



Question Bank

Unit 1: Financial Accounting

Q1. State whether the following statements are true or false: (1 Marks each)

- ❖ Closing stock is always valued at cost price.
- ❖ Liabilities are something that outsiders owe to business.
- ❖ Carriage on purchase is also called as carriage outward.
- ❖ Goodwill is an intangible asset.
- ❖ Withdraw of cash for payment of proprietors' house rent is called drawings.
- ❖ A customer's promise to pay is called an account payable to the seller.
- ❖ In a double-entry accounting system, the total amount debited must always equal the total amount credited.
- ❖ Assets include accounts payable and notes payable.
- ❖ The profit or loss for a period is reported using a balance sheet.
- ❖ Payments made for an owner's personal expenses are charged to owner's draws.

Q2. Fill in the blanks: (1 Marks each)

- Amount invested in business is called as.....
- According to..... concept the business goes on and on.
- The physical wear and tear in an assets is called
- Accounting standards in India are issued by the.....
- Balance sheet is a statement ofand of a business.
- Assets = Liabilities +.....
-are assets which are purchased for permanent use in the business.
-is the process which provides information needed as a basis of making business decisions.
- Investors, lenders, and suppliers are examples of..... users of accounting information provided by a business entity.
- Under..... of accounting, the two aspects of each transaction are recorded
- The term..... is abbreviated as Dr.
-cost will still be incurred although a plant is shut down temporarily.
- Preliminary expenses are recorded in.....
- Sunk costs arefor decision making.

Q3. Multiple Choice Questions: (1 Marks each)

- 1) Financial accounting is concerned with
 - a) Recording of business expenses and revenue
 - b) Recording of costs of products and services
 - c) Recording of day to day business transactions



- d) None of the above
- 2) The system of recording based on dual aspect concept is called:
- Double account system
 - Double entry system
 - Single entry system
 - All the above
- 3) The practice of appending notes regarding contingent liabilities in accounting statements is in pursuance to:
- Convention of consistency
 - Money measurement concept
 - Convention of conservatism
 - Convention of disclosure
- 4) Which of the following is not a fixed asset?
- Building
 - Bank Balance
 - Plant Patents
 - Goodwill
- 5) Insurance prepaid is shown as:
- Current assets
 - Current liabilities
 - Fixed asset
 - Fixed liability

Q4. Write a short note on:

(4 marks each)

- User of accounting information.
- Explain the concept of prudence.
- Accounting Standards.
- Going concern concept.
- Dual Aspect of financial Accounting.

Q5. Long Questions:

(10 marks each)

- Explain any 5 principles of Accounts.
- Difference between Accounting and Book keeping.
- What are the advantages of Financial Accounting?
- What are the objectives of Financial Accounting?
- What do you mean by accounting? Also discuss the scope and objectives of accounting?
- What is GAAP? Explain the concepts and conventions of accounting in detail.
- Discuss the classification of accounts.



Unit 2: Accounting Transactions and Final Accounts

Q1. Fill in the blanks:

(1 Mark each)

1. Journal Entries are known as book ofEntry.
2. Prepaid expense is treated as.....
3. Outstanding expenses are charged to.....
4. Bookkeeping is an.....of correctly recording of business transition.
5. Trade Payables are recorded in.....
6. Interest , rent, electricity bill are types ofaccount.
7. The revenue recognition principal dictates that all types of incomes should be recorded or recognized when.....
8. Information about an item is if its omission or misstatement might influence the financial decision of the users taken on the basis of that information.
9. Profit from sale of assets is example for.....profit.
10. The amount brought in by the proprietor in the business should be credited to.....

Q2. Multiple Choice Questions:

(1 mark each)

- 1) Creating Provision against fluctuation in the price of investment is an example of which accounting convention:
 - a) Convention of conservatism.
 - b) Convention of full disclosure.
 - c) Convention of materiality.
 - d) Convention of consistency.
- 2) Rent paid to landlord should be credited to:
 - a) Landlords account.
 - b) Rent account.
 - c) Cash account.
 - d) Expense account
- 3) The nature of financial accounting is:
 - a) Historical
 - b) Forward looking
 - c) Analytical
 - d) Social
- 4) The system of recording based on dual aspect concept is called:
 - a) Double account system
 - b) Double entry system



- c) Single entry system
- d) All the above

5) Carriage outward is charged to:

- a) Debit side Profit & Loss a/c
- b) Debit side Trading a/c
- c) Credit side of Profit & Loss a/c
- d) Credit side of trading a/c.

