

# Step Academy official

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STUDENT NAME	
PAPER CODE	106279
TIME ALLOWED	
Paper Date	



CLASS	I.COM (PART-I)
SUBJECT	PRINCIPLE OF ACCOUNTING
TOTAL MARKS	
Paper Type	

**Q1. Choose the correct answer.**

**200X1=200**

1. The prime function of accounting is to:

- (A) Record economic  
(B) Classifying and recording business transactions  
(C) Classifying and summarizing business transactions  
(D) Provide the informational basis for action

2. Any legal activity which is done for the purpose of earning profit, is called:

- (A) Trust (B) Society (C) None of "A", "B" (D) Business

3. Book-keeping is mainly concerned with:

- (A) Recording of business transactions  
(B) Classifying of business transactions  
(C) Interpreting of business transactions in money terms  
(D) None of the above

4. Accounting is the language of:

- (A) Business (B) School (C) America (D) Proprietor

5.

The rate of allowance given by a creditor to a debtor, if he pays his debts before the due date of payment is normally:

- (A) 2% (B) 5% (C) 10% (D) 15%

6. A person who was money to the business is called:

- (A) Debtor (B) Creditor (C) Shareholder (D) Owner

7. Stages for proceeding a transaction are:

- (A) Recording (B) Classifying (C) Summarizing (D) All of these

8. If damaged or below standard goods returned to the seller are called:

- (A) Returns outwards (B) Purchases returns (C) Returns to supplier (D) All of these

9. The amount of cash or goods invested by the proprietor in a business is called:

(A) Revenue                      (B) Asset                      (C) Capital                      (D) Expense

10. A person from whom credit purchase are made is called:

(A) Debtor                      (B) Creditor                      (C) Banker                      (D) Owner

11. The price of goods sold or services provided by a business to its customers is called:

(A) Expense                      (B) Lose                      (C) Liability                      (D) Revenue

12. A form of remuneration for services rendered by one person to another:

(A) Discount allowed                      (B) Discount received                      (C) Commission                      (D) Expenditure

13. It takes place when assets or services are acquired:

(A) Revenue                      (B) Expenses                      (C) Asset                      (D) Expenditure

14. A person to whom the goods or services are sold on credit basis is known as:

(A) Creditor                      (B) Proprietor                      (C) Debtor                      (D) Investor

15. The system of recording transactions having two fundamental aspects is known as:

(A) Single entry system                      (B) Modern System                      (C) Double entry system                      (D) None of these

16. According to this concept, it is assumed that business will exit for an indefinite time period:

(A) Realization Concept                      (B) Going concern concept                      (C) Business entity concept                      (D) None of these

17. According to this concept, a record is made only of those information that can be expressed in monetary terms:

(A) Non-monetary concept                      (B) Money measurement concept                      (C) Going concern concept                      (D) Accounting period concept

18. According to this concept, revenue should be recognized at the time when goods are sold or services are rendered:

(A) Money measurement concept                      (B) Dual aspect concept                      (C) Cost concept                      (D) Realization concept

19. According to this convention, accounting practice should remain unchanged from one period to another:

(A) Conservation                      (B) Materiality                      (C) Full disclosure                      (D) Consistency

20. When there is no question of meeting the value of a transaction, it will be known as:

(A) Cash Transaction      (B) Credit Transaction      (C) Paper Transaction      (D) None of these

21. According to accounting equation capital is equal to:

(A) Assets+Liabilities      (B) Expenses-Income      (C) Liabilities-Assets      (D) Assets-Liabilities

22. Expenses paid by a business decrease:

(A) Cash      (B) Capital      (C) Cash & Capital      (D) None of these

23. Resources owned by the business:

(A) Assets      (B) Liabilities      (C) Capital      (D) Profit

24. Claims against assets owned by business are called:

(A) Assets      (B) Liabilities      (C) Capital      (D) Equities

25. A transaction taking place with an outside person or organization is called:

(A) Internal Transaction      (B) External Transaction      (C) Paper Transaction      (D) None of these

26. The accounting equation represents:

(A) Resources in the business are equal to the sources of business      (B) Resources are allocated at cost price      (C) Resources in the business are not equal to the sources of business      (D) Owner's give money for business

27. The excess of assets over liabilities is called:

(A) Profit      (B) Income      (C) Capital      (D) Equities

28. Received cash from Azhar will affect:

(A) Cash and owner's equity      (B) Cash and creditors      (C) Cash and debtors      (D) Cash and goods

29. Cash paid to Nadeem will affect:

(A) Cash and owner's equity      (B) Cash and creditors      (C) Cash and debtors      (D) Cash and goods

30. The best system of accounting in the modern world is:

(A) Single entry system      (B) Double entry system      (C) Multiple entry system      (D) No entry system

