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ACCOUNTANT

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Accountant Job Description Template

We are seeking trustworthy candidates who work efficiently without sacrificing accuracy. Accountants can expect to work with large amounts of numerical data, handle multiple tasks with deadlines, and provide transparent and complete reports to management. You should have a firm grasp of accounting and financial practices and regulations and possess strong computer and verbal and written communication skills.

To ensure success, Accountants should be prompt, honest detail-oriented, professional, and analytical. Top candidates will have excellent presentation skills with the ability to successfully communicate complex quantitative data to decision-makers.

Accountant Responsibilities:

- Complying with all company, local, state, and federal accounting and financial regulations.
- Compiling, analyzing, and reporting financial data.

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- Creating periodic reports, such as balance sheets, profit & loss statements, etc.
- Presenting data to managers, investors, and other entities.
- Maintaining accurate financial records.
- Performing audits and resolving discrepancies.
- Computing taxes.
- Keeping informed about current legislation relating to finance and accounting.
- Assisting management in the decision-making process by preparing budgets and financial fore

- Sure! Here are 100 multiple-choice questions with their corresponding answers for a school accountant-secretary:
-
- 1. Which of the following is not a responsibility of a school accountant-secretary?

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- a) Managing financial records
- b) Preparing financial reports
- c) Scheduling meetings
- d) Processing payroll
- Answer: c) Scheduling meetings
-
- 2. What is the purpose of a balance sheet?
- a) To record daily transactions
- b) To track income and expenses
- c) To show the financial position of an organization
- d) To calculate taxes owed
- Answer: c) To show the financial position of an organization
-
- 3. What is the main function of an accounts payable department?
- a) Managing employee payroll
- b) Tracking and paying bills
- c) Handling customer invoicing
- d) Managing inventory
- Answer: b) Tracking and paying bills
-
- 4. Which accounting principle requires expenses to be recorded in the same period as the revenue they generate?
- a) Matching principle
- b) Revenue recognition principle
- c) Cost principle
- d) Conservatism principle
- Answer: a) Matching principle
-

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- 5. What is the purpose of a general ledger?
 - a) To track sales and revenue
 - b) To record daily transactions
 - c) To prepare financial statements
 - d) To calculate taxes owed
 - Answer: b) To record daily transactions
-
- 6. Which financial statement shows the revenue, expenses, and net income of an organization?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: a) Income statement
-
- 7. What is the purpose of an accounts receivable department?
 - a) Managing employee payroll
 - b) Tracking and paying bills
 - c) Handling customer invoicing
 - d) Managing inventory
 - Answer: c) Handling customer invoicing
-
- 8. What is the purpose of a cash flow statement?
 - a) To show the financial position of an organization
 - b) To track income and expenses
 - c) To calculate taxes owed
 - d) To show the cash inflows and outflows of an organization
 - Answer: d) To show the cash inflows and outflows of an organization

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- 9. Which accounting principle assumes that a business will continue to operate indefinitely?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Going concern principle
 - d) Conservatism principle
 - Answer: c) Going concern principle
-
- 10. What is the purpose of a trial balance?
 - a) To summarize all financial transactions
 - b) To identify errors in the accounting records
 - c) To calculate the net income of an organization
 - d) To prepare financial statements
 - Answer: b) To identify errors in the accounting records
-
- 11. Which financial statement shows the assets, liabilities, and equity of an organization?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: b) Balance sheet
-
- 12. What is the purpose of an income statement?
 - a) To show the financial position of an organization
 - b) To track income and expenses
 - c) To calculate taxes owed
 - d) To show the cash inflows and outflows of an organization

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- Answer: b) To track income and expenses
-
- 13. Which accounting principle requires assets to be recorded at their original cost?
- a) Matching principle
- b) Revenue recognition principle
- c) Cost principle
- d) Conservatism principle
- Answer: c) Cost principle
-
- 14. What is the purpose of a statement of retained earnings?
- a) To summarize all financial transactions
- b) To identify errors in the accounting records
- c) To calculate the net income of an organization
- d) To show changes in equity over a period of time
- Answer: d) To show changes in equity over a period of time
-
- 15. What is the purpose of depreciation in accounting?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To allocate the cost of an asset over its useful life
- d) To show the cash inflows and outflows of an organization
- Answer: c) To allocate the cost of an asset over its useful life
-

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- 16. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: d) Statement of retained earnings
 -
- 17. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
 - Answer: d) To monitor outstanding bills and their due dates
 -
- 18. Which accounting principle requires financial statements to be prepared based on the assumption that the organization will continue to operate?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Going concern principle
 - d) Conservatism principle
 - Answer: c) Going concern principle
 -
- 19. What is the purpose of a chart of accounts?
 - a) To track income and expenses
 - b) To calculate taxes owed

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- c) To show the cash inflows and outflows of an organization
- d) To categorize and organize financial transactions
- Answer: d) To categorize and organize financial transactions
-
- 20. Which financial statement shows the cash inflows and outflows of an organization?
- a) Income statement
- b) Balance sheet
- c) Cash flow statement
- d) Statement of retained earnings
- Answer: c) Cash flow statement
-
- 21. What is the purpose of a payroll journal?
- a) To track sales and revenue
- b) To record daily transactions
- c) To calculate employee salaries and wages
- d) To prepare financial statements
- Answer: c) To calculate employee salaries and wages
-
- 22. Which accounting principle requires financial statements to be prepared using the same accounting methods and principles from one period to another?
- a) Matching principle
- b) Revenue recognition principle
- c) Consistency principle
- d) Conservatism principle

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- Answer: c) Consistency principle
-
- 23. What is the purpose of an accounts receivable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding customer invoices and their due dates
- Answer: d) To monitor outstanding customer invoices and their due dates
-
- 24. Which financial statement shows the changes in cash and cash equivalents over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
- Answer: c) Cash flow statement
-
- 25. What is the purpose of an expense report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To document and reimburse employee expenses
- Answer: d) To document and reimburse employee expenses
-

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- 26. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: d) Conservatism principle
 -
- 27. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
 - Answer: d) To monitor outstanding bills and their due dates
 -
- 28. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: d) Statement of retained earnings
 -
- 29. What is the purpose of a bank reconciliation?
 - a) To track income and expenses
 - b) To calculate taxes owed

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- c) To show the cash inflows and outflows of an organization
- d) To ensure that the company's records match the bank's records
- Answer: d) To ensure that the company's records match the bank's records
-
- 30. Which accounting principle requires financial statements to be prepared using the accrual basis of accounting?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: b) Revenue recognition principle
-
- 31. What is the purpose of an accounts receivable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding customer invoices and their due dates
 - Answer: d) To monitor outstanding customer invoices and their due dates
-
- 32. Which financial statement shows the changes in cash and cash equivalents over a period of time?
 - a) Income statement
 - b) Balance sheet

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- c) Cash flow statement
- d) Statement of retained earnings
- Answer: c) Cash flow statement
-
- 33. What is the purpose of an expense report?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To document and reimburse employee expenses
- Answer: d) To document and reimburse employee expenses
-
- 34. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
- a) Matching principle
- b) Revenue recognition principle
- c) Consistency principle
- d) Conservatism principle
- Answer: d) Conservatism principle
-
- 35. What is the purpose of an accounts payable aging report?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To monitor outstanding bills and their due dates
- Answer: d) To monitor outstanding bills and their due dates

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- 36. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: d) Statement of retained earnings
-
- 37. What is the purpose of a bank reconciliation?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To ensure that the company's records match the bank's records
 - Answer: d) To ensure that the company's records match the bank's records
-
- 38. Which accounting principle requires financial statements to be prepared using the accrual basis of accounting?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: b) Revenue recognition principle
-
- 39. What is the purpose of a budget variance analysis?
 - a) To track income and expenses

