



**MIDTERM EXAMINATION**  
**MGT101- Financial Accounting (Session - 5)**

**Time: 60 min**  
**Marks: 50**

**Question No: 1 ( Marks: 1 ) - Please choose one**

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Classify and summarize financial information
- ▶ **All of the given options**

**Question No: 2 ( Marks: 1 ) - Please choose one**

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciable assets**
- ▶ Unlimited assets
- ▶ None of the given options

**Question No: 3 ( Marks: 1 ) - Please choose one**

Accountancy covers which of the following area(s):

- ▶ Book-keeping
- ▶ Accounting
- ▶ Auditing
- ▶ **All of the given options**

**Question No: 4 ( Marks: 1 ) - Please choose one**

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following transaction have **NO** effect on stockholders' equity?

- ▶ **Purchase of land on credit**
- ▶ Dividends to stockholders
- ▶ Net loss

- ▶ Investment in cash by stockholders

**Question No: 6 ( Marks: 1 ) - Please choose one**

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **Capital account**

**Question No: 7 ( Marks: 1 ) - Please choose one**

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

- ▶ **Any cheque drawn to creditor but not paid by bank**
- ▶ Interest credited by the bank in pass book
- ▶ Cheque deposited but not credited by the bank
- ▶ Dividend collected by bank on behalf of the customer

**Question No: 8 ( Marks: 1 ) - Please choose one**

The cost of moving plant and machinery to a new site will be treated as:

- ▶ **Revenue expense**
- ▶ **Capital expense**
- ▶ Administrative expense
- ▶ Operating expense

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** true about Capital Expenditure?

- ▶ Creates future benefits
- ▶ Incurred to acquire fixed assets
- ▶ Incurred to increase the economic life of existing fixed assets
- ▶ **Reduce the profit of the concern**

**Question No: 10 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit
Sold	10 units @ 10 35 units @ 11 40 units @ 12
	<b>Balance</b> 20 units @ 13 = 260

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.268

**Question No: 11 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225
	Opening Stock			100
	Add purchases			1125
	Total material available for sale			1225
	Less closing **			320
	Cost of good sold			905

Detail of 80 units sold

10 @ 10  
35 @ 11  
35 @ 12

now remaining are

5 units @ 12 = 60

20 units @ 13 = 260

closing stock = 25 units and value = 320

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ Rs. 965
- ▶ **Rs. 905**

**Question No: 12 ( Marks: 1 ) - Please choose one**

If, Cost of machine = Rs.400, 000  
Useful life = 5 years  
Residual value = Rs.25, 000

The depreciation of machine per year using straight line method is?

$$= 400,000 - 25000 / 5 = 75000$$

- ▶ Rs. 160,000
- ▶ Rs. 96,000
- ▶ **Rs. 75,000**
- ▶ Rs. 57,600

**Question No: 13 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

Asset year 1 = 100,000 - 15000 = 85000  
Year 2 = 85000 - 15000 = 70000  
Year 3 = 70000 - 15000 = 55000  
Year 4 = 55000 - 15000 = 40000  
Book value after year 5 = 40000 - 15000 = 25000

- ▶ **Rs.25, 000**
- ▶ Rs. 75,000
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 14 ( Marks: 1 ) - Please choose one**

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ▶ **Depreciation**
- ▶ Accumulated Depreciation
- ▶ Appreciation
- ▶ Written Down Value

**Question No: 15 ( Marks: 1 ) - Please choose one**

In balance sheet fixed assets are shown at:

- ▶ Cost price
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

**Question No: 16 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement, the 'cost of material consumed' is equal to:

- ▶ **Opening raw material inventory + Purchases – Ending raw material inventory**
- ▶ Opening raw material inventory - Purchases + Ending raw material inventory
- ▶ Ending raw material inventory + Opening raw material inventory - Purchases
- ▶ Ending raw material inventory + Opening raw material inventory + Purchases

**Question No: 17 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Direct materials costs	80,000
Direct labor costs	50,000
Manufacturing overhead costs	60,000
Prime cost = dm + dl	<b>130000</b>

▶ **Rs.1 Rs.130, 000**

- ▶ Rs.110, 000
- ▶ Rs.140, 000
- ▶ Rs.190, 000

**Question No: 18 ( Marks: 1 ) - Please choose one**

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

**Question No: 19 ( Marks: 1 ) - Please choose one**

Following are the inventories of Manufacturing Concern **EXCEPT**:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

**Question No: 20 ( Marks: 1 ) - Please choose one**

If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

- ▶ Rs. 5,000 Loss
- ▶ **Rs. 5, 000 Profit**
- ▶ Rs.1, 95,000 Profit
- ▶ Rs.1, 95,000 Loss

**Question No: 21 ( Marks: 1 ) - Please choose one**

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)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **All of the given options**

**Question No: 22 ( Marks: 1 ) - Please choose one**

The return of goods by a customer should be debited to:

- ▶ Customer's account
- ▶ Sales return account
- ▶ Goods account
- ▶ Accounts receivable

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited in the books of ABC Co. Ltd., if furniture is purchased on cash?

- ▶ Furniture account
- ▶ Cash account
- ▶ Business account
- ▶ Bank account

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, If Mr. "A" started business with cash Rs. 2, 00,000?

- ▶ Capital account
- ▶ Cash account
- ▶ Mr. A's account
- ▶ Business account

**Question No: 25 ( Marks: 1 ) - Please choose one**

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

- ▶ Mr. "B" / Accounts Receivable account (Dr) and Sales account (Cr)
- ▶ Cash account (Dr) and sales account (Cr)
- ▶ Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
- ▶ Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

**Question No: 26 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** an item of a Balance Sheet?

- ▶ Accounts Receivable
- ▶ Accounts Payable
- ▶ Sales Revenue
- ▶ Marketable Securities

**Question No: 27 ( Marks: 1 ) - Please choose one**

Accounts Receivable & Inventory are the examples of:

- ▶ Liquid assets
- ▶ Current assets
- ▶ Fixed assets
- ▶ Capital assets

**Question No: 28 ( Marks: 1 ) - Please choose one**

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

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet**
- ▶ Income & Expenditure Account

**Question No: 29 ( Marks: 1 ) - Please choose one**

Which of the following summarizes the cash movements during a specified period?

- ▶ Trading account
- ▶ Profit & Loss account
- ▶ **Receipts & Payments account**
- ▶ Balance Sheet

**Question No: 30 ( Marks: 1 ) - Please choose one**

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ Balance Sheet
- ▶ **Trading and Profit & Loss account**
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings

**Question No: 31 ( Marks: 1 ) - Please choose one**

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ **Debit Balance**
- ▶ Positive Balance
- ▶ Credit Balance

**Question No: 32 ( Marks: 1 ) - Please choose one**

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

**Question No: 33 ( Marks: 1 ) - Please choose one**

Which of the following is used to record financial transactions in chronological (day-to-day) order?

- Voucher
- General Journal
- General Ledger
- Trial balance

**Question No: 34 ( Marks: 1 ) - Please choose one**

When a Liability is reduced or decreased, it is recorded on the:

- Right or debit side of the account
- Left or debit side of the account
- Left or credit side of the account
- Right or credit side of the account

**Question No: 35 ( Marks: 1 ) - Please choose one**

What is the nature of an expense account?

- Debit
- Credit
- Revenue
- None of the given options

**Question No: 36 ( Marks: 1 ) - Please choose one**

Economic resources owned by a business and expected to benefit for the future operations are called:

- Expenses
- Assets
- Capital
- Liabilities

**Question No: 37 ( Marks: 1 ) - Please choose one**

Assets total Rs.50, 000 and Liabilities total Rs.10, 000. What is the equity of the business?

- Rs. 40, 000
- Rs. 60, 000
- Rs. 10,000
- Rs. 50,000

**Question No: 38 ( Marks: 1 ) - Please choose one**

An expense incurred by the business for the purchase of land & building is an example of:



- ▶ Capital Expense
- ▶ Revenue Expense
- ▶ Deferred Expense
  
- ▶ Preliminary Expense

**Question No: 39 ( Marks: 1 ) - Please choose one**

Which of the following is non- profit organization?

- ▶ Sole proprietorship
- ▶ Partnership
- ▶ Limited company
- ▶ Trust

**Question No: 40 ( Marks: 1 ) - Please choose one**

The area of accounting concerned with reporting financial information to the interested parties is called:

- ▶ Cost Accounting
- ▶ Financial Accounting
- ▶ Management Accounting
- ▶ Tax Accounting

journal			
Date	Particulars	(Dr.)	(Cr.)
		Rs.	Rs.
2008 jan1	Cash account	50,000	
	Capital account (owner invested cash )		50,000
jan.2	Furniture account	10,000	
	Cash account (purchased furniture for cash)		10,000
Jan.3	Purchases account	30,000	
	Cash account (goods purchased for cash)		30,000
Jan.5	Cash account	40,000	
	Sales account (sold goods for cash)		40,000
Jan. 6	Salaries account	5,000	
	Cash account (Salaried paid)		5,000

**Question No: 41 ( Marks: 10 )**

**Prepare Cash and Capital Accounts with the help of given Journal entries.**

CASH A/C (IN STATEMENT FORM)

Date	V. No	Detail	Ref	Debit	Credit	Balance
01/01/08		CAPITAL A/C		50000	0	50000 DR
02/01/08		FURNITURE A/C		0	10000	40000 DR
03/01/08		PURCHASES A/C		0	30000	10000 DR
05/01/08		SALES A/C		40000	0	50000 DR
06/01/08		SALARIES A/C		0	5000	45000 DR
		TOTAL		90000	45000	45000 DR

**MGT101- Financial Accounting (Session - 2)**

**Time: 60 min**

**Marks: 50**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	3,00,000
Cost of machine purchased during the year	50,000
Depreciation during the year	9,000
closing written down value (WDV) of the Machine	?

▶ Rs. 3, 41,000

▶ Rs. 3, 50,000

▶ Rs. 3, 59,000

▶ Rs. 59,000

<http://groups.google.com/group/vuZs>

**Question No: 2 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

▶ Rs. 2, 25,000

▶ Rs. 2, 50,000

▶ Rs. 2, 75,000

▶ Rs. 75,000

**Question No: 3 ( Marks: 1 ) - Please choose one**

Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

▶ Rs. 49,000

▶ Rs. 55,000

▶ Rs. 1, 25,000

▶ Rs. 1, 03,000

**Question No: 4 ( Marks: 1 ) - Please choose one**

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

- ▶ Rs. 60,385 owner's equity
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

**Question No: 5 ( Marks: 1 ) - Please choose one**

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

- ▶ Rs. 2, 01,000 liabilities
- ▶ Rs. 1, 11, 000 liabilities
- ▶ Rs. 2, 90, 000 liabilities
- ▶ Rs. 2, 91, 000 liabilities

**Question No: 6 ( Marks: 1 ) - Please choose one**

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ Finished goods account
- ▶ Merchandise account

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following assets are shown at written down value in balance sheet?

- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets
- ▶ Fixed assets

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ Land

**Question No: 9 ( Marks: 1 ) - Please choose one**

The main goal of Bank Reconciliation Statement is to determine:

- ▶ If the discrepancy is due to error rather than timing

- ▶ If the discrepancy is due to timing rather than error
- ▶ If the discrepancy is due to error rather than amount
- ▶ If the discrepancy is due to amount rather than timing

**Question No: 10 ( Marks: 1 ) - Please choose one**

Sale proceeds of goods are an example of:

- ▶ Revenue expense
- ▶ Capital expense
- ▶ Capital receipt
- ▶ Revenue receipt

**Question No: 11 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** true about revenue expenditure?

- ▶ These are the running expenses of the business
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern
- ▶ They do not appear in the balance sheet

**Question No: 12 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

**Question No: 13 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225

- ▶ Rs. 1,015
- ▶ Rs. 965
- ▶ **Rs. 905**

**Question No: 14 ( Marks: 1 ) - Please choose one**

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Rate of depreciation= 40%

The book value of machine after one years using diminishing balance method is ?

- ▶ Rs.86, 400
- ▶ Rs. 1, 44,000
- ▶ **Rs. 2, 40,000**
- ▶ Rs. 51,840

**Question No: 15 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ **Rs.25, 000**
- ▶ Rs. 75,000
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 16 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 17 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

- ▶ Rs. 60,000 loss
- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 1, 00,000 profit

**Question No: 18 ( Marks: 1 ) - Please choose one**

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ Conversion cost
- ▶ Sunk cost
- ▶ Opportunity cost

**Question No: 19 ( Marks: 1 ) - Please choose one**

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ A piece of wood for the production of chair
  - ▶ Production worker's wages
- ▶ Depreciation expenses

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which of the following journal entry will be recorded, if the payment of furniture purchased is made through cheque?

- ▶ Furniture account (Dr) and Bank account (Cr)
- ▶ Furniture account (Dr) and Profit & Loss account (Cr)
- ▶ Furniture account (Dr) and Cash account (Cr)
- ▶ Cash account (Dr) and Furniture account (Cr)

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which one of the following statement is **CORRECT** about Long term liabilities?

