Unit_1

Formative Test N. 1

Q1. Double entry system of book-keeping means
   (i) entry in two set of books.
   (ii) entry for two aspects of the transaction.
   (iii) entry at two dates.

Q2. In double entry system book-keeping every business transaction affects
   (i) debit and credit side of the same account
   (ii) two accounts.
   (iii) the same side of the same account.

Q3. In book-keeping 'credit' means
   (i) an entry on the right hand side of an account.
   (ii) increase in asset.
   (iii) decrease in liability.

Q4. Personal accounts are related to
   (i) assets and liabilities
   (ii) expenses, losses and incomes.
   (iii) customers, creditors etc.

Q5. A payment of Rupees One hundred to Azad Transporters for bringing goods to our factory should be debited to
   (i) Azad Transporters
   (ii) Carriage Inward.
   (iii) Machine a/c
   (iv) Cash a/c

Q6. Goods of the value of Rs. 100, withdrawn by the owner for his private use be credited to
   (i) Sales account
   (ii) Owner's draw
   (iii) Purchase a/c
   (iv) Expenses a/c

Q7. Sale of goods to X for cash should be debited to
   (i) X
   (ii) Cash
   (iii) Sales

   Loss of goods by fire should be credited to
   (i) Purchase a/c
   (ii) Loss of goods by fire a/c
   (iii) Sales.
Q8. Cash purchase of goods from Gopal should be debited to
   (i) Gopal's a/c (ii) Cash a/c (iii) Purchase a/c

Q9. Purchase of fixed asset for cash would-
   (i) Reduce current and fixed asset
   (ii) Keep current and fixed assets unchanged.
   (iii) Reduce current assets and increase fixed assets.
   (iv) Reduce current assets and current liabilities.

Q10. Both assets and owner's equity would increase by-
   (i) proprietor's drawings (ii) purchase of machinery on credit.
   (iii) Payment to creditors (iv) retained earnings.

Q11. Sale of fixed assets for cash would:
   (i) reduce current and fixed assets.
   (ii) keep current and fixed assets unchanged.
   (iii) increase current assets and decrease fixed assets.
   (iv) reduce current assets and current liabilities.

Q12. What is the amount of net profit when merchandising
   cost = ₹ 21,650; expenses of doing business (operating
   expenses) = ₹ 480 and sales ₹ 24,900?
   (a) ₹ 2,770 (b) ₹ 3,250 (c) ₹ 47,030 (d) ₹ 21,170.
Unit - I
Formative Test N. 2

Q1. In book-keeping 'debit' means
(i) an entry on the left hand side of an account.
(ii) decrease in asset.
(iii) increase in liability.

Q2. Wages of workmen employed for setting up new machinery should be debited to
(i) Expenses a/c (ii) wages a/c
(ii) Machinery a/c (iv) Cash a/c

Q3. Payment of Rs. 50 to Rahim as wages for repairing furniture (second hand) should be debited to
(i) Furniture a/c (ii) Repairs a/c
(ii) Wages a/c (iii) Rahim's a/c

Q4. Withdrawals by proprietor would:
(i) reduce owner's equity and increase liabilities.
(ii) reduce both assets and owner's equity.
(iii) reduce assets and increase liabilities.

Q5. What is the amount of gross profit when opening stock = Rs. 13,000 purchases.
= Rs. 73,000, cost of goods sold (merchandising cost)
= Rs. 1,06,000 and sales = Rs. 1,49,000?
(a) Rs. 53,000 (b) Rs. 43,000 (c) Rs. 17,000 (Loss)
(d) Rs. 53,000 (Loss).

Q6. What is the amount of gross profit when net purchases
Rs. 50,000 Net sales = Rs. 80,000 and Sales returns
= Rs. 10,000?
(a) Rs. 30,000 (c) Rs. 20,000 (c) Rs. 70,000 (d) Rs. 40,000.
Q1. A purchase returns of Rs. 800 to P if entered in the Salesbook would affect
(a) P's account
(b) Purchases returns account
(c) Purchases returns account and sales account
(d) Sales account and purchases account.

Q2. A suspense account is used to rectify those errors:
(a) which affect the trial balance
(b) which do not affect the trial balance
(c) which are caused by a wrong application of principles
(d) which are caused by a complete omission of transactions.

