

THE SOCIETY OF ACCOUNTING EDUCATION
CERTIFIED FINANCIAL & MANAGEMENT ACCOUNTANT MEMBERSHIP PROGRAM

Model Paper for Course: Fundamental of Enterprise Accounting

Course Code: OL-01

Level: Operational Level

1. Which of the following is (are) item (s) of cost of goods sold statement?
 - a) Purchase of raw material
 - b) Any tax/freight paid on purchases
 - c) Any expense incurred on carriage/transportation of raw material purchased items
 - d) **All of the given options**

2. Which of the following voucher is used to record transactions that do not affect bank & cash?
 - a) **Journal Voucher**
 - b) Receipt Voucher
 - c) Payment Voucher
 - d) Nominal Voucher

3. What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?
 - a) Rs.130, 000
 - b) **Rs.110, 000**
 - c) Rs.140, 000
 - d) Rs.190, 000

4. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

- a) Bank statement
 - b) Income statement
 - c) Financial statement
 - d) **Bank Reconciliation statement**
5. Cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date are called:
- a) Current liability
 - b) **Current assets**
 - c) Fixed assets
 - d) Long-term assets
6. An accounting system is used by a **business to**:
- a) Analyze transactions
 - b) Handle routine bookkeeping tasks
 - c) Structure information
 - d) **All of the given options**
7. Particulars Rs. Opening written down value of machine 3,75,000 Cost of machine 50,000 Depreciation during the year 11,500 Closing written down value (WDV) of the Machines ?
- a) **Rs. 4,13,500**
 - b) Rs. 4, 25,000
 - c) Rs. 3, 36,500
 - d) Rs. 61,500
8. Expenditure incurred in acquiring the patent right for the business is an example of:
- a) **Revenue expenditure**
 - b) Capital expenditure
 - c) Deferred revenue expenditure

- d) Administrative expenditure
9. Total assets - Total liabilities =?
- a) **Owner's Equity**
 - b) Expenses
 - c) Retained earnings
 - d) Net profit
10. What will be debited, if business bought goods on credit from Mr. Ali?
- a) **Purchases account**
 - b) Mr. Ali account
 - c) Cash account
 - d) Sales account
11. Prepaid rent given in the Trial Balance will be treated as a (an):
- a) Asset
 - b) Liability
 - c) **Revenue**
 - d) Deferred expense
12. A business event which can be measured in terms of money and must be recorded in books of accounts is called:
- a) Condition
 - b) **Transaction**
 - c) Information
 - d) Record
13. Which one of the following is NOT a feature of sole proprietorship business.
- a) Easy Formation
 - b) Easy Dissolution

- c) Unlimited Liability
 - d) **Separate Legal Entity**
14. In which of the following statement opening stock is shown?
- a) Profit and loss account
 - b) **Balance sheet**
 - c) Cash flow statement
 - d) Owner's equity
15. Which of the following is (are) example(s) of non distributable profit?
- a) General reserve
 - b) Accumulated profit and loss (credit balance)
 - c) Revaluation reserves
 - d) **None of the given options**
16. Which of the following Organization converts raw material into finished goods?
- a) Trading concern
 - b) **Manufacturing concern**
 - c) Merchandising concern
 - d) Service concern
17. In firms cash flow statements, which of the following would appear as a cash outflow?
- a) **The payments for share in a company whose shares are treated on a stock exchange**
 - b) A decrease in trade debtors over the course of an accounting period
 - c) Money received as a result of issuing new shares
 - d) Money received as result of selling fixed assets
18. Which of the following particular/s is/are included in receipt voucher?
- a) Name of organization

- b) Bank receipt
 - c) Date
 - d) **All of the given options**
19. Which of the following assets is most likely to appreciate rather than depreciate?
- a) **Land**
 - b) Motor vehicles
 - c) Plant and machinery
 - d) Fixtures and fittings
20. Which of the following item needs to be entered in the Cash Book in order to bring it in line with the entries on the Bank Statement?
- a) **A bank charges**
 - b) An error on the Bank Statement
 - c) An uncredited deposit
 - d) An unpresented cheque
21. Wages paid to laborers working in the manufacturing department is treated as an expense of:
- a) **Cost of goods sold**
 - b) Administrative expenses
 - c) Selling expenses
 - d) Marketing expenses
22. Bad debts written off (given in adjustment) always affect the:
- a) **Debtors account**
 - b) Creditors account
 - c) Cash account
 - d) Capital account

23. Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:
- a) Only carriage account
 - b) **Only machinery account**
 - c) Both carriage and machinery account
 - d) None of the given options
24. Cost of goods manufactured - opening work in process + ending work in process =?
- a) Cost of goods sold
 - b) Prime cost
 - c) Conversion cost
 - d) **Total factory cost**
25. If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?
- a) **Rs. 1, 95,000 Losses**
 - b) Rs. 1, 95,000 Profits
 - c) Rs 1, 05,000 Profits
 - d) Rs1, 05,000 Losses
26. What is the proper order of the following steps in the accounting process? I. Prepare and analyze the trial balance II. Record relevant transactions and events in a journal III. Analyze each transaction and event from source documents IV. Post journal information to ledger accounts
- a) III. IV. I. II.
 - b) II. III. IV.
 - c) **III. II. IV. I**
 - d) III. II. I. IV.
27. All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:

- a) Bank Charges
 - b) Interest on Overdraft
 - c) **Un-presented Cheques**
 - d) Direct Receipts
28. Which of the following is Not an Asset Account?
- a) Plant & Machinery
 - b) Loan to XYZ co.
 - c) Cash at Bank
 - d) **Loan from ABC co.**
29. A balance of pass book written in brackets () by the bank is known as:
- a) **Favorable balance for customer**
 - b) Unfavorable balance for bank
 - c) Unfavorable balance for customer
 - d) None of the above
30. Which of the following is an example of direct materials cost?
- a) **Production worker's wages**
 - b) Depreciation expenses
 - c) A piece of wood for the production of chair
 - d) Polish and finishing material for chair
31. Expenditure incurred in acquiring the patent right for the business is an example of:
- a) Revenue expenditure
 - b) **Capital expenditure**
 - c) Deferred revenue expenditure
 - d) Administrative expenditure
32. Cash book is a part of _____ .

- a) Voucher
 - b) General Journal
 - c) **General Ledger**
 - d) Trial Balance
33. What will be the entry of disposal of an asset at cost price?
- a) Debit Fixed Asset Disposal and Credit Fixed Asset Cost
 - b) Debit Accumulated Dep. and Credit Fixed Asset Disposal
 - c) **Debit Cash / Bank and Credit Fixed Asset Disposal**
 - d) None of the given options
34. ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?
- a) Rs. 20,000
 - b) Rs. 150,000
 - c) **Rs. 10,000**
 - d) Rs. 25,000
35. A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Conversion cost will be:
- a) Rs. 150,000
 - b) Rs. 175,000
 - c) **Rs. 125,000**
 - d) Rs. 225,000
36. The Sales Returns Day Book would include:
- a) Goods bought on credit
 - b) Fixed Assets bought that are inappropriate for business
 - c) **Stock that customers have returned**