Q3. State whether the following statements are true or false: (1 Marks each)

- 1) As prepaid expenses are used, the expired costs of the assets become expenses.
- 2) Gains from the sale or exchange of assets are not considered as the revenue of the business.
- 3) All liabilities which become due for payment in one year are classified as long term liabilities.
- 4) Sales less cost of good sold = gross profit.
- 5) Stock at the end does not appear in the Trial balance. In case it appears in the Trial balance, the amount of purchases in the Trial balance is reduced.
- 6) Medicines given to the office staff by a manufacturer of medicines will be debited to salaries account.
- 7) Premium paid on the life policy of a partner is debited to profit and loss account.
- 8) The salary paid in advance is not an expense because it neither reduces assets or nor increase liabilities.
- 9) The debts written off as bad, if recovered subsequently are credited to Debtors Account.

Q4. Make journal entries of the following : (5marks each)

(A) On April 01, 2016

- 1. Amit started business with Rs. 100,000 and other transactions for the month are:
- 2. Purchase Furniture for Cash Rs. 7,000.
- 8. Purchase Goods for Cash Rs. 2,000 and for Credit Rs. 1,000 from Khalid Retail Store.
- 14. Sold Goods to Khan Brothers Rs. 12,000 and Cash Sales Rs. 5,000.
- 18. Owner withdrew of worth Rs. 2,000 for personal use.
- 22. Paid Khalid Retail Store Rs. 500.
- 26. Received Rs. 10,000 from Khan Brothers.
- 30. Paid Salaries Expense Rs. 2,000

(B). On March 2017, Farhan Rahim, starts wholesaling business. Following transactions as follows:

- 1. He started business with capital of Rs. 15,000 and Land worth Rs. 10,000.
- 8. Bought goods from Bilal and Friends Rs. 1,000 and by cash from XYZ Co. Rs 2,000.
- 13. Sold goods to Rehman & sons Rs. 1,500 and sale by cash Rs. 5,000.
- 17. Gave away charity of cash Rs. 50 and merchandising worth Rs. 30.
- 21. Paid Bilal and Friends cash Rs. 975; discount received Rs. 25.
- 28. Received cash from Rehman & Sons Rs. 1,450; allowed him discount of Rs. 50.



Q5. Long Questions:

(16 marks)

(A). From the following Trial Balance of M/s. Shradha & Sons as on 31st March, 2018, prepare Trading and Profit and Loss Account and Balance Sheet.

Heads of Accounts	Dr.	Cr.
	Balance	Balance
	(₹)	(₹)
Capital	...	80,000
Drawings	18,000	...
Sales	...	1,55,000
Purchases	82,600	...
Stock (1st April, 2017)	42,000	...
Returns Outward	...	1,600
Carriage Inwards	1,200	...
Wages	4,000	...
Power	6,000	...
Machinery	50,000	...
Furniture	14,000	...
Rent	22,000	...
Salary	15,000	...
Insurance	3,600	...
8% Bank Loan	...	25,000
Debtors	20,600	...
Creditors	...	18,900
Cash in Hand	1,500	...
Total	2,80,500	2,80,500

Adjustments:

- (i) Closing Stock ₹ 64,000.
- (ii) Wages outstanding ₹ 2,400.
- (iii) Bad Debts ₹ 600.
- (iv) Provision for Doubtful Debts to be 5%.
- (v) Rent is paid for 11 months.
- (vi) Insurance premium is paid per annum, ended 31st May, 2018.



- (vii) Loan from the bank was taken on 1st October, 2017.
(viii) Provide Depreciation on machinery @ 10% and on Furniture @ 5%.

