

UNIT – 1 INTRODUCTION TO ACCOUNTING

1. The root of financial accounting system is
 - (a) Social accounting
 - (b) **Stewardship accounting**
 - (c) Management accounting
 - (d) Responsibility accounting
2. Which one of the following is not a main objective of accounting?
 - (a) Systematic recording of transactions
 - (b) Ascertainment of the profitability of the business
 - (c) Ascertainment of the financial position of the business
 - (d) **Solving tax disputes with tax authorities**
3. Which one of the following is not a branch of accounting?
 - (a) Financial accounting
 - (b) Management accounting
 - (c) Human resources accounting
 - (d) **None of the above.**
4. Financial position of a business is ascertained on the basis of
 - (a) Journal
 - (b) Trial balance
 - (c) **Balance Sheet**
 - (d) Ledger
5. Who is considered to be the internal user of the financial information?
 - (a) Creditor
 - (b) **Employee**
 - (c) Customer
 - (d) Government

UNIT – 2 CONCEPTUAL FRAMEWORK OF ACCOUNTING

6. The business is liable to the proprietor of the business in respect of capital introduced by the person according to
 - (a) Money measurement concept
 - (b) Cost concept
 - (c) **Business entity concept**
 - (d) Dual aspect concept
7. The concept which assumes that a business will last indefinitely is
 - (a) Business Entity
 - (b) **Going concern**
 - (c) Periodicity
 - (d) Conservatism
8. GAAPs are:
 - (a) Generally Accepted Accounting Policies
 - (b) **Generally Accepted Accounting Principles**
 - (c) Generally Accepted Accounting Provisions
 - (d) None of these
9. The rule of stock valuation 'cost price or realizable value' whichever is lower is based on the accounting principle of:
 - (a) Materiality
 - (b) Money measurement
 - (c) **Conservatism**
 - (d) Accrual
10. In India, Accounting Standards are issued by
 - (a) Reserve Bank of India
 - (b) The Cost and Management Accountants of India
 - (c) Supreme Court of India
 - (d) **the Institute of Chartered Accountants of India**

UNIT – 3 BOOKS OF PRIME ENTRY

11. Accounting equation signifies
- (a) Capital of a business is equal to assets
 - (b) Liabilities of a business are equal to assets
 - (c) Capital of a business is equal to liabilities
 - (d) Assets of a business are equal to the total of capital and liabilities**
12. 'Cash withdrawn by the proprietor from the business for his personal use' causes
- (a) Decrease in assets and decrease in owner's capital**
 - (b) Increase in one asset and decrease in another asset
 - (c) Increase in one asset and increase in liabilities
 - (d) Increase in asset and decrease in capital
13. A firm has assets of 1,00,000 and the external liabilities of 60,000. Its capital would be
- (a) 1,60,000
 - (b) 60,000
 - (c) 1,00,000
 - (d) 40,000**
14. The incorrect accounting equation is
- (a) Assets = Liabilities + Capital
 - (b) Assets = Capital + Liabilities
 - (c) Liabilities = Assets + Capital**
 - (d) Capital = Assets – Liabilities
15. Accounting equation is formed based on the accounting principle of
- (a) Dual aspect**
 - (b) Consistency
 - (c) Going concern
 - (d) Accrual
16. Real account deals with
- (a) Individual persons
 - (b) Expenses and losses
 - (c) Assets**
 - (d) Incomes and gains
17. Which one of the following is representative personal account?
- (a) Building A/c
 - (b) Outstanding salary A/c**
 - (c) Mahesh A/c
 - (d) Balan & Co
18. Prepaid rent is a
- Nominal A/c
 - (b) Personal A/c
 - (c) Real A/c
 - (d) Representative personal A/c**
19. Withdrawal of cash from business by the proprietor should be credited to
- (a) Drawings A/c
 - (b) Cash A/c**
 - (c) Capital A/c
 - (d) Purchases A/c
20. In double entry system of book keeping, every business transaction affects
- (a) Minimum of two accounts**
 - (b) same account on two different dates
 - (c) Two sides of the same account
 - (d) Minimum three accounts