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- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To compare actual financial results to the budgeted amounts
- Answer: d) To compare actual financial results to the budgeted amounts
-
- 40. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: d) Statement of retained earnings
-
- 41. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
 - Answer: d) To monitor outstanding bills and their due dates
-
- 42. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
 - a) Matching principle
 - b) Revenue recognition principle

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- c) Consistency principle
- d) Conservatism principle
- Answer: d) Conservatism principle
-
- 43. What is the purpose of an accounts receivable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding customer invoices and their due dates
- Answer: d) To monitor outstanding customer invoices and their due dates
-
- 44. Which financial statement shows the changes in cash and cash equivalents over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
- Answer: c) Cash flow statement
-
- 45. What is the purpose of an expense report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To document and reimburse employee expenses
- Answer: d) To document and reimburse employee expenses

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-
- 46. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: d) Conservatism principle
-
- 47. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
 - Answer: d) To monitor outstanding bills and their due dates
-
- 48. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: d) Statement of retained earnings
-
- 49. What is the purpose of a bank reconciliation?
 - a) To track income and expenses
 - b) To calculate taxes owed

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- c) To show the cash inflows and outflows of an organization
- d) To ensure that the company's records match the bank's records
- Answer: d) To ensure that the company's records match the bank's records
-
- 50. Which accounting principle requires financial statements to be prepared using the accrual basis of accounting?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: b) Revenue recognition principle
-
- 51. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
 - Answer: d) To monitor outstanding bills and their due dates
-
- 52. Which financial statement shows the changes in equity over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement

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- d) Statement of retained earnings
- Answer: d) Statement of retained earnings
-
- 53. What is the purpose of an expense report?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To document and reimburse employee expenses
- Answer: d) To document and reimburse employee expenses
-
- 54. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
- a) Matching principle
- b) Revenue recognition principle
- c) Consistency principle
- d) Conservatism principle
- Answer: d) Conservatism principle
-
- 55. What is the purpose of an accounts receivable aging report?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To monitor outstanding customer invoices and their due dates
- Answer: d) To monitor outstanding customer invoices and their due dates

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-
- 56. Which financial statement shows the changes in cash and cash equivalents over a period of time?
 - a) Income statement
 - b) Balance sheet
 - c) Cash flow statement
 - d) Statement of retained earnings
 - Answer: c) Cash flow statement
-
- 57. What is the purpose of an expense report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To document and reimburse employee expenses
 - Answer: d) To document and reimburse employee expenses
-
- 58. Which accounting principle requires financial statements to be prepared using the most conservative estimates and assumptions?
 - a) Matching principle
 - b) Revenue recognition principle
 - c) Consistency principle
 - d) Conservatism principle
 - Answer: d) Conservatism principle
-
- 59. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed

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- c) To show the cash inflows and outflows of an organization
- d) To monitor outstanding bills and their due dates
- Answer: d) To monitor outstanding bills and their due dates
-
- 60. Which financial statement shows the changes in equity over a period of time?
- a) Income statement
- b) Balance sheet
- c) Cash flow statement
- d) Statement of retained earnings
- Answer: d) Statement of retained earnings
-
- 61. What is the purpose of a bank reconciliation?
- a) To track income and expenses
- b) To calculate taxes owed
- c) To show the cash inflows and outflows of an organization
- d) To ensure that the company's records match the bank's records
- Answer: d) To ensure that the company's records match the bank's records
-
- 62. Which accounting principle requires financial statements to be prepared using the accrual basis of accounting?
- a) Matching principle
- b) Revenue recognition principle

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- Answer: b) Revenue recognition principle
-
- 63. What is the purpose of an accounts payable aging report?
 - a) To track income and expenses
 - b) To calculate taxes owed
 - c) To show the cash inflows and outflows of an organization
 - d) To monitor outstanding bills and their due dates
- Answer: d) To monitor outstanding bills and their due dates
-
- 64. Which financial statement shows the changes in equity

1. The revenues and expenses of a company are displayed in which statement?

- A. Balance Sheet
- B. Cash Flow Statement
- C. Income Statement
- D. None of the above

Answer: C) Income Statement

Explanation:

The income statement displays all the revenues and expenses of a company.

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2. The main Purpose of Financial Accounting is?

- A. To Provide financial information to shareholders
- B. To maintain balance sheet
- C. To minimize taxes.
- D. To keep track of liabilities

Answer: A) To Provide financial information to shareholders

Explanation:

The purpose of financial accounting is to provide financial information to shareholders.

[Discuss this Question](#)

3. The expanded accounting equation is used by which statement?

- A. Cash Flow Statement
- B. Balance Sheet
- C. Income Statement
- D. None of the above

Answer: B) Balance Sheet

Explanation:

The expanded accounting equation is used by the balance sheet.

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4. What type of balance do asset accounts have?

- A. Contra

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- B. Credit
- C. Debit
- D. All of the above

Answer: C) Debit

Explanation:

Assets Account have a debit balance.

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5.The kind of debts which are needed to be repaid in a short term is known as?

- A. Fixed Liabilities
- B. Current Liabilities
- C. Depreciating Assets
- D. Intangible Assets

Answer: B) Current Liabilities

Explanation:

Current Liabilities are the debts that needed to be repaid in a short period.

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6. The account which increases equity is known as?

- A. Debit Account
- B. Credit Account

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- C. Revenue
- D. Treasury Stock

Answer: C) Revenue

Explanation:

Revenue, Owner Investments and retained earnings increase the equity of a company.

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7. What are the long-term assets which do not have any physical existence?

- A. Intangible Assets
- B. Tangible Assets
- C. Current Liabilities
- D. Current Assets

Answer: A) Intangible Assets

Explanation:

Intangible Assets have no physical existence. For Example, Goodwill, Brand Recognition, Patents etc. are known as Intangible Assets.

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8. What is the supporting evidence in a business transaction called?

- A. Journal
- B. Ledger
- C. Voucher
- D. Contra Voucher

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Answer: C) Voucher

Explanation:

Vouchers are proof that a business transaction has taken place.

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9. The Expenses, Profit & Loss of an organisation are recorded in which account?

- A. Current Account
- B. Personal Account
- C. Nominal Account
- D. None of the above

Answer: C) Nominal Account

Explanation:

The nominal account records all the transactions of a business for one fiscal year.

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10. Which person owes an amount to a business organisation for buying goods and services on a credit basis?

- A. Creditors
- B. Debtors
- C. Owner
- D. None of the above

Answer: B) Debtors

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Explanation:

Debtors are the persons who owe an amount to a business organisation for buying goods and services on a credit basis.

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11. When are balance sheets prepared?

- A. Quarterly
- B. Yearly
- C. Monthly
- D. None of the above

Answer: B) Yearly

Explanation:

Balance Sheets are prepared yearly as it displays the liabilities and assets of a company.

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12. What is Activity Ratio?

- A. Financial Ratios that measure a firm's ability to convert different accounts into a balance sheet.
- B. Ratios that measure a company's ability to pay debt obligations and its margin of safety.
- C. Financial measurements that assess the ability of a company to meet its financial obligations

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- D. The ratio that evaluates the company's ability to generate income as compared to its expenses.

Answer: A) Financial Ratios that measure a firm's ability to convert different accounts into a balance sheet

Explanation:

Activity Ratios are a category of financial ratios that measure a firm's ability to convert different accounts within its balance sheets into cash or sales.

