

FINAL ANSWER KEY

Paper: Elements of Commercial Accounts Book Keeping (Paper III)

Date of Test 03-11-2022

Question1:-Which among the following that a sound financial system can provide in an economy?

- A:-Investment
- B:-Savings
- C:-Capital mobilisation
- D:-All of the above

Correct Answer:- Option-D

Question2:-A financial market in its true sense and spirit means which among the following

- A:-A specific place for transactions
- B:-An organised market
- C:-Any place for exchanging assets
- D:-An unorganised market

Correct Answer:- Option-C

Question3:-Which of the following 'securities' traded in a market is known as Gilt-edged securities

- A:-Govt. Securities
- B:-Industrial securities
- C:-Both (1) and (2)
- D:-None of the above

Correct Answer:- Option-A

Question4:-Who among the following are called Residence owners of a company?

- A:-Preference shareholders
- B:-Equity shareholders
- C:-Debenture holders
- D:-All of the above

Correct Answer:-**Question Cancelled**

Question5:-What do financial intermediaries, among the following advantages, enjoy most in performing the functions of gathering, processing and monitoring information

- A:-Lower transaction costs
- B:-Confidentiality
- C:-Economies of Scale
- D:-Signaling function

Correct Answer:- Option-C

Question6:-Which among the following legislations that governing commercial banks in India under an Act?

- A:-Reserve Bank of India Act 1935
- B:-Banking Regulation Act 1949
- C:-Govt. of India Act 1935
- D:-Independence Act 1947

Correct Answer:- Option-B

Question7:-Among the developmental financial institutions which is function as a subsidiary financial institution to IDBI

- A:-SIDBI
- B:-ICICI
- C:-HSBC
- D:-All of the above

Correct Answer:- Option-A

Question8:-Which among the following financial services is a traditional financial service

- A:-Capital restructuring activities
- B:-Acting as Trustees to debenture holders
- C:-Promoting credit rating agencies
- D:-Foreign exchange market activities

Correct Answer:- Option-D

Question9:-Which among the following is/are the merit/merits of Treasury bills

- A:-Safety
- B:-Liquidity
- C:-Short-term investment
- D:-All of the above

Correct Answer:- Option-D

Question10:-What among the following is a characteristic of Capital Market?

- A:-Innovative investment avenues
- B:-Integrated interest rate
- C:-Presence of Central Bank
- D:-Near Money assets

Correct Answer:- Option-A

Question11:-Name the authority that regulates stock exchange in India under securities contract (Regulation) Act 1956

- A:-Stock Exchange Board of India
- B:-Stock Exchange Members Brokers
- C:-Central Govt.
- D:-Finance Ministers

Correct Answer:- Option-C

Question12:-Who are the buyers and sellers of securities in a registered stock exchanges market

- A:-Investors
- B:-Speculators
- C:-Both (1) and (2)
- D:-None of the above

Correct Answer:- Option-C

Question13:-A market for raising capital in the form of shares and debentures issued by companies is known as

- A:-Secondary market
- B:-Primary market
- C:-Open market
- D:-Closed market

Correct Answer:- Option-B

Question14:-As per SEBI guidelines who among the following operators in the New-issue markets shall compulsorily hold the certificate of SEBI?

- A:-Brokers to the issue
 - B:-Registrar to the issue
 - C:-Bankers to the issue
 - D:-Managers to the issue
- Correct Answer:- Option-B

Question15:-In the functions of a new issue market which is a kind of guarantee undertaken by an institution or firm of brokers ensuring marketability

- A:-Underwriting
- B:-Propagation
- C:-Organisation
- D:-Distribution

Correct Answer:- Option-A

Question16:-What is called for an unfair buying or selling of securities based on key information before it is announced to the public?