- ▶ These are due within one year
- ▶ These are consist of all debts, payable after 12 months
- ▶ In working capital, these are deducted from current assets
- ▶ All of the given options

**Question No: 29 ( Marks: 1 ) - Please choose one**

What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ All of the given options

**Question No: 30 ( Marks: 1 ) - Please choose one**

While making Income & Expenditure account, Excess of income over expenses in a

specified accounting period is called:

- ▶ Deficit
- ▶ **Surplus**
- ▶ Profit
- ▶ Loss

**Question No: 31 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ **Profit & Loss account**
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

**Question No: 32 ( Marks: 1 ) - Please choose one**

Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ **Trading and Profit & Loss account**
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings
- ▶ Balance Sheet

**Question No: 33 ( Marks: 1 ) - Please choose one**

Which of the following period is known as a fiscal Year of the Government of Pakistan?

- ▶ 1<sup>st</sup> January to 31<sup>st</sup> December
- ▶ 1<sup>st</sup> June to 31<sup>st</sup> May
- ▶ **1<sup>st</sup> July to 30<sup>th</sup> June**
- ▶ 1<sup>st</sup> October to 30<sup>th</sup> September

**Question No: 34 ( Marks: 1 ) - Please choose one**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

**Question No: 35 ( Marks: 1 ) - Please choose one**

Obligations to pay cash or un-earned incomes by the business are the:

- ▶ Assets
  - ▶ **Liabilities**
  - ▶ Equities
  - ▶ Expenses

**Question No: 36 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ Double entry book keeping
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 37 ( Marks: 1 ) - Please choose one**

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ Latin
- ▶ English
- ▶ French
- ▶ Chinese

**Question No: 38 ( Marks: 1 ) - Please choose one**

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

**Question No: 39 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ Both cash and accrual accounting
- ▶ None of the given options

**Question No: 40 ( Marks: 1 ) - Please choose one**

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Structure information
- ▶ All of the given options

**Question No: 41 ( Marks: 10 )**

Record the following transactions in the General Journal.

Date:	Transactions
Jan 1, 2007	Mr. Asghar started business with cash Rs. 1, 00,000.
Jan 2, 2007	Opened bank account with amount Rs. 50,000.
Jan 4, 2007	Purchased goods for cash Rs. 15,000.
Jan 9, 2007	Payment made to Karachi store (Creditor) Rs. 15,000 by cheque.
Jan14, 2007	Goods returned to Karachi store worth Rs. 1,500.
Jan22, 2007	Goods sold for cash Rs. 2,000.



DR

Bank account 50,000

Purchased goods for cash Rs. 15,000

Payment made to Karachi store (Creditor) Rs. 15,000 by cheque

Goods returned to Karachi store worth Rs. 1,500

Credit balance 20500

Cr

Mr. Asghar started business with cash Rs. 1, 00,000

Goods sold for cash Rs. 2,000.

### MIDTERM EXAMINATION

7<sup>th</sup> Dec 2009

### MGT101- Financial Accounting

**Question No: 1 ( Marks: 1 ) - Please choose one**

Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only
- ▶ **Both cash sales and credit sales**

**Question No: 2 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

**Question No: 3 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** an example of Current Asset?

- ▶ **Bank Overdraft**
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

**Question No: 4 ( Marks: 1 ) - Please choose one**

We can say that the business is in profit, when:

- ▶ Assets exceed Expenditure
- ▶ **Assets exceed Liabilities**
- ▶ Income exceeds Expenditure
- ▶ Income exceeds Liabilities

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Cash Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

**Question No: 6 ( Marks: 1 ) - Please choose one**

Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only
- ▶ **Both cash sales and credit sales**

**Question No: 7 ( Marks: 1 ) - Please choose one**

Economic resources owned by a business and expected to benefit for the future operations are called:

- ▶ Expenses
- ▶ **Assets**
- ▶ Capital
- ▶ Liabilities

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

**Question No: 9 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- ▶ **Rs.15,000**
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 10 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 11 ( Marks: 1 ) - Please choose one**

Which of the following account will be debited, if business bought goods on cash from Mr. Ali?

► Purchases account

- Mr. Ali account
- Cash account
- Sales account

**Question No: 12 ( Marks: 1 ) - Please choose one**

A summarized record of transactions related to individuals or things is called a/an \_\_\_\_.

► Account

- Voucher
- Journal
- Trial balance

**Question No: 13 ( Marks: 1 ) - Please choose one**

When a assets is increased, it is recorded on the:

- Right or debit side of the account
- Left or debit side of the account
- Left or credit side of the account
- Right or credit side of the account

**Question No: 14 ( Marks: 1 ) - Please choose one**

Cost incurred for the maintenance of shop is considered as \_\_\_\_\_.

- Deferred expense
- Capital expense
- Revenue expense
- Preliminary expense

**Question No: 15 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- Accrual accounting only
- Cash accounting only
- Both cash and accrual accounting
- None of the given options

**Question No: 16 ( Marks: 1 ) - Please choose one**

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- Appreciation
- Depreciation
- Fluctuation
- None of the given options

**Question No: 17 ( Marks: 1 ) - Please choose one**

Under the reducing balance method of depreciation:

- Amount of depreciation increases every year
- Amount of depreciation remains constant for every year
- Amount of depreciation decreases every year
- None of the given options

**Question No: 18 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- Rs.260

- ▶ Rs.232
- ▶ Rs.284
- ▶ **Rs.320**

**Question No: 19 ( Marks: 1 ) - Please choose one**

	Rs. 1,00,000
Cost of asset	
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Profit or Loss	?

- ▶ **Rs.25, 000**
- ▶ Rs. 75,000
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 20 ( Marks: 1 ) - Please choose one**

In accounting accumulated depreciation is:

- ▶ Treated as a reserve
- ▶ Treated as a contra asset
- ▶ Treated as a surplus
- ▶ **Treated as an expense**

**Question No: 21 ( Marks: 1 ) - Please choose one**

Cash book is a part of:

- ▶ Voucher
- ▶ General Journal
- ▶ **General Ledger**
- ▶ Trial Balance

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following organization converts raw material into finished goods?

- ▶ Trading concern
- ▶ **Manufacturing concern**
- ▶ Merchandising concern
- ▶ Service concern

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

**Question No: 25 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 26 ( Marks: 1 ) - Please choose one**

A book, in which receipts and payments are recorded, is known as:

- ▶ Pass Book
- ▶ **Cash Book**
- ▶ Purchase Book
- ▶ Sales Book

**Question No: 27 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

**Question No: 29 ( Marks: 1 ) - Please choose one**

Following are the inventories of Trading Concern EXCEPT:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

**Question No: 30 ( Marks: 1 ) - Please choose one**

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ **Latin**
- ▶ English
- ▶ French
- ▶ Chinese

**Question No: 31 ( Marks: 1 ) - Please choose one**

"Mr. "A" collected cash from debtors", the journal entry for this transaction is:

- ▶ Mr. "A" a/c Dr. and debtors a/c Cr.
- ▶ Mr. "A" a/c Dr. and cash a/c Cr.
- ▶ **Cash a/c Dr. and debtors a/c Cr.**
- ▶ None of the given options

**Question No: 32 ( Marks: 1 ) - Please choose one**

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciateable assets**
- ▶ Unlimited assets
- ▶ None of the given options

**Question No: 33 ( Marks: 1 ) - Please choose one**

When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ **Right or credit side of the account**

**Question No: 34 ( Marks: 1 ) - Please choose one**

Depreciable value of an asset is equal to:

- ▶ Cost + scrap value
- ▶ Cost + market price
- ▶ **Cost – scrap value**
- ▶ None of the given options

**Question No: 35 ( Marks: 1 ) - Please choose one**

The area of accounting concerned with reporting financial information to the interested parties is called:

- ▶ Cost Accounting
- ▶ **Financial Accounting**
- ▶ Management Accounting
- ▶ Tax Accounting

**Question No: 36 ( Marks: 1 ) - Please choose one**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

**Question No: 41 ( Marks: 10 )**

How you can distinguish between Sole proprietorship, Partnership and Joint Stock company?

**Answer:-**

**Sole Proprietorship:-**

A sole proprietorship also known as a sole trader, or simply proprietorship is a type of [business entity](#) which is owned and run by one individual and where there is no legal distinction between the owner and the business. All profits and all losses accrue to the owner (subject to taxation). All assets of the business are owned by the proprietor and all debts of the business are their debts and they must pay them from their personal resources. This means that the owner has unlimited liability. It is a "sole" proprietorship in the sense that the owner has no partners ([partnership](#)).

A sole proprietor may do business with a [trade name](#) other than his or her legal name. This also allows the proprietor to open a business account with banking institutions

**Partnership:-**

A partnership is a type of [business entity](#) in which partners (owners) share with each other the profits or losses of the business. Partnerships are often favored over [corporations](#) for taxation purposes, as the partnership structure does not generally incur a tax on profits before it is distributed to the partners (i.e. there is no [dividend tax](#) levied). However, depending on the partnership structure and the [jurisdiction](#) in which it operates, owners of a partnership may be exposed to greater personal liability than they would as [shareholders](#) of a corporation.

**Joint Stock Company:-**

A joint stock company (JSC) is a type of business entity: it is a type of [corporation](#) or [partnership](#) involving two or more legal persons. Certificates of ownership (or [stocks](#)) are issued by the company in return for each financial contribution, and the shareholders are free to transfer their [ownership](#) interest at any time by selling their stockholding to others. In most countries, a joint stock company offers the protection of limited liability; a shareholder is not liable for any of the company's debt beyond the face value of their shareholding.

There are two kinds of joint stock company : private and public companies. The shares of the former are usually only held by the directors and Company Secretary. The shares of the latter are bought and sold on the open market

**MIDTERM EXAMINATION**

**Fall 2009**

**MGT101- Financial Accounting (Session - 5)**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Depreciation arises because of:

- ▶ Fall in the market value of an asset
- ▶ Fall in the value of money
- ▶ Physical wear and tear
- ▶ **All of the given options**

-

**Question No: 2 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.268

**Question No: 3 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** an example of Current Asset?

- ▶ **Bank Overdraft**
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

**Question No: 4 ( Marks: 1 ) - Please choose one**

Which of the following statement is **NOT TRUE** about Current liabilities?

- ▶ These are due within one year
- ▶ These are short-term loans
- ▶ **These are consist of all debts, payable after 12 months**
- ▶ In working capital, these are deducted from current assets

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

**Question No: 6 ( Marks: 1 ) - Please choose one**

Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only



► **Both cash sales and credit sales**

**Question No: 7 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	80,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

- Rs. 205,000
- Rs. 215,000
- **Rs. 220,000**
- Rs. 225,000

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- Stock account
- **Cash account**
- Supplier account
- Work in process account

**Question No: 9 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- **Rs.15,000**
- Rs. 35,000
- Rs. 55,000
- Rs. 60,000

**Question No: 10 ( Marks: 1 ) - Please choose one**

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).

- Capital account
- Sundry creditors account
- Accounts payable account
- **Cash account**

**Question No: 11 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

- Purchases account
- **Mr. Ali account**
- Cash account
- Sales account

**Question No: 12 ( Marks: 1 ) - Please choose one**

A summarized record of transactions related to individuals or things is called

a/an \_\_\_\_\_.

- ▶ **Account**
- ▶ Voucher
- ▶ Journal
- ▶ Trial balance

**Question No: 13 ( Marks: 1 ) - Please choose one**

When a Liability is reduced or decreased, it is recorded on the:

- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Left or credit side of the account
- ▶ Right or credit side of the account

**Question No: 14 ( Marks: 1 ) - Please choose one**

Cost incurred for the maintenance of shop is considered as \_\_\_\_\_.

- ▶ Deferred expense
- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

**Question No: 15 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ **Both cash and accrual accounting**
- ▶ None of the given options

**Question No: 16 ( Marks: 1 ) - Please choose one**

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ **Depreciation**
- ▶ Fluctuation
- ▶ None of the given options

**Question No: 17 ( Marks: 1 ) - Please choose one**

Under the reducing balance method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ Amount of depreciation remains constant for every year
- ▶ **Amount of depreciation decreases every year**
- ▶ None of the given options

**Question No: 18 ( Marks: 1 ) - Please chose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method

of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

**Question No: 19 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ Rs.25, 000
- ▶ **Rs. 75,000**
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 20 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement the 'total factory cost' is equal to:

- ▶ Cost of material consumed + Labor cost
- ▶ **Cost of material consumed + Conversion cost**
- ▶ Cost of material consumed + Total factory cost
- ▶ Cost of material consumed + Factory overhead

**Question No: 21 ( Marks: 1 ) - Please choose one**

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).