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13. What is Current Liability?

- A. Assets of a company that are expected to be sold or used as a result of standard business operations over the next year.
- B. A potential liability that may occur in the future.
- C. Company's short-term financial obligations that are due within one year or within a normal operating cycle.
- D. Obligations listed on the balance sheet not due for more than a year.

Answer: C) Company's short-term financial obligations that are due within one year or within a normal operating cycle

Explanation:

Current liabilities are a company's short-term financial obligations that are due within one year or within a normal operating cycle.

[Discuss this Question](#)

14. What is an operating cycle?

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- A. A metric that expresses the time (measured in days) it takes for a company to convert its investments in inventory and other resources into cash flows from sales.
- B. The time it takes a company to buy goods, sell them and receive cash from the sale of said goods.
- C. The process of hiring personnel to conduct the daily operations of the business.
- D. collective process of identifying, analysing, and recording the accounting events of a company.

Answer: B) The time it takes a company to buy goods, sell them and receive cash from the sale of said goods

Explanation:

An operating cycle refers to the time it takes a company to buy goods, sell them and receive cash from the sale of said goods. In other words, it's how long it takes a company to turn its inventories into cash. The length of an operating cycle is dependent upon the industry.

[Discuss this Question](#)

15. What are Outstanding Expenses?

- A. Expenses which are not paid off in the current balance sheet.
- B. The necessary purchases that keep a business going from day-to-day.
- C. Type of expense that is due but has not been paid.
- D. None of the above.

Answer: C) Type of expense that is due but has not been paid

Explanation:

An Outstanding Expense is a type of expense that is due but has not been paid. This expense becomes outstanding to the company when, this has taken the

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benefit, but the related payment has not been made simultaneously. For Example: Rent due but not yet paid.

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16. What is Bank Overdraft?

- A. A document used by a company's accounts payable department containing the supporting documents for an invoice.
- B. A negotiable instrument where payment is guaranteed by the issuing bank.
- C. A negotiable instrument similar to a bill of exchange.
- D. A line of credit that covers your transactions if your bank account balance drops below zero.

Answer: D) A line of credit that covers your transactions if your bank account balance drops below zero

Explanation:

An overdraft facility linked to your everyday transaction account is an unsecured line of credit designed to cover short-term cash flow shortfalls.

[Discuss this Question](#)

17. Which Ratio protects the Creditors?

- A. Lower Debt Equity Ratio
- B. Liquidity Assets
- C. Higher Inventory Ratio
- D. Return on Investment Ratio

Answer: A) Lower Debt Equity Ratio

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Explanation:

Lower the Debt Equity ratio higher is the protection to creditors. Creditors usually like a low debt to equity ratio because a low ratio (less than 1) is the indication of greater protection to their money.

[Discuss this Question](#)

18. Return on Investment =?

- A. Net Sales x 100
- B. Fixed Assets x 100
- C. Total Assets x 100
- D. None of the above

Answer: C) Total Assets x 100

Explanation:

Return on Investment Ratio (ROI) = (Net profit / Total assets) x 100.

Return on Investment (ROI) is a performance measure used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments.

[Discuss this Question](#)

19. What does improper utilization of resources and over investment in assets indicate?

- A. Low Return on Investment
- B. Low Sales
- C. High Sales
- D. Depreciation of Assets

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Answer: A) Low Return on Investment

Explanation:

Improper Utilization of resources and over investment in assets indicate a Low Return on Investment.

[Discuss this Question](#)

20. Which budget is prepared for Advertising, Salary, and Market Analysis?

- A. Operating Budget
- B. Sales Expenditure Budget
- C. Static Budget
- D. Labor Budget

Answer: B) Sales Expenditure Budget

Explanation:

The selling expense budget is usually based on the sales budget and the prior expense budgets in prior years.

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21. What does a master budget include?

- A. Material Budget
- B. Production Budget
- C. Sales Budget
- D. All of the above

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Answer: D) All of the above

Explanation:

A Master Budget consists of Sales budget, Production budget and Material budget.

[Discuss this Question](#)

22. Transaction is referred as which event in accounting?

- A. Political Event
- B. Economic Event
- C. Dividend
- D. Cash Transaction

Answer: B) Economic Event

Explanation:

In accounting, an economic event is referred to as Transaction.

[Discuss this Question](#)

23. Recording financial transaction is part of?

- A. Accounting
- B. Book Keeping
- C. Data Entry
- D. Journal

Answer: B) Book Keeping

Explanation:

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Bookkeeping refers mainly to the record-keeping aspects of financial accounting, and involves preparing source documents for all transactions, operations, and other events of a business.

[Discuss this Question](#)

24. Examining of financial information refers to?

- A. Analysis
- B. Auditing
- C. Recording
- D. Balance Sheet

Answer: B) Auditing

Explanation:

Auditing is defined as the on-site verification activity, such as inspection or examination, of a process or quality system, to ensure compliance to requirements.

[Discuss this Question](#)

25. Who is an external user of financial statements?

- A. Shareholders
- B. CEO
- C. Manager
- D. Creditor

Answer: D) Creditor

Explanation:

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Creditor of the business is the external user of financial statements.

[Discuss this Question](#)

26. Identifying an economic transaction is which phase of accounting cycle?

- A. First
- B. Second
- C. Third
- D. Last

Answer: A) First

Explanation:

Identifying an economic transaction is the first phase of an accounting cycle.

[Discuss this Question](#)

27. What is a Company?

- A. Legal entity organized and operated for a collective, public or social benefit, in contrast with an entity that operates as a business aiming to generate a profit for its owners.
- B. Business organization which is owned and carried on jointly by the members of the Hindu Undivided Family.
- C. Unincorporated business with only one owner who pays personal income tax on profits earned.
- D. A legal entity formed by a group of individuals to engage in and operate a business.

Answer: D) A legal entity formed by a group of individuals to engage in and operate a business

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Explanation:

A company is a legal entity formed by a group of individuals to engage in and operate a business, commercial or industrial enterprise. A company may be organized in various ways for tax and financial liability purposes depending on the corporate law of its jurisdiction.

[Discuss this Question](#)

28. What are Liabilities?

- A. Resources of a Company
- B. Expenses of a Company
- C. Obligations of a Company
- D. None of the above

Answer: C) Obligations of a Company

Explanation:

Liabilities are defined as a company's legal financial debts or obligations that arise during the course of business operations.

[Discuss this Question](#)

29. What is an Income?

- A. A resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit.
- B. Obligation between one party and another not yet completed or paid for.
- C. Earning from investments and other sources unrelated to employment.
- D. The revenue a business earns from selling its goods and services.

Answer: D) The revenue a business earns from selling its goods and services

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Explanation:

Income is the revenue a business earns by selling its goods or by providing services.

[Discuss this Question](#)

30. An Asset possessed by the business should be shown in which part of balance sheet?

- A. Liabilities
- B. Assets
- C. Revenues
- D. Fixed Assets

Answer: B) Assets

Explanation:

An Asset possessed by the business should be shown in Asset part of balance sheet.

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31. What is the common characteristic of all the assets owned by a company?

- A. Intangible
- B. Long Life
- C. Future Economic Benefits
- D. None of the above

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Answer: C) Future Economic Benefits

Explanation:

Future economic benefits are the most important characteristic that all assets of a business have.

[Discuss this Question](#)

32. Capital + Liabilities = ?

- A. Revenue
- B. Assets
- C. Unearned Income
- D. Voucher

Answer: B) Assets

Explanation:

This is the fundamental accounting equation, also called the balance sheet equation, represents the relationship between the assets, liabilities, and owner's equity of a person or business.

