

MOCK MCQ TEST

SUBJECT: FINANCIAL ACCOUNTING

PAPER CODE: BCOM 103

DELHI INSTITUTE OF ADVANCED STUDIES

FOR PRIVATE CIRCULATION

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MULTIPLE CHOICE QUESTIONS

Subject: FINANCIAL ACCOUNTING

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1. Which of the following statements is incorrect?
 - A. Assets - Capital = Liabilities
 - B. Liabilities + Assets = Capital
 - C. Liabilities + Capital = Assets
 - D. Assets - Liabilities = Capital

2. Which of the following is not an asset?
 - A. Buildings
 - B. Debtors
 - C. Loan from Ram
 - D. Cash balance

3. Which of the following is liability?
 - A. Motor Vehicles
 - B. Machinery
 - C. Creditors for goods
 - D. Cash at Bank

4. What is the important objective of accounting?
 - A. To maintain records.
 - B. Depiction of financial position.
 - C. Make information available to various groups and users.
 - D. All of three.

5. Which of the following statements is correct?

| | <i>Effect upon</i> | |
|------------------------------------|--------------------|--------------------|
| | <i>Assets</i> | <i>Liabilities</i> |
| (A) We paid a creditor by cheque | -Bank | -Creditors |
| (B) A debtor paid us £90 in cash | +Cash | +Debtors |
| (C) J Hall lends us £500 by cheque | +Bank | -Loan from Hall |
| (D) Bought goods on credit | +Stock | +Capital |

6. Which of the following are correct?

| <i>Accounts</i> | <i>To record</i> | <i>Entry in the account</i> |
|-------------------|---------------------------|-----------------------------|
| (i) Assets | an increase a decrease | Debit Credit |
| (ii) Capital | an increase a decrease | Debit Credit |
| (iii) Liabilities | an increase a decrease | Credit Debit |

 - A. (i), (ii) and(ii)
 - B. (i) and (ii)
 - C. (i) and (iii)

D. (ii) and (iii)

7. Which of the following are correct?

| | <i>Account to be debited</i> | <i>Account to be credited</i> |
|--|------------------------------|-------------------------------|
| (i) Bought office furniture for cash | Office furniture | Cash |
| (ii) A debtor, P Sangster, pays us by cheque | Bank | P Sangster |
| (iii) Introduced capital by cheque | Capital | Bank |
| (iv) Paid a creditor, B Lee, by cash | B Lee | Cash |

A. (i) and (iv) only

B. (i), (ii) and (iii) only

C. (i), (ii) and (iv) only

D. (ii), (iii) and (iv) only

8. Which of the following are incorrect?

| | <i>Account to be debited</i> | <i>Account to be credited</i> |
|---|------------------------------|-------------------------------|
| (i) Sold van for cash | Cash | Van |
| (ii) Returned some of Office Equipment to Suppliers Ltd | Office Equipment | Suppliers Ltd |
| (iii) Repaid part of loan from C Charles by cheque | Loan from C Charles | Bank |
| (iv) Bought machinery on credit from Betterways Ltd | Betterways Ltd | Machinery |

A. (i) and (iii) only

B. (ii) and (iv) only

C. (iii) and (iv) only

D. (ii) and (iv) only

9. Which of the following best describes the meaning of Purchases ?

A. Goods bought on credit

B. Goods paid for

C. Goods bought for resale

D. Items bought

10. Which of the following should not be called 'Sales'?

A. Goods sold for cash

B. Sale of item previously included in Purchases

C. Office fixtures sold

D. Goods sold on credit

11. Of the following, which are correct?

| | <i>Account to be debited</i> | <i>Account to be credited</i> |
|--|------------------------------|-------------------------------|
| (i) Goods sold on credit to R Williams | R Williams | Sales |
| (ii) S Johnson returns goods to us | Returns inwards | S Johnson |
| (iii) Goods bought for cash | Cash | Purchases |
| (iv) We returned goods to A Henry | A Henry | Returns inwards |