- ▶ Cash Account
- ▶ Furniture Account
- ▶ Motor Account
- ▶ **All of the above**

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

- ▶ Cash account
- ▶ **Sales account**
- ▶ Accounts receivable account
- ▶ Purchases account

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ **Cash account**

- ▶ Business account
- ▶ Bank account

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

**Question No: 25 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 26 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

- ▶ **Rs. 2, 25,000**
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**
- ▶ Production worker's wages
- ▶ Depreciation expenses

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

**Question No: 29 ( Marks: 1 ) - Please choose one**

Following are the inventories of Manufacturing Concern EXCEPT:

- ▶ Raw material
- ▶ Work in process

- ▶ Finished goods
- ▶ **Merchandise inventory**

Question No: 30 ( Marks: 1 ) - Please choose one  
Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ **Latin**
- ▶ English
- ▶ French
- ▶ Chinese

Question No: 31 ( Marks: 1 ) - Please choose one  
Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

85 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ **Rs. 965**
- ▶ Rs. 905

Question No: 32 ( Marks: 1 ) - Please choose one  
The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciateable assets**
- ▶ Unlimited assets
- ▶ None of the given options

The cost of moving plant and machinery to a new site will be treated as:

- ▶ **Revenue expense**
- ▶ Capital expense
- ▶ Administrative expense
- ▶ Operating expense

Question No: 33 ( Marks: 1 ) - Please choose one  
A decrease in value of a fixed asset due to age, wear and tear is known as:

- ▶ **Depreciation**
- ▶ Accumulated Depreciation
- ▶ Appreciation
- ▶ Written Down Value

Question No: 34 ( Marks: 1 ) - Please choose one  
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

**Question No: 35 ( Marks: 1 ) - Please choose one**

The area of accounting concerned with reporting financial information to the interested parties is called:

► Cost Accounting

► **Financial Accounting**

► Management Accounting

► Tax Accounting

**Question No: 36 ( Marks: 1 ) - Please choose one**

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

► **Rs. 60,385 owner's equity**

► Rs. 61,385 owner's equity

► Rs. 99,885 owner's equity

► Rs. 99,385 owner's equity

**Question No: 41 ( Marks: 10 )**

**Show the effect of the following transactions upon the Accounting Equation.**

2007 June1,	Mr. Salman started business with cash Rs. 1,00,000
5,	Purchased furniture for cash Rs. 4,000
6,	Purchased goods for cash Rs. 25,000
10,	Paid transportation on goods purchased Rs.1,000
12,	Sold goods for cash Rs. 15,000, costing 11,000
15,	Purchased goods on credit basis for Rs. 15,000
19,	Sold goods to Rashid on credit basis for Rs. 8,000, costing Rs. 6,500
25,	Received cash from Rashid Rs. 4,000
28,	Cash paid to creditor Rs. 9,000
30,	Paid rent and salaries for the month Rs. 4,000

**MIDTERM EXAMINATION  
Spring 2009  
MGT101- Financial Accounting**

Time: 60 min

Marks: 50

**Question No: 1 ( Marks: 1 ) - Please choose one**

Net Profit + Expenses= \_\_\_\_\_

- ▶ Liabilities
- ▶ Assets
- ▶ Capital
- ▶ **Income**

**Question No: 2 ( Marks: 1 ) - Please choose one**

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ Depreciation
- ▶ Fluctuation
- ▶ None of the given options

**Question No: 3 ( Marks: 1 ) - Please choose one**

The basic purpose of depreciation is to achieve the:

- ▶ Matching principle
- ▶ Dual aspect principle

- ▶ Separate entity concept
- ▶ **Money measurement concept**

**Question No: 4 ( Marks: 1 ) - Please choose one**

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

**Question No: 5 ( Marks: 1 ) - Please choose one**

Cash book is a part of:

- ▶ Voucher
- ▶ General Journal
- ▶ **General Ledger**
- ▶ Trial Balance

**Question No: 6 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

**Question No: 7 ( Marks: 1 ) - Please choose one**

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

- ▶ Any cheque drawn to creditor but not paid by bank
- ▶ Interest credited by the bank in pass book
- ▶ **Cheque deposited but not credited by the bank**
- ▶ Dividend collected by bank on behalf of the customer

**Question No: 8 ( Marks: 1 ) - Please choose one**

The main goal of Bank Reconciliation Statement is to determine:

- ▶ **If the discrepancy is due to error rather than timing**
- ▶ If the discrepancy is due to timing rather than error
- ▶ If the discrepancy is due to error rather than amount
- ▶ If the discrepancy is due to amount rather than timing

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** true about revenue expenditure?

- ▶ **These are the running expenses of the business**
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern
- ▶ They do not appear in the balance sheet

**Question No: 10 ( Marks: 1 ) - Please choose one**

Under the reducing balance method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ Amount of depreciation remains constant for every year
- ▶ **Amount of depreciation decreases every year**



- ▶ None of the given options

**Question No: 11 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007 Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

▶ **Rs.7, 500**

- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ Rs.8, 400

**Question No: 12 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

▶ **Rs.260**

- ▶ Rs.232
- ▶ Rs.284
- ▶ Rs.320

**Question No: 13 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

▶ Rs. 205,000

▶ **Rs. 215,000**

- ▶ Rs. 220,000
- ▶ Rs. 225,000

**Question No: 14 ( Marks: 1 ) - Please choose one**

The amount of depreciation charged on machinery will be debited to:

- ▶ Machinery account

- ▶ **Depreciation account**
- ▶ Cash account
- ▶ Capital account

**Question No: 15 ( Marks: 1 ) - Please choose one**

Under the straight line method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ **Amount of depreciation remains constant for every year**
- ▶ Amount of depreciation decreases every year
- ▶ None of the given options

**Question No: 16 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ Rs.25, 000
- ▶ **Rs. 75,000**
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 17 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 18 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

- ▶ **Rs. 60,000 loss**
- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 1, 00,000 profit

**Question No: 19 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement the 'total factory cost' is equal to:

- ▶ Cost of material consumed + Labor cost
- ▶ **Cost of material consumed + Conversion cost**
- ▶ Cost of material consumed + Total factory cost
- ▶ Cost of material consumed + Factory overhead

**Question No: 20 ( Marks: 1 ) - Please choose one**

Which of the following organization converts raw material into finished goods?

- ▶ Trading concern
- ▶ **Manufacturing concern**
- ▶ Merchandising concern
- ▶ Service concern

**Question No: 21 ( Marks: 1 ) - Please choose one**

Which of the following item appears in Trading Account of a business?

- ▶ Interest expenses
- ▶ **Wages and salaries**
- ▶ Depreciation expenses
- ▶ Discount Allowed

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**
- ▶ Working capital
- ▶ Asset

**Question No: 23 ( Marks: 1 ) - Please choose one**

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

- ▶ Rs. 300
- ▶ Rs. 2,500
- ▶ **Rs. 2,800**
- ▶ Rs. 18,800

**Question No: 24 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 25 ( Marks: 1 ) - Please choose one**

The amount brought by the proprietor in the business should be credited to:

- ▶ Cash account
- ▶ Capital account
- ▶ **Drawings account**
- ▶ Proprietor account

**Question No: 26 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

- ▶ Cash account
- ▶ **Sales account**
- ▶ Accounts receivable account
- ▶ Purchases account

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which of the following journal entry will be recorded, if the goods are sold on credit to Mr. 'B'?

- ▶ **Mr. "B" / Accounts Receivable account (Dr) and Sales account (Cr)**
- ▶ Cash account (Dr) and sales account (Cr)
- ▶ Sales account (Dr) and Mr. B / Accounts Receivable account (Cr)
- ▶ Goods Sold account (Dr) and Mr. B / Accounts Receivable account (Cr)

**Question No: 29 ( Marks: 1 ) - Please choose one**

Accrued expenses are the example of:

- ▶ **Current liabilities**
- ▶ Long term liabilities
- ▶ Deferred costs
- ▶ Capital expenses

**Question No: 30 ( Marks: 1 ) - Please choose one**

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

- ▶ Profit & Loss Account
- ▶ Cash Flow Statement
- ▶ **Balance Sheet**
- ▶ Income & Expenditure Account

**Question No: 31 ( Marks: 1 ) - Please choose one**

What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ **All of the given options**

**Question No: 32 ( Marks: 1 ) - Please choose one**

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- ▶ Income Statement
- ▶ Balance Sheet
- ▶ **Trial Balance**
- ▶ Cash Book

**Question No: 33 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

- (1) Date of transaction
- (2) Narration of transaction
- (3) Cheque number

- ▶ (1) & (2) only
- ▶ **(2) & (3) only**
- ▶ (1) & (3) only
- ▶ (1), (2) & (3)

**Question No: 34 ( Marks: 1 ) - Please choose one**

Which of the following book(s) is(are) a part of General Ledger?

- ▶ Cash Book
- ▶ Purchase Return Book
- ▶ Purchase Book
- ▶ **All of the given options**

**Question No: 35 ( Marks: 1 ) - Please choose one**

A book, in which receipts and payments are recorded, is known as:

- ▶ Pass Book
- ▶ **Cash Book**
- ▶ Purchase Book
- ▶ Sales Book

**Question No: 36 ( Marks: 1 ) - Please choose one**

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ **Debit Balance**
- ▶ Positive Balance
- ▶ Credit Balance

**Question No: 37 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 38 ( Marks: 1 ) - Please choose one**

According to the double entry system of accounting, an account that obtains benefit is:

- ▶ **Debit**
- ▶ Credit
- ▶ Income
- ▶ No need to show as accounting record

**Question No: 39 ( Marks: 1 ) - Please choose one**

Which of the following is non-profit organization?

- ▶ Sole proprietorship
- ▶ Partnership
- ▶ Limited company
- ▶ **Trust**

**Question No: 40 ( Marks: 1 ) - Please choose one**

Mr. "A" sold goods to Mr. "B" for Rs. 3,000 on October 8, 2008 and Mr. "B" paid at the same time. It will be case of \_\_\_\_\_ sales.

- ▶ **Cash**
- ▶ Credit
- ▶ Accrual based
- ▶ None of the given options

**Question No: 41 ( Marks: 10 )**

**State with reasons whether the following items of expenditure are capital or revenue in nature.**

1. Wages paid on the purchase of goods.
2. Carriage paid on goods purchased.
3. Transportation paid on purchase of machinery.
4. Octroi duty paid on machinery.
5. Octroi duty paid on goods.

6. A second hand car was purchased for Rs. 7,000 and Rs. 5,000 were spent for its repair and overhauling.
7. Office building was whitewashed at a cost of Rs. 3,000.
8. A new machinery was purchased for Rs. 80,000 and a sum of Rs. 1,000 was spent on its installation and erection
9. Old furniture was repaired at a cost of Rs. 500.
10. Land was purchased for Rs. 1, 00,000 and Rs. 5,000 was paid for legal expenses.

**MIDTERM EXAMINATION**  
**Fall 2009**  
**MGT101- Financial Accounting (Session - 3)**

**Time: 60 min**

**Marks: 50**

**Question No: 1 ( Marks: 1 ) - Please choose one**

We can say that the business is in profit, when:

- ▶ Assets exceed Expenditure
- ▶ Assets exceed Liabilities
- ▶ **Income exceeds Expenditure**
- ▶ Income exceeds Liabilities

**Question No: 2 ( Marks: 1 ) - Please choose one**

Cost incurred for the maintenance of shop is considered as \_\_\_\_\_.

- ▶ Deferred expense
- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

**Question No: 3 ( Marks: 1 ) - Please choose one**

If a business purchases machinery for Rs. 30,000 on 31st January 2008 having life of 10 years, this expense will be realized \_\_\_\_\_ under the concept of accrual accounting.

- ▶ For the year 2008 only
- ▶ For the last day of 10<sup>th</sup> year only
- ▶ Over 10 years
- ▶ **Nothing can be said about it**

**Question No: 4 ( Marks: 1 ) - Please choose one**

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ **Latin**
- ▶ English
- ▶ French
- ▶ Chinese

**Question No: 5 ( Marks: 1 ) - Please choose one**

According to the double entry system of accounting, an account that obtains benefit is:

- ▶ **Debit**
- ▶ Credit
- ▶ Income
- ▶ No need to show as accounting record

**Question No: 6 ( Marks: 1 ) - Please choose one**

An Asset that is **NOT** physical in nature is called \_\_\_\_\_.

- ▶ **Intangible Asset**
- ▶ Liquid Asset
- ▶ Current Asset
- ▶ Fixed Asset

**Question No: 7 ( Marks: 1 ) - Please choose one**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

**Question No: 8 ( Marks: 1 ) - Please choose one**

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

**Question No: 9 ( Marks: 1 ) - Please choose one**

In an account, if credit side < debit side then the balance is known as:

- ▶ Negative Balance
- ▶ Debit Balance
- ▶ Positive Balance
- ▶ **Credit Balance**

**Question No: 10 ( Marks: 1 ) - Please choose one**

Bank book is part of:

- ▶ Voucher
- ▶ General Journal



- ▶ **General Ledger**
- ▶ Trial Balance

**Question No: 11 ( Marks: 1 ) - Please choose one**

While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ▶ **Profit**
- ▶ Loss
- ▶ Surplus
- ▶ Deficit

**Question No: 12 ( Marks: 1 ) - Please choose one**

Gross Profit > Operating Expenses=?

