FYBCom Sem I Sub:Accountncy & Financial management

Multiple Choice Questions:

I Stock Valuation and Accounting Standards

1. Weighted Average Cost method can be used under

(a) Only the periodic systems of inventory

(b) Both the systems of inventory- periodic and perpetual

(c) Only the perpetual systems of inventory

(d) Neither the periodic not the perpetual system of inventory

2. An inventory costing method that assumes that those items which have been first in inventory are sold first.

(a) Last in first out

(b) Specific identification

(c) Average

(d) First In First Out

3. If the inventory at the end of the year is overstated by Rs. 7500, the error will cause

(a)Overstatement of cost of goods sold for the year by Rs. 7500

(b)Understatement of gross profit for the year by Rs. 7500

(c) Overstatement of net income for the year by Rs. 7500

(d) Understatement of net income for the year by Rs. 7500

4. The inventory system keeping accounting records that continuously disclose the amount of inventory is called

(a) Periodic

(b) Perpetual

(c) Physical

(d) Retail

5. Lower of cost or market rule is an example of which concept?

(a) Consistency

(b) Conservatism

(c) Realisation

(d) Matching

6. The inventory will not include

(a) Spares for a particular machinery

(b) Maintenance supplies and consumables

(c) Raw material, work in progress and finished goods

(d) Finished goods

7. The inventory of the trading concern will include

(a) Finished goods

(b) Raw material and finished goods

(c) Raw material, work in progress and finished goods

(d) None of the above

8. Under this method, the value of inventory is equal to the actual cost of the units in stock

(a) FIFO

(b) LIFO

(c) Specific Identification

(d) Average

9. Under this method, the value of inventory is equal to the costs of the most recently purchased units

(a) FIFO

(b) LIFO

(c) Specific Identification

(d) Weighted Average

10. Under this method the cost of goods sold is equal to the costs of the earliest purchases; while the value of inventory is equal to the costs of the most recently purchased units

(a) FIFO

(b) LIFO

(c) Specific Identification

(d) Weighted Average

11. Which Accounting Standard deals with recognition of revenue

(a) AS 1

(b) AS 2

(c) AS 10

(d) AS 9

12. AS 9 does not deal with revenue arising from:

(a) Construction contracts

(b) Sale of goods

(c) Service Contracts

(d) Interest

13. ''Revenue" from interest recognized-

(a) When interest is received

(b) When loan is re-paid

(c) When interest accrues on time basis

(d) When loan is taken

14. Revenue from dividends is recognized-

(a) When the payment is received

(b) When the right to receive payment is established

(c) When the amount is credited in the bank account

(d) When the dividend cheque is dispatched by the company

15. Which of the following is not covered under AS 9?

(a) Lease Rent

(b) Dividend

(c) Interest

(d) Royalties

16. Revenue from sale of products, is generally, realized in the period in which

(a) Cash is collected

(b) Sale is made

(c) Products are manufactured

(d) None of the above

17. Sales for the year ended 31st march, 2013 amounted to Rs. 10,00,000. Sales included goods sold to Mr. A for Rs. 50,000 at a profit of 20% on cost. Such goods are still lying in the godown at the buyer's risk. succh goods should be treated as part of

(a) Sales

(b) Closing Stock

(c) Goods in transit

(d) Sales return

18. Where due to foreign exchange control, the sales proceeds cannot be transferred

(a) A bad debt provisions should be created

(b) Recognition cannot take place until permission to transfer funds is granted

(c) The sale is cancelled

(d) Revenue can still be recognized

19. A Bad/ Doubtful debt provision is to be made when

(a) Revenue is recognized and there is risk of non- payment

(b) Revenue is recognized and there is no risk of non- payment

(c) Revenue is not recognized since the revenue cannot be measured

(d) Revenue is not recognized since the revenue is not collectible

20. S Ltd is to receive royalty of Rs, 50 lakh per month. The royalty for the months March is paid later in April. Revenue will be

