

FINAL ANSWER KEY

Paper: 079 - Book-keeping (Theory and Practical)
Date of Test 04-05-2023

Question1:-Loss on sale of car is debited to

- A:-Profit and Loss Account
- B:-Car Account
- C:-Depreciation Account
- D:-None of these

Correct Answer:- Option-A

Question2:-Goodwill is a

- A:-Fictitious asset
- B:-Tangible asset
- C:-Intangible asset
- D:-Expense

Correct Answer:- Option-C

Question3:-Depreciation is provided on

- A:-Current assets
- B:-intangible assets
- C:-Fixed assets
- D:-All of these

Correct Answer:- Option-C

Question4:-Mathew is entitled to commission of 5% of profit before deducting the commission, the profit is 2100, therefore the commission will be Rs. _____

- A:-100
- B:-105
- C:-111
- D:-115

Correct Answer:- Option-B

Question5:-Prepaid rent is shown as

- A:-An asset
- B:-A Liability
- C:-An expense
- D:-Income

Correct Answer:- Option-A

Question6:-Single entry system can be adopted by

- A:-Small firm
- B:-Joint stock companies
- C:-Co-operative societies
- D:-None of these

Correct Answer:- Option-A

Question7:-Return inwards appearing in the trial balance is deducted from

- A:-Purchases
- B:-Sales
- C:-Return outward
- D:-None of these

Correct Answer:- Option-B

Question8:-The assets that can be converted into cash within a short period are known as

- A:-Current Assets
- B:-Fixed Assets
- C:-Intangible Assets
- D:-Investment

Correct Answer:- Option-A

Question9:-Patent, copyrights and trademarks are

- A:-Current Assets
- B:-Fixed Assets
- C:-Intangible Assets
- D:-Investment

Correct Answer:- Option-C

Question10:-The debt which are to be fixed within a year are known as

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

Correct Answer:- Option-B

Question11:-Which of the following is not a business transaction?

- A:-Bought chairs and tables for Rs. 32,000 for business purpose
- B:-Paid Rs. 3,500 for salaries of employees
- C:-Paid Rs. 7,000 from Personal Bank A/c for domestic use
- D:-All of above

Correct Answer:- Option-C

Question12:-Which of the following transaction is not of financial character?

- A:-Purchase of asset on credit
- B:-Purchase of asset for cash
- C:-Withdrew cash for personal use
- D:-Strike by employees

Correct Answer:- Option-D

Question13:-A liability arises because of

- A:-Cash transaction
- B:-Credit purchases
- C:-Both (a) and (b)
- D:-None of these

Correct Answer:- Option-B

Question14:-The amount invested by Mr. Ajith, proprietor in his business is termed as his

- A:-Capital
- B:-Cash
- C:-Revenue
- D:-All of these

Correct Answer:- Option-A

Question15:-Purchase refers to the buying of

- A:-Stationery for office use
- B:-Assets of factory
- C:-Goods for resale
- D:-Investment

Correct Answer:- Option-C

Question16:-A bank reconciliation statement is prepared to know the causes for the difference between

- A:-The balance as per cash column of the cash book and pass book
- B:-The balance as per bank column of the cash book and pass book
- C:-Both (a) and (b)
- D:-None of above

Correct Answer:- Option-B

Question17:-Bank reconciliation statement is prepared by matching

- A:-Entries in pass book with entries in bank column of cash book
- B:-Entries in pass book with entries in cash column of cash book
- C:-Entries in pass book with entries in bank column and cash column of cash book
- D:-None of these

Correct Answer:- Option-A

Question18:-On the bank statement, cash deposited by the company is known as

- A:-Credit
- B:-Debit
- C:-Liability
- D:-Expenses

Correct Answer:- Option-A

Question19:-When cheque is not paid by the bank, it is called?

- A:-Honoured
- B:-Endorsed
- C:-Dishonoured
- D:-(1) and (2)

Correct Answer:- Option-C

Question20:-Debit balance as per cash book of Ram & Co. on 31.03.2022 is Rs. 1,500. Cheque deposited but not cleared amounts to Rs. 100 and cheque issued but not presented of Rs. 150. Balance as per pass book should be Rs. _____.

- A:-1,750
- B:-1,550
- C:-1,650
- D:-1,600

Correct Answer:- Option-B

Question21:-Unpresented cheques also referred to as

- A:-Bounced Cheque
- B:-Honoured Cheque
- C:-Uncredited Cheque
- D:-Dishonoured Cheque

Correct Answer:- Option-C

Question22:-Any form of accounting which enables a business to be conducted more efficiently can be regarded as _____ accounting.