- d) Goods bought on credit that are returned to the original supplier
- 37.** Total Sales are calculated by adding:
- a) Cash sales and cash received from debtors
 - b) Credit sales and cash received from debtors
 - c) **Cash sales and credit sales**
 - d) Cash sales and credit purchases
- 38.** In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:
- a) **Conversion cost**
 - b) Prime cost
 - c) Total factory cost
 - d) Cost of goods manufactured
- 39.** Outsider's claim against the assets of the business is called:
- a) Capital
 - b) **Liability**
 - c) Expense
 - d) Income
- 40.** Which of the following particular/s is/are included in payment voucher?
- a) Name of organization
 - b) Cash payment
 - c) Date
 - d) **All of the given options**
- 41.** Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:
- a) **Mr. B is Debit Sales Returns is Credit**
 - b) Sales Returns is Debit Mr. B is Credit

- c) Mr. B is Debit Accounts Receivable Credit
 - d) Purchases Return Debit Mr. B is Credit
42. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:
- a) Bank statement
 - b) Income statement
 - c) Financial statement
 - d) **Bank Reconciliation statement**
43. Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs. 245,000 Purchases Rs. 250,000 Freight Inward Rs. 5,000 Closing Stock Rs. 25,000 What will be the amount of Opening Stock?
- a) **Rs. 15,000**
 - b) Rs. 10,000
 - c) Rs. 25,000
 - d) Rs. 20,000
44. Wages outstanding given in the trial balance will be treated as a (an):
- a) Asset
 - b) **Liability**
 - c) Revenue
 - d) Deferred expense
45. What does a credit balance in a partner's current account represent to a business?
- a) Current Assets
 - b) **Current Liability**
 - c) Long-term liability
 - d) Share of profit
46. Which of the following business publishes the Financial Statements?

- a) Sole-Proprietorship
 - b) Partnership
 - c) Trust
 - d) **Public Limited Company**
47. The primary purpose of preparing a cash flow statement for an entity is to provide information about:
- a) Its financial position at the end of an accounting period
 - b) **Its cash receipt and cash payments during an accounting period**
 - c) Its financial position at the start of an accounting period
 - d) None of the given options
48. How dividend declared is treated in the Balance Sheet of the company?
- a) Provision
 - b) **Current Liability**
 - c) Reserves and surplus
 - d) Current assets
49. Which of the following option(s) is **TRUE** about the Sales returns?
- a) Sales returns reduce the Gross sales of the firm
 - b) Sales returns affect the Net income of the firm
 - c) Sales returns affect the flow of cash
 - d) **All of the Above**
50. Fixed Assets (WDV) + Working Capital =?
- a) **Total assets employed**
 - b) Total liabilities
 - c) Total assets
 - d) Current assets

51. Which of the following is **TRUE** about a merchandising company?
- a) **A merchandising company's business is to buy and sell products**
 - b) A merchandising company must use the perpetual system to account for merchandising inventory
 - c) A merchandising company's business is to provide services
 - d) A Sugar Mill is an example of a merchandising company
52. Capital account of sole proprietors is affected by which of the following items?
- A. Profit & Loss account
 - B. Drawings account
 - C. Balances of capital account
- a) A & B
 - b) B & C
 - c) A & C
 - d) A,B &C
53. Which of the following is/are **TRUE** about the sole trader form of business?
- a) **A sole trader is liable to pay income tax on his/her earnings**
 - b) Sole traders do not need to consult accountants
 - c) Sole traders must register the name of their business with the Registrar of Companies
 - d) All of the given options
54. Which of the following is (are) characteristic(s) of Reserve?
- a) Its amount is generally determined by the management on the basis of the amount of profit earned.
 - b) It is shown on liabilities side of balance sheet
 - c) It does not affect profit or loss, since it is created after ascertaining net profit
 - d) **All of the above**
55. Which account is increased with a debit and decreased with a credit?
- a) **Cash**
 - b) Accounts Payable
 - c) Contributed Capital
 - d) Retained Earnings
56. Which financial statement show what a business owes at a particular point in time?
- a) A cash flow statement
 - b) The bank statement for the business
 - c) **A balance sheet**
 - d) A statement of retained earnings

57. Which of the following appears in both the Income Statement debit column and the Balance Sheet credit?
- Net income**
 - Net loss
 - Dividends
 - Retained earnings
58. The Balance Sheet item that represents the resources invested by the owner is known as:
- Accounts Receivable
 - Cash
 - Note Payable
 - Owner's Equity**
59. Which of the following is an example of operating expense?
- Purchasing operating equipment
 - Purchasing cleaning services**
 - Purchasing an investment in another company
 - Purchasing a computer for the accounting office
60. The main objective of financial reporting is to provide:
- Essential information to internal users of financial reports.
 - Useful economic information about the business to the external parties for sound financial decision**
 - Information to internal users about the cash position of the business.
 - Information to the Securities Exchange Commission (SEC).
61. The figure of cash received from debtors can be located either from cash book or:
- Debtor's Control Account**
 - Balance Sheet
 - Profit & Loss Account
 - Bills Payable Account
62. Consider the following data and identify the amount which will be shown in profit & loss account.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts | 3,500 |
| Provision for doubtful debts (old) | 6,000 |
| Current year's provision (new) | 1,500 |

- Rs. (1,000)**
- Rs. 1,000
- Rs. (5,000)
- Rs. 5,000

63. Consider the following data and identify the amount which will be shown in profit & loss account.

| Particulars | Rs. |
|------------------------------------|-------|
| Bad debts | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new) | 1,000 |

- a) **Rs. 600**
- b) Rs. 1,600
- c) Rs. 2,000
- d) Rs. 2,600

64. Which of the following rectifying entry will be recorded, if sales to Mr. "A" of Rs.336 have been debited to Mr. "B" account?

- a) **A's Account (Dr.) and B's Account (Cr.)**
- b) B's account (Dr.) and A's account (Cr.)
- c) Sales account (Dr.) and B's account (cr.)
- d) B's account (Dr.) and Sales account (Cr.)

65. Which of the following account(s) will be affected, while rectifying the error of a purchase return of Rs.200 to Mr. "A" entered in sales book instead of purchase return book?

- a) A's account only
- b) Sales account only
- c) **Purchase returns account and sales account**
- d) Purchases account only

66. A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?

- a) Rs. 1,000
- b) **Rs. 9,000**
- c) Rs. 10,000
- d) Rs. 11,000

67. If provision is created for doubtful debts, which of the following entry will be passed to record bad debts in control account?

- a) Bad debts (Dr) and Debtors Control A/c (Cr)
- b) Provision for doubtful debts (Dr) and Debtors Control A/c (Cr)
- c) **Provision for doubtful debts(Dr.) and Debtors A/c (Cr.)**
- d) Debtors Control A/c (Dr) and Provision for doubtful debts (Cr)

68. Which of the following is a detailed record of an individual account in case of large business?
- Control Account
 - Subsidiary Ledger**
 - Balance Sheet
 - Trial Balance
69. Which of the following is shown on credit side of creditors control account?
- Bills Receivable
 - Return inwards
 - Credit Purchases**
 - Discount allowed
70. Which of the following is an item of a creditors control account?
- Cash sales
 - Credit sales
 - Credit purchase**
 - Cash purchases
71. In which of the following condition(s) **DEBT** is regarded as **BAD**.
- Bankruptcy of the debtor
 - Disappearance of debtor's business
 - Failure of repeated attempt to collect the debt
 - All of the given options**
72. Which of the following best describes unrepresented cheques?
- Cheques received on behalf of the business by the bank
 - Cheques drawn but yet to be recorded in the bank records**
 - Cheques issued by the bank not recorded in business records
 - Cheques received but yet to be recorded in the bank records
73. The following balance and discrepancies were found on 31 March 2008:

| Particulars | Rs. |
|------------------------|-------|
| Cash book balance (Dr) | 5 000 |
| Unpresented cheques | 1 000 |
| Uncredited cheques | 500 |