31. The claim of the supplier in the business is called:

(A) Revenue      (B) Liability      (C) Expense      (D) Asset

32. How many categories of account are:

(A) Two      (B) Three      (C) Four      (D) Five

**33.** Stationery account is an example of:

- (A) Expense                      (B) Loss                      (C) Consumable asset                      (D) None of these

**34.** Cash invested in business by owner will increase:

- (A) Cash                      (B) Capital                      (C) Liability                      (D) Both a,b

**35.** Discount allowed to Ahmad will be credited to:

- (A) Ahmad's account                      (B) Discount allowed account                      (C) Cash account                      (D) None of these

**36.** Cash and personal accounts are maintained in:

- (A) Single entry system                      (B) Double entry system                      (C) Multiple entry system                      (D) None of these

**37.** Real and Nominal accounts are maintained under:

- (A) Single entry system                      (B) Double entry system                      (C) Triple entry system                      (D) Multiple entry system

**38.** Rent paid to landlord for a portion of building will be debited to:

- (A) Landlord                      (B) Building account                      (C) Rent account                      (D) Cash account

**39.** All expense and losses should be debited and all gains should be credited is applied to:

- (A) Personal accounts                      (B) Real accounts                      (C) Nominal accounts                      (D) None of these

**40.** Assets coming in should be debited and going out should be credited is applied to:

- (A) Personal accounts                      (B) Real accounts                      (C) Nominal accounts                      (D) A and B

**41.**

A person who receive the benefit should be debited and who give the benefit should be credited is applied to:

- (A) Personal accounts                      (B) Real accounts                      (C) Nominal accounts                      (D) B and A

**42.** Credit the decrease in:

- (A) Revenue and Liabilities                      (B) Expenses and Liabilities                      (C) Assets and Liabilities                      (D) Asset and Expenses

**43.** Sold merchandises on credit to Ali Rs7000 involves:

- (A) Nominal and Real accounts                      (B) Real and Personal accounts                      (C) Nominal and personal accounts                      (D) Real and Real accounts

**44.** Purchased Goods for Cash Rs 50000 subject to 10% trade discount involves:

- |   |  |  |                             |
|---|--|--|-----------------------------|
| <b>(A)</b><br>Real and Personal<br>accounts | <b>(B)</b><br>Real and Nominal<br>accounts | <b>(C)</b><br>Personal and Nominal<br>accounts | <b>(D)</b> Nominal accounts |
|---|--|--|-----------------------------|

45. Discount received is a:

- |                  |                    |                      |                    |
|------------------|--------------------|----------------------|--------------------|
| <b>(A)</b> Asset | <b>(B)</b> Revenue | <b>(C)</b> Liability | <b>(D)</b> Expense |
|------------------|--------------------|----------------------|--------------------|

46. Journal is called the book of:

- |                           |                        |                              |                         |
|---------------------------|------------------------|------------------------------|-------------------------|
| <b>(A)</b> Original entry | <b>(B)</b> First entry | <b>(C)</b> Preliminary entry | <b>(D)</b> All of above |
|---------------------------|------------------------|------------------------------|-------------------------|

47. The art of recording transaction in a journal is called:

- |                    |                       |                         |                           |
|--------------------|-----------------------|-------------------------|---------------------------|
| <b>(A)</b> Posting | <b>(B)</b> Journaling | <b>(C)</b> Ledger entry | <b>(D)</b> Compound entry |
|--------------------|-----------------------|-------------------------|---------------------------|

48. Recording a transaction in the appropriate place of the concerned book of account is called:

- |                        |                              |                     |                          |
|------------------------|------------------------------|---------------------|--------------------------|
| <b>(A)</b> A statement | <b>(B)</b> Business document | <b>(C)</b> An entry | <b>(D)</b> None of these |
|------------------------|------------------------------|---------------------|--------------------------|

49. The money with which proprietor starts his business is called:

- |                 |                       |                    |                |
|-----------------|-----------------------|--------------------|----------------|
| <b>(A)</b> Cash | <b>(B)</b> Investment | <b>(C)</b> Capital | <b>(D)</b> Aid |
|-----------------|-----------------------|--------------------|----------------|

50. Purchased a motorcycle by the proprietor for his personal use should be debited to:

- |                              |                               |  |                             |
|------------------------------|-------------------------------|--|-----------------------------|
| <b>(A)</b> Purchases account | <b>(B)</b> Motorcycle account | <b>(C)</b> Proprietor's Personal account | <b>(D)</b> Drawings account |
|------------------------------|-------------------------------|--|-----------------------------|

51. Goods sold on account to Babar should be credited to:

- |                          |                          |                          |                             |
|--------------------------|--------------------------|--------------------------|-----------------------------|
| <b>(A)</b> Babar account | <b>(B)</b> Goods account | <b>(C)</b> Sales account | <b>(D)</b> Purchase account |
|--------------------------|--------------------------|--------------------------|-----------------------------|