- ▶ **Net Profit**
- ▶ Cost of Goods Sold
- ▶ Net Loss
- ▶ Gross Loss

**Question No: 13 ( Marks: 1 ) - Please choose one**

Accrued expenses are the example of:

- ▶ **Current liabilities**
- ▶ Long term liabilities
- ▶ Deferred costs
- ▶ Capital expenses

**Question No: 14 ( Marks: 1 ) - Please choose one**

The favorable balance of Profit and Loss account should be:

- ▶ Added in liabilities
- ▶ Subtracted from current assets
- ▶ Subtracted from liabilities
- ▶ **Added in capital**

**Question No: 15 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 16 ( Marks: 1 ) - Please choose one**

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- ▶ **Profit and loss account**
- ▶ Balance sheet
- ▶ Statement of financial position

- ▶ All of the given options

**Question No: 17 ( Marks: 1 ) - Please choose one**

In which of the following condition a company will have positive working capital?

- ▶ **If current assets > current liabilities**
- ▶ If current Assets < current Liabilities
- ▶ If current assets = current liabilities
- ▶ If current assets  $\leq$  current liabilities

**Question No: 18 ( Marks: 1 ) - Please choose one**

Which of the following particular is **NOT** included in the specimen of a payment voucher?

- ▶ Name of organization
- ▶ Cash payment amount
- ▶ Date of transaction
- ▶ **Bank receipt**

**Question No: 19 ( Marks: 1 ) - Please choose one**

The stock of manufacturing concern consists of:

- ▶ Work in Process Inventory
- ▶ Raw Materials Inventory
- ▶ Finished Goods Inventory
- ▶ **All of the given options**

**Question No: 20 ( Marks: 1 ) - Please choose one**

Following are the inventories of Manufacturing Concern **EXCEPT**:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

**Question No: 21 ( Marks: 1 ) - Please choose one**

The products that are ready for sale are known as:

- ▶ Raw material
- ▶ Work in process
- ▶ **Finished goods**
- ▶ Closing stock

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**

- ▶ Production worker's wages
- ▶ Depreciation expenses

**Question No: 23 ( Marks: 1 ) - Please choose one**

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

**Question No: 24 ( Marks: 1 ) - Please choose one**

In balance sheet fixed assets are shown at:

- ▶ Cost price
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

**Question No: 25 ( Marks: 1 ) - Please choose one**

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ▶ **Depreciation**
- ▶ Accumulated Depreciation
- ▶ Appreciation
- ▶ Written Down Value

**Question No: 26 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Written down value of asset at the end of 5 <sup>th</sup> year	Rs.25,000
Profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 profit**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 27 ( Marks: 1 ) - Please choose one**

All the costs incurred on the incomplete assets up to the balance sheet date must be transferred to:

- ▶ Capital account
- ▶ Capital work in progress account
- ▶ **Relevant asset account**
- ▶ Owner's equity account

**Question No: 28 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ **Rs. 965**
- ▶ Rs. 905

**Question No: 29 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ **Rs.7, 500**
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ Rs.8, 400

**Question No: 30 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

**Question No: 31 ( Marks: 1 ) - Please choose one**

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ **Land**

**Question No: 32 ( Marks: 1 ) - Please choose one**

The basic purpose of depreciation is to achieve the:

- ▶ **Matching principle**
- ▶ Dual aspect principle
- ▶ Separate entity concept
- ▶ Money measurement concept

**Question No: 33 ( Marks: 1 ) - Please choose one**

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

- ▶ **Rs. 82,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

**Question No: 34 ( Marks: 1 ) - Please choose one**

Firms charge depreciation each year:

- ▶ To ensure there is enough money in the firm to replace the asset
- ▶ **To spread the cost of the asset over its working life**
- ▶ To reduce the profit and thus reduce the dividends they can pay to share holders
- ▶ Because the law states they must be reduced

**Question No: 35 ( Marks: 1 ) - Please choose one**

Consider the following data:

Particulars	Rs.
Assets	8,20,000
Owner's equity	3,80,000
Liabilities	?

- ▶ Rs. 1, 98,000
- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ **Rs. 4, 40,000**

**Question No: 36 ( Marks: 1 ) - Please choose one**

Which one of the following is equal to the carrying cost of an asset?

- ▶ **Original cost minus Accumulated depreciation**

- ▶ Original cost plus Accumulated depreciation
- ▶ Original cost minus Residual value
- ▶ Written down value minus Accumulated depreciation

**Question No: 37 ( Marks: 1 ) - Please choose one**

An estimate of the income and expenses needed to carry out business plans for a fiscal year is known as:

- ▶ **Budgeting**
- ▶ Costing
- ▶ Management
- ▶ Auditing

**Question No: 38 ( Marks: 1 ) - Please choose one**

Unfavorable balance of the cash book means:

- ▶ **Credit balance in cash book**
- ▶ Credit balance in pass book
- ▶ Debit balance in cash book
- ▶ All of the given options

**Question No: 39 ( Marks: 1 ) - Please choose one**

Net Profit + Expenses= \_\_\_\_\_

- ▶ Liabilities
- ▶ Assets
- ▶ Capital
- ▶ **Income**

**Question No: 40 ( Marks: 1 ) - Please choose one**

What would be the value of conversion cost, if the cost of material consumed during the month is Rs. 5,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 1,000?

- ▶ Rs. 3,000
- ▶ **Rs. 8,000**
- ▶ Rs. 7,000
- ▶ Rs. 5,000

**Question No: 41 ( Marks: 10 )**

The following are some of the causes of difference between the Cash Book and the Pass Book balances. If you start with the Cash Book (Dr.) balance in Bank Reconciliation Statement, will you add them or deduct?

Particulars	Add/Less
1. Cheques issued but yet not paid by bank.	less
2. Cheques deposited but not credited by bank.	less

3. Amount directly deposited into bank by a customer but not recorded in the Cash Book.	add
4. Dividend collected by bank but not entered in Cash Book.	add
5. Insurance premium paid by bank but not recorded in Cash Book.	less
6. Cheque deposited but no entry was made in Cash Book.	add
7. Bank charges debited by bank but not credited in the Cash Book	less
8. Interest on overdraft debited by bank but not recorded in Cash Book.	less
9. Cheque issued but wrongly debited in Cash Book	less
10. Interest credited by bank but not recorded in cash book	add

**MIDTERM EXAMINATION**  
**Spring 2009**  
**MGT101- Financial Accounting**

**Question No: 1 ( Marks: 1 ) - Please choose one**

The expenses that give benefit for a period of more than twelve months are called \_\_\_\_\_.

- ▶ **Capital expenses**
- ▶ Revenue expenses
- ▶ Preliminary expenses
- ▶ None of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

An expense incurred by the business for the purchase of land & building is an example of:

- ▶ **Capital Expense**
- ▶ Revenue Expense
- ▶ Deferred Expense
- ▶ Preliminary Expense

**Question No: 3 ( Marks: 1 ) - Please choose one**

Income of the business includes:

- ▶ Cash sales only
- ▶ Credit sales only
- ▶ Credit purchases only
- ▶ **Both cash sales and credit sales**

**Question No: 4 ( Marks: 1 ) - Please choose one**

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

**Question No: 5 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 6 ( Marks: 1 ) - Please choose one**

Obligations to pay cash or un-earned incomes by the business are the:

- ▶ Expenses
- ▶ Assets
- ▶ **Liabilities**
- ▶ Equities

**Question No: 7 ( Marks: 1 ) - Please choose one**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

**Question No: 8 ( Marks: 1 ) - Please choose one**

When Capital is increased by an amount, it is recorded on the:

- ▶ Left or credit side of the account
- ▶ Right or debit side of the account
- ▶ Left or debit side of the account
- ▶ **Right or credit side of the account**

**Question No: 9 ( Marks: 1 ) - Please choose one**

Which of the following is also called "The original book of entry"?

- ▶ **General Journal**
- ▶ General Ledger
- ▶ Trial Balance
- ▶ Profit and Loss Account

**Question No: 10 ( Marks: 1 ) - Please choose one**

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:



- ▶ Income Statement
- ▶ Balance Sheet
- ▶ **Trial Balance**
- ▶ Cash Book

**Question No: 11 ( Marks: 1 ) - Please choose one (not sure)**

Which of the following is **CORRECT** for Trading account?

- ▶ It includes cost of goods sold and all the direct expenses related to sales
- ▶ It includes cost of goods sold and all the indirect expenses related to sales
- ▶ It includes cost of goods sold and all the direct and indirect expenses
- ▶ **It includes cost of goods sold and all the direct and selling, administrative expenses**

**Question No: 12 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ **Profit & Loss account**
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

**Question No: 13 ( Marks: 1 ) - Please choose one**

Which of the following is an example of a Current liability?

- ▶ Closing inventory
- ▶ Opening inventory
- ▶ Petty cash
- ▶ **Bank overdraft**

**Question No: 14 ( Marks: 1 ) - Please choose one**

Identify the business transaction for given entry below.

Vehicle Account    XXX (Dr.)  
Bank Account        XXX (Cr.)

- ▶ **Paid for vehicle through cheque**
- ▶ Paid for vehicle through cash
- ▶ Purchased vehicle on credit
- ▶ None of the given options

**Question No: 15 ( Marks: 1 ) - Please choose one**

"Mr. "A" collected cash from debtors", the journal entry for this transaction is:

- ▶ Mr. "A" a/c Dr. and debtors a/c Cr.
- ▶ Mr. "A" a/c Dr. and cash a/c Cr.
- ▶ **Cash a/c Dr. and debtors a/c Cr.**
- ▶ **None of the given options**

**Question No: 16 ( Marks: 1 ) - Please choose one**

Which of the following is an alternate term which can be used for “Capital”?

- ▶ Liability
- ▶ **Owner’s net worth**
- ▶ Working capital
- ▶ Asset

**Question No: 17 ( Marks: 1 ) - Please choose one**

Which of the following organization converts raw material into finished goods?

- ▶ Trading concern
- ▶ **Manufacturing concern**
- ▶ Merchandising concern
- ▶ Service concern

**Question No: 18 ( Marks: 1 ) - Please choose one**

The stock of manufacturing concern consists of:

- ▶ Work in Process Inventory
- ▶ Raw Materials Inventory
- ▶ Finished Goods Inventory
- ▶ **All of the given options**

**Question No: 19 ( Marks: 1 ) - Please choose one**

Direct materials costs	Rs.70,000
Direct labor costs	30,000
Manufacturing overhead costs	60,000
conversion cost	?

- ▶ Rs. 20,000
- ▶ Rs.40, 000
- ▶ **Rs.90, 000**
- ▶ Rs.160, 000

**NOTE:- Conversion Cost = Direct Labor Cost + Manufacturing Overhead Cost**

**Question No: 20 ( Marks: 1 ) - Please choose one**

In balance sheet fixed assets are shown at:

- ▶ Cost price
- ▶ Market value
- ▶ Fair value
- ▶ **Written down value (WDV)**

**NOTE:- Because WDV is a value of fixed asset after deducting the depreciation**

**Question No: 21 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000

Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 22 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 15,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ **Rs.25, 000**
- ▶ Rs. 75,000
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 23 ( Marks: 1 ) - Please choose one**

If you start with cash book balance (Dr.), which of the following item will be deducted in Bank Reconciliation Statement?

- ▶ **Any cheque drawn to creditor but not paid by bank**
- ▶ Interest credited by the bank in pass book
- ▶ Cheque deposited but not credited by the bank
- ▶ Dividend collected by bank on behalf of the customer

**Question No: 24 ( Marks: 1 ) - Please choose one**

If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

- ▶ Cheque deposited but not credited by the bank
- ▶ Cheques omitted to be deposited into bank
- ▶ **Any amount directly collected by bank on behalf of customer but not recorded in cash book**
- ▶ Debit side of cash book was overcast

**Question No: 25 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

**Question No: 26 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is prepared by:

- ▶ Bankers
- ▶ **Accountant of the business**
- ▶ Statutory auditor
- ▶ Manger

**Question No: 27 ( Marks: 1 ) - Please choose one**

Stock of Trading concern consists of:

- ▶ Raw material
- ▶ Work in process
- ▶ Merchandise inventory
- ▶ **All of the given options**

**Question No: 28 ( Marks: 1 ) - Please choose one**

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ **Finished goods account**
- ▶ Merchandise account

**Question No: 29 ( Marks: 1 ) - Please choose one**

Which of the following account balance is shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **Capital account**

**Question No: 30 ( Marks: 1 ) - Please choose one**

If a business pays rent in advance for 12 months, it will be treated as:

- ▶ **Prepaid expenses of business**
- ▶ Long term liability of business
- ▶ Fixed assets of business
- ▶ Current liability of business

**Question No: 31 ( Marks: 1 ) - Please choose one**

Accountancy covers which of the following area(s):

- ▶ Book-keeping
- ▶ Accounting
- ▶ Auditing
- ▶ **All of the given options**

**Question No: 32 ( Marks: 1 ) - Please choose one**

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciateable assets**

- ▶ Unlimited assets
- ▶ None of the given options

**Question No: 33 ( Marks: 1 ) - Please choose one**

Depreciable value of an asset is equal to:

- ▶ Cost + scrap value
- ▶ Cost + market price
- ▶ Cost – scrap value
- ▶ **None of the given options**

The **depreciable value of an asset is equal to its purchase price minus installation costs**

**Question No: 34 ( Marks: 1 ) - Please choose one**

Which one of the following is equal to the carrying cost of an asset?