Q3. A trial balance fails to agree by Rs. 400. Which one of the following errors subsequently discovered could have caused the disagreement.
(a) A sale of goods Rs. 400 to Ram Paul had been debited to Roy Paul's account.
(b) A cheque of Rs. 200 received from K.K. Jain had been debited to J.K. Jain's account.
(c) A machine sold for Rs. 400 had been credited to sales account.
(d) A payment for rent Rs. 400 had been debited to wages account.

Q4. Which of the following errors is disclosed by trial balance?
(a) Error of principle.
(b) Wrong amount posted in ledger account.
(c) Non-recording of a transaction in the book of original entry.

Q5. Indicate which of the following errors will cause the trial balance to be out of balance.
(a) A debit to an incorrect expense account.
(b) A credit to an expense account instead of a credit to an income account.
(c) A credit to an asset account instead of debit to a liability account.
(d) A credit to an income account instead of a credit to an expense account.

Q6. Excess debit in an account is rectified by
(a) Debiting with excess amount.
(b) Crediting with excess amount
(c) Crediting with double amount
(d) Debiting with double amount.

Q7. Compensating errors will cause
(a) a difference in trial balance
(b) No difference in trial balance
(c) Excess debit
(d) Excess credit.

Q8. Journal entries passed to correct errors are called.....
(a) Adjustment entries (b) Closing entries (c) Rectifying entries (d) Opening entries.

Q9. Repairs to buildings debited to the buildings account is an error of
(a) omission (b) commission (c) compensation (d) Principle.

Q10. Repairs to machinery affect (a) machinery account (b) wager a/c (c) Repairs a/c (d) None of the above.

Q11. A purchase of goods for Rs. 500 from Raman Kumar omitted to be recorded affects
(a) only Raman Kumar's account (b) Only purchase a/c (c) Only cash a/c (d) Raman Kumar & Purchases a/c.

Q12. Sales book overcast with
(a) Increase profit (b) Decrease profit (c) Not affect (d) Effect cash book.
Which of the following errors is disclosed by trial balance?
(a) Error of principle.
(b) Wrong amount posted in ledger account.
(c) Non-recording of a transaction in the book of original entry.

Indicate which of the following errors will cause the trial balance to be out of balance.
(a) A debit to an incorrect expense account.
(b) A credit to an expense account instead of a credit to an income account.
(c) A credit to an asset account instead of debit to a liability account.
(d) A credit to an income account instead of a credit to an expense account.

Compensating errors will cause
(a) a difference in trial balance
(b) No difference in trial balance
(c) Excess debit
(d) Excess credit.

Journal entries passed to correct errors are called.....
(a) Adjustment entries (b) Closing entries (c) Rectifying entries (d) Opening entries.

Repairs to machinery affect
(a) machinery account
(b) Wager a/c (c) Repairs a/c (d) None of the above.

A purchase of goods for Rs. 500 from Raman Kumar omitted to be recorded affects
(a) only Raman Kumar's account (b) Only purchase a/c
(c) Only cash a/c (c) Raman Kumar & Purchases a/c.
Pass book is...
(a) the copy of banking transactions entered in the cash book
(b) the copy of the customers' ledger account maintained by the bank.
(c) the record of all cash transactions.
(d) the copy of firms receipts and payments.

If the statement is prepared from the balance of cash book, we shall finally find out
(a) cheque book  (b) pay-in-slip book
(b) cash book  (b) pass book

Overdraft facilities are available only in...
(a) current account  (b) saving bank account
(b) recurring deposit account  (d) fixed deposit account.

Bank reconciliation statement is prepared by...
(a) the customers of the bank  (b) bank
(c) proprietor of the business  (d) tax authorities.

The bank balance is treated as plus balance if it is a balance of...
(a) cash book  (b) credit balance of pass book
(c) debit balance of cash book (d) in the all above cases.

A bank reconciliation statement is prepared to know the causes for the difference between:
(i) the balance as per cash column of the cash book and pass book.
(ii) the balance as per bank column of the cash book and pass book.
(iii) neither of the two.

Bank reconciliation statement is
(i) a ledger account  (ii) a part of the cash book
(iii) a statement separately prepared to find out the causes for difference between bank column of each book and pass book.
Q8. A bank reconciliation statement is
(i) part of cash book  (ii) part of bank account
(iii) none of these

Q9. A bank reconciliation statement is prepared with the help of
(i) bank pass book and bank column of cash book.
(ii) bank pass book and cash column of cash book
(iii) none of these.