UNIT – 4 LEDGER

21. Main objective of preparing ledger account is to
(b) Ascertain the financial position (b) Ascertain the profit or loss
(c) Ascertain the profit or loss and the financial position
(d) Know the balance of each ledger account
22. The process of transferring the debit and credit items from journal to ledger accounts is called
(a) Casting (b) **Posting** (c) Journalising (d) Balancing
23. J.F means
(a) Ledger page number (b) **Journal page number** (c) Voucher number (d) Order number
24. The process of finding the net amount from the totals of debit and credit columns in a ledger is known as (a) Casting (b) Posting (c) Journalising (d) **Balancing**
25. If the total of the debit side of an account exceeds the total of its credit side, it means
(a) Credit balance (b) **Debit balance** (c) Nil balance (d) Debit and credit balance
26. The amount brought into the business by the proprietor should be credited to
(a) Cash account (b) Drawings account (c) **Capital account** (d) Suspense account

UNIT – 5 TRIAL BALANCE

27. Trial balance is a
(b) **Statement** (b) Account (c) Ledger (d) Journal
28. After the preparation of ledger, the next step is the preparation of
(c) Trading account (b) **Trial balance** (c) Journal (d) Profit and loss account
29. The trial balance contains the balances of
(d) Only personal accounts (b) Only real accounts (c) Only nominal accounts (d) **All accounts**
30. Which of the following is/are the objective(s) of preparing trial balance?
(a) Serving as the summary of all the ledger accounts
(b) Helping in the preparation of final accounts
(c) Examining arithmetical accuracy of accounts (d) **a, b and c**
31. A list which contains balances of accounts to know whether the debit and credit balances are matched is (a) Journal (b) Day book (c) **Trial balance** (d) Balance sheet
32. Which of the following method(s) can be used for preparing trial balance?
(a) Balance method (b) Total method (c) Total and Balance method (d) **a, b and c**

33. While preparing the trial balance, the accountant finds that the total of the credit column is short by 200. This difference will be
- (a) Debited to suspense account **(b) Credited to suspense account**
- (c) Adjusted to any of the debit balance (d) Adjusted to any of the credit balance
34. The account which has a debit balance and is shown in the debit column of the trial balance is
- (a) Sundry creditors account (b) Bills payable account
- (c) Drawings account** (d) Capital account
35. The difference of totals of both debit and credit side of trial balance is transferred to:
- (a) Trading account (b) Difference account
- (c) Suspense account (d) miscellaneous account
36. Trial balance is prepared:
- (a) At the end of the year **(b) On a particular date** (c) For a year (d) None of the above

UNIT – 6 SUBSIDIARY BOOKS - I

37. Purchases book is used to record
- (a) all purchases of goods (b) all credit purchases of assets
- (c) all credit purchases of goods** (d) all purchases of assets
38. A periodic total of the purchases book is posted to the
- (a) debit side of the purchases account** (b) debit side of the sales account
- (c) credit side of the purchases account (d) credit side of the sales account
39. Sales book is used to record
- (a) all sales of goods (b) all credit sales of assets
- (c) all credit sales of goods** (d) all sales of assets and goods
40. The total of the sales book is posted periodically to the credit of
- (b) **Sales account** (b) Cash account (c) Purchases account (d) Journal proper
41. Purchase returns book is used to record
- (A) Returns of goods to the supplier for which cash is not received immediately**
- (c) returns of assets to the supplier for which cash is not received immediately
- (d) returns of assets to the supplier for which cash is received immediately
- (e) None of the above

42. Sales return book is used to record
- (f) Returns of goods by the customer for which cash is paid immediately
 - (g) Returns of goods by the customer for which cash is not paid immediately**
 - (h) Returns of assets by the customer for which cash is not paid immediately
 - (i) Returns of assets by the customer for which cash is paid immediately
43. Purchases of fixed assets on credit basis is recorded in
- (j) Purchases book (b) Sales book (c) Purchases returns book **(d) Journal proper**
44. The source document or voucher used for recording entries in sales book is
- (a) Debit note (b) Credit note **(c) Invoice** (d) Cash receipt
45. Which of the following statements is not true?
- (a) Cash discount is recorded in the books of accounts
 - (b) Assets purchased on credit are recorded in journal proper
 - (c) Trade discount is recorded in the books of accounts**
 - (d) 3 grace days are added while determining the due date of the bill
46. Closing entries are recorded in
- (a) Cash book (b) Ledger **(c) Journal proper** (d) Purchases book

