

FINAL ANSWER KEY

Paper: Book-keeping (Theory and Practical) (Paper III)
Medium of Question: English
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Question1:-Bookkeeping mainly consists of which part of accounting process?

- A:-Analysing
- B:-Preparing financial statements
- C:-Auditing the books of accounts
- D:-Recording financial information

Correct Answer:- Option-D

Question2:-Revenue

- A:-Causes an increase in shareholders' equity
- B:-Causes a decrease or an increase in shareholder's equity
- C:-Has no impact on shareholder's equity
- D:-Causes a decrease in shareholder's equity

Correct Answer:- Option-A

Question3:-Sales invoices are first entered in

- A:-Cash book
- B:-Purchase journal
- C:-Sales journal
- D:-Sales account

Correct Answer:- Option-C

Question4:-Double entry book-keeping was started by

- A:-F.W. Taylor
- B:-Lucas Pacioli
- C:-Henry Fayol
- D:-Adam Smith

Correct Answer:- Option-B

Question5:-Which of the following describes a record of the transactions?

- A:-Journal
- B:-Income statement
- C:-Balance sheet
- D:-General ledger

Correct Answer:- Option-A

Question6:-The _____ is the first financial statement prepared during the accounting cycle.

- A:-Balance Sheet
- B:-Income Statement
- C:-Expenditure Statement
- D:-Cash Flow Statement

Correct Answer:- Option-B

Question7:-The results of business activities are reflected in

- A:-Profit and loss account
- B:-Profit and loss appropriation account
- C:-Balance sheet
- D:-None of these

Correct Answer:- Option-C

Question8:-The _____ summarizes investing activities during a period.

- A:-Statement of equity
- B:-Income statement
- C:-Balance sheet
- D:-Statement of cash flows

Correct Answer:- Option-D

Question9:-_____ is the withdrawal of cash and goods by the owner of the business for personal use.

- A:-Depreciation
- B:-Drawings
- C:-Outflow of cash
- D:-Appropriation

Correct Answer:- Option-B

Question10:-Debenture carrying charge on particular asset on the company is known as

- A:-Fixed
- B:-Mortgage
- C:-Naked
- D:-Floating

Correct Answer:- Option-D

Question11:-The process of entering all transactions from the Journal to Ledger is called

- A:-Posting
- B:-Entry
- C:-Accounting
- D:-None of the above

Correct Answer:- Option-A

Question12:-The matching principle attempts to find satisfactory bases of association between

- A:-Assets and liabilities
- B:-Internal equities and external liabilities
- C:-Expenses and revenues
- D:-None of these

Correct Answer:- Option-C

Question13:-Which of the following equations represents the balance sheet?

- A:-Assets + Liabilities = Shareholders' equity
- B:-Assets = Liabilities = Shareholders' equity
- C:-Assets = Liabilities - Shareholders' equity
- D:-Assets = Liabilities + Shareholders' equity

Correct Answer:- Option-D

Question14:-Entries in Purchase Journal are:

- A:-Purchase invoices
- B:-Discount received
- C:-Payments to suppliers
- D:-Trade discounts

Correct Answer:- Option-A

Question15:-Royalty payable is debited to _____ by lessee.

- A:-Profit and Loss Account
- B:-Royalty Account
- C:-Trading Account
- D:-Landlord Account

Correct Answer:- Option-B

Question16:-The long term assets that have no physical existence but are rights that have value is known as

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

Correct Answer:- Option-C

Question17:-Current ratio =

- A:-Quick assets / Current liabilities
- B:-Current assets / Current liabilities
- C:-Debt / Equity
- D:-Current assets / Equity

Correct Answer:- Option-B

Question18:-Balance sheet is a statement which discloses an organization's

- A:-Assets
- B:-Liabilities
- C:-Owner's equity
- D:-All of these

Correct Answer:- Option-D

Question19:-Retained earning is synonymous to:

- A:-Operating profit
- B:-Profit for the year
- C:-Accumulated profit and loss account
- D:-Gross profit

Correct Answer:- Option-C

Question20:-'Calls in advance' is shown under _____.

- A:-Share capital
- B:-Reserve and surplus
- C:-Current liabilities
- D:-Loans and advances

Correct Answer:- Option-A

Question21:-Which of the following is a liability?

- A:-Cash
- B:-Equipment
- C:-Creditors
- D:-Debtors

Correct Answer:- Option-C

Question22:-_____ is the first phase of accounting cycle.