52. When goods are given away as charity or free samples should be credited to:

- |                            |                                |                             |                             |
|----------------------------|--------------------------------|-----------------------------|-----------------------------|
| <b>(A)</b> Charity account | <b>(B)</b> Free sample account | <b>(C)</b> Drawings account | <b>(D)</b> Purchase account |
|----------------------------|--------------------------------|-----------------------------|-----------------------------|

53. Discount received from Ali should be debited to:

- |                                      |                        |                             |                             |
|--------------------------------------|------------------------|-----------------------------|-----------------------------|
| <b>(A)</b> Discount received account | <b>(B)</b> Ali account | <b>(C)</b> Discount account | <b>(D)</b> Discount allowed |
|--------------------------------------|------------------------|-----------------------------|-----------------------------|

54. Salaries paid to Zubair should be debited to:

- |                             |                           |                         |                         |
|-----------------------------|---------------------------|-------------------------|-------------------------|
| <b>(A)</b> Salaries account | <b>(B)</b> Zubair account | <b>(C)</b> Cash account | <b>(D)</b> Bank account |
|-----------------------------|---------------------------|-------------------------|-------------------------|

55. Gave away charity in the form of goods should be debited to:

- |                            |                             |                         |                            |
|----------------------------|-----------------------------|-------------------------|----------------------------|
| <b>(A)</b> Expense account | <b>(B)</b> Purchase account | <b>(C)</b> Cash account | <b>(D)</b> Charity account |
|----------------------------|-----------------------------|-------------------------|----------------------------|

56. Credit signifies:

(A) Increase in liability      (B) Increase in revenue      (C) Increase in Capital      (D) All of above

57. Purchased office typewriter from Muzammal should be credited to:

(A) Purchase account      (B) Office equipment account      (C) Muzammal account      (D) Cash account

58. Sales of goods to X for cash should be debited to:

(A) Sales account      (B) Cash account      (C) X account      (D) None of these

59. A business transaction affects:

(A) At least one account      (B) At least two account      (C) Maximum two account      (D) Maximum three account

60. It is also called "King" of all books of accounts:

(A) Journal      (B) Ledger      (C) Trial balance      (D) Final account

61. The process of recording transaction in ledger is called:

(A) Recording      (B) Journalizing      (C) Posting      (D) Transferring

62. Accounts of assets normally have:

(A) Debit balance      (B) Credit balance      (C) Zero balance      (D) Both A,B

63. Excess of credit over debit is called:

(A) Debit balance      (B) Credit balance      (C) Opening balance      (D) Closing balance

64. A book in which transaction are recorded in chronological order is called:

(A) Ledger      (B) Trail balance      (C) Journal      (D) None of these

65. If the two sides of an account are equal then account will show:

(A) Debit balance      (B) Zero balance      (C) Credit balance      (D) Debit & Credit balance

66. Which one of the following normally has a debit balance?

(A) Capital account      (B) Creditor account      (C) Motor vehicles account      (D) Loan account

67. Ledger is called the:

(A) Book of final entry      (B) Book of original entry      (C) Book of compound entry      (D) Book of single entry

68. Left hand side of an account is called:

(A) Debit side      (B) Credit side      (C) Both of Debit & Credit      (D) None of these

69. The book in which transactions are finally recorded is called:

- (A) Journal                      (B) Ledger                      (C) Trial balance                      (D) Financial statement

70. The main purpose of trial balance is to:

- (A) Check the equality of debits and credits                      (B) Check the arithmetical accuracy of the double entry                      (C) Provide information used in preparing final accounts                      (D) All of above

71. Which of the following statement is true?

- (A)  $\text{Assets} = \text{Liabilities} - \text{Capital}$                       (B)  $\text{Capital} = \text{Assets} + \text{Liabilities}$                       (C)  $\text{Assets} - \text{Liabilities} = \text{Capital}$                       (D) None of above

72. The different stages of accounting cycle are:

- (A) Documenting                      (B) Recording                      (C) Summarizing                      (D) All of above

73. The ruling of a trial balance is similar to that of:

- (A) Ledger                      (B) Final accounts                      (C) Journal                      (D) None of these

74. Persons or institution are recorded in:

- (A) Nominal accounts                      (B) Real accounts                      (C) Personal accounts                      (D) Capital accounts

75. Transactions relating to incomes and expenditures are recorded in:

- (A) Real accounts                      (B) Property accounts                      (C) Nominal accounts                      (D) Personal accounts

76. A bill of exchange is an:

- (A) Unconditional order                      (B) A promise                      (C) A request                      (D) Conditional order

77.