- A:-Financial
- B:-Management
- C:-Cost
- D:-None

Correct Answer:- Option-B

Question23:-A process of accounting that recognizes the impact of transactions on the financial statements in the time periods when revenues and expenses occur instead of when cash is received or disbursed is called _____ basis.

- A:-Accrual
- B:-Cash
- C:-None
- D:- (1) and (2)

Correct Answer:- Option-A

Question24:-_____ is a residual interest in the assets after deducting liabilities.

- A:-Income
- B:-Equity
- C:-Expenses
- D:-None

Correct Answer:- Option-B

Question25:-_____ concept implies that each transaction and event must be expressible in monetary terms.

- A:-Money measurement
- B:-Business Entity
- C:-Going Concerned
- D:-None

Correct Answer:- Option-A

Question26:-_____ implies that a business unit is separate and distinct from the person who owns or controls it.

- A:-Money measurement
- B:-Business Entity
- C:-Going Concerned
- D:-None

Correct Answer:- Option-B

Question27:-Bad Debts A/c is _____ A/c.

- A:-Real
- B:-Personal
- C:-Nominal
- D:-None

Correct Answer:- Option-C

Question28:-The _____ accounting system provides a system of checks and balances.

- A:-Single Entry
- B:-Financial Entry
- C:-Double Entry
- D:-Triple Entry

Correct Answer:- Option-C

Question29:-_____ means that cash is received by the business from the proprietor. It results in the immediate receipt of cash.

- A:-Ajith commenced business with Rs. 20,000
- B:-Bought goods for cash Rs. 1,500
- C:-Charged commission to Varun Rs. 200
- D:-Sold goods for cash Rs. 2,500

Correct Answer:- Option-A

Question30:-_____ is a brief explanation to a journal entry, given below the journal entry, within brackets.

- A:-Narration
- B:-Ledger
- C:-Credit
- D:-Debit

Correct Answer:- Option-A

Question31:-A cash book, which is used to record both cash and bank transactions, is referred to as a _____ column cash book.

- A:-1
- B:-2
- C:-3
- D:-4

Correct Answer:- Option-B

Question32:-Which of the following accounts is prepared to find out the cost of production?

- A:-Manufacturing Account
- B:-Trading Account
- C:-Profit and Loss Account
- D:-Balance Sheet

Correct Answer:- Option-A

Question33:-Preliminary expenses are an example of

- A:-Capital expenditure
- B:-Revenue expenditure
- C:-Deferred Revenue expenditure
- D:-Capital loss

Correct Answer:- Option-C

Question34:-Who draws Bills of Exchange?

- A:-Debtor
- B:-Bank
- C:-Insurance Agency
- D:-Creditor

Correct Answer:- Option-A

Question35:-Income from the sale of scrap is usually shown in

- A:-Profit and Loss Account
- B:-Trading Account
- C:-Manufacturing Account
- D:-All of the above

Correct Answer:- Option-A

Question36:-Petty Cash book is prepared to

- A:-Meet the requirements of small business
- B:-Meet the small expenses paid to cash
- C:-Cover small and miscellaneous incomes
- D:-All of the above

Correct Answer:- Option-B

Question37:-The book value of old machinery was Rs. 5,000. It was sold for Rs. 1,000. The difference is a _____.

- A:-Revenue expenditure
- B:-Revenue loss
- C:-Capital expenditure
- D:-Capital loss

Correct Answer:- Option-D

Question38:-Sales are equal to

- A:-Cost of Goods Sold + Gross Profit
- B:-Cost of Goods Sold - Gross Profit
- C:-Gross Profit - Cost of Goods Sold
- D:-Cost of Goods Sold - Stock

Correct Answer:- Option-A

Question39:-Quarries is an example of _____ assets.

- A:-Fictitious assets
- B:-Liquid assets
- C:-Intangible assets
- D:-Wasting/Depleting assets

Correct Answer:- Option-D

Question40:-Income received in advance is

- A:-An income
- B:-A liability
- C:-An asset
- D:-A loss

Correct Answer:- Option-B

Question41:-If the rate of G/P is 25% of sales and cost of goods sold is Rs. 1,50,000, the amount of G/P will be