The Bank Statement balance on 31 March 2008 should be:

- Rs. 5,500 (Dr.)**
- Rs. 5 500 (Cr)
- Rs. 4 500 (Dr)
- Rs. 4 500 (Cr)

74. Consider the following data:

| Particulars | Rs. |
|----------------|----------|
| Assets | ? |
| Owner's equity | 1,50,000 |
| Liabilities | 1,00,000 |

- a) Rs. 49,000
- b) Rs. 55,000
- c) Rs. 50,000
- d) **Rs. 250,000**

75. Find out the missing value of an Accounting Equation with the help of given data:

| | |
|----------------|---------------|
| Furniture | Rs. 90,000 |
| Cash | Rs.1, 00, 000 |
| Debtors | Rs.10, 000 |
| Other Assets | Rs. 1,000 |
| Owner's equity | Rs. 90, 000 |

- a) Rs. 201,000 liabilities
- b) **Rs. 111,000 Liabilities**
- c) Rs. 290, 000 liabilities
- d) Rs. 291, 000 liabilities

76. Accountancy covers which of the following area(s):

- a) Book-keeping
- b) Accounting
- c) Auditing
- d) **All of the above**

77. _____ is the detail of transaction in one's account provided by the bank.

- a) **Bank Statement**
- b) Bank reconciliation statement
- c) Income statement
- d) Financial statement

78. Which of the following shows summary of a company's financial position at a specific date?

- a) Profit & Loss Account
- b) Cash Flow Statement
- c) **Balance Sheet**
- d) Income & Expenditure Account

79. Bank book is part of:
- Voucher
 - General Journal
 - General Ledger**
 - Trial Balance
80. Which of the following are the components of General Ledger?
- Title of account
 - Amount of transaction
 - Date of transaction
- 1 & 2 only
 - 2 & 3 only
 - 1 & 3 only
 - 1,2&3**
81. Which of the following is **CORRECT** about the flow of recording a transaction?
- Occurrence of event—Voucher – Journal —Ledger—Trial Balance—profit and loss account—Balance Sheet**
 - Occurrence of event—Journal – voucher —Ledger—Trial Balance—profit and loss account—Balance Sheet
 - Occurrence of event—Ledger – voucher—Journal—Trial Balance—profit and loss account—Balance Sheet
 - Occurrence of event—Trial Balance – voucher—Journal—Ledger—profit and loss account—Balance Sheet
82. Vehicles which are used to supply finished products are called business _____.
- Tangible Assets**
 - Intangible assets
 - Capital
 - Liabilities
83. The basic accounting principle/concept according to which Business is independent from its owner(s) is known as:
- Separate Entity Concept**
 - Matching Concept
 - Going Concern Concept
 - Materiality Concept
84. Shares for which amount is paid by public are called _____ shares.
- Paid up**
 - Authorized
 - Bonus shares
 - All are correct options

85. Find out the missing value of an Accounting Equation with the help of given data: Total Assets Rs. 34,500 Accounts payable Rs. 1, 000 Other liabilities Rs. 11,500 Owner's equity ?
- a) **Rs. 22,000**
 - b) Rs.24, 000
 - c) Rs. 45,000
 - d) Rs. 46,000
86. Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities ?
- a) **Rs. 49,000**
 - b) Rs. 55,000
 - c) Rs. 125,000
 - d) Rs. 115,700
87. Consider the following data: Particulars Rs. Assets 1,05,000 Owner's equity 70,000 Liabilities ?
- a) **Rs. 35,000**
 - b) Rs. 175,000
 - c) Rs. 7, 35,000
 - d) Rs. 1, 05,000
88. Which of the following is NOT correct?
- a) **Decrease in Assets will be debit**
 - b) Decrease in Liabilities will be debit
 - c) Decrease in Expenses will be credit
 - d) Decrease in Revenue will be debit
89. Which of the following is NOT considered a part of financial statements?
- a) General Journal
 - b) Balance Sheet
 - c) Profit and Loss account
 - d) **None of the above**

90. Which one of the following will result in increase in revenues?
- Purchased fixed asset
 - Received Discount**
 - Payment to creditors
 - Return of goods, sold on credit
91. The basic accounting principle/concept according to which business record must be kept separate from the personal records of the owner is known as:
- Going-concern concept
 - Separate entity principle**
 - Realization principle
 - Objectivity principle
92. In an account if debit side > credit side, the balance is known as the:
- Negative Balance
 - Debit balance**
 - Positive Balance
 - Credit balance
93. Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1,000 Liabilities?
- Rs. 12,000
 - Rs. 11,000
 - Rs. 110,000**
 - Rs. 111,000
94. Find out the missing value of an Accounting Equation with the help of given data: Owner's equity Rs. 22,500 Total Liabilities Rs. 80, 385 Cash Rs. 1,000 Bank Rs. 2,000 Debtors Rs. 500
- Rs. 102,885 other assets
 - Rs. 102,885 current liabilities
 - Rs. 99,885 current liabilities
 - Rs. 99,385 other assets**
95. If Gross profit Rs.16,500 and Cost of goods sold Rs.183,500, what will be the amount of Net Sales?
- Rs. 183, 500
 - Rs. 167,000**
 - Rs. 200, 000
 - Rs. 230, 000
96. Which of the following is NOT correct?
- Decrease in Assets will be credit
 - Decrease in Liabilities will be credit**
 - Decrease in Expenses will be credit
 - Decrease in Revenue will be debit

97. Debit signifies:
- a) Increase in Asset account
 - b) Decrease in liability account
 - c) Decrease in capital account
 - d) **All of the above**
98. When total liabilities are subtracted from total assets the remaining amount is known as:
- a) Equity or net assets
 - b) Net income or net loss
 - c) Total expenses
 - d) **Total revenue**
99. Find out the missing value of an Accounting Equation with the help of given data: Cash Rs. 22,500 Debtors Rs. 500 Total Assets Rs. 80,385 Accounts payable Rs. 1,000 Total liabilities Rs. 20,000
- a) **Rs. 60,385 owner's equity**
 - b) Rs. 61,385 owner's equity
 - c) Rs. 99,885 owner's equity
 - d) Rs. 99,385 owner's equity
100. Which one of the following cannot be classified as Revenue Income?
- a) Goods sold for cash
 - b) Goods sold on credit
 - c) Income from the sale of services
 - d) **Income from the sale of fixed assets**
101. What will be debited, If Mr. "A" started business with Rs. 2,00,000.
- a) Capital account
 - b) **Cash Account**
 - c) Mr. A's account
 - d) Business account
102. If Salaries Rs. 12,000, Rent Rs. 5,000, Gross profit Rs. 58,000 and Discount received Rs. 10,000. What will be the amount of Net Profit?
- a) **Rs. 41,000**
 - b) Rs. 51,000
 - c) Rs. 61,000
 - d) Rs. 65,000
103. Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title (3) Amount
- a) 1 only
 - b) 1 & 2 only
 - c) 1 & 3 only

