**QUESTION BANK - FINANCIAL ACCOUNTING MCQ (U21COC101)**

**UNIT1**

1. Trial balance is a\_\_\_\_\_
   1. Statement (b) Account (c) Ledger (d) Journal

**Ans: (a) Statement**

1. After the preparation of ledger, the next step is the preparation of
   1. Trading account (b) Trial balance (c) Journal (d) Profit and loss account

**Ans: (b) Trial Balance**

1. The trial balance contains the balances of\_\_\_\_\_
   1. Only personal accounts (b) Only real accounts (c) Only nominal accounts (d) All accounts

**Ans: (d) All Accounts**

1. The difference of totals of both debit and credit side of trial balance is transferred to :
   1. Trading account (b) Difference account (c) Suspense account (d) Miscellaneous account

**Ans: (c) Suspense Account**

1. Trial balance is prepared:
   1. At the end of the year (b) On a particular date (c) For a year (d) None of the above

**Ans: (b) On a particular date**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a statement containing the debit and credit balances of all ledger accounts on a particular date.
   1. Trial Balance (b) Balance Sheet (c) Trading account (d) Profit and loss account

**Ans: (a) Trial Balance**

1. The preparation of \_\_\_\_\_\_\_\_\_\_\_ is the third step in the accounting process.
   1. journal (b) ledger (c) trial balance (d) balance sheet

Ans: **(c) Trial Balance**

1. The first step is recording the business transactions in \_\_\_\_\_\_\_\_\_\_\_\_.
   1. Subsidiary Books/Journal (b) Ledger (c) Balance Sheet (d) Trial balance

**Ans: (a) Subsidiary Books/ Journal**

1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_helps to check the arithmetical accuracy of entries made in the accounting records.
   1. Balance Sheet (b) Trial Balance (c) Bookkeeping (d) Double Entry

**Ans: (b) TrialBalance**

1. The trial balance helps in discovering errors which may have been committed in the \_\_\_\_\_\_\_\_\_\_.
   1. accounting transactions (b) accounting standard (c) accountancy (d) accounting. Records

**Ans: (d) Accounting Records**

1. The art of recording all business transactions in a systematic manner in a set of books is called-
   1. Accounting (b) Book – keeping (c) Ledger (d) None of these.

**Ans: (a) Accounting**

1. The process of recording, classifying and summarizing all business transactions in order to know the financial result is called –
   1. Book – keeping (b) Accounting (c) Journalizing (d) None of these.

**Ans: (b) Accounting**

1. Book – keeping is-
   1. An art
   2. A science
   3. Both art and science
   4. None of these. **Ans: (c) Both art and science**
2. Cash, goods or assets invested by the proprietor in the business for earning profit is called-
   1. Profit
   2. Capital
   3. Fixed assets
   4. None of these. **Ans: (b) Capital**
3. The person, firm or institution that does not pay the price in cash for the goods purchased or the services received is called-
   1. Creditor (b)Proprietor

(c) Debtor (d) None of these. **Ans: (c) Debtor**

1. The document certifying the purchase or sale of goods or any monetary transaction is called……………

(a). Bills Payables (b) Voucher (c) Bills Receivables (d) Bill

**Ans: Voucher**.

1. The things or properties which helps in smooth functioning of the business and which are owned by the business are called…………….of the business.
   1. Assets (b) Liabilities (c) Debtors (d) Stock

**Ans: (a) Assets**

1. The thing which is purchased and sold in the business is called …………….
   1. Assets (b) Goods (c) products (d) Stock

**Ans: (b) Goods**

1. The unsold goods left at the end of the year is called ……………..
   1. Opening Stock (b) Raw materials (c) Closing Stock (d) Finished goods

**Answer: (c) Closing stock**

1. …………… represents the excess of assets over liabilities
   1. Drawings (b) Capital ( c)Current Assets (d) Machineries

**Ans: (b) Capital**

1. Any legal activity performed for earning profit is called\_\_\_\_\_\_\_\_
   1. Sales (b) Purchase (c) Business (d) Leasing

**Answer: (c) Business**

1. The head under which transactions pertaining to a person, institution, firm, expenses, assets etc. is recorded is called.
   1. Account (b) Book keeping (c) Single entry system (d) None of these

**Answer: (a) Account**

1. A system of book keeping in which as a rule only records of cash and personal accounts are maintained is called \_\_\_\_\_\_\_\_\_\_.
   1. Double entry system (b) Single entry system (c) Trial Balance (d) None of these

**Answer: (b) Single entry system**

1. The concession given on cash transactions is called \_\_\_\_\_\_\_.

**a) Credit b) Cash discount c) Loan d) Gift**

**Answer: (b) Cash Discount**

1. If transaction is totally omitted from the books, it is called as \_\_\_\_\_\_.
   1. Error of commission (b) Errors of principle

(c) Error of recording (d) Errors of omission

**Answer: (d) Errors of ommission**

1. Sales of Rs.10,000 recorded as Rs. 1,000 is an example of:
   * 1. Compensating Error
     2. Errors of principle
     3. Errors of omission
     4. Errors of commission **Answer:(d) errors of commission**
2. Trial Balance might match in spite of presence of:
   * 1. Errors of complete omission, Errors of principle
     2. Errors of complete omission only
     3. Errors of commission only
     4. Errors of principle only **Ans: (a) Errors of complete omission, Errors of principle**
3. Compensating errors are of a \_ nature.
   * 1. Neutralizing
     2. Consistent
     3. Concealing
     4. Accommodating **Ans:a) Neutralizing**
4. Rectification entries are passed in \_\_\_\_\_\_\_\_\_.
   * 1. Journal Proper
     2. Purchase Book
     3. Sales Book
     4. None of the options **Ans: (a) Journal proper**
5. Under casting of Sales book is corrected by \_\_\_\_\_\_Sales Account
   * 1. Crediting (b) Debiting

(c) Balancing (d) Ignoring  **Ans: (a)Crediting**

1. Trial balance is:
   1. an account.
   2. a statement.
   3. a subsidiary book.
   4. a principal book. **Answer:(b) a statement.**
2. A Suspense Account will have a \_\_\_\_\_\_\_\_.
   * 1. Debit or Credit balance
     2. Debit balance
     3. Credit balance
     4. None of the options **Answer: a) Debit or Credit balance**
3. Purchase of office furniture worth Rs. 5,000 has been debited to General expenses account. Identify the error.
   * 1. Error of Principle
     2. Clerical error
     3. Error of omission
     4. None of the options **Answer: a) Error of Principle**
4. Rs. 2000 received from Smith whose account was previously written off as bad debt should be credited to –
   * 1. Bad debts recovered Account
     2. Smiths Account
     3. Cash Account
     4. None of the options **Answer: a)Bad debts recovered Account**
5. A Trial Balance is prepared to
   * 1. Ensure Arithmetical accuracy
     2. Locate Errors of Principle
     3. Locate Errors of omission
     4. Locate Errors of commission **Answer: a) Ensure Arithmetical accuracy**
6. Which of the following is prepared on the basis of Trial Balance –
   1. Journal
   2. Ledger
   3. Final Accounts
   4. None of these. **Answer: (c) Final Accounts**
7. If the two sides of Trial balance does not tally, which Account is opened –
   1. Suspense Account
   2. Personal Account
   3. Real Account
   4. None of these. **Answer: (a) Suspense Account**
8. Errors are rectified in this book-
   1. Ledger book
   2. Journal proper
   3. Trial balance
   4. None of these. **Answer: (b) Journal proper**
9. Errors Committed by omitting entries in the Journal book is called –
   1. Error of commission
   2. Error of principle
   3. Error of omission
   4. None of these. **Answer: (c) Error of omission**
10. If wages paid for installation of new machinery is debited to wages account, it is
    1. an error or commission.
    2. an error of principle
    3. a compensating error.
    4. Error of omission **Answer: (b) an error of principle**
11. The error which cannot be disclosed by Trial balance
    * 1. Error of commission
      2. Error of principle
      3. Compensatory error
      4. None of these **Answer: a)** Error of commission
12. The errors which can be rectified by an explanatory note in the account concerned or by passing a journal entry using suspense account is called as\_\_\_\_\_\_\_\_.
    * 1. Double sided error
      2. Single sided error
      3. Both (a) & (b)
      4. None of these **Answer: (b) Single sided error**
13. Excess debit in one or more accounts must be rectified by \_\_\_\_\_\_\_\_ the excess amount to the concerned account.
    * 1. Crediting
      2. Debiting
      3. Omitting
      4. None of these **Answer: (a) Crediting**
14. Trading account is prepared to find out\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    1. Gross profit or loss
    2. Net profit or loss
    3. Financial position
    4. None **Answer: (a) Gross Profit or Loss**
15. Opening stock is \_\_\_\_\_\_\_\_\_
    1. Debited in trading account
    2. Credited in trading account
    3. Credited in profit and loss account
    4. Debited in profit and loss account **Ans: (a) Debited in trading Account**
16. Which of the following is not an intangible asset?
17. Land
18. Patents
19. Goodwill
20. Franchise right **Answer: A**
21. Which one of the following assets could be described as a current asset
    1. Machinery to manufacture goods for resale
    2. Stock of goods for resale
    3. Buildings to house the machinery
    4. Land on which the buildings stand