[Discuss this Question](#)

33. Owner's claim on total assets is?

- A. Liability
- B. Assets
- C. Equity
- D. Cash

Answer: C) Equity

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Explanation:

Owner's claim on total assets is called equity.

[Discuss this Question](#)

34. What are Drawings?

- A. Accounting method used to allocate the cost of a tangible or physical asset over its useful life or life expectancy.
- B. The amount of cash that a business disburses.
- C. An increase in the value of an asset over time.
- D. Money that is taken from the business account for personal use.

Answer: D) Money that is taken from the business account for personal use

Explanation:

Drawing in accounts is the record kept by a business owner or accountant that shows how much money has been withdrawn by business owners.

[Discuss this Question](#)

35. What occurs when expenses are greater than income?

- A. Net Loss
- B. Net Profit
- C. Debts
- D. Decrease in Assets

Answer: A) Net Loss

Explanation:

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Net loss occurs when Expenses are greater than income. A net loss, sometimes referred to as a net operating loss (NOL), occurs when expenses exceed the income or total revenue produced for a given period of time.

[Discuss this Question](#)

36. What is a nominal account?

- A. An interest-bearing deposit account held at a bank or other financial institution.
- B. The account that represents a country's imports and exports of goods and services.
- C. The account in which accounting transactions are stored for one fiscal year.
- D. None of the above

Answer: C) The account in which accounting transactions are stored for one fiscal year

Explanation:

Nominal accounts are used to collect accounting transaction information for revenue, expense, gain, and loss transactions, all of which appear in the income statement.

[Discuss this Question](#)

37. What is a Real Account?

- A. An interest-bearing deposit account held at a bank or other financial institution.
- B. The account that represents a country's imports and exports of goods and services.
- C. The account in which accounting transactions are stored for one fiscal year.

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- D. An account that retains and rolls forward its ending balance at the end of the year.

Answer: D) An account that retains and rolls forward its ending balance at the end of the year

Explanation:

A real account is an account that retains and rolls forward its ending balance at the end of the year. These amounts then become the beginning balances in the next period.

[Discuss this Question](#)

38. When does the capital of a company increases?

- A. Drawings Decrease
- B. Liabilities Decrease
- C. Revenue Increases
- D. Interest on capital increases

Answer: C) Revenue Increases

Explanation:

The capital of a company increases when its revenue increases.

[Discuss this Question](#)

39. Revenue - Expenses =?

- A. Net Income
- B. Net Loss
- C. Depreciation

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D. None of the above

Answer: A) Net Income

Explanation:

Revenue minus Expenses is the net income of the company.

[Discuss this Question](#)

40. What causes the decrease in Assets?

- A. Cash Purchases
- B. Liabilities
- C. Payment of Expenses
- D. Retained Earnings

Answer: C) Payment of Expenses

Explanation:

When an expense is recorded at the same time it is paid for with cash, the cash (asset) account declines, while the amount of the expense reduces the retained earnings account.

[Discuss this Question](#)

41. Assets - Liabilities = ?

- A. Income
- B. Gains
- C. Earnings
- D. Capital

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Answer: D) Capital

Explanation:

Assets - Liabilities = Capital is correct.

[Discuss this Question](#)

42. What increases the Assets & Equity?

- A. Fresh Capital
- B. Debts paid off
- C. Revenues
- D. None of the above

Answer: A) Fresh Capital

Explanation:

The Assets & Equity of a company increases when fresh capital is introduced.

[Discuss this Question](#)

43. What is the book of original entries?

- A. Voucher Book
- B. General Journal
- C. Day Book
- D. Account Statement

Answer: B) General Journal

Explanation:

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General Journal is the first place where a transaction is entered into the books.

[Discuss this Question](#)

44. How many accounts are affected by a business transaction?

- A. One
- B. Two
- C. Three
- D. Several

Answer: B) Two

Explanation:

Two accounts are affected whenever a transaction takes place in a business organization.

[Discuss this Question](#)

45. Day book is also known as?

- A. Journal
- B. Voucher
- C. Ledger
- D. Book Keeping

Answer: A) Journal

Explanation:

Day Book is the other name of Journal.

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46. What is a compound entry?

- A. An entry involving more than two accounts.
- B. Accounting entry in which just one account is debited and one is credited.
- C. An accounting entry in which there is more than one debit, more than one credit, or more than one of both debits and credits.
- D. Entry that is used to record a business transaction in the accounting records of a business.

Answer: C) An accounting entry in which there is more than one debit, more than one credit, or more than one of both debits and credits.

Explanation:

A compound journal entry is an accounting entry in which there is more than one debit, more than one credit, or more than one of both debits and credits.

[Discuss this Question](#)

47. Purchases are Debited when?

- A. Goods are purchased on cash
- B. Goods are sold at a discount
- C. Goods are purchased on credit
- D. Goods are lost

Answer: C) Goods are purchased on credit

Explanation:

Purchases are debited when an organisation purchases goods on credit.

[Discuss this Question](#)

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48. When are Drawing Debited?

- A. Cash withdrawn for personal use
- B. Cash withdrawn for payment of goods
- C. Cash withdrawn for salary
- D. Octroi

Answer: A) Cash withdrawn for personal use

Explanation:

Drawings Account is debited when cash is withdrawn for personal use.

[Discuss this Question](#)

49. In what order data is entered into Journal?

- A. Chronological Order
- B. Numeric Order
- C. Alphabetically
- D. Bullets

Answer: A) Chronological Order

Explanation:

Journal entries are typically entered in chronological order.

[Discuss this Question](#)

50. Cash Account is credited when?

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- A. Debts paid off
- B. Building bought in cash
- C. Asset sold for cash
- D. None of the above

Answer: B) Building bought in cash

Explanation:

Cash Account is credited when a building is purchased by the organization for cash.

51. Accounting provides data or information on

- A) Income and cost for the managers
- B) Financial conditions of the institutions
- C) Company's tax liability for a particular year
- D) All the above

Answer: D

52. Long term assets without any physical existence but, possessing a value are called

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

Answer: A

53. The assets that can be easily converted into cash within a short period, i.e., 1 year or less are known as

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

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Answer: A

54. Copyrights, Patents and Trademarks are examples of

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

Answer: C

55. The debts which are to be repaid within a short period (a year or less) are referred to as,

- A) Current Liabilities
- B) Fixed liabilities
- C) Contingent liabilities
- D) All the above

Answer: A

56. Gross profit is

- A) Cost of goods sold + Opening stock
- B) Sales – cost of goods sold
- C) Sales – Purchases
- D) Net profit – expenses

Answer: B

57. Net profit is calculated in which of the following account?

- A) Profit and loss account
- B) Balance sheet
- C) Trial balance
- D) Trading account

Answer: A

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58. In order to find out the value of the closing stock during the end of the financial year we,

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

Answer: A

59. Which of these best explains fixed assets?

- A) Are bought to be used in the business
- B) Are expensive items bought for the business
- C) Are items which will not wear out quickly
- D) Are of long life and are not purchased specifically for resale

Answer: D

Question 10

The charges of placing commodities into a saleable condition should be charged to

- A) Trading account
- B) P & L a/c
- C) Balance Sheet
- D) None of the above

Answer: B

Question 11

Suppliers personal a/c are seen in the

- A) Sales Ledger
- B) Nominal ledger
- C) Purchases Ledger
- D) General Ledger

Answer: C

Question 12

If you want to ensure that your money will be secured if cheques sent are wasted in the post, you should

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- A) Always pay by cash
- B) Cross your Cheques 'Account Payee only, Not Negotiable.'
- C) Always get the money in person
- D) Not use the postal service in future

Answer: B

Question 13

Discounts received are

- A) Buyer of goods granted discount by seller
- B) Deducted when we receive cash
- C) Given by us when we sell goods on credit
- D) None of these

Answer: A

Question 14

Sales invoices are first entered in

- A) The Cash Book
- B) The Purchases Journal
- C) The Sales Journal
- D) The Sales Account

Answer: C

Question 15

Entered in the Purchases Journal are

- A) Discounts received
- B) Purchases invoices
- C) Payments to suppliers
- D) Trade discounts

Answer: B

Question 16

At the balance sheet date, the balance on the Accumulated Provision for Depreciation Account is

- A) Simply deducted from the asset in the Balance Sheet
- B) Transferred to Profit and Loss Account

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_____ is a specialised branch of accounting that keeps track of a company's financial transactions.