- d) **1,2 &3**
- 104.** Find out the missing value of an Accounting Equation with the help of given data:
Furniture Rs. 90,000 Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000
Owner's equity Rs. 90, 000 Liabilities?
- a) Rs. 201,000
 - b) Rs. 111,000**
 - c) Rs. 290, 000
 - d) Rs. 291, 000
- 105.** Which of the following is NOT a characteristic of Joint Stock Company?
- a) Separate Legal Entity
 - b) Limited Liability of shareholders
 - c) Easy formation**
 - d) Common Seal
- 106.** Any expense that gives benefit for a period of less than twelve months is called _____.
- a) Capital Expense
 - b) Revenue expense**
 - c) Revenue Receipt
 - d) Deferred Expense
- 107.** The process of transferring journal entry information to the ledger is called:
- a) Journalizing
 - b) Posting**
 - c) Balancing
 - d) Analyzing
- 108.** Total assets - Total liabilities =?
- a) Owner's Equity**
 - b) Expenses
 - c) Retained earnings
- 109.** The term "Debit" is derived from _____ language.
- a) English
 - b) French
 - c) Latin**
 - d) Chinese
- 110.** A book that keeps separate record for each account is known as:
- a) Trial Balance
 - b) Voucher
 - c) General Journal
 - d) General Ledger**

111. Which one of the following is called the book of primary Entry?
- General journal**
 - General Ledger
 - Trial Balance
 - Profit and loss account
112. In an account if credit side > debit side, the balance is known as:
- Negative Balance
 - Debit Balance
 - Credit balance**
 - Positive Balance
113. Normally single entry book keeping is followed by the:
- Small business only**
 - Governments only
 - Large scale businesses only
 - Both Small businesses and Governments
114. What will be debited, if business sold goods for Rs.10, 000 on credit?
- Sales account
 - Cash Account**
 - Accounts receivable account
 - Purchases account
115. An expenditure whose benefit is finished or enjoyed immediately is called:
- Expense**
 - Liability
 - Cost
 - Income
116. What should be debited, if Sales made to Mahmood for cash?
- Mahmood account
 - Cash Account**
 - Sales account
 - Purchases account
117. Which of the following is NOT a characteristic of Journal?
- Transactions are recorded in chronological order
Transaction is first recorded in Journal from Voucher
It is also called "The original book of entry"
- None of the above**
118. Which of the following is/are the example/s of Intangible Asset?
- Copy rights
 - Good will
 - Patent rights

- d) **All of the above**
119. Assets are divided in which of the following categories in balance sheet.
- Current assets, Long term assets and capital assets
 - Current assets, Long term assets and fixed assets
 - Current assets, Quick assets and business debts
 - Current assets, Fixed assets and deferred cost**
120. What will be debited, if business purchased Vehicle on cash?
- Cash account
 - Vehicle account**
 - Business account
 - Bank account
121. Franchise rights, goodwill and patents are the examples of:
- Liquid assets
 - Intangible assets**
 - Tangible assets
 - Current assets
122. Which of the following is NOT correct?
- Decrease in liability will be credit**
 - Decrease in Assets will be credit
 - Decrease in Expenses will be credit
 - Decrease in Revenue will be debit
123. ----- are the third persons/parties, who owe money from the business.
- Business partner
 - Debtor
 - Customer
 - Creditors**
124. Creditors are -----
- Fixed Assets
 - Current Assets
 - Long term Assets
 - Current Liabilities**
125. At times, we receive discounts from our creditors. This discount is either treated as income of the business or as a reduction in the cost of
- Income
 - Balance
 - Stock**
 - Returned
126. When an expense or other payable is accrued it is
- Current Liability**

- b) Assets
 - c) Income
 - d) Current assets
127. ----- is made when it is known that an expense will arise but the exact amount is not known.
- a) Accrual
 - b) **Provision**
 - c) Reserves
 - d) Good will
128. Accounting Treatment of Provision
- a) **Relevant Expense Account (Dr.) Provision (Cr.)**
 - b) Cash (Dr) Provisions (Cr)
 - c) Account payable (Dr) Provisions (Cr)
 - d) Provisions (Dr) Relevant Expense Account (Cr)
129. Debtors is also called
- a) Provisions
 - b) Stock
 - c) **Receivables**
 - d) None of them
130. Receivables are the -----
- a) **Current Assets**
 - b) Fixed assets
 - c) Long term assets
 - d) All of above
131. When a debtor does not pay the amount due to him, it is said
- a) Provision
 - b) Accrual
 - c) Debt
 - d) **Bad debts**
132. Bad Debts charged to the
- a) **Profit & Loss**
 - b) Cost of goods
 - c) Capital
 - d) Drawings
133. Recording of Bad Debts
- a) **Bad debts (Dr.) Debtors a/c(Cr.)**
 - b) Drawings (Dr) Debtors a/c (Cr)
 - c) Bad Debts (Dr) Drawings (Dr)
 - d) Debtors a/c(Dr) Bad Debts (Cr)

134. Debtors 100,000 Provision for Bad Debts 5,000 so the net receivable income is
- a) 100,000
 - b) 105,000
 - c) **95,000**
 - d) None of them
135. Provision for bad debts is also ----- debtors
- a) Add
 - b) **Less**
 - c) Save
 - d) Recorded
136. Debtors are 15000 and the provision is 37% calculate net Debtors
- a) 15,000
 - b) 9,400
 - c) 11,000
 - d) **9,450**
137. Which one of them is current asset
- a) **Cash**
 - b) Land
 - c) Bill paid
 - d) Advance income
138. Sales Ledger Control Account is also called
- a) Debtors control account
 - b) Creditors Control Account
 - c) None of above
139. List of debtors balances drawn up to the end of previous period is -----
- a) **Opening balance of debtors**
 - b) Opening balance of account payable
 - c) Closing Balance of debtors
 - d) None of these
140. Credit Sales ----- the debtors balance
- a) Equal to
 - b) Decrease
 - c) No effect on
 - d) **Increase**
141. Sales Return means
- a) **Customer returned the goods**
 - b) Supplier returned the goods
 - c) Store returned the goods
 - d) All of these

142. Cheques/Cash Received from the customer ----- the debtor balance
- Increased
 - No affect
 - Decreased**
 - A & C
143. Which is the simple formula of calculating closing balance of debtor
- Opening balance + Credit Sales +(Sales Return + Cheques/Cash Received)=
 - Opening balance + Credit Sales - (Sales Return - Cheques/Cash Received)=
 - Opening balance - Credit Sales - (Sales Return + Cheques/Cash Received)=
 - Opening balance + Credit Sales - (Sales Return + Cheques/Cash Received)=**
144. List of creditors balances drawn up to the end of previous period is ----- balance of creditor for this year
- Closing
 - Opening**
 - None
145. Credit Purchases shown on the ----- side of Creditors Control Accounts
- Dr
 - Cr.**
 - None of above
146. The formula for calculating closing balance of creditor is
- Opening balance + Credit Purchases - (Purchase Return- Cheques/Cash Paid)
 - Opening balance - Credit Purchases - (Purchase Return + Cheques/Cash Paid)
 - Opening balance + Credit Purchases + (Purchase Return + Cheques/Cash Paid)
 - Opening balance + Credit Purchases- (Purchase Return + Cheques/Cash Paid)**
147. Prepare a Creditors Control Account from the following data Opening Balance 40000 Purchase Return 6000 Cheques and Cash paid 34000 Discounts received 2000 Total Credit Purchases 32,000
- 32,000
 - 72,000
 - 3,000
 - 30,000**
148. Discounts received shown on----- of Creditors Control Account
- Dr.**
 - Cr.
 - None of the above
149. A number of books are opened in connection with control accounts to reduce the volume of general ledger these books are called
- Purchase book

