



Unit 1: Accounting Concepts, conventions and Principles

1. Which accounting concept satisfy the valuation criteria
 - a) Going concern, Realization, Cost
 - b) Going concern, Cost, Dual aspect
 - c) Cost, Dual aspect, Conservatism
 - d) Realization, Conservatism, Going concern

2. A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.25,500. Which concept is followed by him?
 - a) Going concern
 - b) Cost
 - c) Accrual
 - d) Money measurement.

3. In which of the following cases, accounting estimates are needed?
 - a) Employs benefit schemes
 - b) Impairment of losses
 - c) Inventory obsolescence
 - d) All of the above

4. Diwali advance given to an employee is
 - a) Revenue Expenditure
 - b) Capital Expenditure
 - c) Deferred Revenue Expenditure
 - d) Not an Expenditure

5. A firm has reported a profit of Rs.1,47,000 for the year ended 31-3-2014 after taking into consideration the following items. (i) The cost of an asset Rs.23,000 has been taken as an expense (ii) The firm anticipated a profit of Rs.12,000 on the sale of an old furniture (iii) Salary of Rs.7,000 outstanding for the year has not been taken into account. (iv) An asset of Rs.85,000 was purchased for Rs.75,000 and was recorded in the books at Rs.85,000. What is the correct amount of profit to be reported in the books?
 - a) Rs.1,47,000
 - b) Rs. 1,51,000
 - c) Rs.1,63,000



- d) Rs.1,41,000
6. The process of recording financial data upto trial balance is
- Book keeping
 - Classifying
 - Summarising
 - Analyzing
7. Rohit carrying on real estate business sold a piece of land for Rs.4,00,00,000 (cost Rs.3,50,00,000) then the type of receipt is _____ nature and profit on sale is
- Capital & transferred to capital reserve
 - Revenue & transferred to P & L a/c
 - Capital & transferred to P & L a/c
 - Revenue & transferred to general reserve
8. In income measurement & recognition of assets & liabilities which of the following concepts goes together?
- Periodicity, Accrual, Matching
 - Cost, Accrual, matching
 - Going concern, cost, Realization
 - Going concern, Periodicity, Reliability
9. Interpretation means
- Explanation of meaning and significance of the data in Financial Statements.
 - Concerned with preparation and presentation of classified data
 - Systematic analysis of recorded data
 - Methodical classification of data given in Financial Statements.
10. A trader purchases goods for Rs. 2500000, of these 70% of goods were sold during the year. At the end of 31st December 2009, the market value of such goods were Rs. 500000. But the trader recorded in his books for Rs. 750000. Which of the following concept is violated.
- Money measurement
 - Conservatism
 - Consistency
 - None of these.



11. Which of the following is wrong?
- a) All real and personal accounts are transferred to balance sheet
 - b) Nominal accounts are transferred to P & L account
 - c) Each account is opened separately in ledger
 - d) Rent is a personal account, outstanding rent is nominal account
12. If nothing is given in the financial statements about the three accounting assumptions then it is to be treated as it
- a) Is assumed that it is not followed.
 - b) Is assumed to be followed
 - c) Is assumed to be followed to some extent
 - d) None of the above
13. The proprietor of the business is treated as creditor for the capital introduced by him due to ____ concept.
- a) Money measurement
 - b) Cost
 - c) Entity
 - d) Dual aspect
14. Fixed assets are held by business for _____
- a) Converting into cash
 - b) Generating revenue
 - c) Resale
 - d) None of the above
15. Which accounting concept specifies the practice of crediting closing stock to the trading account?
- a) Cost
 - b) Realisation
 - c) Going concern
 - d) Matching
16. Amount spent to increasing the earning capacity is a _____ expenditure
- a) Capital
 - b) Revenue
 - c) Deferred revenue
 - d) Capital Loss



17. Change in the capital A/c of proprietor may occur due to _____
- Profit earned
 - Loss incurred
 - Capital Introduced
 - All of the above
18. Consistency with reference to application of accounting procedures means
- All companies in the same Industry should use identical accounting procedures
 - Income & assets have not been overstated
 - Accounting methods & procedures shall be followed uniform basis year after year
 - Any accounting method can be followed as per convenience
19. If one of the cars purchased by a car dealer is used for business purpose, instead of resale, then it should be recorded by _____
- Dr Drawing A/c & Cr Purchases A/c
 - Dr Office Expenses A/c & Cr Motor Car A/c
 - Dr Motor Car A/c & Cr Purchases A/c
 - Dr Motor Car & Cr Sales A/c
20. If wages are paid for construction of business premises _____ A/c is credited and _____ A/c is debited.
- Wages, Cash
 - Premises, Cash
 - Cash, Wages
 - Cash, Premises
21. Value of goods withdrawn by the proprietor for his personal use should be credited to _____
- Capital A/c
 - Sales A/c
 - Drawings A/c
 - Purchases A/c