- A:-Kerb trading
- B:-Secret trading
- C:-Insider trading
- D:-Book closing

Correct Answer:- Option-C

Question17:-Name the process of converting share certificate into electronic form and credited to the account of the investor on achieving maturity

- A:-Dematerialisation
- B:-Rematerialisation
- C:-Non-materialisation
- D:-None of the above

Correct Answer:- Option-A

Question18:-Allocation of goods and services for production of other goods and services in order to add to economy's capital stock is known as

- A:-Financial investment
- B:-Economic investment
- C:-Disinvestment
- D:-All of the above

Correct Answer:- Option-B

Question19:-Which among the following is classified as a non-security investment

- A:-Corporate Bonds
- B:-Govt. bonds
- C:-Savings certificate
- D:-Real estate

Correct Answer:- Option-D

Question20:-Which among the following is a contract where two parties agree to exchange their respective future cash flows based on future underlying investment

- A:-Derivatives
- B:-Strike price
- C:-Swaps
- D:-Option premium

Correct Answer:- Option-C

Question21:-Obligation that the enterprise has to pay in future in the form of money or goods is known as

- A:-Capital
- B:-Asset
- C:-Expenditure
- D:-Liability

Correct Answer:- Option-D

Question22:-A person to whom some amount is payable for loan taken/service rendered goods bought

- A:-Debtors
- B:-Creditors
- C:-Lender
- D:-Borrower

Correct Answer:- Option-B

Question23:-Assets which are held for a short period are known as

- A:-Current assets
- B:-Fixed assets
- C:-Capital assets
- D:-Revenue assets

Correct Answer:- Option-A

Question24:-Expenditure incurred with a view to increasing long term advantage or reducing permanent liability is known as

- A:-Revenue expenditure
- B:-Reduction of expenditure
- C:-Capital expenditure
- D:-Intangible assets

Correct Answer:- Option-C

Question25:-The assumption that the business enterprise will exist for a fairly long period of time is known as

- A:-Accounting period assumption
- B:-Going concern assumption
- C:-Money measurement assumption
- D:-Accounting entity assumption

Correct Answer:- Option-B

Question26:-Which of the following principle in accounting assumes that all assets are to be recorded at the total amount paid basically to acquire them

- A:-Objective principle
- B:-Modifying principle
- C:-Quality principle
- D:-Historical cost principle

Correct Answer:- Option-D

Question27:-Which among the following refers to disclosing of items in the financial statements in accordance with their significance

- A:-Materiality
- B:-Cost benefits
- C:-Time liners
- D:-Consistency

Correct Answer:- Option-A

Question28:-Among the following accounting equation which one is right equation?

- A:-Assets = Liabilities + Capital
- B:-Asset - liability = capital
- C:-Asset - capital = liabilities
- D:-All the above

Correct Answer:- Option-D

Question29:-Which among the following ledgers reveals the details of exactly what is owned to whom are posted?

- A:-Nominal ledger
- B:-Receivable ledger
- C:-Payable ledger
- D:-General ledger

Correct Answer:- Option-C

Question30:-When a transaction is recorded on a both sides of the cash book it is called?

- A:-Single entry
- B:-Contra entry
- C:-Cash system
- D:-Accrual system

Correct Answer:- Option-B

Question31:-Which among the following is/are the objectives of financial statement

- A:-Information about financial position
- B:-information about performance
- C:-changes in financial position
- D:-all of the above

Correct Answer:- Option-D

Question32:-The process of reviewing and analysing a company's financial statement to make a better economic decision is known as

- A:-Ratio analysis
- B:-Trend analysis
- C:-Cash in flow analysis
- D:-Cash out flow analysis

Correct Answer:- Option-A

Question33:-Current ratio analysis is carried out by the management of a company by which of the following calculations

- A:-Current ratio = Current Liability/Current Assets`
- B:-Current ratio = Current asset / Current liability
- C:-Bot (1) and (2)
- D:-None of the above

Correct Answer:- Option-B

Question34:-Instruments held by a company for the purpose of short term commitment are

- A:-Capital
- B:-Current assets
- C:-Cash and cash equivalents
- D:-Products of the company

Correct Answer:- Option-C

Question35:-Which among the following is an item of cash flow from investing activities

- A:-Cash from issuing shares
- B:-Cash from issuing debentures
- C:-Cash from issuing bonds
- D:-Cash from disposal of fixed assets

Correct Answer:- Option-D

Question36:-Among the following features which of the items represents revenue expenditure

- A:-It is non-recurring
- B:-It appears in the balance sheet
- C:-It does not appear in Balance sheet
- D:-It is irregular

Correct Answer:- Option-C

Question37:-Which of the following accounts that provides to the entrepreneur the net result of his business?