- b) Sales book
 - c) **Subsidiary books**
 - d) None of the above
150. Discounts allowed is -----
- a) Income
 - b) Good will
 - c) Asset
 - d) **Expense**
151. In Debtors control Account the Debit Side is greater than----
- a) Debtors control Account
 - b) Credit Sales
 - c) **Credit Side**
 - d) Cheques and Cash received
152. Debtor 45,000, amount received ----- closing balance is 19825
- a) **25175**
 - b) 21752
 - c) 25751
 - d) 22751
153. Individual purchases are recorded in -----
- a) **Purchase Journal/Purchase Day Book**
 - b) Purchase Return / Return outward Journal
 - c) Creditors Ledger
 - d) All of these
154. ----- ledger maintains record of individual creditors
- a) Purchase Journal / Purchase Day Book
 - b) Purchase Return / Return outward Journal
 - c) **Creditors Ledger**
 - d) None of these
155. Bad Debts are ----- expenses
- a) General
 - b) Financial
 - c) Selling
 - d) **Administration**
156. Individual invoice wise sales are recorded in this Journal. This book serves as source for all the recording of Credit sales.
- a) Sales Return / Return Inward
 - b) **Sales Journal/ Sales Day Book**
 - c) Debtors Ledger
 - d) None of above

157. Which one of them is current asset
- a) Insurance expenses
 - b) **Prepaid expense**
 - c) Rent expenses
 - d) All of the following
158. Which one is current liability?
- a) Payable
 - b) Debentures
 - c) Creditors
 - d) **Both A & C**
159. Which one is Long term Liability?
- a) Debentures
 - b) Loan from Mr A
 - c) Bank loan
 - d) **All of the Above**
160. Creditor account increase with
- a) Credit
 - b) Credit Sales
 - c) **Credit purchase**
 - d) A & B
161. Creditor control account decreased when
- a) Purchase Return
 - b) Cheques / Cash paid
 - c) Cheques / Cash received
 - d) **A & B**
162. Sales return is also called
- a) **Return inward**
 - b) Return outward
 - c) Return to supplier
 - d) None of these
163. ----- this ledger maintains record of individual creditors.
- a) Purchase Day Book
 - b) Purchase Journal
 - c) **Creditors Ledger**
 - d) Return outward Journal
164. ----- this ledger maintains record of individual debtor.
- a) **Debtor Ledger**
 - b) Sales Journal
 - c) Sales Return

- d) Sales Day Book
165. Extension of building is an example of ----- expenditure.
- a) Revenue
 - b) Short
 - c) **Capital**
 - d) A & C
166. Cost of Goodwill is
- a) **Capital Expenditure**
 - b) Value of good will
 - c) Goodwill expense
 - d) Prepaid expense
167. Asset destroyed by fire is
- a) Financial loss
 - b) **Capital loss**
 - c) Revenue
 - d) None of above
168. event occurred but we did not record it is ----- type of error
- Error of commission**
Error of Omission
Error of Original Entry
Reversal of Entry
169. Debited is credited and vice versa is an example of ----- error
- a) Error of Commission
 - b) Error of Principle
 - c) Error of Original Entry
 - d) **Reversal of entry**
170. The errors in which recording is in correct account but the figure is incorrect are called
- a) Reversal of Entry
 - b) **Error of original entry**
 - c) Error of Principle
 - d) Error of Commission
171. The errors in which an entry is recorded in the wrong class of account is
- a) Error of Original Entry
 - b) Reversal of Entry
 - c) **Error of principle**
 - d) Error of Omission

172. A receipt of Rs. 50,000 from a debtor is recorded as Rs. 5,000 in his account is ---
- error
- a) Reversal of Entry
 - b) Error of Commission
 - c) Error of Principle
 - d) **Error of original entry**
173. Purchase of an asset for Rs. 50,000 is recorded in the expense account. is -----
- error
- a) **Error of principle**
 - b) Error of Original Entry
 - c) Error of Omission
 - d) Reversal of Entry
174. A payment of Rs. 10,000 made to Mr. D is recorded on the receipt side of the cash book and credit is given to D's account. is ----- error
- a) Errors of Commission
 - b) Error of Principle
 - c) Error of Omission
 - d) **Reversal of Entry**
175. Sales Less Cost of Goods Sold =
- a) Profit
 - b) Income
 - c) **Gross profit**
 - d) None of them
176. ----- is the cost incurred in purchasing or manufacturing the product
- a) Sales
 - b) Gross Profit
 - c) **Cost of goods sold**
 - d) Manufacturing expenses
177. Wages paid to employees for manufacturing of goods is ----- expense
- a) Material
 - b) **Labor**
 - c) FOH
 - d) All of these
178. ----- includes revenue from indirect source of income, such as return on investment, profit on PLS account etc.
- a) Other charges
 - b) Other expenses
 - c) Other sales
 - d) **Other Income**

179. ----- expenses are the expenses incurred in running a business effectively
- Cost of Goods Sold
 - Other
 - Administrative**
 - General office
180. Administrative Expenses and Selling Expenses and Financial Expenses are present in the
- Financial Statements**
 - Balance sheet
 - Adjusting entries
 - None of these
181. -----usually denotes remuneration paid to daily basis
- Remuneration
 - Wages**
 - Salaries
 - B & C
182. Salaries and benefits of sales and marketing staff become part of -----
- Administrative Expenses
 - Selling Expense**
 - Financial Expenses
 - A & C
183. Salaries / wages paid to labor and supervisors/officers working for the manufacturing of goods become a part of
- Administrative Expenses
 - Selling Expenses
 - Financial Expenses
 - Cost of goods Sold**
184. Interest on loan, Bank charges are -----
- Selling Expenses
 - Administrative Expenses
 - Financial Expense**
 - None of these
185. ----- are the assets of permanent nature that a business acquires, such as plant, machinery, etc
- Fixed assets**
 - Current Assets
 - None of the above
186. An expense that has a future benefit in excess of one year and recorded in a capital asset account

- a) Income Tax
 - b) Capital Work In Progress
 - c) **Deferred Costs**
 - d) All of above
187. Debtor account increase with
- a) Debit
 - b) Credit
 - c) Credit income
 - d) **Credit Sale**
188. Debtors control account decreased with
- a) Opening balance of debtors
 - b) **Cheque/ Cash Received**
 - c) Sales Return
 - d) Purchase Return
189. Other name of Purchase Return is
- a) Return to customer
 - b) Creditors
 - c) Purchases inward
 - d) **Return outwards**
190. When Bank Statement shows a debit balance it means:
- a) Favorable balance as per cash book
 - b) Debit balance as per cash book
 - c) Favorable balance as per bank statement
 - d) **Overdraft as per bank statement**
191. Interest expenses of Epler Corporation shows a debit balance of Rs.200 in its unadjusted trial balance and Rs.250 in adjusted trial balance. Which of the following account will be credited in adjusting entry?
- a) Interest expense
 - b) **Interest payable**
 - c) Prepaid interest
 - d) Interest paid
192. Which one of the following is TRUE about provisions?
- a) It is necessary to prepare for showing true picture of balance sheet
 - b) **It is prepared for specific purposes**
 - c) It is a reduction from assets
 - d) All of the given options
193. When we close bad debt account, which of the following account is debited?
- a) **Profit and loss account**
 - b) Bad debt account