**Ans: (b) Stock of Goods for sale**

1. Retained Earnings is \_\_\_\_\_\_\_.
   1. Asset
   2. Liability
   3. Expense
   4. Shareholders' equity **Ans: (d) Shareholders’ Equity**
2. The unfavorable balance of Profit and Loss account should be
3. Subtracted from liabilities
4. Subtracted from capital
5. Subtracted from current assets
6. Added in liabilities **Answer:( b)**
7. Which of the following is not shareholders’ equity?
   1. Investment in Stock
   2. Capital Stock
   3. Common Stock
   4. Retained Earnings **Ans: (a) Investment in stock**
8. Tangible assets used in the business that are of a relatively fixed or permanent nature are called?
   1. Fixed assets
   2. Revenues
   3. Expenses
   4. Liabilities **Ans: (a) Fixed Assets**
9. Profit and loss account would not include?
   1. Salaries
   2. Drawings
   3. Rent received
   4. Carriage outwards **Ans: (b) Drawings**
10. Current liabilities are those obligations which are to be satisfied within?
    1. 6 months
    2. 1 year
    3. 2 years
    4. Both (a) & (b) **Ans: Both (a) &(b)**
11. If a person fails to pay his debt, such amount is considered as-
    1. Bad debts
    2. Bad debts recovered
    3. Provision for Bad debt
    4. None of the above **Answer (a) Bad debts**
12. The objective of non – trading concerns-
    1. Social service
    2. Profit earning
    3. Both of these
    4. None of the above**. Answer: (a) Social Service**
13. Such persons who earn remuneration against their services are called –
    1. Seller
    2. Buyers
    3. Professionals
    4. None of these.  **Answer: (c) Professional**
14. Which of the following is not an item of income of Non – trading concern –
    1. Entrance fees
    2. Interest
    3. Govt. Aid
    4. Salary. **Answer: (d) Salary**.
15. What kind of expenses are paid from Gross Profit?
    * + 1. Selling Expenses
        2. Financial Expenses
        3. General Expenses
        4. All of the above **Answer: (d)**
16. Which option gives a review report on the firm’s financial status at a specified date?
    * 1. Income & Expenditure Account
      2. Balance Sheet
      3. Cash Flow Statement
      4. Profit & Loss Account **Answer: (b)**
17. Interest on drawings is shown on the credit side of \_\_\_\_\_ account.

a) Trading a/c

b) Interest a/c

c) Profit & loss a/c

d) None of these **Answer: (c)**

**UNIT II**

1. \_\_\_\_\_ is the process of spreading the cost of fixed assets over the different accounting periods.
   1. Depreciation
   2. Revaluation
   3. Copyright
   4. None of these  **Answer-(a)**
2. Depreciation starts on a machine from the date:
   1. It is purchased
   2. It is put to use
   3. It is installed
   4. Any of above **Answer-(b)**
3. A trader purchased a machinery for Rs.10,000 in Jan 2004. Depreciation is charged @ 25% diminishing balance. At the end of third year it was sold for Rs.1,000. Profit or Loss on sale of machine will be:
   1. Profit Rs.2,400
   2. Profit Rs. 2,300
   3. Loss Rs.2,400
   4. Loss Rs. 3,219 **Answer-(d)**
4. Which of the following is Depleted?
   1. Land
   2. Goodwill
   3. Machinery
   4. Coal Mines **Answer-(d)**
5. \_\_\_\_\_\_\_\_\_\_\_ is the estimated sale value of the asset at the end of its economic life to the assets.
   1. Depreciable value
   2. Residual value
   3. Cost of the asset
   4. None of these **Answer-(b)**
6. A machinery is depreciated by Rs.2,000 every year. Which method is being used to calculate depreciation?
   1. Written Down value method
   2. Straight line method
   3. Sum of Years Digit method
   4. None of these. **Answer-(b)**
7. A purchased a mine for Rs. 2,50,000 Minerals in the mine were expected to be 5,00,000 tones. In the first year, 50,000 tones of minerals were used. What is the depreciation for the first year?
   1. Rs. 20,000
   2. Rs. 25,000
   3. Rs. 30,000
   4. Rs. 35,000 **Answer-(b)**
8. A machine was purchased for Rs. 50,000. Installation expenses amounted to Rs.2,000. Wages of Rs.4,000 was paid on installation.’ The scrap value at the end of its useful life of 10 years is Rs.6,000. Repairs of Rs.6,000 was made after 6 months from the date of purchase. Calculate depreciation
   1. Rs. 5,600
   2. Rs. 4,800
   3. Rs. 5,000 .
   4. None **Answer-(c)**
9. Which method of depreciation is suitable when expenditure on repairs and maintenance, increases as the machine grows old?
   1. Reducing balance method
   2. Straight line method
   3. Machine hour rate method
   4. Sinking fund Method. **Answer-(a)**
10. Depletion method of depreciation is normally applied in case of \_\_ assets.
    1. intangible
    2. tangible
    3. wasting
    4. current **Answer-(c)**
11. \_\_ method of depreciation takes into account the element of interest on capital outlay and seeks to write off the value of the asset as well as the interest lost over the life of the asset:
    1. Sum of year’s digits .
    2. Annuity
    3. Sinking Fund
    4. Straight line **Answer-(b)**
12. Vijay Traders purchased Car on 1.4.08 for Rs.3,00,000. They are charging depreciation on written Down Value method. On 31.3.09 they sold the Car for Rs.1,65,000 and incurred a loss of Rs. 75,000. The rate of depreciation p.a. is:
    1. 10%
    2. 15%
    3. 20%
    4. 25% **Answer-(c)**
13. According to the Income Tax Act, which method of Charging depreciation is provided?
    1. Reducing Balance Method
    2. Sinking Fund2
    3. Annuity Method
    4. Straight Line Method**. Answer-(a)**
14. In case of reducing balance method of charging depreciation, depreciation is charged on the \_\_\_\_\_\_\_\_\_.
    1. Original Cost
    2. Original Cost less Scrap value
    3. Market Value
    4. Written Down Value **Answer-(d)**
15. Estimated useful life of a machinery is 5 yrs. Depreciation written off in second year under sum of years digit method would be:
    1. 4/15
    2. 3115
    3. 2115
    4. 1/15 **Answer-(a)**
16. In case the asset is sold, the provision for depreciation account is transferred to the \_\_\_\_\_\_.
    1. Provision for depreciation a/c
    2. Depreciation a/c
    3. Asset a/c
    4. None of these. **Answer-(c)**
17. The amount of depreciation under straight line method \_\_\_\_\_\_.
    1. remains fixed for all year
    2. decreases every year
    3. revalued every year
    4. increases every year **Answer-(a)**
18. When a provision for depreciation account is not maintained the amount of depreciation is debited to the \_\_\_\_\_\_ A/c.
    1. Depreciation A/c
    2. Asset A/c
    3. Provision or Depreciation A/c
    4. None of these. **Answer-(a)**
19. Depreciation on asset is provided with the objective of
    1. To accumulate funds for the replacement of assets
    2. To ascertain true cost of production
    3. To present true and fair view of the financial position
    4. All of the above. **Answer-(d)**
20. Which of the following methods of depreciation is not recognized by Income Tax Law?
    1. Straight line Method
    2. Diminishing Balance Method
    3. Both, Straight Line and Diminishing Balance Methods
    4. None of these **Answer: (a) Straight line Method**
21. Asset Disposal A/c is prepared when :
    1. Provision for Depreciation A/c is prepared
    2. Asset A/c is prepared
    3. Profit & Loss A/c is prepared
    4. Depreciation A/c is prepared **Answer-(a)**
22. Which of the following is an example of Capital Reserve?
    1. Workmen’s Compensation Fund
    2. None of these
    3. Premium Received on issue of shares or debentures
    4. General Reserve