- A:-Profit and loss account
- B:-Balance sheet
- C:-Journal and ledgers
- D:-Closing entries

Correct Answer:- Option-A

Question38:-If the payments which are not related to the account of the current year, they are called

- A:-Outstanding expenses
- B:-Prepaid expenses
- C:-Closing stock
- D:-Opening stock

Correct Answer:- Option-B

Question39:-Gradual fall in the value of an asset is known as

- A:-Bad debts
- B:-Discount
- C:-Interest on asset
- D:-Depreciation

Correct Answer:- Option-D

Question40:-Certain trader prefer to keep incomplete records because

- A:-Single entry system is suitable for small concerns
- B:-Minimum number of books are required
- C:-Ignorance of the traders regarding double entry book-keeping
- D:-All of the above

Correct Answer:- Option-D

Question41:-Bills-Receiveable-Amount is prepared to ascertain the amount of bills-receivable received from whom among the following

- A:-Debtors
- B:-Creditors
- C:-Shareholders
- D:-None of the above

Correct Answer:- Option-A

Question42:-The journal entry is the book of

- A:-Final entry
- B:-Original entry
- C:-Secondary entry
- D:-All of the above

Correct Answer:- Option-B

Question43:-The statement contains various ledger balances on a particular date is known as

- A:-Income and expenditure statement
- B:-Balance sheet
- C:-Trial balance
- D:-Profit and loss account

Correct Answer:- Option-C

Question44:-A series of operations in a certain order for achieving desired result is known as

- A:-Connectivity
- B:-Procedures
- C:-Data
- D:-All of the above

Correct Answer:- Option-B

Question45:-The application environment of the computerised accounting system is known as

- A:-Codification of accounts
- B:-Operating procedure
- C:-Accounting framework
- D:-Accounting package

Correct Answer:- Option-C

Question46:-Among the following modes which model data and relationship are represented by a collection of tables

- A:-Physical
- B:-Hierarchical
- C:-Relational
- D:-Network model

Correct Answer:- Option-C

Question47:-Which among the following is a natural cause of depreciation

- A:-Wear and tear
- B:-Outdated technology
- C:-Obsolescence
- D:-Prohibition by law made by Government

Correct Answer:- Option-A

Question48:-When an error in one direction is neutralised by another in the opposite direction, it is called?

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

Correct Answer:- Option-D

Question49:-A bill of exchange is what kind of instrument among the following :

- A:-Non-negotiable
- B:-Negotiable
- C:-Non-transferable
- D:-Account payee

Correct Answer:- Option-B

Question50:-When the acceptor fails to meet the bill on the date of maturing, the bill is said to have been

- A:-Dishonoured
- B:-Bounced
- C:-Returned
- D:-Endorsed

Correct Answer:- Option-A

Question51:-The fund earned by a not for profit organisation is used for which of the following purposes

- A:-For pursuing organisational objectives
- B:-For benefits of particular people
- C:-For earning profits to its owners
- D:-For creating more fund

Correct Answer:- Option-A

Question52:-Excess of income received by a non-profit organisation is credited to

- A:-brought to profit and loss account
- B:-Capital/General fund
- C:-Reserve fund
- D:-Fund for disbursing to members

Correct Answer:- Option-B

Question53:-Government grants and endowment funds received by an organisation are treated as _____ in its accounting

- A:-General fund
- B:-Capital fund
- C:-unrestricted fund
- D:-restricted fund

Correct Answer:- Option-D

Question54:-In the financial statement, when each asset is expressed an percentage to total asset and each liability is expressed as percentage to total liability, such analysis is called

- A:-Vertical analysis
- B:-Horizontal analysis
- C:-Trend analysis
- D:-Ratio analysis

Correct Answer:- Option-A

Question55:-A _____ is a person to whom money is owed by the business

- A:-Customers
- B:-Debtor
- C:-Creditor

D:-All of the above

Correct Answer:- Option-C

Question56:-Among the following items select the fixed asset

A:-Investment

B:-Motor vehicle

C:-Closing stock

D:-Opening stock

Correct Answer:- Option-B

Question57:-Receipts received by an organisation for a definite purpose is known as

A:-Capital Receipts

B:-Revenue receipts

C:-Interest

D:-Profit

Correct Answer:- Option-A

Question58:-Amount received by an organisation as per the will of a deceased person is called

A:-Grant

B:-Contribution

C:-Donation

D:-Legacy

Correct Answer:- Option-D

Question59:-Sale proceeds of old news papers and magazines are _____ to income and expenditure statement/account