- c) Debtor account
 - d) Creditor account
- 194.** Which of the following is TRUE?
- a) Unearned revenue is an asset shown in balance sheet
 - b) Unearned revenue is a liability shown in balance sheet**
 - c) Unearned revenue is a liability shown in profit and loss account
 - d) Unearned revenue is revenue shown in profit and loss account
- 195.** It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. Actual bad debts are Rs. 1,600 appeared in trial balance. What is amount of new provision for doubtful debts?
- a) Rs. 3,600**
 - b) Rs. 2,000
 - c) Rs. 1,600
 - d) Rs. 400
- 196.** Which of the following statement is correct, if a company fails to record estimated bad debts expense?
- a) Net realizable value is understated
 - b) Expenses are understated**
 - c) Revenues are understated
 - d) Receivables are understated
- 197.** Which of the following is/are NOT included in the cost of goods sold?
- a) Distribution expenses
 - b) Selling expenses
 - c) Administrative expenses
 - d) All of the given options**
- 198.** ABC Company received discount on its credit purchases, which of the following will be credited while entering in journal?
- a) Cash
 - b) Discount received**
 - c) Creditors
 - d) Bank
- 199.** Credit sales appear on the _____ side of the Debtors control account.
- a) Left side or credit
 - b) Left side or debit**
 - c) Right side or debit
 - d) Right side or credit
- 200.** Which of the following is/are the item/s of a Control Account?
- a) Credit sale only

- b) Cash sale only
 - c) Credit purchase only
 - d) Both Credit sales and Credit purchase**
- 201.** When goods are acquired from the supplier the gross cost of such goods is recorded in:
- a) Debtor Account
 - b) Purchases Account**
 - c) Factory overhead account
 - d) Sales Account
- 202.** Subsidiary ledgers are maintained for:
- a) Debtors
 - b) Creditors
 - c) Stock
 - d) All of the given options**
- 203.** ABC Company received discount on its credit purchases, which of the following will be credited while entering in journal?
- a) Cash
 - b) Discount received
 - c) Creditors**
 - d) Bank
- 204.** Transaction that has been completely forgotten to enter is called:
- a) Error of principle
 - b) Error of omission**
 - c) Error of commission
 - d) Error of original entry
- 205.** A receipt of cash Rs. 10,000 from Mr. Bilal is recorded as Rs. 1,000. What amount will be adjusted in rectifying entry?
- a) Rs. 1,000
 - b) Rs. 9,000**
 - c) Rs. 10,000
 - d) Rs. 11,000
- 206.** Which of the following account would be debited when Rs.5, 000 were paid to vendor?
- a) Cash
 - b) Voucher payable-vendor payable**
 - c) Sundry debtors
 - d) Personal account of customer
- 207.** Which of the following would be added in purchases in order to get the value of Net purchases?

- a) Purchases returns
 - b) Carriage inwards**
 - c) Trade discount and rebates
 - d) All of the given options
- 208.** Which of the following would be a suitable head for short term advances from customers in Balance Sheet?
- a) Current asset
 - b) Intangible asset
 - c) Tangible asset
 - d) Current liability**
- 209.** Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?
- a) Rs.42,350
 - b) Rs.44,150**
 - c) Rs.41,600
 - d) Rs.40,850
- 210.** Prepaid insurance will become an expense when the balance of prepaid amount is _____.
- a) Expired**
 - b) Collected
 - c) Paid
 - d) Earned
- 211.** Which of the following would be included in the cost of goods sold?
- a) Cost of materials used**
 - b) Sales
 - c) Operating expenses
 - d) Operating income
- 212.** Which of the following is the major benefit of a partnership over a sole proprietorship?
- a) Unlimited liability
 - b) Single tax filing
 - c) Difficult ownership resale
 - d) Raising capital**
- 213.** Which of the following can maintain the secrecy in all business matters?
- a) Sole-proprietorship**
 - b) Public Limited Company
 - c) Private Limited Company
 - d) Partnership

214. When we close bad debt account, which of the following account is debited?
- a) Profit and loss account
 - b) Bad debt account**
 - c) Debtor account
 - d) Creditor account
215. Which of the following indicates cash discount received?
- a) Discount in paying debt earlier**
 - b) Discount in receiving debt earlier
 - c) Discount in purchasing huge goods
 - d) Discount in selling huge goods
216. If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. B in distributable profit.
- a) Rs. 98,000
 - b) Rs. 147,000**
 - c) Rs. 245,000
 - d) Rs. 343,000
217. If company has distributable profit is Rs. 4, 90,000. Profit sharing share ratio of Mr. A, Mr. B and Mr. C is 2:3:5 respectively what will be the Profit share for Mr. C in distributable profit.
- a) Rs. 98,000
 - b) Rs. 1, 47,000
 - c) Rs. 2, 45,000**
 - d) Rs. 3, 43,000
218. Which of the following is a type of business formed under the Companies Ordinance 1984?
- a) Sole-Proprietorship
 - b) Partnership
 - c) Joint Stock Company**
 - d) All of the given options
219. Which of the following Legal Documents of a company contain(s) the rules and regulations framed for the internal management of the company?
- a) Memorandum of Association
 - b) Articles of Association
 - c) Both Memorandum of Association and Articles of Association**
 - d) Prospectus
220. ABC Co. Ltd. has a paid up capital of Rs. 800,000 divided into 8,000 shares of Rs.100 each. Two bonus shares are issued for every four shares held in the company. Select the write answer for bonus shares from the options given below.

- a) 4,000 bonus shares
 - b) 8,000 bonus shares
 - c) **16,000 bonus shares**
 - d) 32,000 bonus shares
221. Liabilities of the members of the _____ is only limited to the capital introduced by member/s.
- a) Partnership
 - b) **Company**
 - c) Sole proprietorship
 - d) None of the given options
222. The Joint Stock Company is formed under the Companies Ordinance:
- a) **1984**
 - b) 1884
 - c) 1948
 - d) 1965
223. Which of the following can be utilized to issue bonus shares?
- a) **Share premium**
 - b) Term finance certificates
 - c) Bonds
 - d) Debentures
224. Which of the following is the new name of Sources and Application of Funds?
- a) Income Statement
 - b) **Cash Flow Statement**
 - c) Statement of Changes in Owners Equity
 - d) Balance Sheet
225. Which of the following is NOT a cash inflow?
- a) Sale of fixed asset
 - b) Issue of debentures
 - c) Cash from business operation
 - d) **Purchase of fixed asset**
226. For which of the following share premium can be utilized?
- a) To write off preliminary expenses
 - b) To meet the expenses of issue of shares
 - c) To issue bonus shares
 - d) **All of the given options**
227. XYZ Company has paid up capital of 20,000 shares of Rs. 100 each. The company offers to existing shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 for every 5 shares held. What would be the number of right shares?
- a) 120 right shares

- b) 12,000 right shares
 - c) **15,000 right shares**
 - d) 25,000 right shares
228. The amount of share premium can be utilized EXCEPT:
- a) To write off preliminary expenses
 - b) To meet the expenses of issue of shares
 - c) **To distribute among the shareholders**
 - d) To issue bonus shares
229. In converting from the cash to accrual basis of accounting, if a current asset account has decreased, the decrease:
- a) **Should be added to net income**
 - b) Should be subtracted from net income
 - c) Should be multiplied with net income
 - d) Has no effect on net income
230. If, Retain earning at the beginning Rs. 897, Net income Rs. 140, and Retain earning at the end Rs. 1,009. Then, which of the following figure represents the amount of dividend paid?
- a) Rs. 28
 - b) **Rs. 252**
 - c) Rs. 739
 - d) Rs. 2,046
231. Which of the following is NOT a cash inflow?
- a) Sale of fixed asset
 - b) Issue of debentures
 - c) Cash from business operation
 - d) **Purchase of fixed asset**
232. Which of the following business publishes the Financial Statements?
- a) Sole-Proprietorship
 - b) Partnership
 - c) Trust
 - d) **Public Limited Company**
233. ABC Company received discount on its credit purchases, which of the following will be credited while entering in journal?
- a) Cash
 - b) **Discount received**
 - c) Creditors
 - d) Bank
234. Insurance paid in advance would be treated as:
- a) Non current asset