(a) Rs. 1 crore in April

(b) Rs. 1 crore in February

(c) Rs. 50 lakh each in February and March respectively

(d) Rs. 1 crore in March

21. Trade discounts and value rebate should

(a) Be ignored

(b) Be added to revenue

(c) Be deducted from revenue

22. Revenue from an artistic performance is recognized once

(a) The event takes place

(b) The tickets for the concert are sold

(c) Cash has been received from the ticket sold

(d) The audience registers for the event online

23. According to the Accounting Standard by ICAI, inventories should be valued at

(a) Cost

(b) Realisable Value

(c) The lower of cost or net realizable value

(d) Retail price

24. According to AS 2, cost of inventories should exclude

(a) Direct labour costs

(b) Interest on loans

(c) Production overheads

(d) Cost of designing products for specific customers

25. AS 2 states that, the costs of inventories should be assigned by using preferably

(a) First-in-first out (FIFO) or weighted average cost formula

(b) Retail price or standard cost

(c) Last-in-first out or simple average cost formula

(d) Adjusted selling price or current replacement cost

26. Weighted Average Cost method can be used under

(a) Only the periodic systems of inventory

(b) Both the systems of inventory – periodic and perpetual

(c) Only the perpetual systems of inventory

(d) Neither the periodic nor the perpetual systems of inventory

27. AS 2 – Inventories applies to

(a) Work-in-progress arising under construction contracts

(b) Work-in-progress of service provider

(c) Biological assets related to agricultural activity and agricultural produce

(d) Raw mterialss

28. Which part of the following is not part of inventory?

(a) Finished goods

(b) Raw Material

(c) Spare parts of machinery

(d) Work-in-progress

29. Which one of the following combinations of accounting assumptions are fundamental accounts to Accounting Standard 1:

(a) Going concern, consistency and historic cost

(b) Entity, accrual and materiality

(c) Conservatism, accounting period and prudence

(d) Going concern, consistency and accrual

30. Accounting Standard 1 is:

(a) Recommendatory

(b) Mandatory

(c) Optional

(d) No longer valid

31. Purpose of Accounting Standard 1 is to establish a standard as to

(a) The desirable accounting policies

(b) The fundamental accounting assumptions

(c) Disclosures of accounting policies

(d) Preparation of final accounts

32. Following is an example of accounting policies

(a) Entity

(b) Consistency

(c) Going Concern

(d) Valuation of stock

33. Accounting Standard in India is issued by

(a) Institute of Standards of India (ISI)

(b) Accounting Standard Board of ICAI

(c) The Central Government

(d) The International Accounting Standards Board

34. Accounting Standards are to be used

(a) For computation of taxable income

(b) For calculating net profits available for payment of dividends

(c) In the presentation of general purpose financial statements

(d) For preparing only the cash flow statement

35. It is essential to standardize the accounting principles and policies in order to ensure

(a) Transparency

(b) Consistency

(c) Comparability

(d) Transparency , Consistency,Comparability

II Capital & Revenue

36.Revenue Receipts.

a. Decrease profits
b. Are recurring in nature
c. Decrease assets
d. Are shown in the balance sheet

37.All the expenditure and receipts of revenue nature go to

a. Trading A/c
b. Profit & Loss A/c
c. Balance sheet
d. Both trading & Profit & Loss account

38.If Revenue Expenditure is shown as capital expenditure.

a. Accounts show higher profits but lower assets
b. Accounts shows higher profit and assets
c. Accounts shows lower profits and assets
d. Accounts shows lower profits but higher assets

39.If Capital Expenditure is shown as Revenue Expenditure.

a. Accounts show higher profits but lower assets
b. Accounts shows higher profit and assets
c. Accounts shows lower profits and assets
d. Accounts shows lower profits but higher assets

40.If Revenue receipt is shown as Capital Receipt.

a. Accounts show higher profits but lower liabilities
b. Accounts shows higher profit and liabilities
c. Accounts shows lower profits and liabilities
d. Accounts shows lower profits but higher liabilities