UNIT – 7 SUBSIDIARY BOOKS - II

47. Cash book is a
- (a) Subsidiary book (b) Principal book
 - (c) Journal proper **(d) both subsidiary book and principal book**
48. The cash book records
- (a) All cash receipts (b) All cash payments **(c) Both (a) and (b)** (d) All credit transactions
49. When a firm maintains a simple cash book, it need not maintain
- (a) Sales account in the ledger (b) Purchases account in the ledger
 - (c) Capital account in the ledger **(d) Cash account in the ledger**
50. cash book with discount, cash and bank column is called
- a) Simple cash book b) Double column cash book
 - (c) Three column cash book** (d) Petty cash book
51. In Triple column cash book, the balance of bank overdraft brought forward will appear in
- (a) Cash column debit side (b) Cash column credit side
 - (c) Bank column debit side **(d) Bank column credit side**

52. Which of the following is recorded as contra entry?
a) Withdrew cash from bank for personal use **b) Withdrew cash from bank for office use**
c) Direct payment by the customer in the bank account of the business d) when bank charges interest
53. If the debit and credit aspects of a transaction are recorded in the cash book, it is
(a) Contra entry (b) Compound entry (c) Single entry (d) Simple entry.
54. The balance in the petty cash book is
(a) An expense (b) A profit **(c) An asset** (d) A liability
55. . Petty cash may be used to pay
(a) The expenses relating to postage and conveyance
(b) Salary to the Manager (c) Purchase of furniture and fixtures
(d) Purchase of raw materials
56. Small payments are recorded in a book called
(a) Cash book (b) Purchase book (c) Bills payable book **(d) Petty cash book**

UNIT – 8 BANK RECONCILIATION STATEMENT

57. bank reconciliation statement is prepared by
(a) Bank **(b) Business** (c) Debtor to the business (d) Creditor to the business
58. bank reconciliation statement is prepared with the help of
(a) Bank statement (b) Cash book
(c) Bank statement and bank column of the cash book (d) Petty cash book
59. Debit balance in the bank column of the cash book means
(a) **Credit balance as per bank statement** (b) Debit balance as per bank statement
(c) Overdraft as per cash book (d) None of the above
60. A bank statement is a copy of
(a) Cash column of the cash book (b) Bank column of the cash book
(c) A customer's account in the bank's book (d) Cheques issued by the business
61. A bank reconciliation statement is prepared to know the causes for the difference between:
(a) The balance as per the cash column of the cash book and bank column of the cash book
(b) The balance as per the cash column of the cash book and bank statement
(c) The balance as per the bank column of the cash book and the bank statement
(d) The balance as per petty cash book and the cash book

62. When money is withdrawn from bank, the bank
- (a) Credits customer's account
 - (b) **Debits customer's account**
 - (c) Debits and credits customer's account
 - (d) None of these
63. Which of the following is not the salient feature of bank reconciliation statement?
- a) Any undue delay in the clearance of cheques will be shown up by the reconciliation
 - b) Reconciliation statement will discourage the accountant of the bank from embezzlement
 - c) It helps in finding the actual position of the bank balance
 - d) Reconciliation statement is prepared only at the end of the accounting period**
64. Balance as per cash book is 2, 000. Bank charge of 50 debited by the bank is not yet shown in the cash book. What is the bank statement balance now?
- (a) 1,950 credit balance**
 - (b) 1,950 debit balance
 - (c) 2,050 debit balance
 - (d) 2,050 credit balance
65. Balance as per bank statement is 1, 000. Cheque deposited, but not yet credited by the bank is 2, 000. What is the balance as per bank column of the cash book?
- (a) 3,000 overdraft
 - (b) 3,000 favourable**
 - (c) 1,000 overdraft
 - (d) 1,000 favourable
66. Which one of the following is not a timing difference?
- (a) Cheque deposited but not yet credited
 - (b) Cheque issued but not yet presented for payment
 - (c) Amount directly paid into the bank
 - (d) Wrong debit in the cash book**