(B) Following are the balances extracted from the books of Narain Lal on 31st March, 2018:

Particulars	Amount	Particulars	Amount
	(₹)		(₹)
Narain Lal's Capital	3,00,000	Sales	15,00,000
Narain Lal's Drawings	50,000	Sales Return	20,000
Furniture and Fittings	26,000	Discount (Dr.)	16,000
Bank Overdraft	42,000	Discounts (Cr.)	20,000
Creditors	1,38,000	Insurance	20,000
Business Premises	2,00,000	General Expenses	40,000
Stock on 1st April, 2017	2,20,000	Salaries	90,000
Debtors	1,80,000	Commission (Dr.)	22,000
Rent from Tenants	10,000	Carriage on Purchases	18,000
Purchases	11,00,000	Bad Debts Written off	8,000

Additional Information:

- (i) Closing Stock as on 31st March, 2018 was ₹2,00,600.
(ii) Depreciate: Business Premises by ₹3,000 and Furniture and Fittings by ₹2,500.
(iii) Make a provision of 5% on debtors for doubtful debts.
(iv) Carry forward ₹2,000 for unexpired insurance.
(v) Outstanding salary was ₹15,000.

Prepare Trading and Profit and Loss Account for the year and Balance Sheet as at that date.



Unit 3: Bank Reconciliation Statements

Q1. Multiple Choice Questions:

(1 mark each)

1. In cash book, the favourable balance indicates
 - a) Credit Balance
 - b) Debit Balance
 - c) Bank Overdraft
 - d) Adjusted Balance
2. On the bank statement, cash deposited by the company is known as
 - a) Credit
 - b) Debit
 - c) Liability
 - d) Expenses
3. Bank reconciliation statement compares a bank statement with _____
 - a) Cash payment journal
 - b) Cash receipt journal
 - c) Financial statements
 - d) Cashbook
4. What is “Deposit in transit” in bank reconciliation?
 - a) Added to Bank Balance
 - b) Subtracted From Bank Balance
 - c) Subtracted From the Cash Book Balance
 - d) Added to Cashbook Balance
5. NSF’ marked in cheque sent back by the bank indicates
 - a) Cheque has been forged
 - b) A bank couldn’t verify the identity
 - c) No sufficient money
 - d) A cheque cannot be cashed because it’s illegal
6. Bank reconciliation description is composed of
 - a) Bank Accountant
 - b) Business Manager
 - c) Business Accountant
 - d) Controller of the bank



7. An unadjusted balance in cash book is because of the result of which error?

- a) Deposit in transit
- b) The omission of Bank charges
- c) Outstanding cheques
- d) Unpresented cheques

8. Unpresented cheques also referred to as

- a) Bounced cheques
- b) Outstanding cheques
- c) Uncredited cheques
- d) Uncollected cheques

9. In cash book, an amount of ₹5,000 was not recorded. Name the correct cash book adjustment

- a) It will be credited in cash book
- b) It will be debited in cash book
- c) No adjustment needed in the cash book
- d) Charges will be added to the cash book balance

10. What type of cheques is that which is issued by a firm but not deposited to the bank

- a) Uncredited cheques
- b) Outstanding cheques
- c) Uncollected cheques
- d) Bounced cheques

Q2. Fill in the blanks:

(1 mark each)

- 1) Passbook is a copy of.....as it appears in the ledger of the bank.
- 2) When money is withdrawn from the bank, the bank the account of the customer.
- 3) Normally, the cash book shows a debit balance, passbook showsbalance.
- 4) Favourable balance as per the cash book meansbalance in the bank column of the cash book.
- 5) If the cash book balance is taken as starting point the items which make the cash book balance smaller than the passbook must befor the purpose of reconciliation.
- 6) If the passbook shows a favourable balance and if it is taken as the starting point for the purpose of bank reconciliation statement then cheques issued but not presented for payment should beto find out cash balance.
- 7) When the cheques are not presented for payment, favourable balance as per the cash book isthan that of the passbook.
- 8) When a banker collects the bills and credits the account passbook overdraft showsbalance.



- 9) If the overdraft as per the passbook is taken as the starting point, the cheques issued but not presented are to bein the bank reconciliation statement.
- 10) When the passbook balance is taken as the starting point items which makes the passbook balancethan the balance in the cash book must be deducted for the purpose of reconciliation.

Q3. Short Questions:

(5 marks each)

a) From the following particulars of Anil & Co. prepare a bank reconciliation statement as on August 31, 2017.

1. Balance as per the cash book ` 54,000.
2. 100 bank incidental charges debited to Anil & Co. account, which is not recorded in cash book.
3. Cheques for ` 5,400 is deposited in the bank but not yet collected by the bank.
4. A cheque for ` 20,000 is issued by Anil & Co. not presented for payment

b) From the following particulars of Asha & Co. prepare a bank reconciliation statement on December 31, 2017.