- A. Cost accounting
- B. Management accounting
- C. Financial Accounting
- D. Corporate accounting

View Answer

C. Financial Accounting

Financial accountancy is governed by _____

- A. local standards only
- B. international standards
- C. local as well as international accounting standards
- D. company's internal top management only

View Answer

C. local as well as international accounting standards

_____ is the scope of financial accounting.

- A. Collection and processing of data
- B. Verifying or auditing data
- C. Publishing data

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D. All of the above

View Answer

D. All of the above

Which is not a benefit of financial accounting?

A. Maintaining systematic records

B. Protecting and safeguarding business assets

C. Historical in nature

D. Facilitates rational decision making

View Answer

C. Historical in nature

Which is not a limitation of financial accounting?

A. Inadequate information to fix up the price of products manufactured

B. Lack of data for comparison of cost of operation of the firm with other firms in the industry

C. The data available is historical in nature

D. Complies with the various legal requirements

View Answer

D. Complies with the various legal requirements

The overriding purpose of financial accounting is to summarize financial activity in business in the _____

A. profit and loss statement

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B. balance sheet

C. cash flow statement

D. all of the above

View Answer

D. all of the above

_____ are the basis of the business's financial accounting.

A. Accounting records

B. Bookkeeping

C. Sales Volume

D. Both A & B

View Answer

D. Both A & B

Financial accounting provides accounting information to the _____ though the information is useful for internal purposes also.

A. external users

B. internal users

C. company

D. competitors

View Answer

A. external users

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Financial accounting reports to the _____ after the completion of the accounting year.

A. internal management

B. external parties

C. Media

D. rivals

View Answer

B. external parties

Financial accounting reports include _____

A. profit and loss account

B. directors report

C. balance sheet and auditors report

D. all of the above

View Answer

D. all of the above

Financial accounting cover overall performance of the _____

A. Competitors

B. Market

C. Company

D. Finance department

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View Answer

C. Company

Financial accounting reports lay greater emphasis on the _____

A. objectivity of data

B. Flexibility of data

C. Relevancy of data

D. Subjectivity of data

View Answer

A. objectivity of data

Presentation of of financial accounting reports is mandatory under the provisions of of section 209 (1), 210 (1) and 216, 217 of _____

A. the business act 1956

B. the companies act 1956

C. the company act 1965

D. the company 2016

View Answer

B. the companies act 1956

Select the correct answer.

A. financial accounting reports generally govern accepted accounting principles

B. Generally accepted accounting principles governing financial accounting reports

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C. Generally accepted accounting principles does not governing financial accounting reports

D. There is no relation between Generally accepted accounting principles and financial accounting reports

View Answer

Financial accounting statements are subject to _____

A. Cost audit

B. Forensic audit

C. Statutory audit

D. Non statutory audit

View Answer

C. Statutory audit

The annual reports are to be prepared and published for circulation among the external end users such as _____

A. Company, competitors, contributors and colleagues

B. Customers. creators, collaborators and contractors

C. Government, competitors, owners and top management

D. shareholders, investors, bankers, debenture holders and creditors

View Answer

D. shareholders, investors, bankers, debenture holders and creditors

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_____ is a structured representation of the financial performance and financial position of a business and changes over a period of time.

A. Profit and loss account

B. Financial statement

C. Balance sheet

D. Internal audit

View Answer

B. Financial statement

_____ are the components of financial statements.

A. profit and loss account and balance sheet

B. cash flow and fund flow statement

C. notes and schedules

D. All of the above

View Answer

D. All of the above

_____ explain the financial position of the reporting entity at the end of the accounting period.

A. Balance sheet

B. Income statement

C. ledger

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D. Notes & schedules

View Answer

A. Balance sheet

_____ helps to find out the profit made on loss sustained in a particular accounting period through transactions and events.

A. Income statement

B. Profit and loss account

C. Trading account

D. None of the above

View Answer

B. Profit and loss account

_____ is not a primary source of long-term debt financing.

A. Accounts payable

B. Notes payable

C. Leases

D. Bonds

View Answer

A. Accounts payable

Cash flow is also known as _____

A. balance sheet flow

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B. profit and loss account

C. fund flow statement

D. notes and schedules

View Answer

C. fund flow statement

_____ is used to analyse the pattern of movement or activity during the period to identify the way the enterprise has generated cash and the way they have been used in an accounting period.

A. Balance sheet

B. Cash flow

C. Profit & Loss a/c

D. income statement

View Answer

B. Cash flow

Notes and schedules is used to present supplementary information explaining different items of financial statements.

A. balance sheet flow

B. profit and loss account

C. fund flow statement

D. notes and schedules

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View Answer

D. notes and schedules

_____ is a written evidence in support of a business transaction.

A. Ledger

B. Voucher

C. Ledger Posting

D. Journal

View Answer

B. Voucher

Notes and schedules include disclosures about the risk and uncertainties affecting the enterprise and such items as disclosure of _____

A. accounting policies segment reports

B. report of operations in the process of discontinuation

C. Both A & B

D. None of the above

View Answer

C. Both A & B

Trademark, Copyrights & Patents are _____ assets.

A. Intangible

B. Fixed

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C. Current

D. Tangible

View Answer

A. Intangible

Capital increases if _____

A. cost increases

B. Expenses increases

C. Revenue increases

D. Interest on capital increases

View Answer

C. Revenue increases

Current assets minus current liabilities is equal to _____

A. losing capital

B. gaining capital

C. fixed capital

D. working capital

View Answer

D. working capital

A _____ can also be referred to as a tangible asset.

A. liquid asset

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B. fixed asset

C. current asset

D. other asset

View Answer

B. fixed asset

This is all about MCQ on financial accounting and related topics.

1. What is the main objective of financial accounting?

- [A] profit and loss account only
- [B] balance sheet only
- [C] both P & L account and balance sheet
- [D] trial balance only

Answer: Option [C]

2. According to which concept the owners are considered to be different from the business

- [A] business entity concept
- [B] going concern concept
- [C] money measurement concept
- [D] accounting period concept

Answer: Option [A]

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3. According to which concept all the transactions are measurable in the terms of money are recorded in accounts?