A:-Reduced from the expenditure on purchase of newspaper and magazines

B:-Debited

C:-Credited

D:-None of the above

Correct Answer:- Option-C

Question60:-Which among the following is a token payment made to a person who has voluntarily undertaken a service

A:-Fee

B:-Honorarium

C:-Scholarship

D:-Styepend

Correct Answer:- Option-B

Question61:-Income and expenditure statement/account is prepared on the basis of

A:-Accrual basis of accounting

B:-Cash basis of accounting

C:-Mixed basis of accounting

D:-None of the above

Correct Answer:- Option-A

Question62:-Which of the following is not transferred to the credit of income and expenditure account

A:-Subscription for the accounting year

B:-Interest earned during the year

C:-Accrued interest for the year

D:-Miscellaneous receipts

Correct Answer:- Option-C

Question63:-Expenses payable are

A:-deducted from the expenses paid during the year

B:-added to the expenses paid during the year

C:-shown in the debit of income and expenditure account

D:-shown as an asset in the balance sheet

Correct Answer:- Option-B

Question64:-Life membership fee received by an organisation is accounted as

A:-Revenue receipts

B:-An asset

C:-Miscellaneous receipts

D:-Capital receipt

Correct Answer:- Option-D

Question65:-Outstanding rent is shown in which of the following account

A:-Balance sheet

B:-Receipt and payment account

C:-Income and expenditure account

D:-Trading account

Correct Answer:- Option-A

Question66:-Which among the following is a Revenue receipt

A:-Donation

B:-Borrowings

C:-Entrance fee

D:-Legacy

Correct Answer:- Option-C

Question67:-Rent received in advance is shown in an accounts as a/an

A:-Asset

B:-Liability

C:-Income

D:-Capital

Correct Answer:- Option-B

Question68:-Cost of goods consumed as

A:-Debited to income and expenditure account

B:-Credited to the income and expenditure account

C:-Debited to the capital fund

D:-Credited to the capital fund

Correct Answer:- Option-A

Question69:-Which among the following assumptions assumes that the business and business men are different?

A:-Going concern assumption

B:-Accounting period assumption

C:-Accounting entity assumption

D:-All of the above

Correct Answer:- Option-C

Question70:-While recording accounting information which among the following principles calls for losses ignoring profits

A:-Time liners principle

B:-Consistency principle

C:-Full disclosure principle

D:-Prudence principle

Correct Answer:- Option-D

Question71:-_____ is the book where transactions are originally recorded in a logical manner

A:-Ledger

B:-Journal

C:-Combined entry book

D:-Sales and Purchase Book

Correct Answer:- Option-B

Question72:-Outstanding and prepaid expenses are grouped under which of the following accounts

A:-Personal accounts

B:-Nominal account

C:-Real account

D:-None of the above

Correct Answer:- Option-A

Question73:-Which among the following transactions will have the effect of a contra entry?

A:-Withdrawn from bank for personal use

B:-Withdraw from bank for household expenses

C:-Deposited in bank

D:-All of the above

Correct Answer:- Option-C

Question74:-The form imprest system is used in relation to which of the following books

A:-Cash book

B:-Day book

C:-Sales and purchase book

D:-Petty cash book

Correct Answer:- Option-D

Question75:-When a customer withdrawn from bank in excess of his deposit, it is called

A:-Special drawing

B:-Overdraft

C:-Credit drawing

D:-Advance drawing

Correct Answer:- Option-B

Question76:-Which of the errors from the following affects the argument of the Trial balance

A:-Mistake in balancing an account

B:-Wrong entries in the subsidiary books

C:-Omitting to record a transaction in the subsidiary books

D:-None of the above

Correct Answer:- Option-A

Question77:-Book keeping which is a part of accounting deals with which among the following activities

A:-identify the transactions

B:-classify the recorded transactions

C:-measure the transactions in proper books of accounts

D:-all of the above

Correct Answer:- Option-D

Question78:-In recording business transactions which among the following is recorded as an internal event

A:-Purchase of goods from supplier

B:-Sale of goods to a customers

C:-Supply of stores materials from stores to production department

D:-Payment of rent to landlord

Correct Answer:- Option-C

Question79:-In types of accounting information on the basis of its uses who among the following are potential investors.