22. Which of the following is incorrect?
- a) Good will intangible asset
 - b) Sundry debtors - current asset
 - c) Loose tools tangible fixed asset
 - d) Outstanding expenses -current asset.
23. M/s Stationery Mart will debit the purchase of stationery to _____
- a) Purchases A/c
 - b) General Expenses A/c
 - c) Stationery A/c
 - d) None
24. Small items like, pencils, pens, files, etc. are written off within a year according to _ concept.
- a) Materiality
 - b) consistency
 - c) Conservatism
 - d) Realisation
25. Business enterprise is separate from its owner according to _____ concept.
- a) Money measurement concept
 - b) Matching concept
 - c) Entity concept
 - d) Dual aspect concept
- 26) Profit and loss is calculated at the stage of
- a) Recording
 - b) Posting
 - c) Classifying
 - d) Summarising
- 27) Which of the following is a Real A/c?
- a) Building A/c
 - b) Capital A/c
 - c) Shyam A/c
 - d) Rent A/c



28) Which of the following factor is not considered while selecting accounting policies?

- a) Prudence
- b) Substance over form
- c) Accountancy
- d) Materiality

29) Which of the following provide frame work and accounting policies so that the financial statements of different enterprises become comparable.

- a) Business Standards
- b) Accounting Standards
- c) Market Standards
- d) None

30) Fixed assets are double the current assets and half the capital. The current assets are Rs.3,00,000 and investments are Rs.4,00,000. Then the current liabilities recorded in balance sheet will be

- a) 2,00,000
- b) 1,00,000
- c) 3,00,000
- d) 4,00,000

31) Which of the following is not a Real Account?

- a) Cash A/c
- b) Investments A/c
- c) Outstanding rent A/c
- d) Purchases A/c

32) Consistency with reference to application of accounting procedures means

- a) All companies in the same Industry should use identical accounting
- b) Income & assets have not been overstated
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33) Amount spent to increasing the earning capacity is a _____ expenditure

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35)happens when the fraudster avails multiple loans for the same property simultaneously for a total amount in excess of the actual value of the property.

- a) Phishing
- b) Window dressing
- c) Shot gunning
- d) Skimming

36) Various frauds in banking sector are:

- a) Appraisal fraud
- b) Mortgage fraud
- c) Shot gunning
- d) All of the above

37) Fraudsters may alter cheques to change the name or the amount on the face of cheques. This is called

- a) Phishing
- b) Forgery
- c) Disbursement fraud
- d) Skimming

38) The increase or decrease in the prices of various goods and services over a period of time is known as-----

- a) Price Level Changes
- b) Inflation
- c) Deflation

39) Increase in the price of various goods and services over a period of time is known as ---- -----

- a) Price Level Changes
- b) Inflation
- c) Deflation



40) Traditionally as per the generally accepted accounting principles, transactions are recorded as per -----

- a) Historical cost
- b) Current market value
- c) Realizable value

41) Prices of goods and services may increase due to following ----- demand factors

- a) Increase in money supply, increase in disposable income
- b) agricultural growth, inadequate industrial growth
- c) None of the above

42) Prices of goods and services may increase due to following ----- demand factors

- a) Increase in money supply, increase in disposable income
- b) Inadequate agricultural growth, inadequate industrial growth
- c) None of the above

43) Current purchasing power method involves adjustment of historic figures at the current purchasing value. Under this method historical figures are multiplied with the -----

- a) Wholesale Price Index
- b) Consumer Price Index
- c) Conversion factor

44) A building which was purchased in the year 2001 was recorded as 80 Lakhs when the general price index was 120. The value of the building needs to be changed as per the price changes. The current price index is 360. Find the conversion factor.

- a) 0.33
- b) 3
- c) 240

45) XYZ Limited sold goods throughout the year evenly. The total turnover was Rs 120 Lakhs. The general price index at the beginning of the year was 125 and at the end of the year was 150. What value of sales needs to be recorded as per CPP Method.

- a) Rs. 120 Lakhs
- b) Rs. 130.91 Lakhs
- c) Rs.145 Lakhs



46) During inflation the purchasing power of money -----

- a) Increases
- b) Decreases
- c) Does not change

47) One of the main reasons to adopt changes in price accounting is-----

- a) To remove the misleading effect on the financial statements due to ongoing increase or decrease in general price levels over a period of time.
- b) To provide a favorable financial statements revealing better profits and financial position
- c) Both a and b

48) Current purchasing power method involves adjustment of historic figures at the current purchasing value. Under this method historical figures are multiplied with the -----

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49) A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.25,500. Which concept is followed by him?

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- c) Accrual
- d) Money measurement

50) Value of goods withdrawn by the proprietor for his personal use should be credited to _____

- a) Capital A/c
- b) Sales A/c
- c) Drawings A/c
- d) Purchases A/c

ANSWER KEY

1a	2c	3d	4d	5b	6a	7b	8a	9a	10b
11d	12b	13c	14b	15d	16a	17d	18	19c	20d
21d	22d	23a	24a	25c	26d	27a	28c	29b	30b
31c	32c	33a	34a	35c	36d	37b	38a	39b	40a
41a	42a	43c	44b	45a	46b	47a	48b	49c	50c