If the drawer is in need of money and cannot wait till due date and receive the money from bank is called:

- (A) Retirement of bill                      (B) Endorsement of bill                      (C) Discounting of bill                      (D) Dishonor of bill

78. When a drawer discounts a bill, he debits:

- (A) Bank account                      (B) Interest account                      (C) Drawee account                      (D) Bill receivable account

79. When a bill is endorsed, then the endorser has:

- (A) Current liability                      (B) Fixed liability                      (C) Contingent liability                      (D) None of those

80. A bill from the point of view of a debtor is called:

- (A) Bill acceptable                      (B) Bill receivable                      (C) Bill payable                      (D) None of these

81.

“Bank for collection account” is a:

- (A) Permanent account    (B) Fixed account    (C) Current account    (D) Temporary account

82. In case of dishonor of bill, noting charges for dishonored bill are always paid by:

- (A) Drawer of bill    (B) Notary public    (C) Acceptor of bill    (D) Holder of bill

83. When the bill is dishonored acceptor's account is debited in the books of the:

- (A) Bank    (B) Endorsee    (C) Drawee    (D) Drawer

84. When a drawee is declared insolvent, which account is to be debited in the books of drawer:

- (A) Deficiency account    (B) Bad debts account    (C) Solvency account    (D) None of these

85. Retiring a bill under rebate means:

- (A) Payment of bill before due date    (B) Making payment for the bill after due date    (C) Discounting bill    (D) Dishonored bill

86. Bill payable account is a :

- (A) Nominal account    (B) Real account    (C) Personal account    (D) None of these

87. A trader whose assets exceed from his liabilities is called:

- (A) Debtor    (B) Creditor    (C) Solvent    (D) Insolvent

88. Subsidiary books are called books of:

- (A) Original entry    (B) Secondary entry    (C) Final entry    (D) Basic entry

89. Which book is used to record all cash receipts and cash payments?

- (A) Sale book    (B) Purchase book    (C) Cash book    (D) Petty cash book

90. The book which is used to record all goods returned to us by our customers is called:

- (A) Returns outwards book    (B) Returns inwards book    (C) Sales book    (D) Cash book

91. All the acceptances received from the debtors are recorded in:

- (A) Cash book    (B) Bills payable book    (C) Debtor's book    (D) Bills receivable book

92. All the bills given to the creditors are recorded in:

- (A) Creditor's book    (B) Bill payable book    (C) Bill receivable book    (D) Bank book

93. When the goods are returned to the suppliers, an intimation is sent to them is called:

- (A) Currency note    (B) Invoice    (C) Debit note    (D) Credit note

94.



A document is sent to customer when he returns the goods is called:

- (A) Promissory note      (B) Debit note      (C) Currency note      (D) Credit note

95. The periodical total of purchases book is posted to the:

- (A) Debit of purchases account      (B) Credit of purchases account      (C) Credit of cash account      (D) Debit of sales account

96. Both cash purchases as well as credit purchases are recorded in:

- (A) Cash book      (B) Purchase book      (C) Purchases book      (D) None of these

97. Sales returns book periodical total is posted to:

- (A) Debit of returns inwards account      (B) Credit of returns inwards account      (C) Debit of returns outwards account      (D) Credit of returns outwards account

98. A document given by the seller to the buyer for credit sale of goods or assets is called:

- (A) Cash memo      (B) Invoice      (C) Voucher      (D) None of these

99.

When cash is received from debtor or customer, generally a receipt is issued to the debtor which is called:

- (A) Payment voucher      (B) Receipt voucher      (C) Cash voucher      (D) None of these

100. When money is paid to a creditor or supplier a receipt is obtained from him which is called:

- (A) Cash voucher      (B) Cash payment      (C) Receipt voucher      (D) Payment voucher

101. All cash purchases and cash sales are recorded in:

- (A) Cash book      (B) Purchases book      (C) Sales book      (D) Purchases and sales book

102. A cash account always shows:

- (A) Debit balance      (B) Credit balance      (C) Both debit and credit balance      (D) Nil balance

103. A double column cash book is used to record:

- (A) Cash transactions only      (B) Cash and bank transactions      (C) Cash, bank and discount transactions      (D) None of these

104. When cheque received and deposited into bank, bank account must be:

- (A) Credited                      (B) Debited                      (C) Both debited & credited                      (D) None of these

105. Ahmed's cheque endorsed to Akbar should be debited to:

- (A) Cash account              (B) Cheque account              (C) Akbar's account              (D) Ahmad's account

106. Received a cheque from Bilal Rs 1900 in full settlement of his debt Rs2000 should be debited to:

- (A) Cash account              (B) Discount account              (C) Bank account              (D) Both a,b

107.