- A:-Identifying an economic event or transaction
- B:-Preparing Journal
- C:-Posting entries to Ledger accounts
- D:-Making decisions about business

Correct Answer:- Option-A

Question23:-Which is the statement of revenues and expenses for a specific period of time?

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

Correct Answer:- Option-D

Question24:-Lower the Debt Equity ratio:

- A:-Lower the protection to creditors
- B:-Higher the protection to creditors
- C:-It does not affect creditors
- D:-None of the above

Correct Answer:- Option-B

Question25:-A voucher is a document _____.

- A:-Support an entry made in the books of accounts
- B:-Used for an extra-ordinary meeting
- C:-To be used if all the directors are out of station
- D:-To be used for voating

Correct Answer:- Option-A

Question26:-Companies profit divided among shareholder is:

- A:-Interest
- B:-Reserve
- C:-Dividend
- D:-Surplus

Correct Answer:- Option-C

Question27:-Every business transaction affects at least _____ accounts.

- A:-One
- B:-Two

- C:-Three
- D:-Infinite

Correct Answer:- Option-B

Question28:-Which of the following is the current liability?

- A:-Bills payable
- B:-Outstanding expenses
- C:-Bank overdraft
- D:-All of the above

Correct Answer:- Option-D

Question29:-The accounts that records expenses, gains and losses are:

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

Correct Answer:- Option-B

Question30:-Balance sheets are prepared:

- A:-Monthly
- B:-Weekly
- C:-Quarterly
- D:-Annually

Correct Answer:- Option-D

Question31:-Net profit is calculated in the:

- A:-Profit & Loss Account
- B:-Balance Sheet
- C:-Trial Balance
- D:-Trading Account

Correct Answer:- Option-A

Question32:-Bank reconciliation statement is a statement:

- A:-Sent by the bank when accountant made an error
- B:-Drawn up by the bank to verify the cash book
- C:-Drawn up to verify cash book balance with the bank statement balance
- D:-Sent by the bank when the account is overdrawn

Correct Answer:- Option-C

Question33:-Sales expenditure budget is prepared by estimating the expenses of

- A:-Advertisement
- B:-Market analysis
- C:-Salesman's salary
- D:-All of the above

Correct Answer:- Option-D

Question34:-The process of recording transactions in different journals is called:

- A:-Journalising
- B:-Posting
- C:-Adjusting
- D:-Entry making

Correct Answer:- Option-A

Question35:-The account format that displays debits, credits, balances, and headings.

- A:-General Journal
- B:-T-Account
- C:-General Ledger
- D:-Ledger Account

Correct Answer:- Option-B

Question36:-General Journal is a book of _____ entries.

- A:-First
- B:-Secondary
- C:-Original
- D:-Generic

Correct Answer:- Option-C

Question37:-Identify the asset from the following.

- A:-Cash and cash equivalent
- B:-Creditors
- C:-Notes payable
- D:-Bank loan

Correct Answer:- Option-A

Question38:-Return on Investment Ratio (ROI) =

- A:- $(\text{Gross profit} / \text{Net sales}) \times 100$
- B:- $(\text{Gross profit} \times \text{Sales} / \text{Fixed assets}) \times 100$
- C:- $(\text{Net profit} / \text{Total assets}) \times 100$
- D:- $(\text{Net profit} / \text{Sales}) \times 100$

Correct Answer:- Option-C

Question39:-What is the basic accounting equation?

- A:-Liabilities — Capital = Assets
- B:-Assets + Liabilities = Capital
- C:-Capital + Assets = Liabilities
- D:-Capital + Liabilities = Assets

Correct Answer:- Option-D

Question40:-Which of the following is not an asset?

- A:-Buildings
- B:-Loan from Mr. X
- C:-Debtors
- D:-Cash Balance

Correct Answer:- Option-B

Question41:-Accounts payable is reported as a _____ on the balance sheet.

- A:-Fixed Liability
- B:-Contingent Liability
- C:-Future Liability
- D:-Current Liability

Correct Answer:- Option-D

Question42:-The _____ reports activity on a specific point in time.

- A:-Balance Sheet
- B:-Income Statement
- C:-Audit
- D:-Cash Flow Statement

Correct Answer:- Option-A

Question43:-Working capital is a term meaning:

- A:-Capital less drawings
- B:-The total of fixed assets — Current assets
- C:-The excess of the current assets over the current liabilities
- D:-The amount of capital invested by the proprietor

Correct Answer:- Option-C

Question44:-The cash flow statement consists of which of the following sections?