- ▶ **Original cost minus Accumulated depreciation**
- ▶ Original cost plus Accumulated depreciation
- ▶ Original cost minus Residual value
- ▶ Written down value minus Accumulated depreciation

**Question No: 35 ( Marks: 1 ) - Please choose one**

Which one of the following is another name of carrying cost of an asset?

- ▶ **Book Value**
- ▶ Residual Value
- ▶ Fair Value
- ▶ Break up Value

**Question No: 36 ( Marks: 1 ) - Please choose one**

Which of the following fixed asset is shown at cost rather than book value?

- ▶ Machinery
- ▶ Furniture
- ▶ Vehicles
- ▶ **Land**

**Question No: 37 ( Marks: 1 ) - Please choose one**

Which of the following statement is the detail of transaction in one's account provided by the bank?

- ▶ Bank statement
- ▶ **Bank reconciliation statement**
- ▶ Income statement
- ▶ Financial statement

**Question No: 38 ( Marks: 1 ) - Please choose one**

When income exceeds expenses in a specific time period is known as:

- ▶ Savings
- ▶ Net profit
- ▶ **Gross profit**
- ▶ Operating profit

**Question No: 39 ( Marks: 1 ) - Please choose one**

javascript:void(0): An asset cost Rs. 50,000, has an estimated residual value of Rs.1,

500, and an estimated useful life of 8 years. What is the depreciation rate under reducing balance method?

- ▶ 11.5%
- ▶ 20.0%
- ▶ 25.0%
- ▶ 35.5%

To calculate depreciation rate under reducing balance method we use formula:  
**Depreciation rate =  $1 - (\text{residual value} / \text{cost})^{1/n}$**

**Question No: 40 ( Marks: 1 ) - Please choose one**

Mr. "A" sold goods for Rs. 300,000 to Mr. "B", Rs. 300,000 will be treated as \_\_\_\_\_ for business of Mr. "A".

- ▶ Revenue
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

**Question No: 41 ( Marks: 10 )**

**Differentiate between capital and revenue expenditure.**

**CAPITAL: -**

The value invested in the business by the owner in whatever form is called capital. The owner may introduce a capital of Rs. 250,000 which may be in the form of Rs. 200,000 cash and a machinery of Rs. 50,000. The capital of Rs. 250,000 is shown in Balance sheet as credit balance whereas cash and machinery being assets are shown in balance sheet as debit balance.

**CAPITAL EXPENDITURE:-**

These are expenses whose benefits last for a longer period or the benefits are yet to be enjoyed by the business. For example when a vehicle is purchased by the business, it will benefit the business for the current period and for the years to come. Capital expenditure always results in increase in assets. Therefore amount expended on vehicle is our capital expenditure and vehicle is shown in the balance sheet as an asset.

**REVENUE EXPENDITURE:-**

These are expenses whose benefits do not last for longer period and are restricted to current period only and no more benefits are to be enjoyed by the business in the coming periods. For example Salaries, utility bills, fuel bills paid, against which the organization enjoyed benefits for only current period

**MIDTERM EXAMINATION  
MGT101- Financial Accounting**

**Question No: 1 ( Marks: 1 ) - Please choose one**

Depreciation arises because of:

- ▶ Fall in the market value of an asset
- ▶ Fall in the value of money
- ▶ Physical wear and tear
- ▶ All of the given options

**Question No: 2 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty-five units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

▶ **Rs.260**

▶ Rs.232

▶ Rs.284

▶ Rs.268

**Question No: 3 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** an example of Current Asset?

▶ **Bank Overdraft**

▶ Accounts Receivable

▶ Notes Receivable

▶ Prepaid Expenses

**Question No: 4 ( Marks: 1 ) - Please choose one**

Which of the following statement is **NOT TRUE** about Current liabilities?

▶ These are due within one year

▶ These are short-term loans

▶ **These are consist of all debts, payable after 12 months**

▶ In working capital, these are deducted from current assets

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

(1) Date of transaction

(2) Narration of transaction

(3) Cheque number

▶ (1) & (2) only

▶ (2) & (3) only

▶ (1) & (3) only

▶ **(1), (2) & (3)**

**Question No: 6 ( Marks: 1 ) - Please choose one**

Income of the business includes:

▶ Cash sales only

▶ Credit sales only

▶ Credit purchases only

▶ **Both cash sales and credit sales**

**Question No: 7 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening stock of raw material	100,000

Closing stock of raw material	80,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

- ▶ Rs. 205,000
- ▶ Rs. 215,000
- ▶ **Rs. 220,000**
- ▶ Rs. 225,000

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

**Question No: 9 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- ▶ **Rs.15,000**
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 10 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 11 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

- ▶ Purchases account
- ▶ **Mr. Ali account**
- ▶ Cash account
- ▶ Sales account

**Question No: 12 ( Marks: 1 ) - Please choose one**

A summarized record of transactions related to individuals or things is called a/an \_\_\_\_\_.

- ▶ **Account**
- ▶ Voucher



- ▶ Journal
- ▶ Trial balance

**Question No: 13 ( Marks: 1 ) - Please choose one**

When a Liability is reduced or decreased, it is recorded on the:

- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Left or credit side of the account
- ▶ Right or credit side of the account

**Question No: 14 ( Marks: 1 ) - Please choose one**

Cost incurred for the maintenance of shop is considered as \_\_\_\_\_.

- ▶ Deferred expense
- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

**Question No: 15 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ **Both cash and accrual accounting**
- ▶ None of the given options

**Question No: 16 ( Marks: 1 ) - Please choose one**

The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- ▶ Appreciation
- ▶ **Depreciation**
- ▶ Fluctuation
- ▶ None of the given options

**Question No: 17 ( Marks: 1 ) - Please choose one**

Under the reducing balance method of depreciation:

- ▶ Amount of depreciation increases every year
- ▶ Amount of depreciation remains constant for every year
- ▶ **Amount of depreciation decreases every year**
- ▶ None of the given options

**Question No: 18 ( Marks: 1 ) - Please chose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ **Rs.260**
- ▶ Rs.232
- ▶ Rs.284

- ▶ Rs.320

**Question No: 19 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ Rs.25, 000
- ▶ **Rs. 75,000**
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 20 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement the 'total factory cost' is equal to:

- ▶ Cost of material consumed + Labor cost
- ▶ **Cost of material consumed + Conversion cost**
- ▶ Cost of material consumed + Total factory cost
- ▶ Cost of material consumed + Factory overhead

**Question No: 21 ( Marks: 1 ) - Please choose one**

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).

- ▶ Cash Account
- ▶ Furniture Account
- ▶ Motor Account
- ▶ **All of the above**

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business sold goods for Rs.10,000 on credit?

- ▶ Cash account
- ▶ **Sales account**
- ▶ Accounts receivable account
- ▶ Purchases account

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business purchased a vehicle on cash?

- ▶ Vehicle account
- ▶ **Cash account**
- ▶ Business account
- ▶ Bank account

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following essentials are shown in Bank Book?

(1) Date of transaction

- (2) Narration of transaction  
(3) Cheque number

- ▶ (1) & (2) only
- ▶ (2) & (3) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

Question No: 25 ( Marks: 1 ) - Please choose one

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

Question No: 26 ( Marks: 1 ) - Please choose one

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

- ▶ **Rs. 2, 25,000**
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

Question No: 27 ( Marks: 1 ) - Please choose one

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**
  - ▶ Production worker's wages
- ▶ Depreciation expenses

Question No: 28 ( Marks: 1 ) - Please choose one

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

Question No: 29 ( Marks: 1 ) - Please choose one

Following are the inventories of Manufacturing Concern EXCEPT:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

Question No: 30 ( Marks: 1 ) - Please choose one

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ **Latin**
- ▶ English
- ▶ French
- ▶ Chinese

**Question No: 31 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

85 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ **Rs. 965**
- ▶ Rs. 905

**Question No: 32 ( Marks: 1 ) - Please choose one**

The assets which have a limited useful life are termed as:

- ▶ Limited assets
- ▶ **Depreciateable assets**
- ▶ Unlimited assets
- ▶ None of the given options

The cost of moving plant and machinery to a new site will be treated as:

- ▶ **Revenue expense**
- ▶ Capital expense
- ▶ Administrative expense
- ▶ Operating expense

**Question No: 33 ( Marks: 1 ) - Please choose one**

A decrease in value of a fixed asset due to age, wear and tear is known as:

- ▶ **Depreciation**
- ▶ Accumulated Depreciation
- ▶ Appreciation
- ▶ Written Down Value

**Question No: 34 ( Marks: 1 ) - Please choose one**

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

**Question No: 35 ( Marks: 1 ) - Please choose one**

The area of accounting concerned with reporting financial information to the interested parties is called:

- ▶ Cost Accounting
- ▶ **Financial Accounting**
- ▶ Management Accounting
- ▶ Tax Accounting

**Question No: 36 ( Marks: 1 ) - Please choose one**

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

- ▶ **Rs. 60,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

**Question No: 41 ( Marks: 10 )**

Show the effect of the following transactions upon the Accounting Equation.

2007 June 1,	Mr. Salman started business with cash Rs. 1,00,000
5,	Purchased furniture for cash Rs. 4,000
6,	Purchased goods for cash Rs. 25,000
10,	Paid transportation on goods purchased Rs.1,000
12,	Sold goods for cash Rs. 15,000, costing 11,000
15,	Purchased goods on credit basis for Rs. 15,000
19,	Sold goods to Rashid on credit basis for Rs. 8,000, costing Rs. 6,500
25,	Received cash from Rashid Rs. 4,000
28,	Cash paid to creditor Rs. 9,000
30,	Paid rent and salaries for the month Rs. 4,000

### MGT101- Financial Accounting (Session - 2)

**Question No: 1 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	1,00,000
Cost of new machine purchased during the year	50,000
Depreciation during the year	21,000
Closing written down value (WDV)	?

- ▶ **Rs. 1, 29,000**
- ▶ Rs. 1, 50,000

- ▶ Rs. 1, 21,000
- ▶ Rs. 71,000

**Question No: 2 ( Marks: 1 ) - Please choose one**

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 in hand	Rs. 1,000
Cash at bank	Rs. 2,000
Debtors	Rs. 500

- ▶ Rs. 1, 02,885 other assets
- ▶ Rs. 1, 02,885 other liabilities
- ▶ Rs. 99,885 current liabilities
- ▶ **Rs. 99,385 other assets**

**Question No: 3 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is prepared by:

- ▶ Bankers
- ▶ **Accountant of the business**
- ▶ Statutory auditor
- ▶ Manger

**Question No: 4 ( Marks: 1 ) - Please choose one**

Bank Reconciliation Statement is:

- ▶ **A memorandum statement**
- ▶ A ledger account
- ▶ A part of cash book
- ▶ A part of journal

**Question No: 5 ( Marks: 1 ) - Please choose one**

Expenditures incurred annually on renewal of patent are known as:

- ▶ **Revenue Expenditures**
- ▶ Capital Expenditures
- ▶ Financial Expenditures
- ▶ Operating Expenditures

**Question No: 6 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200, 000
Cost of Material Consumed	?

- ▶ Rs. 205,000
- ▶ **Rs. 215,000**
- ▶ Rs. 220,000
- ▶ Rs. 225,000

**Question No: 7 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000
Profit or loss on disposal of fixed asset	?

- ▶ **Rs. 60,000 loss**
- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 1, 00,000 profit

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, when the goods are purchased on cash?

- ▶ Stock account
- ▶ **Cash account**
- ▶ Supplier account
- ▶ Work in process account

**Question No: 9 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

- ▶ Rs. 15,000
- ▶ **Rs. 35,000**
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 10 ( Marks: 1 ) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs.20,000 during the year. What would be the Net Profit?

- ▶ **Rs.15,000**
- ▶ Rs. 35,000
- ▶ Rs. 55,000
- ▶ Rs. 60,000

**Question No: 11 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 12 ( Marks: 1 ) - Please choose one**

The amount of salary paid to Mr. Sohail should be debited to:

- ▶ Mr. Sohail account
- ▶ **Salaries account**
- ▶ Cash account
- ▶ Drawings account

**Question No: 13 ( Marks: 1 ) - Please choose one**

Which of the following account will be credited, if business bought goods on credit from Mr. Ali?