41.If Capital Receipts is shown as Revenue Receipt.

a. Accounts show higher profits but lower liabilities
b. Accounts shows higher profit and liabilities
c. Accounts shows lower profits and liabilities
d. Accounts shows lower profits but higher liabilities

42.Which one of these is a capital expenditure?

a. Purchase of a goods
b. Cost of repairs
c. Wages for installation of machinery
d. Rent of a factory

43.Which one of these is not a capital expenditure?

a. Legal expense for obtaining bank loan
b. Compensation paid to a dismissed employee
c. Brokerage paid for purchase of land
d. Expenses for pulling down and old Structure

44. Which one of these is not a capital receipt?
a. Compensation form Govt. for compulsory acquisition of land
b. Gift from proprietor's father deposited in business bank a/c
c. Insurance claim received for loss of machinery by fire
d. Bad debts recovered during the year

45. Addition of a new wing to the factory - ₹40,000.
a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. None of the above

46. Installation of a gas boiler to replace one using coal.
a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. None of the above

47. New tyres to replace old tyres for delivery van.
a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. Non recurring expenditure

48.Cost of hiring a refrigerator in a fish shop.

a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. Non recurring expenditure

49.Purchased a Drill Machine from Mechanics Co., for 5,000.

a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. Recurring expenditure

50.Amount paid to obtain a license to start the factory.

a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. Recurring expenditure

51.Interest on investment received from UTI.

a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. None of the above

52.Amount received from IDBI as a medium term loan for working capital.

a. Revenue expenditure
b. Capital expenditure
c. Deferred Revenue expenditure
d. None of the above

53. Stock of 25,000 was destroyed by fire of which 15,000 was received from the Insurance Company.

   a. Net revenue loss 10,000
   b. Net revenue loss 25,000
   c. Net revenue receipt □ 15,000
   d. Net capital loss □10,000

54. A Bad Debt recovered during the year.

   a. Revenue expenditure
   b. Capital expenditure
   c. Deferred Revenue expenditure
   d. None of the above

55. 20,000 received from the issue of further 1,000 shares of 10 each at premium.

   a. Capital receipt 10,000,revenue receipt 10000
   b. Capital receipt 20,000
   c. Capital receipt 10,000
   d. Revenue receipt 10000

Final Accounts

56. Cash Discount on purchase of machinery received appearing in the Trial Balance are shown

   a. on the debit side of Profit & Loss A/c
   b. on the credit side of Profit & Loss A/c
   c. on the Assets side of the Balance Sheet

57. Discounts Allowed appearing in the Trial Balance are shown

   a. on the debit side of Trading Account
   b. on the debit side of Profit & Loss A/c
   c. on the Assets side of the Balance Sheet

58.Closing Stock of raw material appearing in the Trial Balance is shown

a. on the credit side of Profit & Loss A/c
b. on the credit side of Trading A/c
c. on the Assets side of the Balance Sheet
d. as deducted from raw material consumed

59.Sales of scrap appearing in the Trial Balance are shown

a. on the credit side of Trading Account
b. on the credit side of Manufacturing Account
c. on the credit side of Profit & Loss A/c
d. in the Balance sheet

60.Trade-mark is

a. Current Assets
b. Ficticious asset
c. Tangible Asset
d. Intangible Asset

61.Prepaid Salaries 5,000 appear in A's Trial Balance. These will appear in

a. Trading Account
b. Profit & Loss Account
c. Balance Sheet
d. Manufacturing Account

62.Drawings are deducted from

a. Sales
b. Profit & Loss Account
c. Balance Sheet
d. Manufacturing Account

63.Income tax paid by Mr. A amounts to Rs 50,000. The amount is

a. To be credited to the Profit and Loss Account
b. To be ignored altogether
c. To be deducted from his capital
d. to be debited to the Trading Account