- A:-Operating and non-operating
- B:-Operating, investing and financing
- C:-Current and non-current
- D:-Trading and financial

Correct Answer:- Option-B

Question45:-Patents, Copyrights and Trademarks are

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

Correct Answer:- Option-A

Question46:-Which of the following is a liability?

- A:-Motor vehicle
- B:-Creditors of goods
- C:-Machinery
- D:-Cash at bank

Correct Answer:- Option-B

Question47:-Report that lists account balances of only permanent accounts.

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

Correct Answer:- Option-C

Question48:-Accounting provides information on

- A:-Cost and income for managers
- B:-Company's tax liability for a particular year
- C:-Financial conditions of an institution
- D:-All of the above

Correct Answer:- Option-D

Question49:-First activity listed on the cash flow statement:

- A:-Withdrawals
- B:-Future Liability
- C:-Operating activities
- D:-None of the above

Correct Answer:- Option-C

Question50:-You are to buy an existing business which has assets valued at buildings for Rs.50,000/-, Motor vehicles Rs.15,000/-, Fixtures Rs.5,000/- a business. This means that:

- A:-Paid Rs.30,000/- for Goodwill
- B:-Paid Rs.30,000/- as incentive
- C:-Paid Rs.30,000/- as margin
- D:-You have made calculation mistake

Correct Answer:- Option-A

Question51:-Identify the nominal account:

- A:-Machinery account
- B:-Building account
- C:-Creditors account
- D:-Rent expenses account

Correct Answer:- Option-D

Question52:-Liability and equity accounts have what type of balance?

- A:-Debit
- B:-Credit
- C:-Contra
- D:-All of the above

Correct Answer:- Option-B

Question53:-To find the value of closing stock at the end of a period, we:

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

Correct Answer:- Option-A

Question54:-Goods returned by customer should be debited to which of the following accounts?

- A:-Sales income account
- B:-Sales account
- C:-Return inward account

D:-Expenses account
Correct Answer:- Option-C

Question55:-A firm bought a machine for Rs.3,200/-. It is to be depreciated at a rate of 25% under diminishing method. What would be the remaining t

- A:-Rs.2,400/-
- B:-Rs.3,200/-
- C:-Rs.1,600/-
- D:-Rs.1,800/-

Correct Answer:- Option-D

Question56:-All financial statements have _____ that display the company name, name of the report, and date of activity.

- A:-Notes
- B:-Headings
- C:-Statements
- D:-Declarations

Correct Answer:- Option-B

Question57:-Return on Investment Ratio (ROI) =

- A:- $(\text{Net profit} / \text{Total assets}) \times 100$
- B:- $(\text{Gross profit} \times \text{Sales} / \text{Fixed assets}) \times 100$
- C:- $(\text{Net profit} / \text{Sales}) \times 100$
- D:- $(\text{Gross profit} / \text{Net sales}) \times 100$

Correct Answer:- Option-A

Question58:-Which financial statement displays the revenues and expenses of a company for a period of time?

- A:-Balance Sheet
- B:-Income Statement
- C:-Cash Flow Statement
- D:-Statement of stockholder's equity

Correct Answer:- Option-B

Question59:-Which of these is not included as a separate item in the basic accounting equation?

- A:-Assets
- B:-Liabilities
- C:-Revenues
- D:-Stockholder's Equity

Correct Answer:- Option-C

Question60:-The financial statement that is based on the accounting equation:

- A:-Income Statement
- B:-Profit & Loss Statement
- C:-Cash flow statement
- D:-Balance sheet

Correct Answer:- Option-D

Question61:-A contra asset account has what type of balance?

- A:-Debit
- B:-Credit
- C:-Contra
- D:-All of the above

Correct Answer:- Option-B

Question62:-_____ is also called as sales ledger.

- A:-Personal Ledger
- B:-Creditors Ledger
- C:-Nominal Ledger
- D:-Debtors Ledger

Correct Answer:- Option-D

Question63:-Which of the following best describes the meaning of 'Purchases'?