- ▶ Purchases account
- ▶ **Mr. Ali account**
- ▶ Cash account
- ▶ Sales account

**Question No: 14 ( Marks: 1 ) - Please choose one**

The unfavorable balance of Profit and Loss account should be:

- ▶ Added in liabilities
- ▶ Subtracted from current assets
- ▶ Subtracted from liabilities
- ▶ **Subtracted from capital**

**Question No: 15 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** an example of Current Asset?

- ▶ **Bank Overdraft**
- ▶ Accounts Receivable
- ▶ Notes Receivable
- ▶ Prepaid Expenses

**Question No: 16 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ **Profit & Loss account**
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

**Question No: 17 ( Marks: 1 ) - Please choose one**

An informal accounting statement that lists the ledger account balances at a point in time and compares the total of debit balances with the total of credit balances is known as:

- ▶ **Income Statement**



- ▶ Balance Sheet
- ▶ **Trial Balance**
- ▶ Cash Book

**Question No: 18 ( Marks: 1 ) - Please choose one**

Documentary evidence, in a specific format used to record the details of a transaction is known as:

- ▶ Account
- ▶ **Voucher**
- ▶ Journal
- ▶ Ledger

**Question No: 19 ( Marks: 1 ) - Please choose one**

A summarized record of transactions related to individuals or things is called a/an \_\_\_\_\_.

- ▶ **Account**
- ▶ Voucher
- ▶ Journal
- ▶ Trial balance

**Question No: 20 ( Marks: 1 ) - Please choose one**

When a Liability is reduced or decreased, it is recorded on the:

- ▶ Right or debit side of the account
- ▶ **Left or debit side of the account**
- ▶ Left or credit side of the account
- ▶ Right or credit side of the account

**Question No: 21 ( Marks: 1 ) - Please choose one**

What will be the effect on accounting equation, when payment is made to the creditor of the business?

- ▶ **Decrease in an asset, decrease in a liability**
- ▶ Increase in an asset, increase in a liability
- ▶ Decrease in an asset, decrease in owner's equity
- ▶ Increase in an asset, increase in owner's equity

**Question No: 22 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 23 ( Marks: 1 ) - Please choose one**

Cost incurred for the maintenance of shop is considered as \_\_\_\_\_.

- ▶ Deferred expense

- ▶ Capital expense
- ▶ **Revenue expense**
- ▶ Preliminary expense

**Question No: 24 ( Marks: 1 ) - Please choose one**

Mr. "A" sold goods for Rs. 3, 00,000 to Mr. "B", Rs. 3, 00,000 will be treated as \_\_\_\_\_ for business.

- ▶ **Revenue**
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

**Question No: 25 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ **Both cash and accrual accounting**
- ▶ None of the given options

**Question No: 26 ( Marks: 1 ) - Please choose one**

Which of the following financial statement shows the financial health of an Organization at a stated period of time?

- ▶ Balance sheet
- ▶ **Trading and Profit & Loss account**
- ▶ Cash Flow statement
- ▶ Statement of retained earnings

**Question No: 27 ( Marks: 1 ) - Please choose one**

The records that are kept for the individual asset, liability, equity, revenue, expense, and dividend components are known as:

- ▶ **Accounts**
- ▶ Vouchers
- ▶ Journals
- ▶ Statements

**Question No: 28 ( Marks: 1 ) - Please choose one**

Revenue should be recognized or recorded when the goods are sold or services are rendered to the customer, this concept is known as:

- ▶ Consistency concept
- ▶ **Realization Concept**
- ▶ Materiality concept
- ▶ Matching concept

**Question No: 29 ( Marks: 1 ) - Please choose one**

A record maintained which is measurable in the form of money, this concept of accounting is known as:

- ▶ Matching concept
- ▶ Consistency concept
- ▶ **Money measurement concept**

- ▶ Materiality concept

**Question No: 30 ( Marks: 1 ) - Please choose one**

The cost of goods and services used up in the process of obtaining revenue is known as:

- ▶ Revenue
- ▶ **Expense**
- ▶ Liability
- ▶ Expenditure

**Question No: 31 ( Marks: 1 ) - Please choose one**

Which of the following is an accounting system in which events are recorded as and when they occur?

- ▶ Cash Accounting
- ▶ **Accrual Accounting**
- ▶ Both Accrual Accounting and Cash Accounting
- ▶ None of the above

**Question No: 32 ( Marks: 1 ) - Please choose one**

Recording of all financial transactions undertaken by an individual or organization is known as:

- ▶ Summarizing
- ▶ **Book-keeping**
- ▶ Classification
- ▶ Interpreting

**Question No: 33 ( Marks: 1 ) - Please choose one**

Any cheque drawn to creditor but not paid by bank will effect as follows:

- ▶ **Cash book will show less balance & bank book will show more**
- ▶ Cash book will show more balance & bank book will show less
- ▶ Cash book will show double balance
- ▶ Bank book will show double balance

**Question No: 34 ( Marks: 1 ) - Please choose one**

If no distribution is made between capital and revenue expenditure then:

- ▶ The figure of debtors and creditors will be incorrect
- ▶ Cash or bank figure will be incorrect
- ▶ **Net profit will be incorrect**
- ▶ Balance sheet will not balance

**Question No: 35 ( Marks: 1 ) - Please choose one**

The Policy for charging depreciation is selected by:

- ▶ Manufacturer
- ▶ Trader
- ▶ **Management**
- ▶ Accountant

**Question No: 36 ( Marks: 1 ) - Please choose one**

The estimated value at which an asset is expected to be sold after the end of its useful life is called:

- ▶ Residual value
- ▶ Salvage Value
- ▶ Scrap Value
- ▶ **All of the given options**

**Question No: 37 ( Marks: 1 ) - Please choose one**

Mr. "A" borrowed money from bank; this transaction involves which one of the following accounts:

- ▶ Cash & Mr. A
- ▶ Bank & Mr. A
- ▶ Drawing & Mr. A
- ▶ **Cash & Bank**

**Question No: 38 ( Marks: 1 ) - Please choose one**

The beginning balance of Owner's Equity was Rs.7,500. The dividends paid to stockholders were Rs.1,500. The ending balance of Owner's Equity is Rs.5,000. What was the Net Income or Net Loss for the accounting period?

- ▶ Net Loss of Rs. 1,000
- ▶ **Net Income of Rs. 1,000**
- ▶ Net Loss of Rs. 3,000
- ▶ Net Income of Rs. 3,000

**Question No: 39 ( Marks: 1 ) - Please choose one**

A company sold Rs. 400,000 of merchandise for cash and Rs.120,000 of merchandise to credit customers who will pay for the merchandise in a later time period. How much revenue should be reported on the income statement of the current time period under Cash Basis of Accounting?

- ▶ Rs. 280,000
- ▶ Rs. 520,000
- ▶ **Rs. 400,000**
- ▶ Rs. 120,000

**Question No: 40 ( Marks: 1 ) - Please choose one**

Which one of the following statement is wrong about Current liabilities?

- ▶ These are due within one year
- ▶ These are short-term loans
- ▶ **A vague term for loans to be repaid by an enterprise after twelve months**
- ▶ In working capital, these are deducted from assets

**Question No: 41 ( Marks: 10 )**

**Calculate depreciation of the asset for five years by using written down value method. Also show accumulated depreciation.**

Cost of the asset	Rs. 1,20,000
Depreciation Rate	10%
Expected Life	5 years

**ANSWER**

YR	Written down value method	RS	Accumulated depreciation
1	cost	120,000	
	Depreciation @ 10%... $10\% \times 120,000$	12,000	12,000
	WDV... $120,000 - 12,000$	108,000	
2	Dep @ 10%... $10\% \times 108,000$	10,800	22,800
	WDV = $108,000 - 10,800$	97,200	
3	Dep @ 10%... $10\% \times 97,200$	9,720	32,520
	WDV = $97,200 - 9,720$	87,480	
4	Dep @ 10%... $10\% \times 87,480$	8,748	41,268
	WDV = $87,480 - 8,748$	78,732	
5	Dep @ 10%... $10\% \times 78,732$	7,873.2	49,141.2
	WDV = $78,732 - 7,873.2$	70,858.8	

**100% sure Question No: 1 ( Marks: 1 ) - Please choose one (chapter # 30)**

Debenture is also named as:

- ▶ Share
- ▶ Bond
- ▶ Equity
- ▶ Reserve

**Question No: 2 ( Marks: 1 ) - Please choose one**

What types of changes (is) are made at the admission of partner in partnership?

- ▶ Assets of old business will be revalued
- ▶ Liabilities of old business will be revalued
- ▶ Good will of business will be revalued
- ▶ All of the given options

**Question No: 3 ( Marks: 1 ) - Please choose one**

The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. Credit Sales of Rs. 200,000 were made during the year. Using this information, compute cash collected from customers.

- ▶ Rs. 215,000
- ▶ **Rs. 195,000**
- ▶ Rs. 200,000
- ▶ Rs. 205,000

**Question No: 4 ( Marks: 1 ) - Please choose one**

In cash flow statements, which of the following would appear as an inflow of cash?

- ▶ The repayments of a bank loan
- ▶ Dividend issue in the current year
- ▶ **Money received as result of selling fixed assets**
- ▶ The difference between the valuations of old and new fixed assets

**Question No: 5 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** a cash inflow?

- ▶ **Purchase of fixed asset**
- ▶ Sale of fixed asset
- ▶ Issue of debentures
- ▶ Cash from business operation

**Question No: 6 ( Marks: 1 ) - Please choose one**

What are the effects on financial statements, if Rs. 6,000 transfer to general reserve is given in adjustment?

- ▶ It will be treated in Income Statement only
- ▶ It will be treated as current liability in balance sheet only
- ▶ It will be treated in profit and loss appropriation account only
- ▶ **it will be treated in both profit and loss appropriation account and in the balance sheet**

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following is the most important document of the company?

- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ Prospectus
- ▶ **Annual Report**

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following document(s) define the relation of company with outside world?

- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ **Prospectus**
- ▶ Statutory Declaration

**Question No: 9 ( Marks: 1 ) - Please choose one**

The income statement of the Limited company is also known as:

- ▶ Manufacturing account
- ▶ **Profit and Loss account**
- ▶ Profit and Loss Appropriation account
- ▶ Current Account

**Question No: 10 ( Marks: 1 ) - Please choose one**

In which of the following auditor's remuneration payable is shown?

- ▶ In balance sheet under the head of current liabilities only
- ▶ In balance sheet under the head of current assets only
- ▶ In income statement under the administrative expense only
- ▶ **In both balance sheet under the head of current liabilities and income statement under the administrative expense**

**Question No: 11 ( Marks: 1 ) - Please choose one**

The charter of a company which defines the limitations and powers of the company is called:

- ▶ The memorandum of association
- ▶ **Articles of association**
- ▶ Statutory report
- ▶ Certificate of commencement

**Question No: 12 ( Marks: 1 ) - Please choose one**

Which of the following represents the partnership agreement in writing?

- ▶ Partnership registration
- ▶ Partnership-at-will
- ▶ **Partnership deed**
- ▶ Partnership certification

**Question No: 13 ( Marks: 1 ) - Please choose one**

Which of the following represents the relationship between persons who have agreed to share the profit of business carried on by all or any of them acting for all?

- ▶ Sole-ownership
- ▶ Private limited company
- ▶ Public limited company
- ▶ **Partnership**

**Question No: 14 ( Marks: 1 ) - Please choose one**

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ **Accounts receivable arises when a company buys goods or services from another party on credit**
- ▶ Accounts receivable is a miscellaneous category that may include loans to employees
- ▶ **Accounts receivable are more formal than notes receivable**
- ▶ Accounts receivable are often called trade receivables

**Question No: 15 ( Marks: 1 ) - Please choose one**

Which one of the following is **TRUE** about provisions?

- ▶ It is necessary to prepare for showing true picture of balance sheet

- ▶ It is a reduction from assets
- ▶ It is prepared for specific purposes
- ▶ **All of the given options**

**Question No: 16 ( Marks: 1 ) - Please choose one**

Which financial statement show what a business owes at a particular point in time?

- ▶ A cash flow statement
- ▶ The bank statement for the business
- ▶ **A balance sheet**
- ▶ A statement of retained earnings

**Question No: 17 ( Marks: 1 ) - Please choose one**

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

**Question No: 18 ( Marks: 1 ) - Please choose one**

Short-term investments include all of the following **EXCEPT**:

- ▶ A bond receivable intended to be sold within one year
- ▶ Frequently traded securities
- ▶ A stock investment in the General Electric Company intended to be sold within one year
- ▶ **A shares investment in the Coca-Cola Company intended to be held for several years**

**Question No: 19 ( Marks: 1 ) - Please choose one**

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

**Question No: 20 ( Marks: 1 ) - Please choose one**

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

- ▶ Rs. 460
- ▶ **Rs. 2,400**
- ▶ Rs. 3,080



- ▶ Rs. 5,480

**Question No: 21 ( Marks: 1 ) - Please choose one**

Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.

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

- ▶ Rs. 600
- ▶ Rs. 1,000
- ▶ Rs. 2,000
- ▶ **Rs. 2,600**

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following entry will be recorded, if a cheque deposited is dishonored by bank?