**Answer: (c) Premium Received on issue of shares or debentures**

1. Which of the following is the example of Revenue Reserve?
   1. Profit on Redemption of Debentures
   2. Profit on Revaluation of Fixed
   3. Investment Fluctuation Fund
   4. Profit on Re-issue of forfeited shares **Answer: (c) Investment Fluctuation Fund**
2. Dividend equalization Reserve is :
   1. Specific Reserve
   2. None of these
   3. Secret Reserve
   4. General Reserve **Answer: (a) Specific Reserve**
3. General Reserves are shown in :
   1. Revaluation Account
   2. Profit and Loss Account
   3. None of these
   4. Balance Sheet **Answer: (d) Balance Sheet**
4. According to Companies Act, 1956 Secret Reserves can be created by:
   1. Only Private Company
   2. Banking and insurance companies
   3. Only Public Company
   4. Companies Registered under Companies Act

**Answer: (b) Banking and insurance companies**

1. The loss on sale of an asset is debited to:
   1. Profit and Loss Account
   2. Trial Balance Cr. Side
   3. Balance Sheet
   4. Trading Account **Answer: (a) Profit and Loss Account**
2. Depreciation is Charged on :
   1. Current Assets
   2. Fixed Tangible Assets
   3. None of these
   4. Both Current and Fixed Assets **Answer: (b) Fixed Tangible Asset**
3. At the end of the year, Depreciation Account is transferred to :
   1. Balance Sheet
   2. Trading Account
   3. Profit & Loss Appropriation Account
   4. Profit & Loss Account **Answer: (d) Profit & Loss Account**
4. The cause of Depreciation is :
   1. Wear and tear
   2. Obsolescence
   3. Usage of Asset
   4. All of these **Answer: (d) All of these**
5. Depreciation is a process of :
   1. Allocation
   2. Valuation
   3. None of these
   4. Depletion **Answer: (a) Allocation**
6. Under Straight line Method, depreciation is to be charged :
   1. Scrap Value
   2. Real cost
   3. Original cost
   4. None of these **Answer: (c) Original cost**
7. The depreciation charged on an asset will be credited to :
   1. Depreciation A/c
   2. Asset A/c
   3. Bank A/c
   4. Cash A/c **Answer: (b) Asset A/c**
8. A bank reconciliation statement is prepared by \_\_\_\_\_\_\_\_\_\_\_

(a)Bank (b) Business (c) Debtor to the business (d) Creditor to the Business

**Ans: (b) Business**

1. A bank reconciliation statement is prepared with the help of \_\_\_\_\_\_\_\_\_\_\_.
   1. Bank statement (b) Cash book (c) Bank statement and bank column of the cash book (d) Petty cash book

**Ans:** **(c) Bank statement and bank column of the cash book**

1. 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 **Ans: (a) Credit balance as per bank statement**

1. Debit balance in the Cash book means\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   1. Overdraft as per Pass book
   2. Credit balance as per Pass book
   3. (c) Overdraft as per Cash book
   4. None of these **Ans:** **(b) Credit balance as per Pass book**
2. When balance as per Cash book is the starting point, to ascertain balance as per Pass book interest allowed by bank is\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   1. Subtracted
   2. added
   3. not adjusted
   4. adjusted **Ans: (b) added**
3. When balance as per Cashbook is the starting point to ascertain balance as per Pass book interest charged by bank is\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   1. added (b) subtracted (c) not adjusted (d) none of these **Ans: (b) subtracted**
4. A bank pass book is a copy of\_\_\_\_\_\_\_\_\_\_\_\_\_
   1. the cash column of a customer's cash book
   2. the bank column of a customer's cash book
   3. the customer's account in the bank's ledger
   4. none of these **Ans: (c) the customer's account in the bank's ledger**
5. Preparation of bank reconciliation statement prevents\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   1. Frauds
   2. profits
   3. loss
   4. thefts **Ans: (a) frauds**
6. There is a time gap between the depositing of the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and the collection by the bank.
   1. cash
   2. cheques
   3. petty Cash
   4. none of these **Ans: (b) cheques**
7. In cash book, the favourable balance indicates
   1. Credit Balance
   2. Debit Balance
   3. Bank Overdraft
   4. Adjusted Balance **Answer: (b)**
8. On the bank statement, cash deposited by the company is known as
   1. Credit
   2. Debit
   3. Liability
   4. Expenses **Answer: (a)**
9. Bank reconciliation statement compares a bank statement with \_\_\_\_\_\_\_\_\_
   1. Cash payment journal
   2. Cash receipt journal
   3. Financial statements
   4. Cashbook  **Answer: (d)**
10. What is “Deposit in transit” in bank reconciliation?

Added to Bank Balance

Subtracted From Bank Balance

Subtracted From the Cash Book Balance

Added to Cashbook Balance **Answer: (a)**

1. ‘NSF’ marked in cheque sent back by the bank indicates
   1. Cheque has been forged
   2. A bank couldn’t verify the identity
   3. Not sufficient funds
   4. A cheque cannot be cashed because it’s illegal **Answer: (c)**
2. Bank reconciliation statement is prepared by \_\_\_\_\_\_.
   1. Bank Accountant
   2. Business Manager
   3. Business Accountant
   4. Controller of the bank **Answer: (c)**
3. In cash book, bank charges of Rs. 5,000 was not recorded. Name the correct cash book adjustment

It will be credited in cash book

It will be debited in cash book

No adjustment needed in the cash book

Charges will be added to the cash book balance **Answer: (a)**

1. What type of cheques is that which is issued by a firm but not yet presented to the bank

Uncredited cheques

Outstanding cheques

Uncollected cheques

Bounced cheques **Answer: (b)**

1. When cheque is not paid by the bank, it is called?
   1. Honored
   2. Endorsed
   3. Dishonored
   4. a & b **Answer: (c) Dishonored**
2. Bank reconciliation is not a\_\_\_\_\_\_\_\_\_\_\_\_
   1. Reconcile records
   2. Memorandum statement
   3. Ledger account
   4. Procedure to provide cash book adjustments **Answer: (c) Ledger account**
3. The balance on the debit side of the bank column of cash book indicates\_\_\_\_\_\_\_
   1. The total amount has drawn from the bank
   2. Cash at bank
   3. The total amount overdraft in the bank
   4. None of above **Answer: (b) Cash at bank**
4. Bank statement also called as\_\_\_\_\_\_\_\_
   1. Pass book
   2. Cash book
   3. Credit book
   4. Debit book **Answer: (a) Pass book**
5. The main purpose of preparing a bank reconciliation statement is\_\_\_\_\_\_.
   1. To know the bank balance
   2. To know the balance of bank statement
   3. To correct the cash book
   4. To identify causes of difference between cash book and bank statement