A:-Outsiders interested in investment

B:-Managers

C:-Government

D:-Bankers and lenders

Correct Answer:- Option-A

Question80:-Who among the following use accounting information to study and interpret details on the firms ability to generate income

A:-Security analysts/advisors

B:-Researchers

C:-Owners of business

D:-Customer

Correct Answer:- Option-A

Question81:-Which among the following is not an advantage of accounting?

A:-Systematic recording to data

B:-Provides qualitative information

C:-Price level changes are not recorded

D:-Acts as an information system

Correct Answer:- Option-C

Question82:-Withdrawal of goods and cash from the business by the owner for personal use is called

A:-Disinvestment

B:-Drawing

C:-Borrowing

D:-Liability

Correct Answer:- Option-B

Question83:-The amount spent in the process of earning revenue is termed as

A:-Expenses

B:-Capital expenditure

C:-Losses

D:-Payment

Correct Answer:- Option-A

Question84:-The value of goods unsold at the end of the accounting period is called

A:-Closing stock

B:-Inventory

C:-Opening stock

D:-Both (1) and (2)

Correct Answer:- Question Cancelled

Question85:-Persons and entities who receive goods and services on credit are called

A:-Creditors

B:-Debtors

C:-Accounts receivable

D:-Accounts payables

Correct Answer:- Option-B

Question86:-Which among the following is not an accounting principle

A:-Dual aspects

B:-Historical cost

C:-Accounting period

D:-Full disclosure

Correct Answer:- Option-C

Question87:-Among the following which is not a feature of Trial Balance

A:-A trial balance is not prepared on a specific date

B:-It is prepared on a balance or total method

C:-It contains a list of ledger accounts

D:-Trial balance tallying is not a conclusive proof of accuracy of accounts

Correct Answer:- Option-A

Question88:-Which of the following statement is true about trial balance

A:-All assets and expenses have debit balance

B:-All liabilities and incomes have credit balance

C:-Both (1) and (2) above

D:-None of the above

Correct Answer:- Option-C

Question89:-Differences in the Trial Balance is temporarily placed under which of the following accounts?

A:-Adjustment account

B:-Suspense account

C:-Payable or receivable account

D:-Profit and loss account

Correct Answer:- Option-B

Question90:-What is prepared by a purchaser when he returns some of the goods purchased by him?

A:-Debit note

B:-Credit note

C:-Adjustment note

D:-Receivable note

Correct Answer:- Option-A

Question91:-Name the account prepared to find out the results of buying and selling of goods as services

A:-Trading account

B:-Profit and loss accounts

C:-Balance sheet

D:-All of the above

Correct Answer:- Option-A

Question92:-While preparing trading account if the credit side total is more than the debit side total, it means

A:-Net profit

B:-Net loss

C:-Gross profit

D:-Gross loss

Correct Answer:- Option-B

Question93:-Which among the following is/are included in the manufacturing concerns

A:-Raw materials

B:-Partly finished goods

C:-Finished goods

D:-All of the above

Correct Answer:- Option-D

Question94:-Which among the following is an indirect expense

A:-Wages

B:-Royalties

C:-Packing expenses on sold goods

D:-Factory expenses

Correct Answer:- Option-C

Question95:-Among the following needs which is not the particular need of preparing profit and loss account

A:-To determine the future line of the action

B:-To compare the actual performance of business with the desired one

C:-To declare different ratios

D:-To know the gross profit or gross loss of the business

Correct Answer:- Option-D

Question96:-Which among the following is not related to Trial Balance

A:-It is a list of all account balances

B:-It is prepared annually

C:-It is to check arithmetical accuracy

D:-It does not reveal closing stock

Correct Answer:- Option-B

Question97:-Among the following which is not a characteristic of balance sheet

A:-It is prepared as an account

B:-It is prepared as a statement

C:-It does not show any balance

D:-It is for ascertaining the financial position of the business

Correct Answer:- Option-A

Question98:-Among the following items which is not a current asset

A:-Closing stock

B:-Debtors

C:-Cash in bank

D:-Furniture

Correct Answer:- Option-D

Question99:-Which among the following is not a liability of the business

A:-Overdraft

B:-Outstanding expense

C:-Sundry Debtors

D:-Sundry Creditors

Correct Answer:- Option-C

Question100:-Among the following assets which is the least liquid item?

A:-Cash in hand

B:-Cash in bank

C:-Bills receivable

D:-Goodwill

Correct Answer:- Option-D