- A:-Goods paid for
- B:-Goods bought on credit
- C:-Goods bought for resale
- D:-Items bought

Correct Answer:- Option-C

Question64:-The sales income of a business during a given period is called

- A:-Turnover
- B:-Sales Returns
- C:-Transactions
- D:-Purchase Returns

Correct Answer:- Option-A

Question65:-Gross profit is:

- A:-Cost of goods sold + Opening stock
- B:-Net profit less expenses
- C:-Sales less purchases
- D:-Excess of sales over cost of goods sold

Correct Answer:- Option-D

Question66:-What is equity?

- A:-Owner's claim on total assets
- B:-Liability of a business
- C:-Cash from the business
- D:-Owner's claim on total liabilities

Correct Answer:- Option-A

Question67:-Which of the following best describes a trial balance?

- A:-Shows all the entries in the books
- B:-It is a special account
- C:-It is a list of balances on the books
- D:-Shows the financial position of a business

Correct Answer:- Option-C

Question68:-Discount allowed is:

- A:-Loss of business

- B:-Expense of business
 - C:-Income of business
 - D:-Abnormal loss of business
- Correct Answer:- Option-B

Question69:-Only personal account and cash account are opened in _____.

- A:-Accrual system
 - B:-Double entry system
 - C:-Single entry system
 - D:-Mercantile system
- Correct Answer:- Option-C

Question70:-The accounting process involves recording

- A:-Non quantifiable economic event
 - B:-Quantifiable economic event
 - C:-All of them
 - D:-None of them
- Correct Answer:- Option-B

Question71:-Which of the following statement is incorrect?

- A:-Assets — Capital = Liabilities
 - B:-Assets — Liabilities = Capital
 - C:-Liabilities + Capital = Assets
 - D:-Liabilities + Assets = Capital
- Correct Answer:- Option-D

Question72:-'Posting' the transactions in book keeping means:

- A:-Making the second entry of a double entry transaction
 - B:-Entering items in a cash book
 - C:-Making the first entry of a double entry transaction
 - D:-Something other than above
- Correct Answer:- Option-A

Question73:-Errors are corrected via the journal because:

- A:-It saves the accountant's time
 - B:-It provides a good record explaining the double entry records
 - C:-It saves entering them in the ledger
 - D:-It is much easier to do
- Correct Answer:- Option-B

Question74:-The assets that can be converted into cash within a short period are known as

- A:-Investments
 - B:-Fixed assets
 - C:-Intangible assets
 - D:-Current assets
- Correct Answer:- Option-D

Question75:-A Receipts and Payments Account is one:

- A:-In which the surplus of income over expenditure is calculated
 - B:-Which is accompanied by a balance sheet
 - C:-In which the opening and closing cash balances are shown
 - D:-In which the profit is calculated
- Correct Answer:- Option-C

Question76:-Which of the following accounts can be classified as a real account?

- A:-Cash account
 - B:-Rent expense account
 - C:-Insurance expense account
 - D:-Rent income account
- Correct Answer:- Option-A

Question77:-_____ is a separate legal entity whose total capital can be divided into many shares.

- A:-Partnership
 - B:-Proprietorship
 - C:-Company
 - D:-Non-profit organization
- Correct Answer:- Option-C

Question78:-In accounting, an economic event is referred to as

- A:-Transaction
 - B:-Bank statement
 - C:-Cash
 - D:-Exchange of money
- Correct Answer:- Option-A

Question79:-Balance sheet is a statement of:

- A:-Assets
 - B:-Liabilities
 - C:-Capital
 - D:-All of the above
- Correct Answer:- Option-D

Question80:-The owner of consignment stock is called:

- A:-Debtor
 - B:-Consignor
 - C:-Consignee
 - D:-Principal
- Correct Answer:- Option-B

Question81:-Capital of a business increases if there is an increase in:

- A:-Drawings
 - B:-Interest on capital
 - C:-Expenses are greater than income
 - D:-Revenue
- Correct Answer:- Option-D

Question82:-Discounts received are:

- A:-Deducted when we receive cash
- B:-Given by us when we will sell goods on credit
- C:-Deducted by us when we pay our accounts
- D:-None of the above

Correct Answer:- Option-C

Question83:-The debts which are to be repaid within a short period are known as

- A:-Fixed liabilities
- B:-Current liabilities
- C:-Contingent liabilities
- D:-All of the above

Correct Answer:- Option-B

Question84:-Introduction of capital by owner of business is recorded on which side of a cash book?

- A:-Receipts
- B:-Payments
- C:-Income
- D:-Expenditure

Correct Answer:- Option-A

Question85:-Financial statement used to compute the gross profit margin.