**Answer: (d) To identify causes of difference between cash book and bank statement**

1. Bank reconciliation statement is\_\_\_\_\_\_\_.
   1. Part of bank statement
   2. Part of the cash book
   3. A separate statement
   4. a sub-division of journal **Answer: (c) A separate statement**
2. Favorable balance means\_\_\_\_\_\_\_
   1. Credit balance in the cash book
   2. Credit balance in Bank statement
   3. Debit balance in cash book
   4. both b and c **Answer: (d) both b and c**
3. Unfavorable balance means\_\_\_\_\_\_\_\_\_
   1. Credit balance in the cash book
   2. Credit balance in Bank statement
   3. Debit balance in cash book
   4. Debit balance in petty cash book **Answer: (a) Credit balance in the cash book**
4. Debit balance in the cash book and credit balance in the pass book indicate that the business has ------ in the bank.
   1. Adverse balance
   2. Favourable balance
   3. Overdraft
   4. None of these

**Answer: (b) favourable balance**

1. A bank reconciliation statement is prepared by\_\_\_\_\_\_\_\_\_.
   1. Internal auditor
   2. Business accountant
   3. Businessman
   4. All of These  **Answer: (d) All of These**
2. Which of the following items is not a reason for difference between bank balance as per cash book and pass book?
   1. Dishonored cheque
   2. Cheques deposited but not yet cleared
   3. Credit sales
   4. Cheques issued but not yet presented for payment  **Answer: (c) Credit sales**
3. Credit balance in bank pass book means\_\_\_\_\_\_\_\_
   1. Bank overdraft
   2. Bank balance
   3. Balance as per cash book
   4. None **Answer: (b) Bank balance**
4. A cheque that bears a date later than date of issue is called?
   1. Anti dated check
   2. Post-dated check
   3. Dishonored check
   4. Outdated check **Answer: (b) Post-dated cheque**

**UNIT III**

1. A system of accounting which is not based on double entry system is called-

Cash system

Mahajani system of accounting

Incomplete accounting system

None of these. **Answer: (c) Incomplete accounting system**

1. Accounts which are maintained under single entry system-
   1. Personal accounts
   2. Impersonal accounts
   3. (a) & (b) both
   4. None of these. **Answer: (a) Personal accounts**
2. Single entry system is

**(a**) Incomplete and unscientific

(b) complete and scientific

(c) Complete and unscientific

(d) None of these **Answer: (a)**

1. The mechanism of book keeping in incomplete records is \_\_\_\_\_\_.

(a) Scientific

(b) Unscientific

(c) Unsystematic

(d) Both (b) and (c) **Answer (b)**

1. The main advantage of single entry system is \_\_\_\_\_.

**(a**) Absolute simplicity

(b) Audited financial statement

(c) Accuracy

(d) Scientific recording **Answer: (a)**

1. Which of the following is a disadvantage of single entry system?

**(a)** Easier to make clerical errors

(b) Impossible to obtain audit.

(c) Assets and Liabilities are not tracked.

(d) All of the above **Answer:(d)**

1. Profit or loss of the business is determined by making a comparision between the capitals of two dates of a period under single entry system is called\_\_\_\_\_ method.

**(a**) Conversion method

(b) Net worth method

(c) Financial statement

(d) None of the above **Answer**: **(b)**

1. The capital which is introduced in the business during the year is called as \_\_\_\_\_.

(a) Opening capital

(b) Closing capital

(c) Additional capital

(d) None of these **Answer: (c)**

1. The process of converting a business’s accounting from single entry to double entry is called as \_\_\_\_\_\_\_.

**(a**) Single entry system

(b) Double entry system

(c) Statement of affairs method

(d) Conversion method **Answer:( d)**

1. If sales Rs. 240,000 purchases Rs.175.000, Closing stock Rs.30,000, Percentage of gross profit on sale is 20% then opening stock will be \_\_\_\_\_\_

**(a**) Rs.45,000

(b) Rs.50,000

(c) Rs.47,000

(d) Rs.55,000 **Answer: (c)**

1. Statement of affairs is prepared to \_\_\_\_\_\_\_\_
   1. Know about assets
   2. Know about liabilities
   3. Calculate capital
   4. Know financial position **Answer: (c)**
2. Generally incomplete records are maintained by \_\_\_\_\_\_

**(a**) Trader

(b) Society

(c) Company

(d) Government **Answer; (a)**

1. Opening capital is ascertained by preparing:

(a) Cash book

(b) Creditors A/c

(c) Debtors A/c

(d) Opening statement of affairs **Answer: (d)**

1. Closing stock under single entry system can be determined by preparing a \_\_\_\_\_ account.

(a) Profit and Loss account

(b) Trading account

(c) Memorandum Trading account

(d) Total debtors account **Answer: (c)**

1. In single entry system, it is not possible to prepare

(a) Receipts and payments a/c

(b) Trial balance

(c) Balance sheet

(d) Account sales **Answer: (b)**

1. **A single entry system is usually adopted by:**
   * 1. **Company**
     2. Partnership
     3. Government
     4. None of above **Answer: (d)**
2. **Single entry system is most suited where:  
    (a)** Cash transactions are many

(b) **Credit transactions are many**  
 **(c)** Cash & credit transactions are more.

**(d)** None of the above **Answer:** (a)

1. Capital can be obtained by preparing:

(a) Cash book

(b) Statement of affairs

(c) Debtors a/c

(d) Creditors a/c **Answer: (b)**

1. Credit sale can be obtained by preparing:

(a) Cash book (b) Statement of affairs (c) Debtors a/c (d) Creditors a/c  **Answer: (c)**

1. Credit purchase can be calculated by preparing
   1. Cash book (b) Statement of affairs (c) Debtors A/c (d) Creditors a/c

**Answer: (d)**

1. Cash in hand can be obtained by preparing:

(a) Cash book (b) Statement of affairs (c) Debtors A/c (d) Creditors a/c

**Answer: (a)**

1. In single entry system profit is calculated as follows:
2. Opening capital + Drawing + Fresh capital – Ending capital
3. Capital at the end – Drawing – Fresh capital – Opening capital
4. Capital at the end + Drawing – Fresh capital – Opening capital
5. None of the above. **Answer; (c)**
6. Single entry system cannot be maintained by
   1. Joint stock company
   2. Partnership a/c.
   3. Sole-tradership a/c.
   4. All of these **Answer; (a)**
7. Single entry system of book-keeping is generally followed by:
   1. Small business
   2. Non-trading concern.
   3. Large business
   4. None **Answer(a)**
8. A statement of assets and liabilities prepared under the single entry system is called:
   1. Balance sheet
   2. Financial statement
   3. Cash statement
   4. Statement of affairs **Answer(d)**
9. If sales is Rs.300,000, purchases Rs.200,000, opening stock Rs.90,000, percentage of gross profit on sale is 20%, then closing stock will be:
   1. Rs.55,000
   2. Rs.50,000
   3. Rs.45,000
   4. Rs.60,000 **Answer(b)**
10. Net worth of an organization means the excess of its total assets over total:

Expenses (b) Incomes

(c) Liabilities (d) Both(a) and (b) **Answer(c )**

1. Interest on capital is considered as an expense for the business and is added to the \_\_\_\_\_\_.

Profit

Expenses of the business

Capital of the owners

None of these. **Answer: (c)**

1. Under single entry system, the additional capital and drawings are to be adjusted in the \_\_.

Profit and loss a/c

Statement of affairs.

Statement of profit or loss.

None of these **Answer(c)**

1. If the rate of Gross profit on sale is 20% and cost of goods, sold is Rs.100,000, then amount of gross profit will be equal to \_\_\_\_\_\_.