A. (iii) and (iv)

B. (ii) and (iv)

C. (i) and (ii)

- D. (i) and (iii)
12. Which of the following are incorrect?
- | | <i>Account to be debited</i> | <i>Account to be credited</i> |
|---|------------------------------|-------------------------------|
| (i) Goods sold for cash | Cash | Sales |
| (ii) Goods bought on credit from T Carter | Purchases | T Carter |
| (iii) Goods returned by us to C Barry | C Barry | Returns outwards |
| (iv) Van bought for cash | Purchases | Cash |
- A. (ii) and (iv)
 B. (iv) only
 C. (iii) only
 D. (i) and (iii) only
13. Given the following, what is the amount of Capital? Assets: Premises Rs. 20,000; Stock Rs. 8,500; Cash Rs. 100. Liabilities: Creditors Rs. 3,000; Loan from A Adams Rs. 4,000
- A. 21,100
 B. 21,400
 C. 21,600
 D. 32,400
14. Which of the following is correct?
- A. Profit reduces capital
 B. Profit increases capital
 C. Capital can only come from profit
 D. Profit does not alter capital
15. Which of the following are correct?
- | | <i>Account to be debited</i> | <i>Account to be credited</i> |
|---|------------------------------|-------------------------------|
| (i) Received commission by cheque | Bank | Commission received |
| (ii) Paid rates by cash | Rates | Cash |
| (iii) Paid motor expenses by cheque | Motor expenses | Bank |
| (iv) Received refund of insurance by cheque | Insurance | Bank |
- A. (i), (ii) and (iii)
 B. (i) and (ii) only
 C. (i), (ii) and (iv)
 D. (i), (iii) and (iv)
16. Business is said to be in a profit when:
- A. Expenditure exceeds income
 B. Income exceeds expenditure
 C. Income exceeds liability
 D. Assets exceed expenditure
17. As per the accounting double-entry system, an account that receives the benefit is:
- A. No need to show as an accounting record
 B. Income
 C. Debit
 D. Credit
18. What does the term "credit" mean in business?
- A. It depends upon items
 B. Provides benefits
 C. It has no effect on business

- D. Receiving benefits
19. When a Liability is decreased or reduced, it is registered on the:
- A. Debit side or left side of the account
 - B. Credit side or right side of the account
 - C. Debit side or right side of the account
 - D. Credit side or left side of the account
20. When there is an increase in capital by an amount, it is registered on the:
- A. Credit or right side of the account
 - B. Debit or left side of the account
 - C. Credit or left side of the account
 - D. Debit or right side of the account
21. What kind of expenses are paid from Gross Profit?
- A. Selling Expenses
 - B. Financial Expenses
 - C. General Expenses
 - D. All of the above
22. Which option gives a review report on the firm's financial status at a specified date?
- A. Income & Expenditure Account
 - B. Balance Sheet
 - C. Cash Flow Statement
 - D. Profit & Loss Account
23. Which of the options is not an intangible asset?
- A. Land
 - B. Patents
 - C. Goodwill
 - D. Franchise rights
24. Which of the options is an example of business liability?
- A. Creditors
 - B. Cash
 - C. Building
 - D. Land
25. The unfavourable balance of Profit and Loss account should be:
- A. Subtracted from liabilities
 - B. Subtracted from capital
 - C. Subtracted from current assets
 - D. Added in liabilities
26. Trading account is prepared to find out:
- A. Gross Profit or Loss
 - B. Net Profit or Loss
 - C. Financial Position
 - D. None

27. Opening stock is?
- A. Debited in Trading Account
 - B. Credited in Trading account
 - C. Credited in Profit & Loss account
 - D. Debited in Profit & Loss
28. Which one of the following assets could be described as a current asset?
- A. Machinery to manufacture goods for resale
 - B. Stock of goods for resale
 - C. Buildings to house the machinery
 - D. Land on which the buildings stand
29. Retained Earnings is classified as which type of account?
- A. Asset
 - B. Liability
 - C. Expense
 - D. Stockholders' equity
30. All of the following are stockholders' equity accounts except?
- A. Investment in Stock
 - B. Capital Stock
 - C. Common Stock
 - D. Retained Earnings
31. The main objective of depreciation is
- A. To show the previous profit
 - B. To calculate net profit
 - C. To reduce tax
 - D. To satisfy the tax department
32. Depreciation is generated due to
- A. Increase in the value of liability
 - B. Decrease in capital
 - C. Wear and tear
 - D. Decrease in the value of assets
33. What is the purpose of making a provision for depreciation in the accounts?
- A. To charge the cost of fixed assets against profits
 - B. To show the current market value of fixed asset
 - C. To make cash available to replace fixed assets
 - D. To make a provision for repairs
34. According to straight line method of providing depreciation, the depreciation
- A. Remains constant
 - B. Increase each year.
 - C. Decrease each year
 - D. None of them.