Paid to Nadeem cash Rs: 5,000 and a cheque for Rs: 4800 in full settlement of his dues Rs10,000 should be credited to:

- (A) Cash account              (B) Bank account              (C) Discount received account              (D) All of these

108. Bank reconciliation statement is prepared by

- (A) Banker                      (B) Customer's accountant                      (C) Auditors                      (D) Manager

109. The favorable balance of cash book bank column is:

- (A) The favorable balance of cash book bank column is:                      (B) Debit balance                      (C) Both debit and credit balance                      (D) None of these

110. Unfavorable balance mean:

- (A) Credit balance in the pass book                      (B) Credit balance in the cash book                      (C) Debit balance in bank statement                      (D) Both b,c

111. Cheques received from debtors but not collected by the bank are called:

- (A) Dishonored cheques              (B) Uncredited cheques              (C) Unpresented cheques              (D) None of these

112. The debit balances of cash and bank accounts in cash book are called:

- (A) Income                      (B) Liabilities                      (C) Expenses                      (D) Assets

113. A customer cheque returned dishonored is recorded in:

- (A) Return outward book              (B) Return inward book              (C) Bill receivable book              (D) Cash book

114.

Balance as per cash book overdraft Rs:15,000 interest on overdraft in pass book was Rs: 200 and interest on investment collected by bank Rs300 remained unrecorded in cash book, revised balance as per cash book will be:

- (A) 15,200                      (B) 15,300                      (C) 14,500                      (D) 14,900

115. A copy of the customer's account in the banks ledger is called:

- (A) Deposit statement      (B) Balance statement      (C) Bank statement      (D) Customer statement

116. It is prepared to determine the gross profit or gross loss:

- (A) Trading account      (B) Profit or loss account      (C) Balance sheet      (D) None of these

117. Gross profit equals to:

- (A) Net profit minus expenses      (B) Sales minus closing stock      (C) Purchases minus closing stock      (D) Sales minus cost of goods sold

118. Net profit is equal to:

- (A) Gross profit-expenses      (B) Sales –cost of goods sold      (C) Sales-expense      (D) Capital-expense

119. The price of goods sold or service rendered to the customers is called:

- (A) Sale      (B) Profit      (C) Expense      (D) Revenue

120. The valuation of closing stock is at:

- (A) Cost price      (B) Marker price      (C) Cost or market price whichever is lower      (D) Cost or market price whichever is higher

121. Which account is a summary of direct expenses and direct revenue:

- (A) Trading and profit or loss account      (B) Profit or loss account      (C) Balance sheet      (D) Trading account

122. Net capital plus expenses is equal to:

- (A) Purchases      (B) Cost of goods sold      (C) Capital      (D) Gross profit

123.

If sales are Rs: 12,000. Gross profit is 10% of sales and net profit is 5% of sales then the expenses will be:

- (A) 1200      (B) 600      (C) 1800      (D) 2400

124. Assets which have no physical existence are called:

- (A) Tangible assets      (B) Fictitious assets      (C) Liquid assets      (D) Intangible assets

125. An operating statement is similar to a:

- |                   |                                   |                         |                              |
|-------------------|-----------------------------------|-------------------------|------------------------------|
| (A) Balance sheet | (B) Bank Reconciliation statement | (C) Financial statement | (D) Profit or loss statement |
|-------------------|-----------------------------------|-------------------------|------------------------------|

126. Stock in trade is a:

- |                   |                       |                 |                      |
|-------------------|-----------------------|-----------------|----------------------|
| (A) Current asset | (B) Non-current asset | (C) Quick asset | (D) Intangible asset |
|-------------------|-----------------------|-----------------|----------------------|

127. Assets which have no market value are called:

- |                    |                       |                       |                     |
|--------------------|-----------------------|-----------------------|---------------------|
| (A) Wasting assets | (B) Fictitious assets | (C) Intangible assets | (D) Tangible assets |
|--------------------|-----------------------|-----------------------|---------------------|

128. Net sales are equal to sales minus:

- |                     |                      |                        |                       |
|---------------------|----------------------|------------------------|-----------------------|
| (A) Returns inwards | (B) Returns outwards | (C) Cost of goods sold | (D) Carriage on sales |
|---------------------|----------------------|------------------------|-----------------------|

129. Expenses related to sale of goods are shown in:

- |                     |                            |                   |                   |
|---------------------|----------------------------|-------------------|-------------------|
| (A) Trading account | (B) Profit or loss account | (C) Balance sheet | (D) Sales account |
|---------------------|----------------------------|-------------------|-------------------|

130. Closing stock is recorded in:

- |                           |                          |                                 |                                       |
|---------------------------|--------------------------|---------------------------------|---------------------------------------|
| (A) Income statement only | (B) Trading account only | (C) Profit or loss account only | (D) Trading account and balance sheet |
|---------------------------|--------------------------|---------------------------------|---------------------------------------|