- [A] business entity concept
- [B] going concern concept

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- [C] money measurement concept
- [D] accounting period concept

Answer: Option [C]

4. While putting the value or price of an entity in financial records the lowest price is recorded not the current price or current market value. This is known as

- [A] Business Entity Concept
- [B] Conservatism
- [C] Expenditure Concept
- [D] Money Measurement Concept

Answer: Option [B]

5. Which of the following is related to Scientific system of maintaining account?

- [A] single entry
- [B] double entry
- [C] contra entry
- [D] book entry

Answer: Option [B]

6. Which of the following defines outstanding salary account?

- [A] natural personal account
- [B] artificial personal account
- [C] representative personal account
- [D] real account

Answer: Option [C]

7. Debit the receiver, credit the giver is rule for

- [A] personal account
- [B] tangible real account
- [C] nominal account
- [D] representative personal account

Answer: Option [A]

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8. Interest earned is a

- [A] personal account
- [B] real account
- [C] nominal account
- [D] Intangible real account

Answer: Option [C]

9. Investment is a

- [A] personal account
- [B] real account
- [C] nominal account
- [D] representative personal account

Answer: Option [B]

10. Trading account is a

- [A] personal account
- [B] real account
- [C] nominal account
- [D] none of the above

Answer: Option [C]

11. Profit and loss account starts with

- [A] net profit
- [B] net loss
- [C] gross profit
- [D] none of the above

Answer: Option [C]

12. All revenue incomes are credited to

- [A] manufacturing account
- [B] trading account
- [C] profit and loss account

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- [D] none of the above

Answer: Option [C]

13. In profit and loss account, if debit is more than the credit, the difference is

- [A] net profit
- [B] net loss
- [C] gross profit
- [D] none of the above

Answer: Option [A]

14. Assets which are acquired and held permanently and used in the business with the objective of making profits is known as

- [A] fixed assets
- [B] current assets
- [C] intangible assets
- [D] none of the above

Answer: Option [A]

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15. Which of the following assets have definite physical share or identity and existence?

- [A] fictitious assets
- [B] current assets
- [C] tangible assets
- [D] intangible assets

Answer: Option [C]

16. Outstanding expenses is a

- [A] liability
- [B] income
- [C] asset

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- [D] none of the above

Answer: Option [A]

17. Interest on capital is a business can be defined as

- [A] expense
- [B] income
- [C] liability
- [D] asset

Answer: Option [A]

18. The ratios which reflect managerial efficiency in handling the assets is

- [A] turnover ratios
- [B] profitability ratios
- [C] short term solvency ratio
- [D] none of the above

Answer: Option [A]

19. Interest on capital is added with

- [A] capital
- [B] profit
- [C] loss
- [D] donation

Answer: Option [A]

20. The ratios which reveal the final result of the managerial policies and performance is

- [A] turnover ratios
- [B] profitability ratios
- [C] long term solvency ratio
- [D] none of the above

Answer: Option [B]

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21. Which of the following matches with fixed assets ratio?

- [A] short-term solvency ratio
- [B] long-term solvency ratio
- [C] profitability ratio
- [D] turnover ratio

Answer: Option [B]

22. The ratio which determines the profitability from the shareholders point of view is

- [A] return on investment
- [B] gross profit ratio
- [C] return on shareholders funds
- [D] operating profit ratio

Answer: Option [C]

23. The ratio which shows the proportion of profits retained in the business out of the current year profits is

- [A] retained earnings ratio
- [B] pay out ratio
- [C] earnings per share
- [D] None

Answer: Option [A]

24. How the dividend is related to the market value of shares?

- [A] interest coverage ratio
- [B] fixed dividend coverage ratio
- [C] debt service coverage ratio
- [D] dividend yield ratio

Answer: Option [D]

25. Which ratio is calculated to ascertain the efficiency of inventory management in terms of capital investment?

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- [A] stock velocity ratio
- [B] debtors velocity ratio
- [C] creditors velocity ratio
- [D] working capital turnover ratio

Answer: Option [A]

26. Which ratio measures the number of times the receivables are rotated in a year in terms of sales?

- [A] stock turnover ratio
- [B] debtors turnover ratio
- [C] creditors velocity ratio
- [D] working capital turnover ratio

Answer: Option [B]

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27. Current assets - current liabilities =

- [A] fixed capital
- [B] working capital
- [C] opening capital
- [D] closing capital

Answer: Option [B]

28. The ratio establishes the relationship between fixed assets and long-term funds is

- [A] current ratio
- [B] fixed assets ratio
- [C] fixed assets turnover ratio
- [D] debt equity ratio

Answer: Option [B]

29. A high capital gearing ratio indicates

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- [A] under capitalization
- [B] over capitalization
- [C] borrowed capital
- [D] long term funds

Answer: Option [A]

30. Low turnover of stock ratio indicates

- [A] solvency position
- [B] monopoly situation
- [C] overinvestment in inventory
- [D] liquidity position

Answer: Option [C]

31. All those assets which are converted into cash in the normal course of business within one year are known as

- [A] fixed assets
- [B] current assets
- [C] fictitious assets
- [D] wasting assets

Answer: Option [B]

32. Any transaction between a current account and another current account does not affect

- [A] profit
- [B] funds
- [C] working capital
- [D] capital

Answer: Option [B]

33. Decrease in current asset

- [A] increases working capital
- [B] decreases working capital
- [C] decrease fixed capital

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- [D] increase fixed capital

Answer: Option [B]

34. Decrease in current liability

- [A] increases working capital
- [B] decreases working capital
- [C] decreases fixed capital
- [D] ncreases fixed capital

Answer: Option [A]

35. Profit on sale of fixed assets is

- [A] non trading income
- [B] operating income
- [C] non trading gains
- [D] long term gain

Answer: Option [C]

36. In funds flow statement, funds from operations is

- [A] application of fund
- [B] source of cash
- [C] application of cash
- [D] source of fund

Answer: Option [D]

37. In funds flow statement, outflow of funds on account of operations is

- [A] application of fund
- [B] source of cash
- [C] application of cash
- [D] source of fund

Answer: Option [A]

38. In funds flow statement, repayment of long-term loans is

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- [A] application of fund
- [B] source of cash
- [C] application of cash
- [D] source of fund

Answer: Option [A]

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39. In adjusted P & L account, depreciation on fixed assets will be

- [A] debited
- [B] credited
- [C] ignored
- [D] deducted

Answer: Option [A]

40. Cash flow analysis is based on the

- [A] capital
- [B] fixed assets
- [C] cash concept of funds
- [D] working capital

Answer: Option [C]

41. In cash flow statement, increase in current asset

- [A] increases cash
- [B] decreases cash
- [C] increases working capital
- [D] decreases working capital

Answer: Option [B]

42. In cash flow statement, opening balances of bank balance is posted in which side of the statement

- [A] sources of cash

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- [B] application of cash
- [C] sources of funds
- [D] application of funds

Answer: Option [A]

43. In cash flow statement, closing balances of bank balance is posted in which side of the statement

- [A] sources of cash
- [B] application of cash
- [C] sources of funds
- [D] application of funds

Answer: Option [B]

44. Production cost under marginal costing includes

- [A] prime cost only
- [B] prime cost and fixed overhead
- [C] prime cost and variable overhead
- [D] prime cost, variable overhead and fixed overhead

Answer: Option [C]

45. Contribution margin is equal to

- [A] fixed cost - loss
- [B] profit + variable cost
- [C] sales - fixed cost - profit
- [D] sales - profit

Answer: Option [A]

46. P/V Ratio is an indicator of

- [A] the rate at which goods are sold
- [B] the volume of sales
- [C] the volume of profit
- [D] the rate of profit

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Answer: Option [D]

47. An increase in variable costs

- [A] increases p/v ratio
- [B] increases the profit
- [C] reduces contribution
- [D] increases margin of safety

Answer: Option [C]

48. CVP analysis is most important for the determination of

- [A] sales revenue necessary to equal fixed costs
- [B] relationship between revenues and costs at various levels of operations
- [C] variable revenues necessary to equal fixed costs
- [D] volume of operations necessary to Break-even

Answer: Option [A]

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- [D] application of funds

Answer: Option [A]

