option-B
- Question12:-The matching principle attempts to find satisfactory bases of association between
A:-Assets and liabilities
B:-Internal equities and external liabilities
C:-Expenses and revenues
D:-None of these
Correct Answer:- Option-C
- Question13:-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:-Running stock
Correct Answer:- Option-C
- Question14:-Balance sheet is a statement which discloses an organization's
A:-Assets

- B:-Liabilities
 - C:-Owner's equity
 - D:-All of these
- Correct Answer:- Option-D

Question15:-According to accounting equation assets are equal to?

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

Correct Answer:- Option-B

Question16:-Mr.X purchased 4 mixer grinder of Rs.2,500 each. Company allowed trade discount of 25% and cash discount of 5%, if paid within the credit period. If so, your cheque would be made out for

- A:-Rs.7,125
- B:-Rs.10,000
- C:-Rs.7,500
- D:-Rs.7,000

Correct Answer:- Option-A

Question17:-Accounts payable, accruals and notes payables are listed on balance sheet as

- A:-Accrued liabilities
- B:-Current liabilities
- C:-Accumulated liabilities
- D:-Non current liabilities

Correct Answer:- Option-B

Question18:-The _____ summarizes investing activities during a period

- A:-Statement of equity
- B:-Income statement
- C:-Balance sheet
- D:-Statement of cash flows

Correct Answer:- Option-D

Question19:-The cost of furnitures in 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

Question20:-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

Question21:-"Debit all expenses and losses, credit all incomes and gains" - relates to:

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

Correct Answer:- Option-B

Question22:-Debenture carrying charge on particular asset on the company is known as

- A:-Fixed
- B:-Mortgage
- C:-Naked
- D:-Floating

Correct Answer:- Option-D

Question23:-The _____ reports activity on a specific point in time.

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

Correct Answer:- Option-A

Question24:-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

Question25:-In which order does the journal list transactions?

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

Correct Answer:- Option-B

Question26:-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:-All of the above

Correct Answer:- Option-D

Question27:-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

Question28:-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

Question29:-A trader purchases goods for Rs.2,50,000, of these 70% of goods were sold during the year. At the end of the Financial year, market value of such goods were Rs.50,000. But the dealer recorded in his books for Rs.75,000. Which of the following concept is violated?

- A:-Money measurement
- B:-Conservatism
- C:-Consistency
- D:-None of these

Correct Answer:- Option-B

Question30:-Mr.A is a dealer in electrical appliances. He purchased two air conditioners and installed in his showroom. In the books the cost of two airconditioners will be debited to :

- A:-Fixed assets account
- B:-Drawing account
- C:-Capital account
- D:-Purchase account

Correct Answer:- Option-A

Question31:-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

Question32:-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

Question33:-Mr.A paid Rs.1,40,000 for purchasing an existing business establishment.The assets valued at buildings for Rs.50,000, Motor vehicles Rs.15,000, Fixtures Rs.5,000 and stock Rs.40,000. This means that:

- A:-You paid Rs.30,000 for Goodwill
- B:-You paid Rs.30,000 as incentive
- C:-You paid Rs.30,000 as margin
- D:-You have paid Rs.30,000 by mistake

Correct Answer:- Option-A

Question34:-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

Question35:-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

Question36:-If debit balances = credit balances, trial balance only shows or check the _____ and it does not indicate that no errors were made during recording and posting.

- A:-Errors of commission
- B:-Arithmetic accuracy
- C:-Omissions of economic events
- D:-Understatements of balances

Correct Answer:- Option-B

Question37:-Which of the following is NOT an example of intangible assets?

- A:-Franchise rights
- B:-Goodwill
- C:-Patents
- D:-Land

Correct Answer:- Option-D

Question38:-Entries in Purchase Journal are:

- A:-Purchase invoices
- B:-Discount received
- C:-Payments to suppliers
- D:-Trade discounts

Correct Answer:- Option-A

Question39:-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:-Few entries in the general ledger
- D:-More entries made in the general ledger

Correct Answer:- Option-C

Question40:-Percentage of gross profit arrived by:

- A:-Sales - Purchase value of sold goods / 100
- B:-Gross profit x 100 / Sales
- C:-Sales / Gross profit / 100
- D:-None of the above

