

## MULTIPLE CHOICE QUESTIONS ON BASIC ACCOUNTING

**Q1]** Which accounting concept satisfy the valuation criteria

- A] Going concern, Realisation, Cost      b) Going concern, Cost, Dual aspect  
c) Cost, Dual aspect, Conservatism      d) Realisation, Conservatism, Going concern.

**Q2]** A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.25,500. Which concept is followed by him?

- a) Going concern b) Cost c) Accrual d) Money measurement

**Q3]** In which of the following cases, accounting estimates are needed?

- a) Employs benefit schemes b) Impairment of losses c) Inventory obsolescence d) All of the above

**Q4]** Deewali advance given to an employee is

- a) Revenue Expenditure b) Capital Expenditure c) Deferred Revenue Expenditure d) Not an Expenditure

**Q5]** A firm has reported a profit of Rs.1,47,000 for the year ended 31-3-2014 after taking into consideration the following items.

- (i) The cost of an asset Rs.23,000 has been taken as an expense  
(ii) The firm anticipated a profit of Rs.12,000 on the sale of an old furniture  
(iii) Salary of Rs.7,000 outstanding for the year has not been taken into account.  
(iv) An asset of Rs.85,000 was purchased for Rs.75,000 and was recorded in the books at Rs.85,000.

What is the correct amount of profit to be reported in the books?

- a) Rs.1,47,000 b) Rs. 1,51,000 c) Rs.1,63,000 d) Rs.1,41,000

**Q6]** The process of recording financial data upto trial balance is

- a) Book keeping b) Classifying c) Summarising d) Analyzing

**Q7]** 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) Capital & transferred to capital reserve b) Revenue & transferred to P & L a/c c) Capital & transferred to P & L a/c d) Revenue & transferred to general reserve

**Q8]** In income measurement & recognition of assets & liabilities which of the following concepts goes together ?

- (a) Periodicity, Accrual, Matching  
(b) Cost, Accrual, matching  
(c) Going concern, cost, Realization  
(d) Going concern, Periodicity, Reliability

**Q9]** Interpretation means

- (a) Explanation of meaning and significance of the data in Financial Statements.
- (b) Concerned with preparation and presentation of classified data
- (c) Systematic analysis of recorded data
- (d) Methodical classification of data given in Financial Statements.

**Q10]** 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) Money measurement
- (b) Conservatism
- (c) Consistency
- (d) None of these

**Q11]** Which of the following is wrong?

- (a) All real and personal accounts are transferred to balance sheet
- (b) Nominal accounts are transferred to P & L account
- (c) Each account is opened separately in ledger
- (d) Rent is a personal account, outstanding rent is nominal account

**Q 12]** is root cause for financial accounting

- (a) Stewardship accounting
- (b) Social accounting
- (c) Management accounting
- (d) Human resource accounting

**Q 13]** If nothing is given in the financial statements about the three accounting assumptions then it is to be treated as it

- a) Is assumed that it is not followed
- b) Is assumed to be followed
- c) Is assumed to be followed to some extent
- d) None of the above

**Q14]** The proprietor of the business is treated as creditor for the capital introduced by him due to \_\_\_\_ concept.

- a) Money measurement
- b) Cost
- c) Entity
- d) Dual aspect

**Q15]** Fixed assets are held by business for \_\_\_\_\_

- a) Converting into cash
- b) Generating revenue
- c) Resale
- d) None of the above

**Q16]** Which accounting concept specifies the practice of crediting closing stock to the trading account?

- a) Cost
- b) Realisation
- c) Going concern
- d) Matching

**Q17]** Amount spent to increasing the earning capacity is a \_\_\_\_\_ expenditure

- a) Capital
- b) Revenue
- c) Deferred revenue
- d) Capital Loss

**Q18]** Change in the capital A/c of proprietor may occur due to \_\_\_\_\_

- a) Profit earned
- b) Loss incurred
- c) Capital Introduced
- d) All of the above

**Q19]** Consistency with reference to application of accounting procedures means

- a) All companies in the same Industry should use identical accounting procedures
- b) Income & assets have not been overstated
- c) Accounting methods & procedures shall be followed uniform basis year after year
- d) Any accounting method can be followed as per convenience

**Q20]** 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 Drawing A/c & Cr Purchases A/c
- b) Dr Office Expenses A/c & Cr Motor Car A/c
- c) Dr Motor Car A/c & Cr Purchases A/c
- d) Dr Motor Car & Cr Sales A/c

**Q21]** If wages are paid for construction of business premises \_\_\_\_\_ A/c is credited and \_\_\_\_\_ A/c is debited.

- a) Wages, Cash
- b) Premises, Cash
- c) Cash, Wages
- d) Cash, Premises

**Q22]** Human resources will not appear in the balance sheet according to \_\_\_\_\_ concept.

- a) Accrual
- b) Going concern
- c) Money measurement concept
- d) None

**Q23]** Provision for discount on debtors is calculated on the amount of debtors.

- a) Before deducting provision for doubtful debts.
- b) After deducting provision for doubtful debts.
- c) Before deducting actual debts and provision for doubtful debts.
- d) After adding actual bad and doubtful debts.