64.For a Shirt Factory, cotton is

a. Finished Goods
b. Work-in-Progress
c. Raw Materials
d. Asset

65.For a Shirt Factory, cloth converted from cotton is

a. Finished Goods
b. Work-in-progress
c. Raw Materials
d. Asset

66.The final result of a Manufacturing Account shows

a. Gross profit from Manufacturing
b. Net profit from manufacturing
c. Cost of Manufacturing
d. Book Value of factory

67.Work-in-progress in the books of a manufacturer indicates-

a. Partly finished repairs
b. Partly unfinished goods
c. Partly installed factory
d. Partly finished construction

68.Consumption of raw materials is equal to

a. Opening stock + purchases + direct expenses + purchase returns – closing stock
b. Opening stock + purchases - direct expenses - purchase returns – closing stock
c. Opening stock + purchases + direct expenses - purchase returns – closing stock
d. Opening stock + purchases + direct expenses – purchase returns + closing stock

69.Manufacturing account

a. will always have a debit balance
b. will always have a credit balance
c. May sometimes have a credit balance
d. None of the above

70. In the case of a manufacturer, opening stock of finished goods is shown
    a. On the Debit Side of Manufacturing Account
    b. On the Credit side of Trading Account
    c. On the debit side of Trading Account
    d. On the Assets side of the Balance Sheet

71. In the case of Manufacturer, cost of goods manufactured
    a. Appears on the debit of Manufacturing A/c and credit of Trading A/c
    b. Apperars on the credit of Manufacturing A/c and debit of Profit & Loss A/c
    c. Appears on the credit of Manufacturing A/c and debit of Trading A/c
    d. Appears on the debit of Manufacturing A/c credit of Profit & Loss A/c

72. Work-in-progress opening stock 50,000
    a. Will be shown on Credit of Manufacturing A/c
    b. Will be shown on Debit of Trading A/c
    c. Will be shown on Debit of Manufacturing A/c
    d. Will be shown on Credit of Trading A/c

73. Work-in-progress closing stock 60,000
    a. Will be shown on Credit of Manufacturing A/c
    b. Will be shown on Debit of Trading A/c
    c. Will be shown on Debit of Manufacturing A/c
    d. Will be shown on Credit of Trading A/c

74. Opening stock of finished goods 75,000 will be shown-
    a. On the Debit Side of Manufacturing Account
    b. On the Credit side of Trading Account

c. On the Debit side of Trading Account
d. On the Assets side of the Balance Sheet

75. Closing stock of Finished Goods 55,000 will be shown-
   a. On the Debit Side of Manufacturing Account
   b. On the Credit side of Trading Account
   c. On the Debit Side of Trading Account
   d. On the Asset side of the Balance Sheet

76. A's Trial Balance shows the Opening stock 50,000; it will be
   a. Debited to the Manufacturing Account
   b. Debited to the Profit & Loss Account
   c. Deducted from the closing stock in the Balance Sheet

77. B's Trial Balance contains the following information

Bad debts 1,000; Provision for Doubtful debts 1,500.

It is desired to make a Provision for Doubtful Debts of 2,000 at end of the year. Hence net amount to be debited to the Profit & Loss Account is

   a. 4,500
   b. 5,000
   c. 1,500
   d. 3,500

Departmental Accounts

78. Lighting is allocated on the basis of ______ of each department.
   a. No. of electric points
   b. No. of employees
   c. Floor area
   d. Wages

79. No. of workers in each department is not used as a basis of allocation of following expenses
   a. Staff welfare
   b. Carriage Outward
   c. Costs of Canteen
   d. Costs of Personal department

80. Rent and rates are apportioned to different departments on basis of
   a. Floor area occupied
   b. Number of workers
   c. Sales of each department
   d. Value of assets kept

81. Turnover ratio is used in Departmental accounts for the allocation of
   a. Income tax
   b. Legal charges
   c. Depreciation
   d. Advertisement expenses

82. Which one of the following is not allocated in sales ratio?
   a. Advertisement
   b. Bad debts
   c. Commission on sales
   d. Carriage inward