Rs.20,000

Rs.25,000

Rs.35,000

Rs.15,000 **Answer(b).**

1. Bad-debts written off always affect the:

Debtors a/c (b)Creditor a/c (c) Cash a/c (d) None of these **Answer(a)**

1. …………… system of book keeping is the only scientific method to record financial transactions.

Single entry (b) Double entry.

(c) Balance sheet (d) Adjustment a/c **Answer(b)**

1. Excess of assets over liabilities is called \_\_\_\_\_ .

Profit (b) Loss (c) Capital (d) None of these **Answer(c) Capital**

1. Which account is debited on dishonouring of a bill?

Creditor’s account (b) Debtor’s a/c.

(c) Bills payable a/c. (d) Bills Receivable a/c **Answer(b)**

1. In single entry system it is difficult to detect\_\_\_\_\_\_.

Account (b) Fraud (c) Profit (d) Gross profit **Answer(b)**

1. Under pure single entry system only \_\_\_\_ account are kept.

Personal (b) Double entry (c) assets (d) none of these **Answer (a)**

1. Under the \_\_\_\_ entry system personal accounts, cashbook and other subsidiary books are kept separately.

Pure single (b) Quasi single

(c) Simple single (d) Double entry **Answer (b)**

1. In \_\_\_\_\_ entry system no records are kept for real or nominal account.

Quasi single (b) Pure single

(c) Simple single (d) Double entry **Answer: (b)**

1. Statement of affairs method is also termed as \_\_\_\_\_.

Single entry system

Quasi single entry system

Capital comparison method

Double entry system **Answer: (c)**

1. If the closing capital is more than the opening capital it’s shows an increase in capital which means a \_\_\_\_\_\_.
   1. Profit
   2. Drawings
   3. Account
   4. Operating capital **Answer (a)**
2. Under single entry system arithmetical accuracy of the Accounting records can be checked.
   1. True
   2. False
   3. Neither true nor false
   4. None of the above **Answer: (b).**
3. Single entry system is mixture of single entry, double entry and no entry.
   1. True
   2. False
   3. Neither true nor false
   4. None of the above **Answer: (a)**
4. Under single entry system the profit and loss can be found out and also its comparison will be available
   1. True
   2. False
   3. Neither true nor false
   4. None of the above **Answer: (b)**
5. Profit and losses can’t be ascertained in single entry system because Trading and profit and loss account can’t be prepared.
   1. True
   2. False
   3. May be true
   4. May be false **Answer: (b)**
6. Single entry system of book keeping is \_\_\_\_\_.
   1. Simple
   2. Unauthorized by tax authorities
   3. Unscientific
   4. All the above **Answer: (d)**
7. If closing capital is less than the opening capital
   1. Profit
   2. Loss
   3. No Profit No Loss
   4. Loss if there is no fresh capital **Answer: (b)**
8. Profit in single entry system = Capital at the end + Drawings – additional capital \_\_\_\_\_\_\_.
   1. Opening capital
   2. Closing capital
   3. Loss
   4. None of these **Answer: (a)**
9. What should be added in closing capital for calculating opening capital
   1. Loss and Drawing
   2. Profit and drawing
   3. Profit only
   4. Loss only **Answer: (a)**
10. When the amount of closing capital (after adjusting drawing) is less than that of the opening capital the difference will be treated as:
    1. Loss
    2. Profit
    3. No profit No loss
    4. None of these **Answer: (a)**
11. Cost of goods sold =
    1. Opening stock – Purchases + Direct expenses – Closing stock
    2. Opening stock + Purchases + Direct expenses – Closing stock
    3. Opening stock - Purchases - Direct expenses – Closing stock
    4. None of these **Answer: (b)**
12. While calculating profit, drawing will be added to \_\_\_\_\_\_\_\_.
    1. Opening capital
    2. Closing capital
    3. Additional capital
    4. None of these **Answer:(b)**
13. Cash in hand can be obtained by preparing \_\_\_\_\_\_
    1. Statement of affaires
    2. Cash book
    3. Debtors Account
    4. Creditors account **Answer: (b)**
14. Statement of affairs is a \_\_\_\_\_\_
    1. Statement of income and expenditure
    2. Statement of assets and liabilities
    3. Summary of cash transaction
    4. Summary of credit transaction **Answer: (b)**
15. Under conversion method, which of the following accounts must be prepared to convert the accounts from single entry to double entry system?
    1. Total debtors a/c & Total creditor’s a/c
    2. Bills receivables a/c & Bills payable’s a/c
    3. Opening statement of affairs
    4. All the above **Answer:(d)**
16. If opening capital is Rs.24000; closing capital is Rs.40000; drawings is Rs.7000; fresh capital is Rs.8000; calculate profit or loss?
    1. Profit Rs.15000
    2. Loss Rs.15000
    3. Profit Rs.20000
    4. Loss Rs.20000 **Answer: (a)**
17. What is the amount of capital of the proprietor, if his assets are Rs.85000 and liabilities are Rs.21000?
    1. Rs.85000 (b) Rs.106000 (c) Rs.21000 (d) Rs.64000 **Answer:(d)**
18. Calculate credit sales, if opening balance of debtors Rs.14828; closing balance of debtors Rs.23460 and cash received from debtors Rs.86530?
    1. Rs.71,702 (b) Rs.8,632

(c) Rs.95,162 (d)Rs.1,09,990 **Answer: (c)**

1. Calculate sales: Cost of goods sold Rs.270000 Rate of profit 25% on sales.
   1. Rs.67500
   2. Rs.337500
   3. Rs.360000
   4. Rs.300000 **Answer:(c)**
2. Opening capital is Rs.11000; closing capital is Rs.12000 and interest on capital is allowed at 5%. Calculate the amount of interest on capital.
   1. Rs.600 (b) Rs.550 (c) Rs.1150 (d) Rs.1000 **Answer: (b)**
3. Rama withdraws Rs.600 at the end of each month for family expenses and paid Rs.500 to his son which not recorded anywhere in his books. Calculate the total drawings made by him during the year.
   1. Rs.6000
   2. Rs.6500
   3. Rs.7700
   4. Rs.7200 **Answer (c)**

**UNIT -4**

**AVERAGE DUE DATE**

1. If payment is made on the average due date it results in \_\_\_\_\_\_\_\_\_\_
   * 1. Loss of Interest to the creditor
     2. Loss of interest to the debtor
     3. No Loss of interest to either of them
     4. None of these  **Answer: (c)**
2. A mean date is calculated \_\_\_\_\_\_\_\_\_\_
   * 1. In connection with the settlement of contra accounts
     2. For a Lump sum payment
     3. For several Payments on different dates
     4. None of these **Answer: (c)**
3. If payment after average due date, the party entitled to interest is \_\_\_\_\_\_\_
   * 1. Creditor
     2. Debtor
     3. Bank
     4. Business man **Answer: (a)**
4. When due date is a Public Holiday, then the due date will be\_\_\_\_\_\_\_
   * 1. Succeeding Business Day
     2. Preceding business day
     3. Due date will not change remain the same
     4. None of these **Answer:(a)**
5. A bill is due on 29th January 2015 is made payable at one month after date, the due date will be\_\_\_\_\_
   * 1. 28th February 2015
     2. 29th February 2015
     3. 3rd march 2015 **Answer: (c)**
6. Average due date is calculated for amounts lent in different installments to be repaid in\_\_\_\_\_\_.
   * 1. Two installments
     2. Single installment
     3. Four installment
     4. None of these **Answer: (b)**
7. Average due date is calculated for amount lent in one installment, repayable in \_\_\_\_\_
   * 1. Single installment
     2. Two installments
     3. Several Installments
     4. None of These **Answer: (c)**
8. How do you calculate the number of days in average due date?
   * 1. From the base date to the due date of each transaction
     2. From the date of transaction to the last date of the month
     3. From the first date of the month to the last date of the month
     4. None of these **Answer: (a)**
9. While calculating the number of days from base date for each transaction, the base date \_\_\_\_\_
   * 1. Should not be omitted
     2. Should be omitted
     3. Should be subtracted
     4. None of these **Answer: (b)**