Correct Answer:- Option-B

Question41:-The current liability includes

- A:-Bills payable
- B:-Outstanding expenses
- C:-Bank overdraft

D:-All of the above

Correct Answer:- Option-D

Question42:-Discounts received are:

A:-Deducted when cash received

B:-Given at the time of credit sale

C:-Deducted in accounts when payment made

D:-None of the above

Correct Answer:- Option-C

Question43:-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

Question44:-Determine the cost of goods sold from the following: Sales Rs.82,000, Opening stock Rs.13,000; Closing stock Rs.9,000; Purchases Rs.64,000; Carriage inwards Rs.2,000

A:-Rs.70,000

B:-Rs.62,000

C:-Rs.68,000

D:-Rs.82,000

Correct Answer:- Option-A

Question45:-Fixed assets is described as:

A:-Assets which are not used in the business

B:-Assets having long life and are not bought specifically for resale

C:-Assets which are expensive items bought for the business

D:-Assets, which will not wear out quickly

Correct Answer:- Option-B

Question46:-Companies profit divided among shareholder is:

A:-Interest

B:-Reserve

C:-Surplus

D:-Dividend

Correct Answer:- Option-D

Question47:-Cash book records:

A:-Cash payments and cash receipts

B:-Purchase and sales

C:-Cash payments

D:-Cash receipts

Correct Answer:- Option-A

Question48:-Direct material costs are added into direct manufacturing costs, to calculate:

A:-Product cost

B:-Manufacturing cost

C:-Prime cost

D:-Production cost

Correct Answer:- Option-C

Question49:-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

Question50:-The best description of cash discount is 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

Question51:-Purchases + Opening stock + Direct Expense - Closing stock =

A:-Net income

B:-Amount of sale

C:-Gross profit

D:-Cost of goods sold

Correct Answer:- Option-D

Question52:-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

Question53:-Credit notes issued by a taxpayer will be entered in his:

A:-Sales Account

B:-Returns inwards journal

C:-Return outwards journal

D:-Returns inwards account

Correct Answer:- Option-B

Question54:-_____ is a separate legal entity whose total capital can be divided into many shares

A:-Partnership

B:-Proprietorship

C:-Non-profit organization

D:-Company

Correct Answer:- Option-D

Question55:-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

Question56:-The account format that displays debits, credits, balances, and headings.

- A:-General Journal
- B:-General Ledger
- C:-Trading Account
- D:-Ledger Account
- Correct Answer:- Option-C

Question57:-The assets that can be converted into cash within a short period are known as

- A:-Investments
- B:-Fixed assets
- C:-Intangible assets
- D:-Current assets
- Correct Answer:- Option-D

Question58:-Lower the Debt Equity ratio:

- A:-Lower the protection to creditors
- B:-Higher the protection to creditors
- C:-It does not affect creditors
- D:-None of the above
- Correct Answer:- Option-B

Question59:-Capital Account is a

- A:-Personal Account
- B:-Real Account
- C:-Nominal Account
- D:-Purchase Account
- Correct Answer:- Option-A

Question60:-The ratios that refer to the ability of the firm to meet the short term obligations out of its short term resources

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

Question61:-Auditing begins where _____ ends.

- A:-Selling
- B:-Accounting
- C:-Inventory Valuation
- D:-Purchases
- Correct Answer:- Option-B

Question62:-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

Question63:-Asset accounts have what type of balance?

- A:-Debit
- B:-Credit
- C:-Contra
- D:-Capital
- Correct Answer:- Option-A

Question64:-Any documentary evidence in support of a business transaction is called

- A:-Journal
- B:-Ledger
- C:-Voucher
- D:-Ledger posting
- Correct Answer:- Option-C

Question65:-Which of the following is not a Real Account?

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

Question66:-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

Question67:-Closing inventory is valued at:

- A:-Least of cost price or market value
- B:-Market value
- C:-Cost price
- D:-None of the above
- Correct Answer:- Option-A

Question68:-Manufacturing Account calculate:

- 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

Question69:-'Posting' the transactions in book keeping means:

- A:-Making the first entry of a double entry transaction
- B:-Entering items in a cash book

C:-Making the second entry of a double entry transaction

D:-Something other than above

Correct Answer:- Option-C

Question70:-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

Question71:-Place where extra financial information is attached to financial statements:

A:-Annexures

B:-Footnotes

C:-Statements

D:-Observations

Correct Answer:- Option-B

Question72:-Cash deposit made by business appears on the bank statement as _____ balance.