- A:-30,000
- B:-25,000
- C:-40,000
- D:-50,000

Correct Answer:- Option-D

- Question42:-In case of straight line method, the amount of depreciation
- A:-Fluctuate every year
 - B:-Decreases every year
 - C:-Increases every year
 - D:-Remains same every year
- Correct Answer:- Option-D
- Question43:-Depletion method is more suitable for
- A:-Service Industry
 - B:-Mining Industry
 - C:-Intangible Assets
 - D:-All of these
- Correct Answer:- Option-B
- Question44:-If original cost of an asset is Rs. 60,000 and its scrap value is Rs. 10,000, its depreciable cost is
- A:-Rs. 70,000
 - B:-Rs. 50,000
 - C:-Rs. 60,000
 - D:-None of these
- Correct Answer:- Option-B
- Question45:-The main objective of providing depreciation is
- A:-To calculate true profit
 - B:-To show the true financial position
 - C:-To reduce tax burden
 - D:-To provide fund for replacement of assets
- Correct Answer:- Option-A
- Question46:-In the balance sheet of a company, the discount on issue of debentures is shown under which heading
- A:-Fixed Asset
 - B:-Current Asset
 - C:-Investment
 - D:-Miscellaneous Expenditure
- Correct Answer:- Option-D
- Question47:-Advance payment of tax is in the nature of
- A:-Capital Expenditure
 - B:-Prepaid Expenses
 - C:-Outstanding Expenses
 - D:-Deferred Revenue Expense
- Correct Answer:- Option-B
- Question48:-Banks show the provision for income tax under the head
- A:-Contingent assets
 - B:-Contingent liabilities
 - C:-Other liabilities and provisions
 - D:-Borrowings
- Correct Answer:- Option-C
- Question49:-Rebate on bills discounted is
- A:-An item of income
 - B:-A liability
 - C:-Income received in advance
 - D:-Accrued income
- Correct Answer:- Option-C
- Question50:-Loose tools are shown in the balance sheet under
- A:-Fixed Asset
 - B:-Investment
 - C:-Current Asset
 - D:-Miscellaneous expenditure
- Correct Answer:- Option-C
- Question51:-Which of the following relate to financial position in a set of financial statements?
- A:-Assets, liabilities, income and profit
 - B:-Assets, liabilities, income and equity
 - C:-Income and expense
 - D:-Income, expense and liabilities
- Correct Answer:- Option-B
- Question52:-_____ is an artificial person created by law.
- A:-Firm
 - B:-Sole Trader
 - C:-Company
 - D:-None of these
- Correct Answer:- Option-C
- Question53:-A company is managed by its _____.
- A:-Partners
 - B:-Auditor
 - C:-Board of Directors
 - D:-Debenture holder
- Correct Answer:- Option-C
- Question54:-_____ company is a company created by a Special Act in Parliament.
- A:-Government
 - B:-Registered
 - C:-Chartered
 - D:-D. Statutory
- Correct Answer:- Option-D
- Question55:-The original cost at which an asset or liability is acquired is known as _____.
- A:-Amortization
 - B:-Replacement
 - C:-Historical cost
 - D:-Carrying cost
- Correct Answer:- Option-C

Question56:-Authorised capital is called as _____.

- A:-Reserve Capital
- B:-Nominal Capital
- C:-Capital Reserve
- D:-Subscribed Capital

Correct Answer:- Option-B

Question57:-Debtore holders are the _____ of a company.

- A:-Debtors
- B:-Owners
- C:-Creditors
- D:-Borrowers

Correct Answer:- Option-C

Question58:-The allotment of shares in case of oversubscription is called _____.

- A:-Pro-rata Allotment
- B:-Private Placement
- C:-Offer for sale
- D:-None of these

Correct Answer:- Option-A

Question59:-Discount or loss on issue of debenture is a _____.

- A:-Capital Profit
- B:-Revenue Receipt
- C:-Capital Loss
- D:-Revenue Expense

Correct Answer:- Option-C

Question60:-Trade liabilities include _____

- A:-Creditors
- B:-Debentures
- C:-Bank Overdraft
- D:-All of these

Correct Answer:- Option-A

Question61:-The left side of the Trading account is known as the _____ side.

- A:-Credit
- B:-Debit
- C:-Asset
- D:-Liability

Correct Answer:- Option-B

Question62:-NPA stands for _____.

- A:-Non-Performing Assets
- B:-Normal Performing Assets
- C:-National Performing Asset
- D:-None of these

Correct Answer:- Option-A

Question63:-Which of the following is not a fixed asset?