**BILLS OF EXCHANGE**

1. A bill of exchange contains\_\_\_\_\_\_
2. A promise
3. An unconditional order
4. A request
5. Endorsee **Answer: (b) An unconditional order**
6. Which of the following are features of Bill of Exchange?
7. It is a written document
8. It is an unconditional order to pay
9. It is signed by the drawer of the bill
10. All of the above **Answer: (d)**
11. Where a bill of exchange is drawn and accepted for a genuine trade transaction is called as \_\_\_\_\_.
12. Promissory note
13. Accommodation bill
14. Trade bill
15. None of the above **Answer: (c)**
16. Where a bill is drawn and accepted for mutual help, it is known as \_\_\_\_\_\_.
17. Promissory note
18. Accommodation bill
19. Trade bill
20. None of the of the above **Answer: (b)**
21. The method in which the place of seller drawing a bill of exchange on the purchaser, the purchaser himself makes a written promise to pay the amount to the seller is called \_\_\_\_.
22. Promissory note
23. Accommodation bill
24. Trade bill
25. None of the above **Answer: (a)**
26. Which of the following are the features of promissory note?
27. It is a written document
28. It contain an undertaking of promise to pay
29. It is signed by the maker or promisor
30. All the above **Answer: (d)**
31. The person who is legally entitled to receive the money due on the instrument is called the \_\_.
32. Promisor
33. Payee
34. Drawer
35. Drawee **Answer: (b)**
36. If the holder obtained the instrument for valuable consideration and became holder of the instrument before its maturity is called as \_\_\_\_\_.
37. Holder in due course
38. promisor
39. Notary public
40. Drawer **Answer: (a)**
41. The person who is appointed by the central or state government to exercise the power and functions relating to nothing and protesting of negotiable instruments for dishonor is called as \_\_\_\_\_.
42. Holder in due course
43. Promisor
44. Notary public
45. Drawer **Answer: (c)**
46. When the promissory note or a bill of exchange has been dishonored by non-acceptance, the holder may cause such dishonor to be noted by a notary public is called as \_\_\_\_\_.
47. Protest
48. Charging
49. Noting
50. None of the above **Answer: (c)**
51. Which of the following is not the feature of Bill of exchange?
52. It is a written document
53. It is an unconditional order to pay
54. It has two parties
55. None of the above **Answer: (c)**
56. The acceptor of a bill of exchange is called the:
57. Drawee
58. Drawer
59. Payee
60. Endorsee **Answer: (a) Drawee**
61. The act of transferring a bill of exchange from one person to another is called:
62. Discounting
63. Acceptance
64. Endorsement
65. Retirement  **Answer: (c) Endorsement**
66. The period of time after which a bill becomes payable is called:
67. Day of grace
68. Usance
69. Tenor
70. None of the above **Answer: (c) Tenor**
71. The bills receivable book is a part of the:
72. Journal
73. Ledger
74. Trading account
75. Profit and loss account **Answer: (a) Journal**
76. The formal certificate of dishonoring the bill issued by the notary public is called:
77. Noting
78. Noting charges
79. Footing
80. Protest **Answer: (d) Protest**
81. An accommodation bill is drawn:
82. Without trading
83. Without consideration
84. For financial assistance
85. All of the above **Answer: (d) All the above**
86. The system which is followed by all medium and large firms and maintained separate subsidiary books are opened for transactions relating to bills is called \_\_\_\_\_\_.
87. Single entry system
88. Journal and ledger system
89. Subsidiary book system
90. Double entry system **Answer: (c)**
91. The system which is adopted by small firms, sole traders, etc. transactions relating to bills are recorded in the journal and posted to ledger is called \_\_\_\_\_.
92. Single entry system
93. Journal and ledger system
94. Subsidiary book system
95. Double entry system **Answer: (b)**
96. On dishonor of a discounted bill whom does the bank look for payment?
    1. Drawer
    2. Drawee
    3. Endorser
    4. Payee **Answer: (a) Drawer**
97. The act for signing by the drawer on the book of the instruments for the purpose of transfer
    1. Acceptance of bill
    2. Cheque
    3. Endorsement
    4. Bill **Answer: (c) Endorsement**
98. Which balance is shown by a B/R Book?
    1. Credit
    2. Both
    3. Debit
    4. None **Answer: (d) Debit**
99. On whom is the trade bill drawn?
    1. Seller
    2. Creditor
    3. Debtor
    4. Owner **Answer: (c) Debtor**
100. The party who is entitled to receive the cash of a bill receivable is called
101. Drawer
102. Drawee
103. Capitalist
104. Bank **Answer: (a) Drawer**
105. Discounting Charges =
     1. Amount of Bill Discounted × Rate × Unexpired Period
     2. Amount of Bill Discounted × Rate / Unexpired Period
     3. Amount of Bill Discounted × Rate + Unexpired Period
     4. Amount of Bill Discounted + Rate × Unexpired Period **Answer(a)**
106. Kamal draws a bill on Sahil for Rs.3000. Kamal endorsed it to Rohan. Rohan endorsed it to Rakesh. The payee of the bill will be
     * 1. Kamal
       2. Rakesh
       3. Sahil
       4. Rohan **Answer: (b)**
107. Noting charges are paid by the \_\_\_ but these are recordable from the \_\_\_\_
     * 1. Drawer, Payee
       2. Drawer, Drawee
       3. Drawee, Drawer
       4. Drawee, Payee **Answer: (b)**
108. Person to whom the bill is endorsed called \_\_\_\_
     * 1. Endorsement
       2. Endorser
       3. Endorsee
       4. None **Answer:(C)**
109. Who are the parties to a bill of exchange?
     * 1. Drawee, Drawer, Payee
       2. Drawee, Drawer, Debtor
       3. Payer, Drawee, Drawer
       4. Drawee, Drawer, Creditor **Answer: (a)**
110. A party who receives a bill of exchange has the following options. Which is correct?
     * 1. He may keep it till the date of maturity
       2. He may endorse it in favour of a creditor
       3. He may send the bill to bank for collection.
       4. All the above **Answer(d)**
111. If the drawer is in need of money and cannot wait till due date and receive the money form bank, what is it called?
     * 1. Endorsement of bill
       2. Discounting of bill
       3. Retirement of bill
       4. Dishonor of bill **Answer: (b)**
112. In case if endorsement of bill the endorser debits\_\_\_\_\_
     1. Creditor account
     2. Cash account
     3. Bill receivable account
     4. Bill payable account **Answer: (a)**
113. Which of the following is not true?
     1. There is no difference in appearance between trade and accommodation bill
     2. A bill of exchange must be accepted
     3. Drawee is maker of a bill
     4. Accommodation bill is for an imaginary transaction **Answer: (c)**
114. When an acceptor refuses to pay the amount of bill to the holder of bill on its maturity, it is called \_\_\_\_\_\_.
     1. Honored bill
     2. Dishonored bill
     3. Retired bill
     4. Endorsed bill **Answer: (b)**
115. When goods are sold on credit basis, a bill is drawn by the seller to get \_\_\_\_\_\_ from the purchaser.
     1. Commission
     2. Back the goods
     3. Written agreement
     4. None of these **Answer: (c)**
116. A person who writes out the order to pay is called?
     1. Drawer
     2. Acceptor
     3. Payee
     4. Drawee **Answer: (a)**
117. When a drawer discounts the bill, he gets\_\_\_\_\_\_\_\_\_\_\_.
     1. More than face value
     2. Less than face value
     3. Equal to face value
     4. None of above **Answer:**(b)
118. In case of term bill, extra three days are given to acceptor are called\_\_\_\_\_\_\_.
     1. Days of bill payable
     2. Days if bill receivable
     3. Days of grace
     4. Days of tenor **Answer: (c)**
119. How many parties are involved in case of discounting of bill?
     1. Two
     2. Three
     3. Four
     4. Unlimited **Answer: (a)**
120. Bill of Exchange has \_\_\_\_\_\_\_ parties :
     1. Six
     2. Two
     3. Three
     4. Four **Answer(c)**
121. The party which is ordered to pay the amount of bill of exchange is called :
     1. Drawee
     2. Payee
     3. Drawer
     4. None of these **Answer: (a)**
122. The party which is entitled to receive the payment of bill of exchange is known as
     1. Drawer
     2. Payee
     3. Drawee
     4. None of these **Answer: (b)**
123. The promissory note should be signed by
     1. Payee
     2. Drawer
     3. Promisor
     4. Both b&c **Answer: (d)**
124. When the acceptor of the bill wants to pay the amount of the bill before the due date, the bill is called a \_\_\_\_\_\_\_\_.
     1. Honored bill
     2. Dishonored bill
     3. Retired bill
     4. Endorsed bill **Answer: (c)**
125. When bill is endorsed to a third party, \_\_\_\_\_\_\_\_.
     1. Only one time can be endorsed
     2. Only three times can be endorsed
     3. Only two times can be endorsed
     4. There is no limits to endorse the bill. **Answer: (d)**
126. While calculating the due date of the bill, how many days are added to the period of the bill \_\_\_\_\_\_\_\_\_\_
     1. 4 days
     2. 3 days
     3. 5 days
     4. Neither of these **Answer: (b)**
127. Encashing the bill before the date of its maturity is called \_\_\_\_\_\_\_\_\_
     1. Dishonor of Bill
     2. Retirement of Bill
     3. Discounting of Bill
     4. Endorsement of Bill **Answer**: **(c)**
128. A bill of exchange renewed generally at the request of \_\_\_\_\_\_\_\_\_
     1. Drawee
     2. Bank
     3. Drawer
     4. None **Answer:(a)**
129. A bill of exchange can not be \_\_\_\_\_\_\_\_
     1. Endorsed
     2. Accepted
     3. Refused
     4. None of these **Answer: (c)**
130. The process of cancelling an old bill and drawing a fresh bill in the place to give more time to the acceptor is called\_\_\_\_\_\_.  
     (a) Dishonor of bill  
     (b) Retirement of bill  
     (c) Discounting of bill  
     (d) Renewal of bill **Answer: (d)**
131. Which of the following bills do not have the character of loan from one trader to another?  
     (a) Trade bill  
     (b) Accommodation bill  
     (c) Promissory note  
     (d) None of above **Answer: (b)**