**Q24]** Which of the following is not a Real Account?

- a) Cash A/c
- b) Investments A/c
- c) Out standing rent A/c
- d) Purchases A/c

**Q25]** Value of goods withdrawn by the proprietor for his personal use should be credited to \_\_\_\_

- a) Capital A/c b) Sales A/c c) Drawings A/c d) Purchases A/c

**Q26]** Which of the following is incorrect?

- a) Good will intangible asset b) Sundry debtors - current asset  
c) Loose tools tangible fixed asset d) Outstanding expenses -current asset.

**Q27]** M/s Stationery Mart will debit the purchase of stationery to \_\_\_\_\_

- a) Purchases A/c b) General Expenses A/c c) Stationery A/c d) None

**Q28]** Small items like, pencils, pens, files, etc. are written off within a year according to \_ concept.

- a) Materiality b) consistency c) Conservatism d) Realisation

**Q29]** Business enterprise is separate from its owner according to \_\_\_\_ concept.

- a) Money measurement concept b) Matching concept c) Entity concept d) Dual aspect concept

**Q30]** The policy of anticipate no profit and provide for all possible losses arise due to the concept of \_\_\_\_

- a) Consistency b) Disclosure c) Conservatism d) Matching

**Q31]** According to which concept, the proprietor pays interest on drawings

- a) Accrual concept b) Conservatism concept c) Entity concept d) Dual Aspect concept

**Q32]** Cost concept basically recognises \_\_\_\_

- a) Fair Market value b) Historical cost c) Realisable value d) Replacement cost

**Q33]** If the Market value of closing Inventory is less than its cost price, inventory will be shown at \_\_\_\_

- a) Marketable value b) Fair Market value c) Both d) none

**Q34]** The Market price of good declined than the cost price. Then the concept that plays a key role is \_\_\_\_

- a) Materiality b) Going concern concept c) Realization d) Consistency

**Q35]** Fixed assets are double the current assets and half the capital. The current assets are Rs.3,00,000 and investments are Rs.4,00,000. Then the current liabilities recorded in balance sheet will be

- a) 2,00,000 b) 1,00,000 c) 3,00,000 d) 4,00,000

**Q36]** Which of the following provide frame work and accounting policies so that the financial statements of different enterprises become comparable.

- a) Business Standards b) Accounting Standards c) Market Standards d) None

**Q37]** Which of the following factor is not considered while selecting accounting policies?

- a) Prudence b) Substance over form c) Accountancy d) Materiality

**Q38]** Debit the receiver & credit the giver is \_\_\_\_\_ account

- a) Personal b) Real c) Nominal d) All the above

**Q39]** Cash a/c is a \_\_\_\_\_

- a) Real a/c b) Nominal c) Personal d) None

**Q40]** As per accrual concept, which of the followings is not true

- a) revenue – expenditure = profit b) revenue – profit = expenditure  
c) sales + gross profit = revenue d) revenue = profit + expenditure

**Q41]** Mr. X sold goods to Mr. Y ask Mr. X to keep the goods with him for some time

- a) symbolic delivery b) actual delivery c) constructive delivery d) none of these

**Q42]** If nothing is written about the accounting assumption to be followed it is presumed that

- a) They have been followed                      b) They have not been followed  
c) They are followed to some extent        d) none of these

**Q43]**Capital A/c is a \_\_\_\_\_ A/c.

- a) Personal b) Real c) Nominal d) None

**Q44]** Cash A/c is a \_\_\_\_\_ A/c.

- a) Personal b) Real c) Nominal d) None

**Q45]** The principle “Debit the receiver and credit the giver” is related to \_\_\_\_\_

- a) Personal a/c b) Real a/c c) Nominal a/c d) None

**Q46]** As per the Matching concept, Revenue – ? = Profit

- a) Expenses b) Liabilities c) Losses d) Assets



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

**Q58]** 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 decreased by Rs.800000  
 B] Assets decreased by Rs.800000 and liabilities increased by Rs.800000  
 C] Assets increased by Rs.1000000 and liabilities increased by Rs.800000  
 D] Assets increased by Rs.800000 and liabilities increased by Rs.800000

**Q59]** The rule debit all expenses and losses and credit all income and gains relates to

- A] Personal account      B] Real account      C] Nominal accounts  
 D] All

**Q60]** Matching concept means

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

1] a	2]c	3] d	4] d	5] b	6] a	7] b	8] a	9] a	10] b
11] d	12] a	13] b	14] c	15] b	16] d	17] a	18] d	19] c	20] c
21] d	22] c	23] b	24] c	25] d	26] d	27] a	28] a	29] c	30] c
31] c	32] b	33] a	34] c	35] b	36] b	37] c	38] a	39] a	40] c
41] a	42] b	43] a	44] b	45] a	46] a	47] a	48] a	49]c	50] a
51] c	52] b	53] d	54] a	55] c	56] d	57] d	58] d	59] c	60] d