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Question # 1

Which of the following section of cash flow statement shows the cash effects of those transactions reported in the income statement?

Cash flow from investing activities

Cash flow from financing activities

Cash flow from operating activities

All parts show effects of different transactions of income statement

Question # 2

If we take goods for own use we should:

Debit - Drawings Account: Credit - Purchases Account

Debit - Drawings Account: Credit - Stock Account

Debit - Purchases Account: Credit - Drawings Account

Debit - Sales Account: Credit - Stock Account

Question # 3

The income statement of the UBL shows the interest revenue of Rs. 6,000, and the amount of accrued interest receivable has increased from Rs. 3000 to Rs. 4000 during the year. Calculate the amount of interest received.

Rs. 7000

Rs. 5000

Rs. 8000

Rs. 1000

Question # 4

Which of the following is an example of an accrual?

Six months' rent paid in advance
Interest earned but not yet received

Question # 5
Net current assets are equivalent to:
Stock plus debtors plus cash
Current liabilities less current assets
Working capital
Fixed assets plus current assets less current liabilities

Working capital= Current assets minus current liabilities.

Question # 6

Accounting is called the "language of business" because_____
It communicates the financial information to the Management only
In order to run a business one must have knowledge about accounting
Different business accounts are involved in financial statements
It helps to organize and communicate financial information to end users

Page 1 In the case of the business entity, accounting would deal with measuring, recording and communicating the results of business activities. That is why; Accounting is often called "Language of Business".

Question # 7
In which of the following account, a credit balance would be an evidence for a mistake or an error?
Mr. A Capital Account
Cash account
Notes payable account page 6
Drawings account

Which of the following represents the main step(s) of accounting cycle?
Recording the transactions
Classifying the transactions
Ordering, summarizing, counting the transactions
Recording, classifying, summarizing transactions

The accounting process or cycle has the following five steps.

1. Identifying the financial transaction 2. Recording Of Financial Transactions 3. Classifying Financial Transactions 4. Summarizing Financial Transactions 5. Communicating the Results of Business

Question # 8

A company purchased the land in exchange for the capital stock; it would affect which of the following?

Cash flow from operating activities

Cash flow from investing activities

Cash flow from financing activities

It would not affect any section

Question # 9

Primary purpose of the cash flows statement is to provide the information about:

Errors or discrepancies between cash book and income statement

Receipts and payments of cash in the period

Non cash adjustment that effect the income statement

Cash paid to the customers and creditors of the business

A primary purpose and objective of cash flow statement is to provide information about the cash receipts and cash payments of a business entity for the accounting period covered by the income statement.

Question # 10 Cash has been described as:

The lifebuoy of the business

The lifeboat of the business

The lifeline of the business

The lifeblood of the business

Question # 11

If a company has paid dividends on its preference shares, under which one of the cash flow statement headings would they appear?

Returns on investments and servicing of finance

Financing

Equity dividends paid

Capital investment and financial investment

Ref: <http://www.oup.com/uk/orc/bin/9780199264711/01student/mcqs/ch09/>

Question # 12

Which of the following is the third step of accounting cycle?

Preparing financial statements

Preparing trial balance

Posting

Making adjusting entries

Question # 13

which of the following term refers to each element of the Balance Sheet?

Ledger

Journal General

T- Account

Account

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Each element/sub-element of the balance sheet is named as "**Account**",

Question # 14

Which of the following is the most common adjusting entry?

Un-earned revenue

Pre-paid expense

Depreciation expense

Accrued revenue

Question # 15

Which of the following account would NOT be closed to the income summary account at the end of a period?

Rent expense

Revenue earned

Wages expense

Accumulated depreciation

Question # 16

How the transactions in a journal are initially recorded?

Alphabetical order

Ascending order

Chronological order

Alphanumeric order

Question # 17

The true and fair presentation of the financial statements depends, among other things, upon which of the following?

Strong financial position

Concept of materiality

Matching principle

Realization principle

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Question # 18

Use the following information to calculate net cash from investing activities: sell a capital asset for Rs. 10,000 cash and a Rs. 1,000 gain; purchase a bond investment for Rs. 16,000; receive Rs. 2,000 interest payment from the bond investment; and pay off a Rs. 3,000 mortgage payable.

Rs. 6,000 net cash

Rs. 4,000 net cash

Rs. 5,000 net cash

Rs. 9,000 net cash

Question # 19

Which one of the following statement shows the effects of cash inflows and outflows?

Balance Sheet

Statement of Owner's Equity

Income Statement

Statement of Cash Flows

Question # 20

Journal entries are done at the end of the accounting period for which type of accounts?

Assets and liabilities

Office supplies and office equipment

Raw material and office supplies

Depreciation and expenses

Immediate recording of every event in some cases is not practical e.g. raw material, office supplies, depreciation. Journal entries of such expenses are recorded at the end of accounting period and are called adjusting entries.