**UNIT-V ACCOUNTING FOR NON PROFIT ORGANIZATIOS**

1. Receipts and Payments Account generally shows \_\_\_\_\_\_\_\_  
   (a) A Debit balance  
   (b) A Credit balance  
   (c) Surplus or Deficit  
   (d) Capital Fund **Answer: (a)**
2. Income and Expenditure Account records transactions of\_\_\_\_\_\_\_\_\_  
   (a) Revenue nature only  
   (b) Capital nature only  
   (c) Both revenue and capital nature

(d) Income of only revenue nature and expenditure of revenue and capital nature. **Answer: (a)**

1. Income and Expenditure Account reveals :  
   (a) Surplus or Deficiency  
   (b) Cash in Hand  
   (c) Net Profit  
   (d) Capital Account **Answer: (a)**
2. The amount of ‘Subscription received from members’ by a Non-profit organisation is shown in which of the following?  
   (a) Debit side of Income and Expenditure Account  
   (b) Credit side of Income and Expenditure Account  
   (c) Liability side of Balance Sheet  
   (d) Assets side of Balance Sheet **Answer: (b)**
3. Donation received for a special purpose \_\_\_\_\_\_\_\_\_\_\_\_.  
   (a) Should be credited to Income and Expenditure Account  
   (b) Should be credited to separate account and shown in the Balance Sheet  
   (c) Should be shown on the assets side  
   (d) Should not be recorded at all. **Answer: (b)**
4. Subscription received by a school for organising annual function is treated as\_\_\_\_\_.  
   (a) Capital Receipt (b) Revenue Receipt   
   (c) Asset (d) Earned Income **Answer: (a)**
5. The amount of ‘Entrance Fees’ received by a Non-profit organisation (if it is received regularly) is shown in which of the following?  
   (a) Liability side of Balance Sheet  
   (b) Assets side of Balance Sheet  
   (c) Debit side of Income and Expenditure Account  
   (d) Credit side of Income and Expenditure Account **Answer: (d)**
6. Out of following items, which one is shown in the Receipts and Payments Account?  
   (a) Outstanding Salary  
   (b) Depreciation  
   (c) Life Membership Fees  
   (d) Accrued Subscription **Answer: (c)**
7. Not-for-profit organisations prepare \_\_\_\_\_\_\_\_\_\_  
   (a) Trading Account  
   (b) Trading & Profit and Loss Account  
   (c) Income and Expenditure Account  
   (d) All of the above **Answer: (c)**
8. The Receipts and Payments Account is a summary of \_\_\_\_ .  
   (a) Debit and Credit balance of Ledger Accounts  
   (b) Cash Receipts and Payments  
   (c) Expenses and Incomes  
   (d) Assets and Liabilities **Answer: (b)**
9. Receipts and Payments Account is a \_\_\_\_\_\_\_\_  
   (a) Personal Account  
   (b) Real Account  
   (c) Nominal Account  
   (d) Real and Nominal Account, both **Answer: (b)**
10. Income and Expenditure Account is a \_\_\_\_\_\_\_\_\_\_  
    (a) Personal Account  
    (b) Real Account  
    (c) Nominal Account  
    (d) Real and Nominal Account, both **Answer: (c)**
11. Credit side balance in Income & Expenditure Account reveals \_\_\_\_\_\_\_\_\_\_\_\_  
    (a) Excess of cash receipts overpayments  
    (b) Excess of cash payments over receipts  
    (c) Excess of expenditure over income  
    (d) Excess of income over expenditure **Answer: (c)**
12. Source of income for a not-for-profit organisation is\_\_\_\_\_\_\_\_\_\_  
    (a) Subscription from Members  
    (b) Donation  
    (c) Entrance Fees  
    (d) All of the above **Answer: (d)**
13. Which of the following represent capital receipt?  
    (a) Life Membership Subscription  
    (b) Donation  
    (c) Subscription  
    (d) Interest on Investments **Answer: (a)**
14. Amount received from sale of grass by a club should be treated as :  
    (a) Capital Receipt  
    (b) Revenue Receipt  
    (c) Asset  
    (d) Earned Income **Answer: (b)**
15. The amount received from sale of old sports materials by a Non-profit organisation is shown in which of the following?  
    (a) Debit side of Income and Expenditure Account  
    (b) Liability side of Balance Sheet  
    (c) Credit side of Income and Expenditure Account  
    (d) Assets side of Balance Sheet **Answer: (c)**
16. If there is a ‘Match Fund’, then match expenses and incomes are transferred to:  
    (a) Income and Expenditure A/c  
    (b) Assets side of Balance Sheet  
    (c) Liabilities side of Balance Sheet  
    (d) Both Income and Expenditure A/c and to Balance Sheet **Answer: (c)**
17. Subscription received in advance during the current year is :  
    (a) an income  
    (b) an asset  
    (c) a liability  
    (d) none of these **Answer: (c)**
18. If a General Donation of huge amount is received by a school, that donation is

treated as:  
(a) Revenue Receipt (Income)  
(b) Capital Receipt (Liability)  
(c) Assets  
(d) Earned Income **Answer (b)**