- A:-Motor cycles
- B:-Furniture
- C:-Inventory
- D:-Free hold property

Correct Answer:- Option-C

Question64:-The amount of opening stock can be ascertained by preparing

- A:-Manufacturing and Trading Account
- B:-Total Creditors Account
- C:-Total Debtors Account
- D:-Opening Statement of affairs

Correct Answer:- Option-A

Question65:-The amount set aside to meet the loss of bad debt is

- A:-Provision
- B:-Liability
- C:-Reserve
- D:-Contingent Liability

Correct Answer:- Option-A

Question66:-From the following details, find out the opening balance of Sundry Debtors :

Credit Sales - Rs. 3,80,000, Bad debts - Rs. 1,000, Allowances - Rs. 3,000, Cash collected from debtors - Rs. 8,000, Cheques collected - Rs. 3,50,000, Cheques dishonoured - Rs. 2,000, Closing balance - Rs. 55,000

- A:-Rs. 45,000
- B:-Rs. 35,000
- C:-Rs. 70,000
- D:-Rs. 37,000

Correct Answer:- Option-B

Question67:-From the following particulars, determine closing balance of bills receivable account :

Opening balance of B/R - Rs. 1,10,000, B/R encashed - Rs. 4,60,000, B/R dishonoured - Rs. 10,000, B/R received - Rs. 4,90,000

- A:-Rs. 1,30,000
- B:-Rs. 1,40,000
- C:-Rs. 1,20,000
- D:-Rs. 2,60,000

Correct Answer:- Option-A

Question68:-Debit all expenses and losses credit all incomes and gains is the accounting rule for

- A:-Real Account
- B:-Nominal Account
- C:-Personal Account
- D:-Cash Account

Correct Answer:- Option-B

Question69:-_____ are the office documents authenticating the book keeper to pass necessary entries.

- A:-Vouchers
- B:-Ledgers
- C:-Phone messages

D:-Narration

Correct Answer:- Option-A

Question70:-_____ is the book of prime entry.

A:-Balance Sheet

B:-Ledger

C:-Journal

D:-None of these

Correct Answer:- Option-C

Question71:-Wrong book entry of accounts by treating a capital item as a revenue item and vice versa is known as

A:-Error of omission

B:-Error of commission

C:-Compensating error

D:-Error of principal

Correct Answer:- Option-C

Question72:-Find the balance as per bank passbook from the following :

Balance as per cash book - Rs. 2,500, Cheque dishonoured - Rs. 200, Collection charges- Rs. 50, Cheques deposited, but not cleared - Rs. 750, Interest collected by bank - Rs. 200, Cheques issued but not cashed - Rs. 1,200.

A:-Rs. 3,650

B:-Rs. 2,900

C:-Rs. 2,100

D:-Rs. 5,800

Correct Answer:- Option-B

Question73:-A machinery was purchased for Rs. 30,000 on 1-1-2011. The machinery is expected to last for 5 years and the estimated scrap value at the end of five years is Rs. 10,000. Depreciation is considered under straight line system. The value of machinery on 1-1-2013 will be _____.

A:-Rs. 20,000

B:-Rs. 26,000

C:-Rs. 16,000

D:-Rs. 22,000

Correct Answer:- Option-D

Question74:-The commission given to a consignee for bearing the risk of bad debts is called

A:-Forward commission

B:-Del Credere commission

C:-Agent commission

D:-None of the above

Correct Answer:- Option-B

Question75:-Cheques issued are posted on the _____ side of the bank column of Cash Book.

A:-Credit

B:-Debit

C:-Not posted

D:-Posted in both sides

Correct Answer:- Option-A

Question76:-A bill of exchange is an instrument, in writing, containing an _____ signed by the maker.

A:-Promise

B:-Unconditional Order

C:-Undertaking

D:-Deed

Correct Answer:- Option-B

Question77:-The person who draws the bill is called Drawer and the person who accepts the bill is called _____.

A:-Banker

B:-Partner

C:-Drawee

D:-Endorser

Correct Answer:- Option-C

Question78:-The person to whom the bill is endorsed is called _____.

A:-Endorsee

B:-Drawer

C:-Drawee

D:-None of the above

Correct Answer:- Option-A

Question79:-_____ is the date on which a bill becomes payable.

A:-Endorsed date

B:-Due date

C:-Accounting date

D:-Dishonoured date

Correct Answer:- Option-B

Question80:-The three extra days given for the bill is known as _____.

A:-Premium days

B:-Due days

C:-Extra days

D:-Grace days

Correct Answer:- Option-D

Question81:-For a bill drawn on 1st Oct 2008 at 3 months, what will be the maturity date?

A:-1 Dec 2008

B:-4 Dec 2008

C:-4th Jan 2009

D:-1 Feb 2009

Correct Answer:- Option-C

Question82:-The written form of agreement of a partnership is called _____.