35. Total amount of depreciation of an asset cannot exceed its
- A. Depreciation value
 - B. Scrap value
 - C. Market value
 - D. None of these
36. According to fixed instalment method, the depreciation is calculated on
- A. Balance amount
 - B. Original cost
 - C. Scrap value
 - D. None of them
37. Salvage value means
- A. Definite sale price of the asset
 - B. Cash to be received when life of the asset ends
 - C. Cash to be paid when asset is disposed off
 - D. Estimated disposal value
38. Depreciation is calculated under diminishing balance method, based on
- A. Original value
 - B. Book value
 - C. Scrap value
 - D. None of them
39. Depreciation amount charged on a machinery will be debited to:
- A. Repair account
 - B. Cash account
 - C. Depreciation account
 - D. Machinery account
40. In accounting, becoming out of date or obsolete is known as
- A. Amortization
 - B. Obsolescence
 - C. Depletion
 - D. Physical deterioration
41. How do we describe the process of adjusting the value of an asset by recognizing that it is consumed in a way that does not completely eliminate the resource?
- A. Adjustment
 - B. Valuation
 - C. Depreciation
 - D. Waning
42. If the estimated amount of depreciation on equipment for a period is Rs. 2,000, the adjusting entry to record depreciation would be?
- A. Debit depreciation expense, Rs. 2,000; credit accumulated depreciation, Rs. 2,000
 - B. Debit depreciation expense, Rs. Rs. 2,000; credit cash, Rs. 2,000
 - C. Debit equipment, Rs. 2,000; credit depreciation expense, Rs. 2,000

- D. Debit accumulated depreciation, Rs. 2,000; credit depreciation expense, Rs. 2,000
43. Which one of the following most closely defines 'Amortization'?
- A. The depreciation of tangible fixed assets
 - B. The depreciation of intangible fixed assets
 - C. The depreciation of current assets
 - D. The revaluation of land and buildings
44. Book value = cost minus _____?
- A. Current liabilities
 - B. Salvage value
 - C. Accumulated depreciation
 - D. Residual value
45. What is process called, where costs of the natural resources are allocated over its useful life?
- A. Capitalization
 - B. Depletion
 - C. Amortization
 - D. Depreciation
46. A company has
- A. Separate Legal Entity
 - B. Perpetual Existence
 - C. Limited Liability
 - D. All of the Above
47. Shareholders are:
- A. Customers of the Company
 - B. Owners of the Company
 - C. Creditors of the Company
 - D. None of these
48. Who are the real owners of a company?
- A. Government
 - B. Board of Directors
 - C. Equity shareholders
 - D. Debenture holders
49. A Company is created by:
- A. Special act of the Parliament
 - B. Companies Act
 - C. Investors
 - D. Members
50. An artificial person created by Law is called:
- A. Sole Tradership
 - B. Partnership Firm
 - C. Company

- D. All of the Above
51. The liability of members in a Company is:
A. Limited
B. Unlimited
C. Stable
D. Fluctuating
52. Liability of a shareholder is limited to of the shares allotted to him:
A. Paid up Value
B. Called up value
C. Face value
D. Reserve Price
53. Maximum number of members in a private company is:
A. 7
B. 200
C. 20
D. No Limit
54. Capital of a Company is divided in units which is called:
A. Debenture
B. Share
C. Stock
D. Bond
55. Shareholders receive from the company:
A. Interest
B. Commission
C. Profit
D. Dividend
56. Equity shares cannot be issued for the purpose of:
A. Cash Receipts
B. Purchase of assets
C. Redemption of debentures
D. Distribution of dividend
57. A Company may issue
A. Equity Shares
B. Preference Shares
C. Equity and Preference both shares
D. None of the Above
58. A company cannot issue :
A. Redeemable Equity Shares
B. Redeemable Preference Shares
C. Redeemable Debentures
D. Fully Convertible Debentures

59. To whom dividend is given at a fixed rate in a company?
 A. To equity shareholders
 B. To preference shareholders
 C. To debenture holders
 D. To promoters
60. Preference shareholders have
 A. Preferential right as to dividend only
 B. Preferential right in the management
 C. Preferential right as to repayment of capital at the time of liquidation of the company
 D. Preferential right as to dividend and repayment of capital at the time of liquidation of the Company

ANSWER KEY

| | | | | | | | | | | | |
|----|---|----|---|----|---|----|---|----|---|----|---|
| 1 | B | 11 | C | 21 | D | 31 | B | 41 | C | 51 | A |
| 2 | C | 12 | B | 22 | B | 32 | C | 42 | A | 52 | C |
| 3 | C | 13 | C | 23 | A | 33 | A | 43 | B | 53 | B |
| 4 | C | 14 | B | 24 | A | 34 | A | 44 | C | 54 | B |
| 5 | A | 15 | A | 25 | B | 35 | A | 45 | B | 55 | D |
| 6 | C | 16 | B | 26 | A | 36 | A | 46 | D | 56 | D |
| 7 | C | 17 | D | 27 | A | 37 | D | 47 | B | 57 | C |
| 8 | B | 18 | D | 28 | B | 38 | B | 48 | C | 58 | A |
| 9 | C | 19 | A | 29 | D | 39 | C | 49 | B | 59 | B |
| 10 | C | 20 | A | 30 | A | 40 | B | 50 | C | 60 | D |