43. In cash flow statement, closing balances of bank balance is posted in which side of the statement

- [A] sources of cash

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- [B] application of cash
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- [C] variable revenues necessary to equal fixed costs
- [D] volume of operations necessary to Break-even

Answer: Option [A]

Questions

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1 Deewali advance given to an employee is

- A Revenue Expenditure
- B Capital Expenditure
- C Not an Expenditure
- D Deferred Revenue Expenditure

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Answer: Not an Expenditure

2 The process of recording financial data upto trial balance is

- A Classifying
- B Summarising
- C Analyzing
- D Book keeping

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Answer: Book keeping

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3 Rohit carrying on real estate business sold a piece of land for Rs.4,00,00,000 (cost Rs.3,50,00,000) then the type of receipt is nature and profit on sale is

- A Revenue & transferred to P & L a/c
- B Capital & transferred to capital reserve
- C Capital & transferred to P & L a/c
- D Revenue & transferred to general reserve

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Answer: Revenue & transferred to P & L a/c

4 Which of the following is wrong?

- A Rent is a personal account, outstanding rent is nominal account
- B All real and personal accounts are transferred to balance sheet
- C Nominal accounts are transferred to P & L account
- D Each account is opened separately in ledger

[View Answer](#)

Answer: Rent is a personal account, outstanding rent is nominal account

5 Is root cause for financial accounting

- A Social accounting
- B Management accounting
- C Human resource accounting
- D Stewardship accounting

[View Answer](#)

Answer: Stewardship accounting

6 Fixed assets are held by business for

- A Generating revenue
- B Converting into cash
- C Resale
- D None of the above

[View Answer](#)

Answer: Generating revenue

7 Which accounting concept specifies the practice of crediting closing stock to the trading account?

- A Matching
- B Cost
- C Realisation
- D Going concern

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Answer: Matching

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8 Amount spent to increasing the earning capacity is a expenditure

- A Capital
- B Deferred revenue
- C Capital Loss
- D Revenue

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Answer: Capital

9 Change in the capital A/c of proprietor may occur due to

- A Capital Introduced
- B Loss incurred
- C Profit earned
- D All of theabove

[View Answer](#)

Answer: All of theabove

10 Provision for discount on debtors is calculated on the amount of debtors.

- A After deducting provision for doubtful debts
- B Before deducting provision for doubtful debts
- C Before deducting actual debts and provision for doubtful debts
- D After adding actual bad and doubtful debts

[View Answer](#)

Answer: After deducting provision for doubtful debts

11 Which of the following is incorrect?

- A Outstanding expenses -current asset
- B Good will intangible asset
- C Sundry debtors -current asset
- D Loose tools tangible fixed asset

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Answer: Outstanding expenses -current asset

12 The nature of financial accounting is:

- A Historical

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- B Analytical
- C Social
- D Forward looking

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Answer: Historical

13 Which of the following factor is not considered while selecting accounting policies?

- A Accountancy
- B Prudence
- C Substance over form
- D Materiality

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Answer: Accountancy

14 As per accrual concept, which of the followings is not true

- A sales + gross profit = revenue
- B revenue –profit = expenditure
- C revenue –expenditure = profit
- D revenue = profit + expenditure

[View Answer](#)

Answer: sales + gross profit = revenue

15 If nothing is written about the accounting assumption to be followed it is presumed that

- A They have not been followed
- B They are followed to some extent
- C They are followed to some extent
- D None

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Answer: They have not been followed

16 Valuation of stock in accounting follows the principle of cost price or which ever is lower.

- A Net realizable Value

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- B Market Price
- C Average Price
- D None of these

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Answer: Net realizable Value

17 Which of the following is not a nominal Account?

- A Salaries account
- B Interest paid
- C Commission received
- D Outstanding salaries Account

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Answer: Outstanding salaries Account

18 Mr. X is a dealer in electronic goods (refrigerator, washing machine, air conditioners, televisions, etc.) He purchased two air conditioners and installed in his showroom. In the books of X the cost two air conditioners will be debited to

- A Fixedassets
- B Drawing account
- C Capital Account
- D None of the above

[View Answer](#)

Answer: Fixedassets

19 For every debit there will be an equal credit according to

- A Dual aspect concept
- B Matching concept
- C Money measurement concept
- D cost concept

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Answer: Dual aspect concept

20 Historical cost concept requires the valuation of an asset at

- A Replacement value
- B Net realizable value

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- C Market value
- D Original cost

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Answer: Original cost

21 The comparison of financial statement of one year with that of another is possible only when concept is followed

- A Consistency
- B Going concern
- C Accrual
- D Materiality

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Answer: Consistency

22 Which of the following is not the main objective of accounting?

- A Solving tax disputes with tax authorities
- B Systematic recording of transactions
- C Ascertaining profit or loss
- D Ascertainment of financial position

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Answer: Solving tax disputes with tax authorities

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23 An asset was purchased for Rs.1000000 with the down payment of Rs.200000 and bills accepted for Rs.800000/-What would be the effect on the total asset and total liabilities in the balance sheet?

- A Assets increased by Rs.800000 and liabilities increased by Rs.800000
- B Assets increased by Rs.1000000 and liabilities increased by Rs.800000
- C Assets decreased by Rs.800000 and liabilities increased by Rs.800000
- D Assets increased by Rs.800000 and liabilities decreased by Rs.800000

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Answer: Assets increased by Rs.800000 and liabilities increased by Rs.800000

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24 Matching concept means

- A Expenses should be matched with the revenue of the period
- B Assets = capital + liabilities
- C Transactions recorded at accrual concept
- D Anticipate no profit but recognize all losses

[View Answer](#)

25 Financial accounting is concerned with –

- A Recording of day to day business transactions
- B Recording of business expenses and revenue
- C Recording of costs of products and services
- D None of the above

[View Answer](#)

Answer: Recording of day to day business transactions

26 The rule debit all expenses and losses and credit all income and gains relates to

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

[View Answer](#)

Answer: Nominal accounts

27 Double entry system is used in which type of accounting

- A Financial
- B Cost
- C Management
- D All

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Answer: Financial

28 Rent paid to landlord should be credited to

- A Cash account

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- B Rent account
- C Expense account
- D Landlords account

[View Answer](#)

Answer: Cash account

29 Cash discount allowed to a debtor should be credited to

- A Discount account
- B Customer's account
- C Sales account
- D Cash account

[View Answer](#)

Answer: Customer's account

30 Which accounting concept satisfy the valuation criteria

- A Cost, Dual aspect, Conservatism
- B Realisation, Conservatism, Going concern.
- C Going concern, Cost, Dual aspect
- D Going concern, Realisation, Cost

[View Answer](#)

Answer: Going concern, Realisation, Cost

31 In which of the following cases, accounting estimates are needed?

- A Inventory obsolescence
- B Impairment of losses
- C Employs benefit schemes
- D All of the above

[View Answer](#)

Answer: All of the above

32 In income measurement & recognition of assets & liabilities which of the following concepts goes together ?

- A Cost, Accrual, matching
- B Going concern, cost, Realization
- C Going concern, Periodicity, Reliability

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D Periodicity, Accural, Matching

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Answer: Periodicity, Accural, Matching

33 Interpretation means

- A Concerned with preparation and presentation of classified data
- B Systematic analysis of recorded data
- C Methodical classification of data given in Financial Statements
- D Explanation of meaning and significance of the data in Financial Statements

[View Answer](#)

Answer: Explanation of meaning and significance of the data in Financial Statements

34 A trader purchases goods for Rs. 2500000, of these 70% of goods were sold during the year. At the end of 31st December 2009, the market value of such goods were Rs. 500000. But the trader recorded in his books for Rs. 750000. Which of the following concept is violated.