Q10. The debit balance of cash book should match with credit
balance of Pass Book
(a) Sometimes  (b) Often (c) Always  (d) Never

Q11. In B.A.S., cheques paid in but not credited by bank are
(a) Not shown (b) Sometimes shown (c) Shown once in year only
(d) Shown always.

Q12. A wrong credit in cash book will
(a) Decrease pass book balance
(b) Increase pass book balance
(c) Decrease cash book balance
(d) Increase cash book balance.
Q1. Overdraft for a businessman means credit balance as per:
   (a) Cash book  (b) Pass book
   (c) Businessman A/c  (d) Sometime cash book/Pass book.

Q2. Bank column of the cash book always shows:
   (a) Debit balance  (b) Credit balance
   (c) Sometime credit/debit  (d) None of the these

Q3. Bank charger not recorded in cash book
   (a) Increase cash book balance  (b) Increase pass book balance
   (c) Decrease pass-book balance  (d) None of these

Q4. While preparing bank reconciliation statement from balance of cash book but not credited in pass book are
   (a) Added  (b) Not added
   (c) Deducted  (d) Not deducted

Q5. Passbook is maintained by:
   (a) Bank  (c) Customer
   (c) Creditor  (d) Debtor.

Q6. While preparing bank reconciliation statement from balance of pass book cheques issued but not recorded in cash book will be
   (a) added  (b) Subtracted  (c) Non-considered
   (d) considered.
Unit 4

Formative Test N.1

Q1. Prepaid expenditure is shown as:
   (i) an asset; (ii) a liability (iii) an expense

Q2. Accrued interest received given in the trial balance should be:
   (i) added to interest received account;
   (ii) transferred to profit and loss account;
   (iii) made to appear in balance sheet.

Q3. The amount of Rs. 100 paid to Transport company to send a
    machine should be debited to:
   (i) The Hindustan Transport Company account
   (ii) Freight account
   (iii) Machine account
   (iv) Cash account.

Q4. A profit and loss account is prepared:
   (i) for a certain given period; (ii) at a particular point of time;
   (iii) on fixed date (iv) when there is profit.

Q5. A balance sheet discloses the financial position of a firm:
   (i) for a given period; (ii) on a particular point of time;
   (iii) on a certain fixed date (iv) when trial balance matches.

Q6. Profit and loss account shows the:
   (i) profit earned by a business (ii) total capital employed;
   (iii) Balance of ledger account (iv) Profit distributed by the B's.

Q7. Balance sheet shows the:
   (i) profit earned by a business; (ii) financial position of
   (iii) balances of all accounts.

Q8. Expenses relating to sale of goods are shown in:
   (i) trading account; (ii) profit and loss account
   (iii) balance sheet.
Q9. Stock in trade is:
(i) a current asset;   (ii) a fixed asset;
(iii) an intangible asset; (iv) a fictitious asset

Q10. The valuation of closing stock is at:
(i) Cost price;       (ii) market price;
(iii) cost or market price whichever is lower.

Q11. Closing stock is recorded at the
(i) Balance sheet and trading a/c; (ii) Balance sheet only;
    (iii) Profit and loss A/c.

Q12. If closing stock appears in the trial balance it is transferred
    (i) trading account  (ii) P & L account
    (iii) balance sheet; (iv) trading account and
Q1. Statement prepared as on a particular date is 
(a) Ledger A/c (b) Profit and loss A/c
(c) Balance sheet (d) None of the above.

Q2. If cash is the last item on Assets side then arrangement of 
Balance sheet is on the basis of:
(a) Permanency (b) Liquidity
(c) Convertibility (d) Fixability.

Q3. Rem own money to the B's is an example of 
(a) Current liability (b) Current assets
(c) Fixed assets (d) Non-current liability

Q4. Contingent liabilities are shown on 
(a) Liabilities side (b) Assets side
(c) Outside the balance sheet (d) None of the above.

Q5. Gross income is ascertained by preparing 
(a) Trial balance (b) Profit & Loss A/c
(c) Trading A/c (d) Manufacturing A/c.

Q6. Fixed assets are shown in the balance sheet at 
(a) Market Price (b) Saleable price
(c) Book price (d) Purchase price.