- b) **Current asset**
 - c) Intangible asset
 - d) Deferred expense
235. The amount received in excess of the face value of the shares is transferred to:
- a) Share capital account
 - b) Right shares
 - c) **Share premium account**
 - d) Shareholders account
236. Preliminary Expenses of the company may write off against:
- a) **Share premium account**
 - b) Shareholders account
 - c) Debtors control account
 - d) Creditors control account
237. Authorized share capital is also known as:
- a) **Registered capital**
 - b) Issued capital
 - c) Paid up capital
 - d) Called up capital
238. In cash flow statements, which of the following would appear as an inflow of cash?
- a) **The repayments of a bank loan**
 - b) Dividend issue in the current year
 - c) Money received as result of selling fixed assets
 - d) The difference between the valuations of old and new fixed assets
239. In cash flow statements, which of the following would appear as a cash outflow?
- a) The payments for purchases made during the year
 - b) A decrease in trade debtors over the course of an accounting period
 - c) **Money received as a result of issuing new shares**
 - d) Money received as result of selling fixed assets
240. When the current Ratio is 2: 5 and the amount of Current Liabilities is Rs. 25,000. What will be the amount of Current Assets?
- a) Rs. 62,500
 - b) Rs. 12,500
 - c) **Rs. 10,000**
 - d) Cannot be calculated with the help of given data
241. Current ratio may be increased by:
- a) **Overstating current Assets**
 - b) Overstating current Liabilities
 - c) Understating current Assets

- d) Understating current assets and overstating current liabilities
242. According to the statement of cash flows following are the examples of investing activities except:
- a) Sales of machinery
 - b) Capital invested by the owners
 - c) **Purchase of building for the business use**
 - d) Cash received from the disposal of equipment
243. In statement of cash flows, a payment of cash dividends is related to:
- a) **Investing activity**
 - b) Financing activity
 - c) Operating activity
 - d) Cash flows from operations
244. Which of the following is/are least important as a measure of short-term liquidity?
- a) Quick ratio
 - b) Debt ratio
 - c) Current ratio
 - d) **All of the given options**
245. Fixed assets are also called:
- a) **Depreciable assets**
 - b) Current assets
 - c) Liquid assets
 - d) Floating assets
246. Which of the following statement is not true regarding the objective of statement of cash flows?
- a) It is helpful for decision making by management
 - b) **It is used for reporting the net profit of the period**
 - c) It can be used for estimations for cash flows in future
 - d) It is used to determine the liquidity of the business
247. Which of the following is adjusted as working capital change in operating activities section of a cash flow statement?
- a) **Decrease in trade receivable**
 - b) Repayment of dividend
 - c) Payment of goodwill
 - d) Investment in associated companies
248. In statement of cash flows, which of the following would not be considered as an investing activity?
- a) Sales of fixed assets
 - b) Purchase of long term securities
 - c) Purchase of fixed assets

d) **Payments of dividends**

249. A company ABC purchased an asset for Rs. 40,000, paying Rs. 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:

- a) Rs. 40,000 cash outflow as an investing activity
- b) Rs. 30,000 cash outflow as an investing activity**
- c) Rs. 10,000 cash inflow as an investing activity
- d) Rs. 70,000 cash inflow as an investing activity

250. Which of the following statement is not true regarding the objective of statement of cash flows?

- a) It is helpful for decision making by management
- b) It is used for reporting the net profit of the period**
- c) It can be used for estimations for cash flows in future
- d) It is used to determine the liquidity of the business

251. According to the statement of cash flows following are the examples of investing activities except:

- a) Sales of machinery
- b) Capital invested by the owners**
- c) Purchase of building for the business use
- d) Cash received from the disposal of equipment

252. The amount of share premium can be utilized EXCEPT:

- a) To write off preliminary expenses
- b) To meet the expenses of issue of shares
- c) To distribute among the shareholders**
- d) To issue bonus shares

253. A company pays cash to purchase the stock of another company in an unrelated industry. The cash outflow can be considered as an:

- a) Operating activity that will appear on the statement of cash flows
- b) Operating activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry
- c) Investing activity that will appear on the statement of cash flows**
- d) Investing activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry

254. An organization operating with the objective of making profit from the sale of goods or services is called:

- a) Transaction**
- b) Business
- c) Society
- d) Trust

255. Which of the following would be deducted from Sundry Debtors in Balance Sheet?
- Bad debts (Trial balance item)
 - Old provision for doubtful debts
 - New provision for doubtful debts**
 - Both Bad debts (given in adjustment) and new provision for doubtful debts
256. Which of the following is concerned with to maintain the books of accounts in a systematic way?
- Accounting
 - Recording
 - Book-keeping**
 - Summarizing
257. Which of the following is used to convert accounting information from the cash basis of accounting to the accrual basis of accounting?
- Ledger
 - Journal entries
 - Adjusted entries**
 - Trial balance
258. For which of the following share premium can be utilized?
- To write off preliminary expenses
 - To meet the expenses of issue of shares
 - To issue bonus shares
 - All of the given options**
259. Closing stock of the previous year becomes:
- Opening stock of the next year**
 - Opening stock of previous year
 - Closing stock of the next year
 - None of the given options
260. Closing stock of the previous year becomes:
- Opening stock of the next year**
 - Opening stock of previous year
 - Closing stock of the next year
 - None of the given options
261. In the heading of financial statement, _____ is not required?
- Title of financial statement
 - Name of the person who prepares financial statement**
 - Period for which financial statement is prepared
 - Name of business entity

262. A and B entered in partnership in capital ratio of 2:3. They earned a profit of Rs.6,600 during the year. What will be the share of profit of Mr. A?
- a) Rs.1,320
 - b) Rs.2,640**
 - c) Rs.3,960
 - d) Rs.6,600
263. Which of the following account would be debited when the owner of business sold machinery of Rs. 10,000 on cash?
- a) Sales a/c
 - b) Machinery a/c
 - c) Owner a/c
 - d) Cash a/c**
264. Which one of the following is a fixed asset?
- a) Cash in hand
 - b) Advanced payment
 - c) Closing stock
 - d) Leasehold vehicle**
265. Which of the following account balance will be shown on debit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)
- a) Cash account
 - b) Furniture account
 - c) Vehicle account
 - d) All of the given options**
266. Sale proceeds of goods are an example of:
- a) Revenue expense**
 - b) Capital expense
 - c) Capital receipt
 - d) Revenue receipt
267. Which of the following account(s) will be affected, while rectifying the error of Carriage paid Rs.50 for the newly purchased machinery mistakenly debited to carriage account?
- a) Only machinery account
 - b) Only carriage account
 - c) Both carriage and machinery account
 - d) Only cash account**
268. Which of the following account(s) will be affected, while rectifying the error of an amount Rs.200 received from Mr."P" wrongly credited to Mr."Q's" account?
- a) Only Cash Account
 - b) Only P's account
 - c) Only Q's account