131. Bank overdraft is an example of:

- |                       |                      |                     |                  |
|-----------------------|----------------------|---------------------|------------------|
| (A) Current liability | (B) Liquid liability | (C) Quick liability | (D) All of these |
|-----------------------|----------------------|---------------------|------------------|

132. Income tax paid by a sole trader is shown on:

- |                                   |  |   |                                    |
|-----------------------------------|--|---|------------------------------------|
| (A) Debit side of trading account | (B) Debit side of profit or loss account | (C) By way of deduction from capital in the balance sheet | (D) Credit side of trading account |
|-----------------------------------|--|---|------------------------------------|

133. Gross profit is credited to:

- |                     |                            |                   |                   |
|---------------------|----------------------------|-------------------|-------------------|
| (A) Trading account | (B) Profit or loss account | (C) Balance sheet | (D) None of these |
|---------------------|----------------------------|-------------------|-------------------|

134. Net profit is transferred to:

- |                        |                      |                     |                     |
|------------------------|----------------------|---------------------|---------------------|
| (A) Creditor's account | (B) Debtor's account | (C) Drawing account | (D) Capital account |
|------------------------|----------------------|---------------------|---------------------|

135. It is a statement of assets, liabilities and owner's equity on a particular date:

- |                         |                   |                                   |                   |
|-------------------------|-------------------|-----------------------------------|-------------------|
| (A) Financial statement | (B) Balance sheet | (C) Bank reconciliation statement | (D) None of these |
|-------------------------|-------------------|-----------------------------------|-------------------|

136. All the expenses connected with the management of the business are called:

- |                     |                      |                        |                    |
|---------------------|----------------------|------------------------|--------------------|
| (A) Office expenses | (B) Selling expenses | (C) Financial expenses | (D) Other expenses |
|---------------------|----------------------|------------------------|--------------------|

**137.** The revenue that has not become due, but received in cash in current year is known as:

- (A) Revenue received in advance      (B) Accrued revenue      (C) Unearned revenue      (D) Both A,C

**138.** The accrued income or outstanding income will appear in the balance sheet as:

- (A) An expense      (B) A liability      (C) An asset      (D) Both A,B

**139.** Outstanding expense given in adjustment is called:

- (A) An asset      (B) A gain      (C) An expense      (D) A liability

**140.** Depreciation is:

- (A) A liability      (B) A loss      (C) An expense      (D) Both B,C

**141.** Interest on drawings is:

- (A) An asset      (B) A liability      (C) An expense      (D) A revenue

**142.** Net profit is always:

- (A) Equal to gross profit      (B) More than gross profit      (C) Less than gross profit      (D) None of these

**143.** Income tax paid is a:

- (A) Business expense      (B) Revenue for business      (C) Liability of business      (D) Personal expense

**144.** The amount becomes due from the customers is called:

- (A) Allowance      (B) Loan      (C) Debts      (D) Doubtful debts

**145.** Bad debts are business:

- (A) Expenses      (B) Liabilities      (C) Assets      (D) Revenue

**146.** Bad debts recovered from debtors should be credited to:

- (A) Debtors a/c      (B) Bad debts a/c      (C) Bad debts recovered a/c      (D) Cash a/c

**147.** Provision for the doubtful debts is debited to:

- (A) Debtors a/c      (B) Provision for bad debts a/c      (C) Profit or loss a/c      (D) Bad debts recovered a/c

**148.** Business allow cash discount on making prompt payment to its:

- (A) Creditors      (B) Debtors      (C) Partners      (D) Investors

**149.** If the closing stock appears in the balance it is taken only to the:

(A) Profit or loss a/c      (B) Trading a/c      (C) Balance sheet      (D) Final a/c

150. The loss on the sale of old machinery is debited to:

(A) Machinery a/c      (B) Depreciation a/c      (C) Accumulated depreciation      (D) Profit and loss a/c

151. Adjusting entries are made:

(A) During the accounting period      (B) At the end of accounting year      (C) In the beginning of the year      (D) At any time

152. Bad debts are debited to:

(A) Debtor's a/c      (B) Creditors a/c      (C) Provisions for bad debts a/c      (D) Bad debts a/c

153. In the balance sheet pre-received income is shown on:

(A) Assets side      (B) Liabilities side      (C) Both assets & liabilities sides      (D) None of these

154. Worksheet provides complete information for preparing:

(A) Income statement      (B) Position statement      (C) Financial statement      (D) Bank Reconciliation statement

155. On way of avoiding errors in the permanent accounting records is to use a form which is called:

(A) Bank statement      (B) Trial balance      (C) Balance sheet      (D) Work sheet

156. Adjusting entries affect:

(A) Balance sheet      (B) Income statement      (C) Work sheet      (D) All of those

157. In the preparation of the worksheet the amounts in the trial balance columns are taken directly from:

(A) Journal      (B) Ledger      (C) Trial balance      (D) Transaction

158. A sheet which minimizes the chances of errors to the maximum possible extent is called:

(A) Balance sheet      (B) Work sheet      (C) Paper sheet      (D) Income statement

159. The excess of credit column over debit column in income statement is called:

(A) Net loss      (B) Net profit      (C) Cash balance      (D) Gross profit

160.