1. If a general donation of smaller amount is received by a school, that donation will be shown in :  
   (A) Liability Side  
   (B) Asset Side  
   (C) Debit side of Receipt and Payment A/c  
   (D) Credit side of Receipt and Payment A/c **Answer:: (c)**
2. Out of the fallowing items, which one is shown in the ‘Receipts and Payments Account” of a not for profit organisation?  
   (A) Accrued subscription  
   (B) Outstanding salary  
   (C) Depreciation  
   (D) None of these **Answer(d)**
3. Out of the following items, which is not shown in the ‘Receipts and Payments A/c’ of a not for profit organisation? ‘  
   (A) Subscription received in advance  
   (B) Subscription due  
   (C) Last year subscription received  
   (D) All of the above **Answer(b)**
4. Capital fund is calculated:  
   (a) Income-Expenditure  
   (b) Assets - Liabilities  
   (c) Capital + Liabilities  
   (d) None of these **Answer: (b) Assets - Liabilities**
5. Receipts and Payments A/c is a summary of:  
   (a) All Capital Receipts and Payments  
   (b) All Revenue Receipts and Payments  
   (c) All Revenue and Capital Receipts and Payments  
   (d) None of the above. **Answer(c)**
6. Subscription for newspapers, magazines etc is a \_\_\_\_\_\_\_\_\_\_  
   (a) Capital expenditure  
   (b) Revenue expenditure  
   (c) Asset  
   (d) Earned Income **Answer(b)**
7. Which of the following is not non-profit organization?
   * 1. School
     2. College
     3. Club
     4. Partnership Firm **Answer: (d)**
8. All Receipts from sale of consumable items are treated as;
   * 1. Capital Receipts
     2. Revenue Receipts
     3. Both (a) & (b)
     4. None of these **Answer: (b**)
9. The fund which has been kept for special purpose like building or charity or giving prizes is known as \_\_\_\_\_\_\_.
   * 1. Special fund
     2. Capital fund
     3. Endowment fund
     4. Government fund **Answer: (a)**
10. Balance of Income and Expenditure Account shows;
    * 1. Cash in hand
      2. Capital Fund
      3. Net Profit
      4. Excess of Income over Expenditure or Vice versa **Answer:(d)**
11. Property received as a result of the will of the deceased person is called
    * + 1. Legacy
        2. Assets
        3. Liabilities
        4. None of the above **Answer: (a)**
12. Legacy is shown on the
    * 1. Credit side of Receipt & Payment account
      2. Receipts side of the Receipts and Payment Account
      3. Credit side of the Income and Expenditure Account
      4. Assets side of the Balance Sheet **Answer: (b)**
13. Receipts and Payments Account usually indicates;
    * 1. Surplus
      2. Capital Fund
      3. Debit Balance
      4. Credit Balance **Answer: (c)**
14. Income and Expenditure Account generally indicates;
    * 1. Surplus/Deficit
      2. Cash Balance
      3. Capital Fund
      4. Net Profit/loss **Answer: (a)**
15. Donation received for a special purpose,
    * 1. Should be credited to Income and Expenditure A/C
      2. Should be credited to separate account and shown in the Balance Sheet
      3. Should be shown on the Assets side of the Balance Sheet
      4. None of these **Answer: (b)**
16. In non-profit organization, excess of expenditure over income is called as;
    * 1. Loss
      2. Profit
      3. Deficit
      4. Surplus **Answer: (c)**
17. Which of the following is non-profit organization?
    * 1. Jharkhand Academic Council
      2. Tata Steel
      3. Air India
      4. Reliance Co. Ltd **Answer: (a)**
18. Sale of old news papers is
    * 1. Capital Receipt
      2. Revenue Receipt
      3. Asset
      4. Profit **Answer: (b)**
19. Income and expenses related to the prize fund is shown in:
    * 1. Income & Expenditure A/c
      2. Assets side of the Balance Sheet
      3. Liabilities side of the Balance Sheet
      4. Cash Account **Answer: (c)**
20. Life Membership Fees received by a club is shown in :

(a) Income and Expenditure A/c  
(b) Balance Sheet

(c) Receipts and Payments A/c  
(d) Both (b) & (c) **Answer: (d)**

1. Expenditure on purchase of books, furniture, investments, buildings are \_\_\_\_\_\_\_\_.  
    (a) Revenue expenditure  
    (b) Revenue receipts  
    (c) Capital expenditure  
    (d) Capital receipts. **Answer:(c)**
2. Income and Expenditure Account is prepared :  
    (a) By Business Organisation  
    (b) By Industrial Organisation  
    (c) By Not-for-Profit Organisation  
    (d) By All Organisation **Answer:(c)**
3. Payment of honorarium to secretary is treated as :  
    (a) Capital expenditure  
    (b) Revenue expenditure  
    (c) An Income  
    (d) None of these **Answer:(b)**
4. Outstanding subscription is a:  
    (a) Income  
    (b) Asset  
    (c) (a) and (b) both  
    (d) None of these **Answer:(c)**
5. Legacies should be treated as :  
    (a) A Liability (b) A Revenue Receipt  
    (c) An Income (d) None of these **Answer:(a)**
6. The excess of assets over liabilities in non-trading concerns is termed as:  
    (a) Capital Fund (b) Capital  
    (c) Profit (d) Net Profit **Answer:(a)**
7. For a non-trading concern, honorarium paid is:  
    (a) An Income (b) An Asset  
    (c) An Expense (d) None of these **Answer:(c)**
8. Entrance fees, unless otherwise stated, is treated as:  
    (a) A Capital Receipt (b) A Revenue Income  
    (c) A Liability (d) None of these **Answer:(b)**
9. All receipts of capital nature are shown in :  
    (a) Income and Expenditure A/c  
    (b) Balance Sheet  
    (c) P. & L. A/c  
    (d) None of these **Answer:(b)**
10. All items of revenue in nature are shown in:  
     (a) Income and Expenditure A/c (b) Balance Sheet  
     (c) (a) and (b) both (d) None of these **Answer:(a)**
11. Subscriptions received in advance by a club are shown on……..of the Balance Sheet  
     (a) Assets Side (b) Liabilities Side  
     (c) Debit Side (d) Credit Side **Answer:(b)**
12. Which of the following is not an income?  
     (a) Subscription (b) Donation  
     (c) Sale of Ticket (d) Endowment Fund **Answer:(d)**
13. Most transaction in non-trading concerns are:  
     (a) Cash  
     (b) Credit  
     (c) Both (a) and (b)  
     (d) None of these **Answer:(a)**
14. The main object of non-profit organisation is:  
     (a) To earn Profit  
     (b) To Serve the Society  
     (c) To Prepare Profit & Loss A/c  
     (d) All the above **Answer:(b)**
15. Subscription received by an organisation is:  
     (a) Capital Receipt  
     (b) Revenue Receipt  
     (c) Both (a) and (b)  
     (d) None of the aboveFor a non-trading concern, **Answer:(b)**
16. Receipts and payments account starts with \_\_\_\_\_\_\_

(a) closing cash and bank balances  
 (b) opening stock  
 (c) opening cash and bank balances  
 (d) None of these **Answer: (c)**

1. Receipts like proceeds from entertainments, concerts and lectures are treated as \_\_\_\_\_\_\_  
    (a) Revenue receipts  
    (b) Capital receipts  
    (c) Donations  
    (d) Assets **Answer:(a)**
2. Specific donation is:  
    (a) Capital Receipt  
    (b) Revenue Receipt  
    (c) Asset  
    (d) None of these **Answer:(a)**
3. Income and Expenditure Account records transactions of:  
    (a) Capital nature only  
    (b) Revenue nature only  
    (c) (a) and (b) both  
    (d) None of these **Answer:(b)**
4. Life membership fee received by a club is:  
    (a) Revenue Receipt  
    (b) Capital Receipt  
    (c) (a) and (b) both  
    (d) None of these **Answer:(b)**