- Overdraft as per passbook 20,000
- Interest on overdraft 2,000
- Insurance Premium paid by the bank 200
- Cheque issued but not presented for payment 6,500
- Cheque deposited but not yet cleared 6,000
- Wrongly debited by the bank 500

Q4. Long Questions:

(10 marks each)

A) From the following particulars, prepare Bank Reconciliation Statement as on 31st December, 2008:

- (i) Debit balance as per Cash Book ₹ 10,000.
- (ii) A cheque for ₹ 500 issued in favour of Karan has not been presented for payment.
- (iii) A bill for ₹ 700 retired by bank under a rebate of ₹ 20, the full amount of the bill was credited in the Cash Book.
- (iv) A cheque for ₹ 295 deposited in the bank has been dishonored.
- (v) A sum of ₹ 800 deposited in the bank has been credited as ₹ 80 in the Pass Book.
- (vi) Payment side of the Cash Book has been undercast by ₹ 200.
- (vii) A bill receivable for ₹ 1,000 (discounted with the bank in November 2008) dishonored on 31st December, 2008.

B) On 31st March, 2018, Cash Book of a merchant showed bank overdraft of ₹ 1,72,985. On comparing the Cash Book with Bank Statement, following discrepancies were noted:

- (i) Cheques issued for ₹ 60,000 were not presented in the bank till 7th April, 2018.
- (ii) Cheques amounting to ₹ 75,000 were deposited in the bank but were not collected



(iii) A Cheque of ₹ 15,000 received from Mahesh Chand and deposited in the bank was dishonoured but the non-payment advice was not received from the bank till 1st April, 2018.

(iv) ₹ 1,50,000 being the proceeds of a bill receivable collected appeared in the Pass Book but not in the Cash Book.

(v) Bank charges ₹ 1,500 and interest on overdraft 8,500 appeared in the Pass Book but not in the Cash Book.

(vi) Overdraft balance as per Cash Book of ₹ 500 on 28th February, 2018 was wrongly carried forward as debit balance. The error was noted at the time of preparing the Bank Reconciliation Statement as on 31st March, 2018.

Prepare Bank Reconciliation Statement and show what balance the Bank Pass Book would indicate on 31st March, 2018.



Unit 4: Computerized Accounting

Q1. State whether the following statements are true or false: (1 marks each)

- a) Spreadsheet software can be utilized to generate accounting reports.
- b) A computer sometimes is also termed as 'electronic brain'
- c) The idea of computers was first conceived by Charles P. Babbage in 1833.
- d) Software, refers to the physical devices of a computer system
- e) Consistency refers to the ability of the computers of perform a variety of tasks, simple as well as complex.
- f) The proposition of outsourcing the accounting functions often proves to be economically more sensible.
- g) If the size of the business operation is very small, the organization may decide upon a Enterprise Resource Planning (ERP) package.
- h) There are many accounting software available which support a non-coded accounting system
- i) The computer is a faithful — never tiring but a foolish servant.

Q2. Fill in the blanks: (1 marks each)

- a) Connectivity is acknowledged as a element of the computer system.
- b) Where large number of accounting data is involved spreadsheet software may not work.....
- c) The Enterprise Resource Planning software are of.....proposals.
- d) Repeating the same results without any variations irrespective of the number of times the program is run is known as.....
- e) In a pre-packaged accounting software reports are generated from the software could be the.....
- f) Computerised accounting requires transaction data to be entered into.....
- g) The choice of customized accounting packages is made on the basis of the.....
- h) The ability with which the computers remain functional to serve the user is termed as.....

Q3. Short Questions: (5 marks each)

- 1. What are the different types of accounting software?
- 2. What is the most widely used accounting software?
- 3. Which software is used for financial accounting?
- 4. What is computerized accounting?
- 5. What are five basic components of an accounting system?



Q4. Long Questions:

(10 marks each)

1. What is computerized Accounting? Explain the advantages and disadvantages of computerized Accounting?
2. Explain the difference between computerized accounting system and manual accounting system?
3. What are Accounting software packages? Explain the various types of accounting software?

