S.S.R. DEGREE COLLEGE, (AUTONOMOUS)
NIZAMABAD (C.C:5029)
I-SEMESTER INTERNAL ASSESSMENT – II EXAMINATIONS
QUESTION BANK

FINANCIAL ACCOUNTING-I

Multiple Choice Questions (MCQs) on

UNIT-III: BANK RECONCILIATION STATEMENT:

1. A Bank Reconciliation Statement is prepared to:
a) Find the balance of cash in hand
b) Compare the Cash Book and Pass Book balances
c) Record bank transactions
d) Show profit or loss
Answer: b) Compare the Cash Book and Pass Book balances

2. The balance shown by the Cash Book is called:
a) Bank Balance
b) Ledger Balance
c) Pass Book Balance
d) Cash Balance
Answer: a) Bank Balance

3. When the Pass Book shows more balance than the Cash Book, it indicates:
a) Overdraft
b) Favourable balance
c) Negative balance
d) Suspense balance
Answer: b) Favourable balance

4. When cheques issued but not yet presented in the bank, the balance as per Cash Book will be:
a) Less than Pass Book
b) More than Pass Book
c) Equal to Pass Book

d) None of the above
Answer: b) More than Pass Book

5. Bank Reconciliation Statement is usually prepared by:
a) The bank manager
b) The accountant of the business
c) The auditor
d) The cashier
Answer: b) The accountant of the business

6. If the bank has charged interest but it is not recorded in the Cash Book, then:
a) Cash Book balance will be more
b) Cash Book balance will be less
c) Both balances will be equal
d) None of the above
Answer: a) Cash Book balance will be more

7. The Pass Book is maintained by:
a) The customer
b) The bank
c) Both customer and bank
d) None of these
Answer: b) The bank

8. When cheques deposited are not yet collected by the bank, it causes:
a) Increase in Cash Book balance
b) Decrease in Pass Book balance
c) Decrease in Cash Book balance
d) Increase in Pass Book balance
Answer: b) Decrease in Pass Book balance

9. The process of finding out the correct Cash Book balance before preparing a Bank Reconciliation Statement is called:
a) Rectification
b) Adjustment
c) Amended Cash Book

d) Correction
Answer: c) Amended Cash Book

10. A debit balance in the Cash Book means:
a) Favorable bank balance
b) Overdraft
c) No balance
d) Negative cash
Answer: a) Favorable bank balance

Fill in the Blanks

1. The statement prepared to reconcile the difference between Cash Book and Pass Book is called __________.
   Answer: Bank Reconciliation Statement
2. A favorable balance means the business has __________ in the bank.
   Answer: Money/deposit
3. An overdraft balance means the business has __________ from the bank.
   Answer: Borrowed money/taken loan
4. The Cash Book is maintained by the __________.
   Answer: Business/Customer
5. The Pass Book is maintained by the __________.
   Answer: Bank
6. Cheques issued but not presented cause the Cash Book to show a __________ balance than the Pass Book.
   Answer: Higher
7. Cheques deposited but not yet collected cause the Pass Book to show a __________ balance than the Cash Book.
   Answer: Lower
8. The process of updating the Cash Book for omitted or wrong entries before reconciliation is called __________.
   Answer: Amended Cash Book
9. Interest credited by the bank but not recorded in the Cash Book will make the Pass Book balance __________ than the Cash Book balance.
   Answer: Higher
10. The main purpose of preparing a Bank Reconciliation Statement is to identify __________ between Cash Book and Pass Book.
   Answer: Differences

Multiple Choice Questions (MCQs) on

UNIT-IV: RECTIFICATION OF ERRORS

1. Expenditure that increases the earning capacity of a business is called:
a) Revenue Expenditure
b) Capital Expenditure
c) Deferred Revenue Expenditure
d) Operating Expense
Answer: b) Capital Expenditure

2. Regular expenses incurred for day-to-day operations are known as:
a) Capital Expenditure
b) Deferred Revenue Expenditure
c) Revenue Expenditure
d) Extraordinary Expenditure
Answer: c) Revenue Expenditure

3. Revenue Receipts are:
a) Received from sale of fixed assets
b) Received in the normal course of business operations
c) Received from issuing shares
d) Borrowed from banks
Answer: b) Received in the normal course of business operations