- A:-Profit and Loss Statement
- B:-Trading Account
- C:-Balance Sheet
- D:-Cash flow statement

Correct Answer:- Option-B

Question86:-Suppliers' personal accounts are found in the:

- A:-Purchase ledger
- B:-Sales ledger
- C:-Nominal ledger
- D:-General ledger

Correct Answer:- Option-A

Question87:-Accrued expenses are considered as:

- A:-Asset
- B:-Gain
- C:-Liability
- D:-Income

Correct Answer:- Option-C

Question88:-If we take goods for own use we should:

- A:-Debit Purchase Account: Credit Drawing Account
- B:-Debit Sales Account: Credit Stock Account
- C:-Debit Drawing Account: Credit Stock Account
- D:-Debit Drawing Account: Credit Purchases Account

Correct Answer:- Option-D

Question89:-Capital expenditure is:

- A:-Money spent on buying fixed assets or adding value to them
- B:-The cost of running the business on a day to day basis
- C:-Money spent on selling fixed assets
- D:-The extra capital paid by the proprietor

Correct Answer:- Option-A

Question90:-Accounts payable, accruals and notes payables are listed on balance sheet as:

- A:-Accrued liabilities
- B:-Current liabilities
- C:-Accumulated liabilities
- D:-Non current liabilities

Correct Answer:- Option-B

Question91:-Wages and salaries of employees which company owns in the accounts are called:

- A:-Accrued expenses
- B:-Accruals accounts
- C:-Both (1) and (2)
- D:-Zero liabilities

Correct Answer:- Option-C

Question92:-Purchases + Opening stock — Closing stock =

- A:-Net income
- B:-Amount of sale
- C:-Gross profit
- D:-Cost of goods sold

Correct Answer:- Option-D

Question93:-All indirect expenses are charged against:

- A:-Profit and Loss Account
- B:-Trading Account
- C:-Manufacturing Account
- D:-None of the above

Correct Answer:- Option-A

Question94:-Direct material costs are added into direct manufacturing costs, to calculate:

- A:-Product Cost
- B:-Manufacturing Cost
- C:-Production Cost
- D:-Prime Cost

Correct Answer:- Option-D

Question95:-Matching concept means:

- A:-Assets = Capital + Liabilities
- B:-Expenses should be matched with the revenue of the period
- C:-Transactions recorded at accrual concept

D:-Anticipate no profit but recognize all losses

Correct Answer:- Option-B

Question96:-An asset was purchased for Rs.10,000/- with the down payment of Rs.2,000/- and bills accepted for Rs.8,000/-. What would be the effect of this transaction?

A:-Assets increased by Rs.10,000/- and liabilities increased by Rs.8,000/-

B:-Assets increased by Rs.8,000/- and liabilities decreased by Rs.8,000/-

C:-Assets increased by Rs.8,000/- and liabilities increased by Rs.8,000/-

D:-Assets decreased by Rs.8,000/- and liabilities increased by Rs.8,000/-

Correct Answer:- Option-C

Question97:-Mr. X is a dealer in Home appliances. He purchased two air conditioners and installed in his showroom. In the books the cost of two air conditioners is Rs.10,000/-.

A:-Fixed assets account

B:-Drawing account

C:-Capital account

D:-Purchase account

Correct Answer:- Option-A

Question98:-A trader purchases goods for Rs.25,00,000/-, of these 70% of goods were sold during the year. At the end of the Financial Year, market value of goods remaining in his books for Rs.7,50,000/-. Which of the following concept is violated?

A:-Money measurement

B:-Conservatism

C:-Consistency

D:-None of these

Correct Answer:- Option-B

Question99:-The process of recording financial data upto trial balance is:

A:-Classifying

B:-Analyzing

C:-Book keeping

D:-Summarising

Correct Answer:- Option-C

Question100:-

Balance sheet as at 31 March 2018 In Rs.

Non-current assets	20,000
Inventories	5,000
Trade receivables	3,000
Investments	1,500
Cash and bank	500
Bank overdraft	1,650
Trade payables	6,000
Taxation	1,000
Dividend proposed	200
Loan	1,000
Ordinary shares	4,000
Share premium	4,650
Retained earnings	11,500

What is the total liabilities?

A:-Rs.20,150

B:-Rs.8,850

C:-Rs.11,500

D:-Rs.9,850

Correct Answer:- Option-D