- ▶ Bank Account (Dr.) and Debtor's Account (Cr.)
- ▶ Debtor's Account (Dr.) and Bank Account (Cr.)
- ▶ **Dishonored Cheque Account (Dr.) and Bank Account (Cr.)**
- ▶ Creditor's Account (Dr.) and Bank Account (Cr.)

**Question No: 23 ( Marks: 1 ) - Please choose one**

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?

- ▶ **Both of Mr. P's & Mr.Q's Account**
- ▶ Only Cash Account
- ▶ Only P's account
- ▶ Only Q's account

**Question No: 24 ( Marks: 1 ) - Please choose one**

Which of the following account(s) will be affected, while rectifying the error of sales Rs.100 to Mr. "A" recorded in the purchases book?

- ▶ Sales account
- ▶ Purchase account
- ▶ A's account and Sales account
- ▶ **Sales account, purchase account and A's account**

**100%sure Question No: 25 ( Marks: 1 ) - Please choose one(chapter # 28)**

"Goods sold to Mr. Salman for Rs. 6,000 have been forgotten to enter in books of accounts", is an example of:

- ▶ Error of principle
- ▶ **Error of omission**
- ▶ Error of commission

- ▶ Error of original entry

**100%sure Question No: 26 ( Marks: 1 ) - Please choose one(chapter # 28)**

Transaction that has been completely forgotten to enter is called:

- ▶ Error of principle
- ▶ **Error of omission**
- ▶ Error of commission
- ▶ Error of original entry

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which of the following is (are) included in Creditors Control Account?

- ▶ Discount received from supplier
- ▶ Credit purchases
- ▶ Bills payable
- ▶ **All of the given options**

**Question No: 28 ( Marks: 1 ) - Please choose one**

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

- ▶ **Cash sales**
- ▶ Credit sales
- ▶ Bills receivable
- ▶ Discount allowed

**Question No: 29 ( Marks: 1 ) - Please choose one**

Which of the following subsidiary book(s) is (are) maintained for debtors control account?

- ▶ Sales Day Book
- ▶ Sales Return
- ▶ **Debtors Ledger**
- ▶ All of the given options

**Question No: 30 ( Marks: 1 ) - Please choose one**

Which of the following is **NOT** based on the concept of double entry book keeping system?

- ▶ Subsidiary Ledgers
- ▶ Creditors Control Accounts
- ▶ Debtors Control Accounts
- ▶ **All of the given options**

**Question No: 31 ( Marks: 1 ) - Please choose one**

Which of the following entry will be recorded when the Bad Debts are recovered?

- ▶ Cash account (Dr.) & Bad Debts recovered account (Cr.)
- ▶ **Accounts Receivable account (Dr.) & Bad Debts recovered account (Cr.)**

- ▶ Bad debts recovered account (Dr.) and Profit & Loss account (Cr.)
- ▶ Provision for doubtful debts account (Dr.) & Cash account (Cr.)

**Question No: 32 ( Marks: 1 ) - Please choose one**

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**

**Question No: 33 ( Marks: 1 ) - Please choose one**

Which of the following is **CORRECT** for Doubtful Debt?

- ▶ It is shown in balance sheet
- ▶ It is a definite loss to the business
- ▶ **It is not shown in balance sheet**
- ▶ No provision is necessary for it

**Question No: 34 ( Marks: 1 ) - Please choose one**

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)**

**Question No: 35 ( Marks: 1 ) - Please choose one**

A Bank Reconciliation Statement is prepared to:

- ▶ **Ascertain that the difference between the Cash Book balance and the Bank Statement balance has been accounted for**
- ▶ Correct errors in the Cash Book or errors in the Bank Statement
- ▶ Amend the balance of the Bank Statement of the firm
- ▶ Amend the balance in the Cash Book of the firm

**Question No: 36 ( Marks: 1 ) - Please choose one**

Which of the following is **CORRECT** regarding depreciation?

- ▶ **It is a systematic allocation of depreciable amount of an asset over its estimated useful life**

- ▶ It refers to the end life of an asset
- ▶ It refers to the increase in value of asset
- ▶ It is another name of Impairment

**Question No: 37 ( Marks: 1 ) - Please choose one**

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

Cash	Rs.1, 00, 000
Debtors	Rs.10, 000
Other Assets	Rs. 1,000
Owner's equity	Rs. 1, 000

- ▶ Rs. 12,000 liabilities
- ▶ Rs. 11,000 liabilities
- ▶ Rs. 1, 10,000 liabilities
- ▶ **Rs. 1, 11,000 liabilities**

**Question No: 38 ( Marks: 1 ) - Please choose one**

Which of the following essentials will be shown in the format of Cash Book?

- (1) Ledger code
- (2) Amount of Receipt
- (3) Amount of payment

- ▶ (1) only
- ▶ (1) & (2) only
- ▶ (1) & (3) only
- ▶ **(1), (2) & (3)**

**Question No: 39 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ **Rs.320**

**Question No: 40 ( Marks: 1 ) - Please choose one**

In cost of goods sold statement, the 'cost of material consumed' is equal to:

▶ **Opening raw material inventory + Purchases – Ending raw material inventory**

- ▶ Opening raw material inventory - Purchases + Ending raw material inventory
- ▶ Ending raw material inventory + Opening raw material inventory - Purchases
- ▶ Ending raw material inventory + Opening raw material inventory + Purchases

**Question No: 41 ( Marks: 1 ) - Please choose one**

Following are the inventories of Manufacturing Concern **EXCEPT**:

- ▶ Raw material
- ▶ Work in process
- ▶ Finished goods
- ▶ **Merchandise inventory**

**Question No: 42 ( Marks: 1 ) - Please choose one**

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**
- ▶ Working capital
- ▶ Asset

**Question No: 43 ( Marks: 1 ) - Please choose one**

In which of the following condition a company will have positive working capital?

- ▶ If current assets > current liabilities
- ▶ If current Assets < current Liabilities
- ▶ **If current assets = current liabilities**
- ▶ If current assets  $\leq$  current liabilities

**Question No: 44 ( Marks: 1 ) - Please choose one**

If salaries expense is Rs. 2,500, purchases are Rs. 16,000 and rent (office building) is Rs. 300 during the year, what would be the total of "general & administrative expenses"?

- ▶ Rs. 300
- ▶ Rs. 2,500
- ▶ **Rs. 2,800**
- ▶ Rs.18, 800

**Question No: 45 ( Marks: 1 ) - Please choose one**

The amount brought by the proprietor in the business should be credited to:

- ▶ Cash account
- ▶ **Capital account**
- ▶ Drawings account
- ▶ Proprietor account

**Question No: 46 ( Marks: 1 ) - Please choose one**

An asset on the balance sheet which is expected to be sold or used within one year is known as:

- ▶ Tangible asset
- ▶ **Current asset**
- ▶ Fixed asset
- ▶ Long term asset

**Question No: 47 ( Marks: 1 ) - Please choose one**

Which one of the following is a type of General Ledger?

- ▶ Book of original entry
- ▶ **'T' Account**
- ▶ Source document
- ▶ Day book

**Question No: 48 ( Marks: 1 ) - Please choose one**

According to the double entry system of book keeping, the investment of Rs.10, 000 in the business made by the owner will effect:

- ▶ **Cash & Capital Account**
- ▶ Cash & Expense Account
- ▶ Capital & Revenue Account
- ▶ Capital & Expense Account

**Question No: 49 ( Marks: 1 ) - Please choose one**

Mr." A" sold goods for Rs. 3, 00,000 to Mr. "B", Rs. 3, 00,000 will be treated as \_\_\_\_\_ for business.

- ▶ **Revenue**
- ▶ Net profit
- ▶ Gross profit
- ▶ Operating profit

**Question No: 50 ( Marks: 1 ) - Please choose one**

when income exceeds expenses in a specific time period is known as:

- ▶ Savings
- ▶ **Net profit**
- ▶ Gross profit
- ▶ Operating profit

**Question No: 51 ( Marks: 5 )**

Financial year decided by partnership agreement is 1<sup>st</sup> July to 30<sup>th</sup> June. Mr. Ali is partner and having a capital of Rs. 1,500,000 on July 1<sup>st</sup> 2007 and he introduced more capital on August 1<sup>st</sup> 2007 Rs. 10,000 on April 1<sup>st</sup> 2008, Rs.500,000 and on June 1<sup>st</sup> 2008 , Rs. 5,000. Mark up rate is 10% p.a.

Capital = 1500000      mark up= 1500000  
2<sup>nd</sup> capital= 10000      markup= 1000

3<sup>rd</sup> capital= 500000    markup= 50000  
4<sup>th</sup> capital= 5000        markup= 500

Total markup= Rs. 201500

**Calculate mark up on Mr. Ali's capital for the year ending on 31th June 2008.**

**Question No: 52 ( Marks: 10 )**

**Write a note on legal documents required for the formation of company.**

In Pakistan when someone wants to form a company. He will contact with SECP, its abbreviation for Securities and Exchange Commission of Pakistan. It came in 1984 in law of Pakistan which is called companies ordinance. It controls all affairs of limited companies. For making of private limited company 2 members can submit their names in memorandum and articles of association along with other requirements of company ordinance 1984. while for public limited company seven members will sent their names. By this way they can apply and make registration of the company.

**Question No: 53 ( Marks: 10 )**

**What is the difference between public and private company?**

The main difference between public and private company is that in public limited companies there is no restriction on number of persons to be its members. There is one restriction. That there should be a minimum of three members to form a public limited company. Public limited company can offer its shares to general public.

While in private company two to fifty persons can form a company. Minimum two members are elected to form a board of directors. This board is given the responsibility to run day to day business of the company. Private limited company cannot offer its share to general public.

**Question No: 54 ( Marks: 10 )**

The following discrepancies were noted on comparing Cash Book with Pass Book.

1. Balance as per Cash Book (Cr) is Rs. 19,000.
2. Cheque for Rs. 5,000 paid into the bank for collection on 20<sup>th</sup> March, 2008 has not yet been collected.
3. Cheques for Rs. 15,000 Issued on 24<sup>th</sup> March, 2008, out of which Cheques for Rs. 10,000 presented during March, 2008
4. An amount of Rs. 1,000 for interest on overdraft was debited in the Pass Book but was intimated to Mr. David on 4<sup>th</sup> April, 2008.
5. Mr. David paid into his bank account an amount of Rs. 3,000 but it was wrongly credited to Mr. Denial's Account.
6. On 20th March, 2008 the bank received dividend of Rs. 10,000 from a company where Mr. David's has invested his money, the same had been recorded in Cash Book on 31st March, 2008.
7. Cheque of Rs. 2,500 was shown in Pass Book as dishonored.

**Required:** Prepare a Bank Reconciliation Statement as on 31<sup>st</sup> March, 2008

Balance as per Cash Book Cr 19000

Unpresented cheques      Dr 5000  
 Uncredited cheque      Dr 10000  
 Interest by bank      Dr. 1000

**Question No: 1 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	3,00,000
Cost of machine purchased during the year	50,000
Depreciation during the year	9,000
closing written down value (WDV) of the Machine	?

Opening+expenditure – depreciation  
 $3,00,000 + 50,000 - 9,000 =$

- ▶ **Rs. 3, 41,000**
- ▶ Rs. 3, 50,000
- ▶ Rs. 3, 59,000
- ▶ Rs. 59,000

**Question No: 2 ( Marks: 1 ) - Please choose one**

Particulars	Rs.
Opening written down value of machine	Rs. 2,00,000
Cost of new machine purchased during the year	Rs. 50,000
Depreciation during the year	Rs. 25,000
Closing written down value (WDV) of machines	?

- ▶ **Rs. 2, 25,000**
- ▶ Rs. 2, 50,000
- ▶ Rs. 2, 75,000
- ▶ Rs. 75,000

**100%Sure Question No: 3 ( Marks: 1 ) - Please choose one**

Consider the following data:

Particulars	Rs.
Assets	1,98,000
Owner's equity	95,000
Liabilities	?

- ▶ Rs. 49,000
- ▶ Rs. 55,000
- ▶ Rs. 1, 25,000
- ▶ **Rs. 1, 03,000**

**Question No: 4 ( Marks: 1 ) - Please choose one**

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

- ▶ **Rs. 60,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

**Question No: 5 ( Marks: 1 ) - Please choose one**

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

- ▶ Rs. 2, 01,000 liabilities
- ▶ **Rs. 1, 11, 000 liabilities**
- ▶ Rs. 2, 90, 000 liabilities
- ▶ Rs. 2, 91, 000 liabilities

**Question No: 6 ( Marks: 1 ) - Please choose one**

When the process of production is completed, all the costs must be charged to:

- ▶ Raw material account
- ▶ Work in process account
- ▶ **Finished goods account**
- ▶ Merchandise account

**Question No: 7 ( Marks: 1 ) - Please choose one**

Which of the following assets are shown at written down value in balance sheet?