UNIT – 9 RECTIFICATIONS OF ERRORS

67. Error of principle arises when
- (b) There is complete omission of a transaction
 - (c) There is partial omission of a transaction
 - (d) Distinction is not made between capital and revenue items**
 - (e) There are wrong postings and wrong castings
68. Errors not affecting the agreement of trial balance are
- (f) **Errors of principle**
 - (b) Errors of overcasting
 - (c) Errors of undercasting
 - (d) Errors of partial omission
69. The difference in trial balance is taken to
- (g) The capital account
 - (b) The trading account
 - (c) The suspense account**
 - (d) The profit and loss account

70. A transaction not recorded at all is known as an error of
(a) Principle (b) **Complete omission** (c) Partial omission (d) Duplication
71. Wages paid for installation of machinery wrongly debited to wages account is an error of
(a) Partial omission (b) **Principle** (c) Complete omission (d) Duplication
72. Which of the following errors will not affect the trial balance?
a) Wrong balancing of an account
b) Posting an amount in the wrong account but on the correct side
c) Wrong totaling of an account (d) Carried forward wrong amount in a ledger account
73. Goods returned by Senguttuvan were taken into stock, but no entry was passed in the books. While rectifying this error, which of the following accounts should be debited?
(a) Senguttuvan account (b) **Sales returns account**
(c) Returns outward account (d) Purchases returns account
74. A credit purchase of furniture from Athiyaman was debited to purchases account. Which of the following accounts should be debited while rectifying this error?
(a) Purchases account (b) Athiyaman account (c) **Furniture account** (d) None of these
75. The total of purchases book was overcast. Which of the following accounts should be debited in the rectifying journal entry?
(a) Purchases account (b) **Suspense account** (c) Creditor account (d) None of the above
76. Which of the following errors will be rectified using suspense account?
(a) Purchases returns book was undercast by 100
(b) Goods returned by Narendran was not recorded in the books
(c) Goods returned by Akila 900 was recorded in the sales returns book as 90
(d) A credit sale of goods to Ravivarman was not entered in the sales book.

UNIT – 10 DEPRECIATION ACCOUNTING

77. Under straight line method, the amount of depreciation is
(a) Increasing every year (b) Decreasing every year
(c) Constant for all the years (d) Fluctuating every year
78. If the total charge of depreciation and maintenance cost are considered, the method that provides a uniform charge is
(a) Straight line method (b) **Diminishing balance method**
(c) Annuity method (d) Insurance policy method

79. Under the written down value method of depreciation, the amount of depreciation is
(a) Uniform in all the years (b) **Decreasing every year**
(c) Increasing every year (d) none of the above
80. Depreciation is caused by
(b) Lapse of time (b) Usage (c) Obsolescence (d) **a, b and c**
81. For which of the following assets, the depletion method is adopted for writing off cost of the asset?
(a) Plant and machinery (b) **Mines and quarries** (c) Buildings (d) Trademark
82. depreciable asset may suffer obsolescence due to ___
(a) Passage of time (b) Wear and tear (c) **Technological changes** (d) None of the above.
83. Which method shall be efficient, if repairs and maintenance cost of an asset increases as it grows older.
(a) Straight line method (b) **Reducing balance method**
(c) Sinking fund method (d) Annuity method
84. Residual value of an asset means the amount that it can fetch on sale at the ___ of its useful life.
(a) Beginning (b) **End** (c) Middle (d) None
85. Depreciation is to be calculated from the date when
(b) **Asset is put to use** (b) Purchase order is made
(c) Asset is received at business premises (d) Invoice of assets is received
86. If the rate of depreciation is same, then the amount of depreciation under straight line method vis-à-vis written down value method will be
(a) Equal in all years (b) **Equal in the first year but higher in subsequent years**
(c) Equal in the first year but lower in subsequent years
(d) Lower in the first year but equal in subsequent years.