A statement, which is prepared to know the financial position of a business on a particular date, is called:

- (A) Balance sheet      (B) Statement of condition (C) Position statement      (D) All of above

161. Sales are equal to:

- (A) Cos of goods sold+profit      (B) Gross profit-cost of goods sold      (C) Cost of goods sold-gross profit      (D) None of these

162. Net sales-cost of goods sold-operating expenses=?

- (A) Net purchases      (B) Cost of goods sold available for sale      (C) Net operating income      (D) Gross profit

163. Which one of the following is a direct expense?

- (A) Packing expenses      (B) Advertisement expenses      (C) Manufacturing expenses      (D) Travelling expenses

164. Allowance for discount on account receivable is calculated on the amount of account receivable:

- (A) Before deducting the allowance for doubtful debts      (B) Left after deducting the allowance for doubtful debts      (C) Before deducting the actual bad debts      (D) None of these

165. The amount invested by the owner in the business to produce revenue is known as:

- (A) Income      (B) Asset      (C) Capital      (D) Liability

166.

An expenditure, which is incurred to increase the profit earning capacity of a business concern, is called:

- (A) Deferred expenditure      (B) Current expenditure      (C) Capital expenditure      (D) Recurring expenditure

167. An expenditure which is completely exhausted with in the current accounting period is known as:

- (A) Deferred expenditure      (B) Revenue expenditure      (C) Future expenditure      (D) Non-recurring expenditure

168. Expenditure is revenue expenditure because:

- (A) It is intended to benefit the current period      (B) The amount involved is small      (C) It is deducted from the gross sale proceeds      (D) None of these

169. Expenditure, which helps to maintain the business efficiency is called:

- (A) Revenue expenditure      (B) Deferred expenditure      (C) Capital expenditure      (D) Future expenditure

170. Bad debts are:

- (A) Deferred expenditure      (B) Revenue expenditure      (C) Capital expenditure      (D) None of these

**171.** Octroi duty paid on machinery, is an example of:

- (A) Revenue expenditure (B) Recurring expenditure (C) Capital expenditure (D) Both a,b

**172.** Cost of redecorating a cinema hall is a:

- (A) Capital expenditure (B) Capital loss (C) Revenue expenditure (D) None of these

**173.** A revenue expenditure, the benefit of which is not confined to one accounting year is called:

- (A) Non-current expenditure (B) Revenue expenditure (C) Future expenditure (D) Deferred expenditure

**174.** Distinction between capital and revenue items is important for the preparation:

- (A) Balance sheet (B) Trading and Profit or Loss a/c (C) Bank Reconciliation statement (D) Both a,b

**175.** Preliminary expenses paid in the formation of a company is a:

- (A) Capital expenditure (B) Deferred expenditure (C) Revenue expenditure (D) Capital loss

**176.** An expenditure incurred to keep the activities of a concern going on is:

- (A) Capital expenditure (B) Future expenditure (C) Revenue expenditure (D) None of these

**177.** Receipts, which are non-recurring by nature, are called:

- (A) Revenue receipts (B) Current receipts (C) Capital receipts (D) Capital profit

**178.** A receipt is a capital receipt because:

- (A) The amount is heavy (B) It is credited to capital account (C) It relates to fixed assets (D) It is intended to benefit the future period

**179.** Capital receipts are shown in the balance sheet on the:

- (A) Asset side (B) Liability side (C) Debit side (D) None of these

**180.** The loss incurred on raising capital of a joint stock company is called as:

- (A) Capital loss (B) Revenue loss (C) Capital reserve (D) Normal loss

**181.** Loss on sale of goods is an:

- (A) Capital loss (B) Revenue loss (C) Revenue payment (D) Deferred loss

**182.** A loss is a revenue loss because:

- (A) It is related to current assets (B) It is incurred to decrease the tax liability (C) It arises due to normal reasons (D) None of these



**183.** A payment is a capital in nature when:

- |   |                                |   |                          |
|---|--------------------------------|---|--------------------------|
| <b>(A)</b><br>It arises due to abnormal reasons | <b>(B)</b> The amount is heavy | <b>(C)</b><br>It relates to capital expenditure | <b>(D)</b> None of these |
|---|--------------------------------|---|--------------------------|