- ▶ Current assets
- ▶ Liquid assets
- ▶ Floating assets
- ▶ **Fixed assets**

**Question No: 8 ( Marks: 1 ) - Please choose one**

Which of the following asset is **NOT** depreciated?

- ▶ Factory Buildings
- ▶ Office Equipment
- ▶ Plant & Machinery
- ▶ **Land**

**Question No: 9 ( Marks: 1 ) - Please choose one**

The main goal of Bank Reconciliation Statement is to determine:

- ▶ **If the discrepancy is due to error rather than timing**

- ▶ If the discrepancy is due to timing rather than error
- ▶ If the discrepancy is due to error rather than amount
- ▶ If the discrepancy is due to amount rather than timing

**Question No: 10 ( Marks: 1 ) - Please choose one**

Sale proceeds of goods are an example of:

- ▶ Revenue expense
- ▶ Capital expense
- ▶ Capital receipt
- ▶ **Revenue receipt**

**Question No: 11 ( Marks: 1 ) - Please choose one**

Which one of the following is **NOT** true about revenue expenditure?

- ▶ These are the running expenses of the business
- ▶ They improve the financial position of the business
- ▶ They reduce the profit of the concern
- ▶ **They do not appear in the balance sheet**

**Question No: 12 ( Marks: 1 ) - Please choose one**

Consider the following:

Beginning inventory	10 units @ Rs. 10 per unit
First purchase	35 units @ Rs. 11 per unit
Second purchase	40 units @ Rs. 12 per unit
Third purchase	20 units @ Rs. 13 per unit

Eighty units were sold, what is the value of the ending inventory using the FIFO method of inventory costing?

- ▶ Rs.260
- ▶ Rs.232
- ▶ Rs.284
- ▶ **Rs.320**

**Question No: 13 ( Marks: 1 ) - Please choose one**

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit Rs.	Total Rs.
Jan. 2	Beginning inventory	10	10	100
Mar. 4	Purchase	35	11	385
May 8	Purchase	40	12	480
Nov. 3	Purchase	20	13	260
De31	Merchandise available	105		1,225

80 units were sold, Use the FIFO method of inventory costing and determine the cost of goods sold.

- ▶ Rs. 1,225
- ▶ Rs. 1,015
- ▶ Rs. 965
- ▶ **Rs. 905**

**Question No: 14 ( Marks: 1 ) - Please choose one**

If, Cost of machine = Rs.400, 000

Useful life = 5 years

Rate of depreciation= 40%

The book value of machine after one years using diminishing balance method is ?

- ▶ Rs.86, 400
- ▶ Rs. 1, 44,000
- ▶ **Rs. 2, 40,000**
- ▶ Rs. 51,840

**Question No: 15 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Book value of Asset after 5 years	?

- ▶ Rs.25, 000
- ▶ **Rs. 75,000**
- ▶ Rs. 15,000
- ▶ Rs. 1, 00,000

**Question No: 16 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for each year	Rs. 5,000
Sale price after 5 years	Rs.50,000
Written down value of asset on 5 <sup>th</sup> year	Rs.75,000
profit or loss on disposal of fixed assets	?

- ▶ **Rs.25, 000 loss**
- ▶ Rs. 75,000 loss
- ▶ Rs. 15,000 profit
- ▶ Rs. 1, 00,000 profit

**Question No: 17 ( Marks: 1 ) - Please choose one**

Cost of asset	Rs. 1,00,000
Life of asset	5 years
Depreciation for the each year	Rs. 5,000
Sale price after 5 years	Rs.15,000
Written Down Value of Asset on 5 <sup>th</sup> year	Rs. 75,000

Profit or loss on disposal of fixed asset	
---	--

	?
--	---

▶ **Rs. 60,000 loss**

- ▶ Rs. 75,000 profit
- ▶ Rs. 25,000 loss
- ▶ Rs. 1, 00,000 profit

**Question No: 18 ( Marks: 1 ) - Please choose one**

The total of all costs incurred to convert raw material into finished goods is known as:

- ▶ Prime cost
- ▶ **Conversion cost**
- ▶ Sunk cost
- ▶ Opportunity cost

**Question No: 19 ( Marks: 1 ) - Please choose one**

Which of the following is an example of direct materials cost?

- ▶ Polish and finishing material for chair
- ▶ **A piece of wood for the production of chair**
- ▶ Production worker's wages
- ▶ Depreciation expenses

**Question No: 20 ( Marks: 1 ) - Please choose one**

If the working capital and the current assets of company XYZ are Rs. 5,000 and Rs.15,000 respectively, calculate the current liabilities.

- ▶ Rs. 5,000
- ▶ **Rs. 10,000**
- ▶ Rs. 15,000
- ▶ Rs. 20,000

**Question No: 21 ( Marks: 1 ) - Please choose one**

Which of the following item appears in Trading Account of a business?

- ▶ Interest expenses
- ▶ **Wages and salaries**
- ▶ Depreciation expenses
- ▶ Discount Allowed

**Question No: 22 ( Marks: 1 ) - Please choose one**

Which of the following is an alternate term which can be used for "Capital"?

- ▶ Liability
- ▶ **Owner's net worth**

- ▶ Working capital
- ▶ Asset

**Question No: 23 ( Marks: 1 ) - Please choose one**

Which of the following financial statement **DO NOT** show the financial health of a business at a specific date?

- ▶ **Profit and loss account**
- ▶ Balance sheet
- ▶ Statement of financial position
- ▶ All of the given options

**Question No: 24 ( Marks: 1 ) - Please choose one**

If cost of sales is Rs. 95,000, sales are Rs. 200,000 and operating expenses are Rs. 100,000. What will be the net result?

- ▶ Rs. 5,000 Loss
- ▶ **Rs. 5, 000 Profit**
- ▶ Rs.1, 95,000 Profit
- ▶ Rs.1, 95,000 Loss

**Question No: 25 ( Marks: 1 ) - Please choose one**

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)

- ▶ Cash account
- ▶ Furniture account
- ▶ Vehicle account
- ▶ **All of the given options**

**Question No: 26 ( Marks: 1 ) - Please choose one**

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).

- ▶ Capital account
- ▶ Sundry creditors account
- ▶ Accounts payable account
- ▶ **Cash account**

**Question No: 27 ( Marks: 1 ) - Please choose one**

Which of the following journal entry will be recorded, if the payment of furniture purchased is made through cheque?

- ▶ **Furniture account (Dr) and Bank account (Cr)**
- ▶ Furniture account (Dr) and Profit & Loss account (Cr)
- ▶ Furniture account (Dr) and Cash account (Cr)
- ▶ Cash account (Dr) and Furniture account (Cr)

**Question No: 28 ( Marks: 1 ) - Please choose one**

Which one of the following statement is **CORRECT** about Long term liabilities?

- ▶ These are due within one year
- ▶ **These are consist of all debts, payable after 12 months**
- ▶ In working capital, these are deducted from current assets
- ▶ All of the given options

**Question No: 29 ( Marks: 1 ) - Please choose one**

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What type of expenses are paid out of Gross Profit?

- ▶ Selling Expenses
- ▶ General Expenses
- ▶ Financial Expenses
- ▶ **All of the given options**

**Question No: 30 ( Marks: 1 ) - Please choose one**

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While making Income & Expenditure account, Excess of income over expenses in a specified accounting period is called:

- ▶ Deficit
- ▶ Surplus
- ▶ **Profit**
- ▶ Loss

**Question No: 31 ( Marks: 1 ) - Please choose one**

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Which one of the following is **NOT** prepared by Non profit organizations?

- ▶ **Profit & Loss account**
- ▶ Income & Expenditure account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

**Question No: 32 ( Marks: 1 ) - Please choose one**

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Which of the following financial statement summarizes the profitability of an organization for a particular period?

- ▶ Trading and Profit & Loss account
- ▶ Cash Flow Statement
- ▶ Statement of Retained Earnings
- ▶ Balance Sheet

**Question No: 33 ( Marks: 1 ) - Please choose one**

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Which of the following period is known as a fiscal Year of the Government of Pakistan?

- ▶ 1<sup>st</sup> January to 31<sup>st</sup> December
- ▶ 1<sup>st</sup> June to 31<sup>st</sup> May
- ▶ **1<sup>st</sup> July to 30<sup>th</sup> June**
- ▶ 1<sup>st</sup> October to 30<sup>th</sup> September

**Question No: 34 ( Marks: 1 ) - Please choose one**

What would be the affect on the components of the accounting equation, if goods are purchased on cash?

- ▶ Increase in cash and decrease in equity
- ▶ Increase in cash and increase in goods
- ▶ **Increase in goods and decrease in cash**
- ▶ Increase in equipment and increase in equity

**Question No: 35 ( Marks: 1 ) - Please choose one**

Obligations to pay cash or un-earned incomes by the business are the:

- ▶ Assets
- ▶ **Liabilities**
- ▶ Equities
- ▶ Expenses

**Question No: 36 ( Marks: 1 ) - Please choose one**

Commercial Accounting is based on:

- ▶ Single entry book keeping
- ▶ **Double entry book keeping**
- ▶ Both single and double entry book keeping
- ▶ Cash basis of book keeping

**Question No: 37 ( Marks: 1 ) - Please choose one**

Word "Credit" is derived from \_\_\_\_\_ language.

- ▶ **Latin**
- ▶ English
- ▶ French
- ▶ Chinese

**Question No: 38 ( Marks: 1 ) - Please choose one**

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

**Question No: 39 ( Marks: 1 ) - Please choose one**

Double entry accounting system includes:

- ▶ Accrual accounting only
- ▶ Cash accounting only
- ▶ Both cash and accrual accounting
- ▶ None of the given options

**Question No: 40 ( Marks: 1 ) - Please choose one**

An accounting system is used by a business to:

- ▶ Analyze transactions
- ▶ Handle routine book-keeping tasks
- ▶ Structure information
- ▶ All of the given options

**Question No: 41 ( Marks: 10 )**

**Record the following transactions in the General Journal.**

Date:	Transactions
Jan 1, 2007	Mr. Asghar started business with cash Rs. 1, 00,000.
Jan 2, 2007	Opened bank account with amount Rs. 50,000.
Jan 4, 2007	Purchased goods for cash Rs. 15,000.
Jan 9, 2007	Payment made to Karachi store (Creditor) Rs. 15,000 by cheque.
Jan14, 2007	Goods returned to Karachi store worth Rs. 1,500.
Jan22, 2007	Goods sold for cash Rs. 2,000.

DR

Bank account 50,000

Purchased goods for cash Rs. 15,000

Payment made to Karachi store (Creditor) Rs. 15,000 by cheque

Goods returned to Karachi store worth Rs. 1,500

Credit balance 20500

Cr

Mr. Asghar started business with cash Rs. 1, 00,000

Goods sold for cash Rs. 2,000.

**1. If Accumulated profit brought forward has credit nature, what will be its treatment?**

**a. It will be added in net profit for the year**

b. It will be subtracted from the net profit for the year

c. It will be deducted from current Assets

d. It will be added in current assets

**2. Fixed Assets at WDV + working capital =?**

a. Total shareholders equity

**b. Net capital employed**



- c. Long term loan
- d. Current liability

**3. Keeping in view the following data, what will be Net Cash Flow from Investing Activities?**

**Particulars Rs.**

Purchases from short term borrowing 45,000  
Purchases of marketable securities (65,000)  
Proceeds from marketable securities 40,000  
Loans made to borrowers (17,000)  
Cash paid acquire plant assets (160,000)  
Proceeds from sales of sales of plant Assets 75,000  
Collection on loans 12,000

- a. Rs. (115,000)
- b. Rs. 100,000
- c. Rs. 55,000

**d. None of the given options**

**4. Keeping in view the following data, what will be Net cash provided by operating activities?**

**Particulars Rs.**

Net income 65,000  
Depreciation expenses 40,000  
Decrease in accrued interest receivable 1,000  
Increase in accounts payable 15,000  
Increase in accrued liabilities 7,000  
Non operating loss on sales of marketable securities 4,000  
Increase in accounts receivable 30,000  
Increase in inventory 10,000  
Decrease in accrued liabilities 8,000  
Increase in prepayments 3,000

Non operating gain on sales of plant assets 31,000

Net cash provided by operating activities ?

**a. Rs. 115,000**

b. Rs. 100,000

c. Rs. 50,000

d. None of the given options

**5. Advances from customers are shown in which of the following heads in Balance Sheet?**

a. Current Assets

**b. Current liabilities**

c. Fixed Assets

d. Long term liabilities

**6. While preparing cash flow statements, the repayments of a loan during the year should be included under the heading of:**

a. Operating activities

**b. Financing activities**

c. Investing activities

d. None of the given options

**7. Which of the following statement is also known as a source and use statements?**

a. Income Statements

**b. Statement of Cash Flows**

c. Balance Sheet

d. Statement of Retained Earnings

**8. Calculate depreciation for the year =?**

Building at cost = Rs. 1, 00,000

Depreciation rate = 10%

**a. Rs. 10,000**

b. Rs. 1,000