Question # 21

Which one of the following is usually classified as an inventory item? :

Goods purchased for resale to customers

Items purchased and used by the company such as office supplies

Items purchased for a specific customer job

Items purchased and the quantity on hand does not need to be tracked

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Inventory: This consists of items held for sale or used in manufacture of products that would be sold. Inventory in merchandising business consists of goods owned and held for sale.

Question # 22

In the long run, a business must generate positive net cash flow from which of the following activities, if it is to survive?

Investing activities

Financing activities

Operating activities

Non cash activities

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In the long run Cash flow from operations must be positive.

Question # 23

If the estimated amount of depreciation on equipment for a period is Rs.2000, the adjusting entry to record depreciation would be:

Depreciation expense - Debit; Equipment - Credit

Depreciation expense - Debit; Accumulated depreciation - Credit

Equipment - Debit; Depreciation expense - Credit

Accumulated depreciation - Debit; Depreciation expense - Credit

Question # 24

According to _____ the personal expenses paid by Mr. A from his own pocket would not be recorded in business books of account.

Realization principle

Separate entity principle

Matching principle
Materiality principle

Question # 25

Financial statements are a subset of which of the following?

Financial reporting

Financial statement analysis

Accounting information

Accounting system

Question # 26

Which of the following account will appear in the post-closing trial balance?

Owner's Capital

Service Fees Earned

Income Summary

Owner's Withdrawals

Question # 27

When cash flow statement is prepared by using indirect method, which part of it is different from the direct method?

Cash flow from investing activities

Cash flow from financing activities

Cash flow from operating activities

All parts are same in both methods

Question # 28

Which of the following people and groups are NOT interested in cash flow statements of a company?

Select correct option:

Accounting personnel

Potential customers

Potential creditors

Potential employees

People and groups interested in cash flow statements include: Accounting personnel, Potential lenders or creditors, Potential investors, , Potential employees or contractors, Shareholders of the business.

Question # 29

Which of the following is an example of an accrual?

Equipment purchased for use in the business
Book-keeping fees collected but not yet earned
Six months' rent paid in advance
Interest earned but not yet received

Question # 30

Which one of the following transactions should be classified as a financing activity?

Purchase of equipment
Purchase of treasury stock
Sale of trademarks
Income tax refund

Question # 31

Accelerated depreciation method is mostly used for _____.

Financial statements
Assets valuation
Inventory valuation
Income tax returns

Question # 32

Depreciation is added back to profit when arriving at the cash flow from operating activities because:

Depreciation is only an estimated amount
Depreciation does not affect profit
Depreciation does not result in a flow of cash
Depreciation only affects the balance sheet, not the profit and loss account

Question # 33

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

Deduct opening stock from cost of goods sold
Look in the stock account
Deduct cost of goods sold from sales
Do this by stocktaking

Question # 34

Even though LIFO generally results in lower reported earnings, firms will use LIFO which of the following reasons?

Decreased cash flows from higher taxes
Increased cash flows from lower taxes (not sure)
Increased cash flows from higher taxes
Decreased cash flows from lower taxes

Question # 35

Identify the statement that is NOT true about the Incomes Account and Expenses Account:

These are the temporary accounts

These are closed in Income summery account

These may included in closing trial balance

These are also known as Nominal Accounts

Question # 36

Which of the following terms present a cause and effect relationship with each other?

Income statement and balance sheet

Revenue and assets

Assets and liabilities

Revenues and expenses

Question # 37

Which of the following company would like to use the accelerated depreciation method?

A company with large tax burdens

A company with low tax burdens

A company that wan to report high net income

A company that want to report huge assets

These methods provide a greater tax shield effect than straight line depreciation, and so companies with large tax burdens might like to use accelerated depreciation methods.

Question # 38

The cash flow from investing activities shows the cash effects of which of the following?

Income statement items

Long term assets items

Long term liability & stockholder's equity

Long term liability and long term assets

Question # 39

Pre-paid expense is a(n) _____ type of account.

Liability

Asset

Revenue
Expense

Question # 40

Which of the following should NOT be called "Sales"?

Goods sold for cash

Office fixtures sold

Goods sold on credit

Sale of item previously included in 'Purchases'

Question # 41

Which of the following is true about "After closing trial balance"?

It may consist of balances of only Real and Personal accounts

It may consist of balances of only Nominal and Real accounts

It may consist of balances of Nominal, Real and Personal accounts

It may consist of balances of only Nominal and Personal accounts

Question # 42

Audit opinions can NOT be classified as which of the following?

Adverse opinion

Unqualified opinion

Qualified opinion

Disagreement of opinion

Question # 43

Which of the following is an inventory pricing procedure in which the oldest costs incurred rarely have an effect on the ending inventory valuation?

FIFO

LIFO

Specific identification

Weighted-average

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In the FIFO method, oldest available purchase costs are transferred to cost of goods sold. That

Means the cost of goods sold has a lower value and the profitability of the organization becomes higher.

Question # 44

The users of a statement of cash flows usually are interested in:

Select correct option:

Net cash flow from operating activities

Net cash flow from investing activities

Net cash flow from financing activities (not sure)

Net cash flow from non-cash transactions

Question # 45

Which one of the following is the most common type of opinion given by the auditor?