- d) **Both of Mr. P's & Mr. Q's Account**
269. Which of the following accounts would be increased with a debit?
- a) Contributed Capital
 - b) Retained Earnings
 - c) Revenues
 - d) **Expenses**
270. Which of the following would **NOT** be considered as a component of 'cost' of stock?
- a) **Salaries of selling staff**
 - b) Transportation inward costs
 - c) Import duties
 - d) Purchase price
271. Which of the following are the owners of a company?
- a) Proprietors
 - b) **Partners**
 - c) Shareholders
 - d) Managers
272. If dividend is proposed by directors of the company @ 30% for the year, it will be calculated on:
- a) Capital Reserve
 - b) Authorized share capital
 - c) Paid up share capital
 - d) **Share premium**
273. In which of the following interim dividend is treated?
- a) In profit and Loss account
 - b) In profit and Loss appropriation account
 - c) **On the asset side of the Balance Sheet**
 - d) In trading account
274. Which of the following documents contains rules and regulations for internal management of the company?
- a) Memorandum of Association
 - b) **Articles of Association**
 - c) Prospectus
 - d) Statutory Declaration
275. When preparing a cash flow statement, which of the following would be classified as a financing activity?
- a) A new long-term loan taken out to finance the purchase of fixed assets
 - b) **Salaries paid**
 - c) Interest paid on a long-term bank loan

- d) The cost of purchasing a patent
276. When opening stock is Rs. 50,000, closing stock Rs. 60,000 and cost of goods sold Rs. 220,000. What will be stock turnover ratio?
- 2 times
 - 3 times
 - 4 times**
 - 5 times
277. What does a credit balance in a partner's current account represent to a business?
- Current Assets
 - Current Liability
 - Long-term liability
 - Share of profit**
278. What would be the value of 'cost of goods manufactured' if the total factory cost of the month is Rs. 6,000, opening work in process is Rs. 2,000 and the closing work in process is Rs. 2,500?
- Rs. 5,500**
 - Rs. 8,000
 - Rs. 4,500
 - Rs. 8,500

279. Find Missing value:

| Particulars | Rs. |
|------------------------------|------------|
| Direct materials costs | 80,000 |
| Direct labor costs | 50,000 |
| Manufacturing overhead costs | 60,000 |
| Prime cost | ? |

- Rs.130, 000**
 - Rs.110, 000
 - Rs.140, 000
 - Rs.190, 000
280. "The owner of the business should be remunerated for his time spent in the business". This concept is known as:
- Inflation
 - Money value of time
 - Money measurement concept
 - Realization concept**

281. Which of the following account will be debited, when the labor cost is charged to production?
- a) Finished goods account
 - b) Labor cost account**
 - c) Work in process account
 - d) Factory over head account
282. Stock account is debited and creditors account is credited, which of the following is reflecting the statement?
- a) Discount received
 - b) Goods returned
 - c) Purchase of goods on credit
 - d) Payment of goods**
283. The financial year of Atif Brothers & Co. is closed on June 30, 2009. Total cash sales are Rs. 150,000, credit sales are Rs. 180,000 and total receipts are Rs. 250,000. Credit receipts will be:
- a) Rs. 150,000
 - b) Rs. 100,000
 - c) Rs. 220,000
 - d) Rs. 280,000**
284. Which of the following is usually not an accrued expense?
- a) Interest payable
 - b) Wages payable
 - c) Taxes payable
 - d) Notes payable**
285. Which of the following is known as an asset account?
- a) Gains
 - b) Prepaid insurance**
 - c) Unearned revenue
 - d) Accounts payable
286. Puget Sound Co. sold marketable securities Costing Rs.80,000 for Rs.92,000 cash. In the company's income statement and statement of cash flows, respectively, this will appear as:
- a) A Rs.12,000 gain and a Rs.92,000 cash receipt
 - b) A Rs.92,000 gain and a Rs.8,000 cash receipt
 - c) A Rs.12,000 gain and a Rs.80,000 cash receipt**
 - d) A Rs.92,000 sale and a Rs.92,000 cash receipt
287. Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- a) Rs.42,350
 - b) Rs.44,150**
 - c) Rs.41,600
 - d) Rs.40,850
- 288.** Which of the following statement is not true regarding the objective of statement of cash flows?
- a) It is helpful for decision making by management
 - b) It is used for reporting the net profit of the period
 - c) It can be used for estimations for cash flows in future
 - d) It is used to determine the liquidity of the business**
- 289.** According to the statement of cash flows following are the examples of investing activities except:
- a) Sales of machinery
 - b) Capital invested by the owners
 - c) Purchase of building for the business use**
 - d) Cash received from the disposal of equipment
- 290.** Which of the following account would be credited in case of loss of goods by fire?
- a) Purchase account
 - b) Sales account
 - c) Loss by fire account
 - d) Capital account**
- 291.** Which of the following result would be shown if Gross Profit is greater than the Operating Expenses in profit and loss account?
- a) Net Profit
 - b) Operating profit**
 - c) Net Loss
 - d) Gross Loss
- 292.** Which of the following is/are **NOT** the example of intangible assets?
- a) Copyright
 - b) Goodwill
 - c) Patent
 - d) Land**
- 293.** A machine, which was bought at a cost of Rs. 4,000, is not expected to have any residual value. If it is depreciated at a rate of 10% per annum using Straight line method, its net book value after two years will be:
- a) Rs. 3,200**
 - b) Rs. 800
 - c) Rs. 3,600

d) Rs. 3,240

294. Find the Missing Value:

| Particulars | Rs. |
|---|--------|
| Written down value of asset at the time of sale | 10,000 |
| Original cost of asset | 20,000 |
| Depreciation expense during the year | 700 |
| Disposal value of asset | ? |
| Loss on disposal of asset | 1,000 |

- a) Rs. 9,000
- b) Rs. 19,000
- c) **Rs. 8,300**
- d) Rs.10,000

295. Accounts receivables are shown in balance sheet at:

- a) Net realizable value
- b) Total amount
- c) **Market value**
- d) Residual value

296. Which of the following is **NOT** included in Debtors Control Account?

- a) **Cash sale**
- b) Credit sale
- c) Bills receivable
- d) Discount allowed

297. Which of the following would be shown on the credit side of creditors control account?

- a) **Bills Receivable**
- b) Return outwards
- c) Credit purchases
- d) Discount allowed

298. Which of the following is **INCORRECT** about subsidiary account?

- a) It is not a summary account
- b) It reduces the burden of control account
- c) **It provides detailed information about individual accounts**
- d) It summarizes the total of related items from other accounts

299. Which of the following would be occurred in a transaction, but will not be expensed until a future accounting period?

- a) **Deferred cost**

- b) Provision
 - c) Unearned revenue
 - d) Capital work in progress
- 300.** Deferred revenues will become revenue when they are:
- a) Unearned
 - b) Earned**
 - c) Incurred
 - d) Paid
- 301.** Which of the following can be utilized to issue bonus shares?
- a) Share premium**
 - b) Term finance certificates
 - c) Bonds
 - d) Debentures
- 302.** Which of the following is old name of Cash Flow Statement?
- a) Sources and Application of Funds
 - b) Sources and Application of Liabilities
 - c) Sources and Application of Activities
 - d) Sources and Application of Income**
- 303.** Which of the following is **TRUE**?
- a) Sale of equipment for cash is considered as inflow of cash**
 - b) Sale of equipment on account is considered as inflow of cash
 - c) Purchases of equipment for cash is considered as inflow of cash
 - d) Sale of equipment for cash is considered as outflow of cash
- 304.** A company ABC purchased an asset for Rs. 40,000, paying Rs. 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:
- a) Rs. 40,000 cash outflow as an investing activity**
 - b) Rs. 30,000 cash outflow as an investing activity
 - c) Rs. 10,000 cash inflow as an investing activity
 - d) Rs. 70,000 cash inflow as an investing activity
- 305.** Which of the given Asset is **Not** included in the calculation acid test ratio?
- a) Stock
 - b) Cash**
 - c) Debtors
 - d) Bills Receivable