UNIT – 11 CAPITAL AND REVENUE TRANSACTIONS

87. Amount spent on increasing the seating capacity in a cinema hall is
(a) **Capital expenditure** (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above.
88. Expenditure incurred 20,000 for trial run of a newly installed machinery will be
(a) Preliminary expense (b) Revenue expenditure
(c) **Capital expenditure** (d) Deferred revenue expenditure

89. Interest on bank deposits is

(a) Capital receipt **(b) Revenue receipt** (c) Capital expenditures (d) Revenue expenditures

90. Amount received from IDBI as a medium term loan for augmenting working capital

a) Capital expenditures (b) Revenue expenditures (c) Revenue receipts **(d) Capital receipt**

91. Revenue expenditure is intended to benefit

(a) Past period (b) Future period **(c) Current period** (d) Any period

92. Pre-operative expenses are

(b) Revenue expenditure (b) Prepaid revenue expenditure

(c) Deferred revenue expenditure **(d) Capital expenditure**

UNIT – 12 FINAL ACCOUNTS OF SOLE PROPRIETORS - I

93. Closing stock is an item of.

(c) Fixed asset **(b) Current asset** (c) Fictitious asset (d) Intangible asset

94. Balance sheet is

(d) An account **(b) A statement** (c) Neither a statement nor an account (d) None of the above

95. Net profit of the business increases the

Drawings (b) Receivables (c) Debts **(d) Capital**

96. Carriage inwards will be shown

(a) In the trading account (b) In the profit and loss account

(c) On the liabilities side (d) On the assets side

97. Bank overdraft should be shown

(a) In the trading account (b) Profit and loss account

(c) On the liabilities side (d) on the assets side

98. Balance sheet shows the of the business.

(b) Profitability **(b) Financial position** (c) Sales (d) Purchases

99. Drawings appearing in the trial balance is

(c) Added to the purchases (b) Subtracted from the purchases

(c) Added to the capital **(d) Subtracted from the capital**

100. Salaries appearing in the trial balance is shown on the

(a) Debit side of trading account **(b) Debit side of profit and loss account**

(c) Liabilities side of the balance sheet (d) Assets side of the balance sheet

101. Current assets does not include
(a) Cash (b) Stock **(c) Furniture** (d) prepaid expenses
102. Goodwill is classified as
(a) A current asset (b) A liquid asset (c) A tangible asset **(d) An intangible asset**

UNIT – 13 FINAL ACCOUNTS OF SOLE PROPRIETORS - II

103. A prepayment of insurance premium will appear in
(a) The trading account on the debit side
(b) The profit and loss account on the credit side
(c) The balance sheet on the assets side
(d) The balance sheet on the liabilities side
104. Net profit is
(a) Debited to capital account **(b) Credited to capital account**
(c) Debited to drawings account (d) Credited to drawings account
105. Closing stock is valued at
a) Cost price (b) Market price Cost price or market price whichever is higher
Cost price or net realizable value whichever is lower
106. Accrued interest on investment will be shown
(a) On the credit side of profit and loss account (b) On the assets side of balance sheet
(c) Both (a) and (b) (d) None of these
107. If there is no existing provision for doubtful debts, provision created for doubtful debts is
(a) Debited to bad debts account (b) Debited to sundry debtors account
(c) Credited to bad debts account **(d) Debited to profit and loss account**

UNIT – 14 COMPUTERISED ACCOUNTING

108. In accounting, computer is commonly used in the following areas:
a) Recording of business transactions (b) Payroll accounting
(c) Stores accounting **(d) All the above**
109. Customised
accounting software is suitable for
(a) Small, conventional business **(b) Large, medium business**
(c) Large, typical business (d) None of the above

110. Which one is not a component of computer system?
(a) Input unit (b) Output unit (c) **Data** (d) Central Processing Unit
111. An example of output device is
(b) Mouse (b) **Printer** (c) Scanner (d) Keyboard
112. One of the limitations of computerized accounting system is
(c) **System failure** (b) Accuracy (c) Versatility (d) Storage
113. Which one of the following is not a method of codification of accounts?
a) Access codes (b) Sequential codes (c) Block codes (d) Mnemonic codes
114. TALLY is an example of
a) Tailor-made accounting software (b) **Ready-made accounting software**
(c) In-built accounting software (d) Customized accounting software
115. People who write codes and programmes are called as
a) System analysts (b) System designers (c) System operators (d) **System programmers**
116. Accounting software is an example of
(a) System software (b) **Application software** (c) Utility software (d) Operating software