A:-Credit

B:-Debit

C:-Expenses

D:-Liability

Correct Answer:- Option-A

Question73:-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

Question74:-A loan can be described as a short - term loan if the period is:

A:-Less than three years

B:-Less than one year

C:-Over one year

D:-Less than two years

Correct Answer:- Option-B

Question75:-If we take goods for own use we should:

A:-Debit Purchase Account: Credit Drawing Account

B:-Debit Sales Account: Credit Stock Account

C:-Debit Drawing Account: Credit Stock Account

D:-Debit Drawing Account: Credit Purchases Account

Correct Answer:- Option-D

Question76:-The father of double entry book - keeping system:

A:-F.W. Taylor

B:-Henry Fayol

C:-Lucas Pacioli

D:-Adam Smith

Correct Answer:- Option-C

Question77:-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

Question78:-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

Question79:-Balance sheet is prepared

A:-Daily

B:-Weekly

C:-Monthly

D:-Annually

Correct Answer:- Option-D

Question80:-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

Question81:-Financial statement used to compute the gross profit margin.

A:-Profit and loss statement

B:-Trading Account

C:-Balance sheet

D:-Cash flow statement

Correct Answer:- Option-B

Question82:-Financial statement that lists only temporary accounts:

A:-Income statement

B:-Profit and loss Statement

C:-Balance sheet

D:-Cash flow statemnet

Correct Answer:- Option-A

Question83:-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

Question84:- _____ is the evidence that a transaction took place.

- A:-Journal
- B:-Source document
- C:-Ledger
- D:-Cash Book

Correct Answer:- Option-B

Question85:-The debit balance of Rs.25,000 in a cash account shows that:

- A:-There was Rs.25,000 cash in hand
- B:-Rs.25,000 was the total of cash paid out
- C:-Cash has been over spend by Rs.25,000
- D:-Total cash received was less than Rs.25,000

Correct Answer:- Option-A

Question86:-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

Question87:-To find the value of closing stock at the end of a period, we:

- A:-do this by stock taking
- B:-look in the stock account
- C:-deduct cost of goods sold from sales
- D:-deduct opening stock from cost of goods sold

Correct Answer:- Option-A

Question88:-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

Question89:-Cash book is prepared by

- A:-Bank
- B:-Accountant of business
- C:-Manager of a company
- D:-Bank's cashier

Correct Answer:- Option-B

Question90:-The results of business activities are reflected in

- A:-Profit and loss account
- B:-Profit and loss appropriation account
- C:-Balance sheet
- D:-None of these

Correct Answer:- Option-C

Question91:-What is the minimum number of parties in a Consignment?

- A:-1
- B:-2
- C:-3
- D:-5

Correct Answer:- Option-B

Question92:-A firm bought a machine for Rs.32,00,000. It is to be depreciated at a rate of 25% under diminishing method. What would be the remaining book value after 2 years?

- A:-Rs.18,00,000
- B:-Rs.30,00,000
- C:-Rs.16,00,000
- D:-Rs.24,00,000

Correct Answer:- Option-A

Question93:-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

Question94:-The accounts that records expenses, gains and losses are

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

Correct Answer:- Option-C

Question95:-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

Question96:-When Mr.A makes out a cheque for Rs.5,00,000 and send it to Mr.Z, then Mr.A is known as:

- A:-The payee
- B:-The banker
- C:-The creditor
- D:-The drawer

Correct Answer:- Option-D

Question97:-Purpose of Bank Reconciliation is

- A:-To locate cashier's mistake

- B:-To reconcile the cash book and pass book
- C:-To find out bank balances
- D:-To find out cash balances

Correct Answer:- Option-B

Question98:-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

Question99:-Which of these is not included as a separate item in the basic accounting equation?

- A:-Assets
- B:-Liabilities
- C:-Revenues
- D:-Stockholder's Equity

Correct Answer:- Option-C

Question100:-From the list find Current Liabilities

Balance sheet as at 31st March, 2018	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
Equity Ordinary shares	4,000
Share premium	4,650
Retained earnings	11,500

- A:-7,650
- B:-7,000
- C:-7,200
- D:-8,850

Correct Answer:- Option-D