**184.** Errors of principle arises when:

- |   |   |  |   |
|---|---|--|---|
| <b>(A)</b><br>Any transaction is incorrectly recorded, either wholly or partially | <b>(B)</b><br>Any transaction is left wholly or partially | <b>(C)</b><br>Any transaction is affects one account | <b>(D)</b><br>Any transaction is recorded in fundamentally incorrect manner |
|---|---|--|---|

**185.** Errors of principle arises when:

- |   |   |  |   |
|---|---|--|---|
| <b>(A)</b><br>Any transaction is incorrectly recorded, either wholly or partially | <b>(B)</b><br>Any transaction is left wholly or partially | <b>(C)</b><br>Any transaction is affects one account | <b>(D)</b><br>Any transaction is recorded in fundamentally incorrect manner |
|---|---|--|---|

**186.**

- |            |            |            |            |
|------------|------------|------------|------------|
| <b>(A)</b> | <b>(B)</b> | <b>(C)</b> | <b>(D)</b> |
|------------|------------|------------|------------|

**187.**

When two or more than two errors occurred on the opposite side of the account and cancelled the effect of each other are called:

- |                               |                                |                                 |                                |
|-------------------------------|--------------------------------|---------------------------------|--------------------------------|
| <b>(A)</b> Errors of omission | <b>(B)</b> Compensating errors | <b>(C)</b> Errors of commission | <b>(D)</b> Errors of principle |
|-------------------------------|--------------------------------|---------------------------------|--------------------------------|

**188.** The process of totaling the data at the end of period is called:

- |                    |                    |                         |                      |
|--------------------|--------------------|-------------------------|----------------------|
| <b>(A)</b> Posting | <b>(B)</b> Casting | <b>(C)</b> Compensating | <b>(D)</b> Recording |
|--------------------|--------------------|-------------------------|----------------------|

**189.** If a liability is recorded as income, it will be considered as:

- |                                 |                              |                               |                          |
|---------------------------------|------------------------------|-------------------------------|--------------------------|
| <b>(A)</b> Errors of commission | <b>(B)</b> Error of omission | <b>(C)</b> Error of principle | <b>(D)</b> None of these |
|---------------------------------|------------------------------|-------------------------------|--------------------------|

**190.** Transportation cost paid for the purchase of machinery must be debited to:

- |   |                              |                              |                         |
|---|------------------------------|------------------------------|-------------------------|
| <b>(A)</b><br>Transportation cost account | <b>(B)</b> Purchases account | <b>(C)</b> Machinery account | <b>(D)</b> Cash account |
|---|------------------------------|------------------------------|-------------------------|

**191.** Errors of carry forward will affect:

- |                              |                            |                               |                          |
|------------------------------|----------------------------|-------------------------------|--------------------------|
| <b>(A)</b> Personal accounts | <b>(B)</b> Nominal account | <b>(C)</b> Impersonal account | <b>(D)</b> None of these |
|------------------------------|----------------------------|-------------------------------|--------------------------|

**192.** The credit purchases were wrongly recorded in sales book, the rectification of entry:

- |  |  |                                       |                                    |
|--|--|---------------------------------------|------------------------------------|
| <b>(A)</b><br>Increase the net profit by double amount | <b>(B)</b><br>Decrease the net profit by double amount | <b>(C)</b><br>Decrease the net profit | <b>(D)</b> Increase the net profit |
|--|--|---------------------------------------|------------------------------------|

**193.** If there is any error in Bank account it will affect:

- (A) Trading and profit and loss account      (B) Profit and loss account      (C) Trading account      (D) Balance sheet

194. If any income omitted to be recorded it will:

- (A) Overstate the profit      (B) Understate the profit      (C) Both overstate and understate      (D) Both overstate and understate

195. A sale of Rs.1000 to Farid, was credited to his account, it will affect:

- (A) Sales account      (B) Farid account      (C) Cash account      (D) Both a,b

196. If the error committed in the capital account, it will affect:

- (A) Trading account      (B) Profit and loss account      (C) Trading and profit and loss account      (D) Balance sheet

197. Wages paid for the erection of a machine debited to wages account is an example of:

- (A) Error of omission      (B) Error of commission      (C) Error of principle      (D) None of these

198. Any difference in trial balance, is transferred to:

- (A) Sales account      (B) Nominal account      (C) Purchase account      (D) Suspense account

199. When balance of suspense account has debit balance it will be shown in balance sheet on:

- (A) Liability side      (B) Capital side      (C) Asset side      (D) Credit side

200. If sales return for Rs. 3,000 were incorrectly included in sales book, gross profit will be:

- (A) Overstated by Rs.3,000      (B) Understated by Rs.6,000      (C) Overstated by Rs.6,000      (D) Understated by Rs.3,000