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

[View Answer](#)

Answer: Conservatism

35 If nothing is given in the financial statements about the three accounting assumptions then it is to be treated as it

- A Is assumed to be followed
- B Is assumed that it is not followed
- C Is assumed to be followed to some extent
- D None of the above

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Answer: Is assumed to be followed

36 The proprietor of the business is treated as creditor for the capital introduced by him due to..... concept.

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- A Entity
- B Money measurement
- C Cost
- D None of these

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Answer: Entity

- 37 Consistency with reference to application of accounting procedures means
- A Accounting methods & procedures shall be followed uniform basis year after year
 - B All companies in the same Industry should use identical accounting procedures
 - C Income & assets have not been overstated
 - D Any accounting method can be followed as per convenience

[View Answer](#)

Answer: Accounting methods & procedures shall be followed uniform basis year after year

- 38 If one of the cars purchased by a car dealer is used for business purpose, instead of resale, then it should be recorded by
- A Dr Motor Car A/c & Cr Purchases A/c
 - B Dr Drawing A/c & Cr Purchases A/c
 - C Dr Office Expenses A/c & Cr Motor Car A/c
 - D Dr Motor Car & Cr Sales A/c

[View Answer](#)

Answer: Dr Motor Car A/c & Cr Purchases A/c

- 39 Human resources will not appear in the balance sheet according to _ concept.
- A Money measurement concept
 - B Accrual
 - C Going concern
 - D None

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Answer: Money measurement concept

- 40 Which of the following is not a Real Account?

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- A Out standing rent A/c
- B Cash A/c
- C Investments A/c
- D Purchases A/c

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Answer: Out standing rent A/c

_____ is a specialised branch of accounting that keeps track of a company's financial transactions.

- A. Cost accounting
- B. Management accounting
- C. Financial Accounting
- D. Corporate accounting

[View Answer](#)

- C. Financial Accounting

Financial accountancy is governed by _____

- A. local standards only
- B. international standards
- C. local as well as international accounting standards
- D. company's internal top management only

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- C. local as well as international accounting standards

_____ is the scope of financial accounting.

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- A. Collection and processing of data
- B. Verifying or auditing data
- C. Publishing data
- D. All of the above

View Answer

- D. All of the above

Which is not a benefit of financial accounting?

- A. Maintaining systematic records
- B. Protecting and safeguarding business assets
- C. Historical in nature
- D. Facilitates rational decision making

View Answer

- C. Historical in nature

Which is not a limitation of financial accounting?

- A. Inadequate information to fix up the price of products manufactured
- B. Lack of data for comparison of cost of operation of the firm with other firms in the industry
- C. The data available is historical in nature
- D. Complies with the various legal requirements

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View Answer

D. Complies with the various legal requirements

The overriding purpose of financial accounting is to summarize financial activity in business in the _____

A. profit and loss statement

B. balance sheet

C. cash flow statement

D. all of the above

View Answer

D. all of the above

_____ are the basis of the business's financial accounting.

A. Accounting records

B. Bookkeeping

C. Sales Volume

D. Both A & B

View Answer

D. Both A & B

Financial accounting provides accounting information to the _____ though the information is useful for internal purposes also.

A. external users

B. internal users

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C. company

D. competitors

View Answer

A. external users

Financial accounting reports to the _____ after the completion of the accounting year.

A. internal management

B. external parties

C. Media

D. rivals

View Answer

B. external parties

Financial accounting reports include _____

A. profit and loss account

B. directors report

C. balance sheet and auditors report

D. all of the above

View Answer

D. all of the above

Financial accounting cover overall performance of the _____

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A. Competitors

B. Market

C. Company

D. Finance department

View Answer

C. Company

Financial accounting reports lay greater emphasis on the _____

A. objectivity of data

B. Flexibility of data

C. Relevancy of data

D. Subjectivity of data

View Answer

A. objectivity of data

Presentation of of financial accounting reports is mandatory under the provisions of of section 209 (1), 210 (1) and 216, 217 of _____

A. the business act 1956

B. the companies act 1956

C. the company act 1965

D. the company 2016

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View Answer

B. the companies act 1956

Select the correct answer.

A. financial accounting reports generally govern accepted accounting principles

B. Generally accepted accounting principles governing financial accounting reports

C. Generally accepted accounting principles does not governing financial accounting reports

D. There is no relation between Generally accepted accounting principles and financial accounting reports

View Answer

B. Generally accepted accounting principles governing financial accounting reports

Financial accounting statements are subject to _____

A. Cost audit

B. Forensic audit

C. Statutory audit

D. Non statutory audit

View Answer

C. Statutory audit

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The annual reports are to be prepared and published for circulation among the external end users such as _____

- A. Company, competitors, contributors and colleagues
- B. Customers. creators, collaborators and contractors
- C. Government, competitors, owners and top management
- D. shareholders, investors, bankers, debenture holders and creditors

View Answer

- D. shareholders, investors, bankers, debenture holders and creditors

_____ is a structured representation of the financial performance and financial position of a business and changes over a period of time.

- A. Profit and loss account
- B. Financial statement
- C. Balance sheet
- D. Internal audit

View Answer

- B. Financial statement

_____ are the components of financial statements.

- A. profit and loss account and balance sheet
- B. cash flow and fund flow statement
- C. notes and schedules

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D. All of the above

View Answer

D. All of the above

_____ **explain the financial position of the reporting entity at the end of the accounting period.**

A. Balance sheet

B. Income statement

C. ledger

D. Notes & schedules

View Answer

A. Balance sheet

_____ **helps to find out the profit made on loss sustained in a particular accounting period through transactions and events.**

A. Income statement

B. Profit and loss account

C. Trading account

D. None of the above

View Answer

B. Profit and loss account

_____ **is not a primary source of long-term debt financing.**

A. Accounts payable

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B. Notes payable

C. Leases

D. Bonds

View Answer

A. Accounts payable

Cash flow is also known as _____

A. balance sheet flow

B. profit and loss account

C. fund flow statement

D. notes and schedules

View Answer

C. fund flow statement

_____ is used to analyse the pattern of movement or activity during the period to identify the way the enterprise has generated cash and the way they have been used in an accounting period.

A. Balance sheet

B. Cash flow

C. Profit & Loss a/c

D. income statement

View Answer

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B. Cash flow

Notes and schedules is used to present supplementary information explaining different items of financial statements.

A. balance sheet flow

B. profit and loss account

C. fund flow statement

D. notes and schedules

View Answer

D. notes and schedules

_____ is a written evidence in support of a business transaction.

A. Ledger

B. Voucher

C. Ledger Posting

D. Journal

View Answer

B. Voucher

Notes and schedules include disclosures about the risk and uncertainties affecting the enterprise and such items as disclosure of _____

A. accounting policies segment reports

B. report of operations in the process of discontinuation

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C. Both A & B

D. None of the above

View Answer

Trademark, Copyrights & Patents are _____ assets.

A. Intangible

B. Fixed

C. Current

D. Tangible

View Answer

A. Intangible

Capital increases if _____

A. cost increases

B. Expenses increases

C. Revenue increases

D. Interest on capital increases

View Answer

C. Revenue increases

Current assets minus current liabilities is equal to _____

A. losing capital

B. gaining capital

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C. fixed capital

D. working capital

View Answer

D. working capital

A _____ can also be referred to as a tangible asset.

A. liquid asset

B. fixed asset

C. current asset

D. other asset

View Answer

B. fixed asset

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