Select correct option:

Unqualified opinion

Qualified opinion

Adverse opinion

Disclaimer of opinion

Question # 46

Which of the following is a special temporary account used to close all of the revenue and expense accounts?

Close-out Summary

Owner's Capital

Income Summary

Temporary Summary

Page 35 Revenue and expense accounts are closed at the end of each accounting period by transferring their balances to a summary account called income summary.

Question # 47

End product of the accounting cycle is known as the_____

Tax return

Financial statements

Auditor's annual report

Annual general meeting

Question # 48

Which of the following is NOT one of the four basic financial statements?

Balance sheet

Audit report

Income statement

Statement of cash flows

Question # 49

Which of the following is NOT a cash outflow for the firm?

Depreciation expense

Dividends payments

Interest payments

Tax payments

Question # 50

Which of the following principle states that the assets are purchased for the use and not for resale purpose?

Stable Currency principle

Objectivity Principle

Going-concern principle

Cost Principle

Page no 3 Going-concern assumptions: connected with cost principle, assets acquired for use and not for resale.

Question # 51

Which of the following expenses would normally be classified as Other or Non Operating Expense on a multiple-step income statement?

Interest expense

Depreciation expense

Insurance expense

Salaries expense

Question # 52

Which of the following would be considered a cash-flow item from an "operating" activity?

Cash outflow to the government for taxes

Cash outflow to shareholders as dividends

Cash inflow to the firm from selling new common equity shares

Cash outflow to purchase bonds issued by another company

Question # 53

Which of the following principle provides the definite and factual basis for assets valuation?

Stable Currency principle

Objectivity Principle

Matching Principle
Cost Principle

Question # 54

The basic purpose of financial statements is to assist users in evaluating the_____

- Financial position
- Profitability of an organization
- Future prospects
- All of the given options**

Question # 55

The sale of a depreciable asset resulting in a loss indicates that the proceeds from the sale were:

- Less than current market value
- Greater than cost
- Greater than book value
- Less than book value**

Question # 56

The appropriate journal entry to record equipment depreciation expense would consist of a debit to Depreciation Expense and a credit to which of the following accounts?

- Equipment
- Accumulated Depreciation: Equipment**
- Retained Earnings
- Cash

Question # 57

Which of the following truly represents expenses?

- Future benefits**
- Past results
- Cost of doing business
- Past receipts

Question # 58

Capital assets of Rs. 120,000 were purchased for cash. A capital asset was sold at a gain of Rs. 40,000. Amortization expense was Rs. 138,000. What amount would appear on the Cash Flow Statement as "Sale of Capital Asset?"

Rs. 40,000 (not sure)

Rs. 130,000

Rs. 170,000

Rs. 225,000

Question # 59

Decision makers compare net income to net cash from operating activities. To make these amounts more comparable, the same accounts are included in each. The following accounts are used to compute both net income and net cash from operating activities EXCEPT:

Dividends declared and paid

Dividend revenue

Interest expense

Interest revenue

Question # 60

Which of the following refers to the term "posting"?

The recording of transactions

The system of giving numbers to the accounts

Transferring the debits and credits to ledger

Transferring the debits and credits to journal

Question # 61

The definition of cash as used in "Cash Flow Statements" includes:

Only cash balances

Only bank balances

Bank balances and bank overdrafts

Cash in hand plus bank balances less bank overdrafts

Question # 62

Which of the following principle is used for recording revenue?

Matching Principle

Cost Principle

Realization Principle

Objectivity Principle

Question # 63

An entry that effects more than one accounts is known as _____.

Journal entry

Compound entry

Adjusting entry

Reversing entry

Question # 64

Which of the following auditor's opinion shows the inability of the auditor to audit the accounts of a business?

Qualified Opinion

Adverse Opinion

Unqualified Opinion

Disclaimer of Opinion

Question # 65

Which of the following is the largest single expense of most merchandising firms?

Cost of goods sold

Rent Expense

Amortization Expense

Salaries Expense

Question # 66

Which of the following type of reports is most frequently used by external users, such as investors?

Financial Statements

Tax Forms

Management Reports

Audit reports

Question # 67

Which of the following best describes the meaning of the term "Purchases"?

Goods bought on credit

Goods paid

Goods bought for resale

Items bought

Question # 68

All of the following accounts would be closed in Income Summary Account EXCEPT:

Commission earned account

Prepaid insurance

Salaries Expense account

Wages account

Question # 69

Which of the following is NOT one of the three items required to be shown in the heading of a financial statement?

The preparation date of the financial statement

The title of the financial statement

The unit of measure in the financial statement

The name of the business entity

Question # 70

If a company has paid dividends on its preference shares, under which one of the cash flow statement headings would they appear?

Returns on investments and servicing of finance

Financing

Equity dividends paid

Capital investment and financial investment

Which of the following arrangement is used to maintain the accounts?

Sequentially

Alphabetically

Monthly

Orderly

Page no 8 Orderly arrangements of Accounts is to be maintained.