A:-Partnership deed

B:-Articles of association

C:-Memorandum

D:-None of the above

Correct Answer:- Option-A

Question83:-The ratio in which partners surrender their profits is known as _____.

A:-Gaining ratio

- B:-Sacrificing ratio
 - C:-Profit sharing ratio
 - D:-None of the above
- Correct Answer:- Option-B

Question84:-Revaluation account is debited for an increase in the value of _____.

- A:-Assets
 - B:-Buildings
 - C:-Liabilities
 - D:-None of the above
- Correct Answer:- Option-C

Question85:-In the case of Patents the reason for the decrease in the value of the asset is

- A:-Obsolescence
 - B:-Physical Wear and Tear
 - C:-Expiry of Legal rights
 - D:-Accident
- Correct Answer:- Option-C

Question86:-_____ is the value which the asset will fetch when discarded as useless.

- A:-Scrap value
 - B:-Cost price
 - C:-Profit
 - D:-None of the above
- Correct Answer:- Option-A

Question87:-Keeping a systematic record of business transactions is known as _____.

- A:-Auditing
 - B:-Journalising
 - C:-Ledger Posting
 - D:-Book keeping
- Correct Answer:- Option-D

Question88:-_____ means that the same accounting principles should be used for preparing financial statements year after year.

- A:-Convention of consistency
 - B:-Convention of materiality
 - C:-Convention of disclosure
 - D:-None of the above
- Correct Answer:- Option-A

Question89:-The difference between the issue price and face value or nominal value of a share is called _____.

- A:-Bonus
 - B:-Depreciation
 - C:-Premium
 - D:-Margin
- Correct Answer:- Option-C

Question90:-The liabilities of a firm are Rs. 70,000 and the capital is Rs. 60,000. The total assets are :

- A:-Rs. 1,30,000
 - B:-Rs. 70,000
 - C:-Rs. 10,000
 - D:-Rs. 50,000
- Correct Answer:- Option-A

Question91:-If the total assets are Rs. 85,000 and the liabilities are Rs. 45,000, find out the amount of capital

- A:-Rs. 1,30,000
 - B:-Rs. 40,000
 - C:-Rs. 90,000
 - D:-Rs. 1,70,000
- Correct Answer:- Option-B

Question92:-If the capital of the proprietor is Rs. 3,50,000 and the total assets are Rs. 5,50,000, what is the amount of liabilities to outsiders

- A:-Rs. 2,00,000
 - B:-Rs. 9,00,000
 - C:-Rs. 7,00,000
 - D:-Rs. 11,00,000
- Correct Answer:- Option-A

Question93:-If creditors are Rs. 56,000, bank overdraft is Rs. 1,00,000 and outstanding expenses are Rs. 8,000, what is the total amount of assets?

- A:-Rs. 36,000
 - B:-Rs. 52,000
 - C:-Rs. 1,64,000
 - D:-Rs. 1,44,000
- Correct Answer:- Option-C

Question94:-Fixed assets are Rs. 80,000 and current assets are Rs. 1,20,000 and the creditors are Rs. 50,000. What is capital?

- A:-Rs. 1,60,000
 - B:-Rs. 60,000
 - C:-Rs. 2,00,000
 - D:-Rs. 1,50,000
- Correct Answer:- Option-D

Question95:-_____ is a statement prepared to measure the financial position of the business on a certain fixed date.

- A:-Profit and Loss Account
 - B:-Trial Balance
 - C:-Balance Sheet
 - D:-Trading Account
- Correct Answer:- Option-C

Question96:-When goods are returned to the supplier, the purchaser will _____.

- A:-Will raise an invoice
 - B:-Will raise a debit note and sent to the supplier
 - C:-Will raise a credit note and sent to the supplier
 - D:-Not require to do anything
- Correct Answer:- Option-B

Question97:-_____ records all receipts and payments in cash.

- A:-P & L Account

- B:-Cash Book
- C:-Pass Book
- D:-Credit Ledger

Correct Answer:- Option-B

Question98:-Credit means

- A:-An increase in the asset
- B:-An increase in liability
- C:-A decrease in liability
- D:-A decrease in owner's equity

Correct Answer:- Option-B

Question99:-Opening stock is shown on the _____ side of the Trading Account.

- A:-Debit
- B:-Credit
- C:-Not shown
- D:-Will be shown in the P & L account only

Correct Answer:- Option-A

Question100:-Selling and distribution expenses are shown on the debit side of the _____ account.

- A:-Trading Account
- B:-Profit and Loss Account
- C:-Balance Sheet
- D:-In (1), (2) and (3) above

Correct Answer:- Option-B