83. Which of the following is not debited to Departmental Profit and Loss account?
   a. Carriage outward
   b. Salaries
   c. Rent and Rates
   d. Commission Received

84. Following entry passed in Departmental Trading account means

   Department A …… Dr

   To Department B

a. Department A send goods and Department B receives goods
b. Department A receives goods and Department B sends goods
c. Both (a) & (b)
d. None of the above

85. Which of the following is not divided in to ratio of number of employees?
a. Salaries
b. Bonus
c. Rent and Rates
d. All of the above

86. Which of the following expenses is an indirect expenses in departmental accounting?
a. Rent
b. Carriage inward
c. Sales
d. Purchases

87. Which of the best basis to allocate an indirect expenses such as Advertising Expenses?
a. Department sales
b. Average cost of equipment used in each department
c. Square feet
d. Number of employees

88. The difference between a department's gross profit and its indirect expenses is
a. Departmental gross profit
b. Departmental net profit
c. Departmental closing stock
d. Net profit taken to balance sheet

89. Indirect expenses are normally
a. Allocated to each department on some reasonable basis

b. Allocated to each department by arbitrary methods
c. Actual expenses determined from departmental day books
d. Ignored when preparing departmental profit and loss account

90. Direct expenses are assigned to departments based on
a. Estimated expenses
b. Actual expenses
c. The percentage of total net sales by each department
d. The percentage of gross sales by each department

91. The total space for a building, which serves as the headquarters for a company, is 40,000 square feet. There are two departments within the company. Department A occupies 12,500 square feet, while Department B uses 27,500 square feet. The total of Building expenses for the year is Rs. 24,000 . what is Department A's allocation for Building Expenses for the year?
a. 7,500
b. 16,500
c. 18,000
d. 6,000

Hire purchase & Installment

92. Under hire purchase system the seller is called ________.
a. buyer
b. .hirer.
c. hire vendor.
d. debtor.

93. An agreement of hiring with option to buy is ___________
a. instalment system.
b. credit system.
c. hire purchase system.
d. cash system.

94. Under which system, ownership is transferred on payment of final installment?
    a. Installment system
    b. .Credit system.
    c. Hire purchase system.
    d. Cash system.

95. Under which system ownership is transferred on signing of the agreement?
    a. Installment system.
    b. Credit system.
    c. Hire purchase system.
    d. Cash system.

96. Under hire purchase system the buyer is called _________
    a. buyer.
    b. hirer.
    c. hire vendor.
    d. debtor.

97. Under hire purchase system, the risk of loss is borne by ____________
    a. buyer.
    b. hirer.
    c. hire vendor.
    d. debtor.

98. Under hire purchase system who has the right to sell __________
    a. buyer.
    b. Hirer
    c. hire vendor
    d. debtor.

99.Under hire purchase system, the agreement can be _________.

a. renewed.
b. registered.
c. terminated.
d. endorsed.

100. Hire purchase system is governed by ___________

a. Hire Purchase Act 1972.
b. Hire Purchase Act 1973.
c. Hire Purchase Act 1974.
d. Hire Purchase Act 1975.

101. Cash price plus interest is _________

a. installment price.
b. hire purchase price.
c. maximum retail price.
d. retail price.

102. The immediate amount paid under hire purchase system is called __________

a. cash price
b. retail price.
c. Interest
d. down payment.

103. Under hire purchase system, interest is calculated on _______.

a. cash price.
b. hire purchase price
c. MRP.
d. outstanding balance.

104. In the books of hirer, for payment of down payment, hire vendor account will be _______.

a. debited
b. credited.
c. rectified.
d. reversed.

105. In the books of Hirer, the interest and depreciation account will be transferred to ______.

a. Trading account.
b. P & L account.
c. P & L appropriation account.
d. Balance sheet.

106. In the books of hire vendor, which account will be debited for hire sales _______

a. buyer.
b. hire Purchaser.
c. hire vendor.
d. debtor.