4. Capital Receipts are:
a) Regular income from business operations
b) Non-recurring income that does not affect profits
c) Income from interest on investments
d) Rent received monthly
Answer: b) Non-recurring income that does not affect profits

5. Deferred Revenue Expenditure is:
a) Fully written off in the year it occurs

b) Capitalized immediately
c) Written off over several years
d) Not recorded in books
Answer: c) Written off over several years

6. Which of the following is an example of capital expenditure?
a) Salaries paid
b) Purchase of machinery
c) Rent for office
d) Repairs of furniture
Answer: b) Purchase of machinery

7. Errors that do not affect the trial balance are called:
a) Errors of omission
b) Errors of commission
c) Compensating errors
d) Errors of principle
Answer: c) Compensating errors

8. If a transaction is completely omitted from books, it is called:
a) Error of omission
b) Error of commission
c) Error of principle
d) Compensating error
Answer: a) Error of omission

9. Which account is used temporarily to record errors that affect the trial balance?
a) Cash Account
b) Suspense Account
c) Capital Account
d) Revenue Account
Answer: b) Suspense Account

10. If an error is discovered after preparing the final accounts, it:
a) Is ignored
b) Is rectified in the next accounting period

c) Must be adjusted through Suspense Account
d) Both b and c
Answer: d) Both b and c

Fill in the Blanks

1. Expenditure on purchase of fixed assets is called __________.
   Answer: Capital Expenditure
2. Daily operating expenses are known as __________.
   Answer: Revenue Expenditure
3. Non-recurring income like issuing shares is called __________.
   Answer: Capital Receipt
4. Income earned from normal business operations is called __________.
   Answer: Revenue Receipt
5. Expenditure which is incurred in one year but provides benefit for several years is __________.
   Answer: Deferred Revenue Expenditure
6. An error that does not affect the trial balance is called __________.
   Answer: Compensating Error
7. An error that occurs due to wrong principles is called __________.
   Answer: Error of Principle
8. Errors that affect the trial balance are temporarily adjusted through __________.
   Answer: Suspense Account
9. Rectification of errors discovered after preparing final accounts may affect __________.
   Answer: Profit
10. Omitting a transaction completely from books of accounts is called __________.
    Answer: Error of Omission

Multiple Choice Questions (MCQs) on

UNIT-V: FINAL ACCOUNTS:

1. Final accounts are prepared to:
a) Record daily transactions
b) Ascertain profit or loss and financial position
c) Reconcile bank balances
d) Record opening balances
Answer: b) Ascertain profit or loss and financial position

2. Which of the following is part of final accounts?
a) Cash Book
b) Ledger Accounts
c) Trading Account
d) Journal
Answer: c) Trading Account

3. The main purpose of a Manufacturing Account is to:
a) Calculate gross profit
b) Ascertain cost of production
c) Record purchases and sales
d) Record capital expenditure
Answer: b) Ascertain cost of production

4. Gross Profit is calculated in:
a) Profit & Loss Account
b) Trading Account
c) Balance Sheet
d) Cash Book
Answer: b) Trading Account

5. Net Profit is transferred to:
a) Capital Account
b) Balance Sheet
c) Profit & Loss Account
d) Trading Account
Answer: a) Capital Account

6. Closing entries are made to:
a) Transfer balances of nominal accounts to next year
b) Update Cash Book
c) Prepare Trial Balance
d) Record bank transactions
Answer: a) Transfer balances of nominal accounts to next year

7. Adjustments in final accounts may include:
a) Outstanding expenses
b) Prepaid expenses
c) Depreciation
d) All of the above
Answer: d) All of the above

8. Which of the following is a liability appearing in the Balance Sheet?
a) Cash in hand
b) Outstanding salaries
c) Debtors
d) Stock
Answer: b) Outstanding salaries

9. Trading Account includes:
a) Expenses like rent and salaries
b) Cost of goods sold and sales
c) Capital and drawings
d) Bank balances
Answer: b) Cost of goods sold and sales

10. Profit & Loss Account shows:
a) Assets and liabilities
b) Net profit or loss
c) Cash in hand
d) Capital
Answer: b) Net profit or loss

Fill in the Blanks

1. Final accounts are prepared to ascertain __________ and __________.
   Answer: Profit, Financial Position
2. The account which shows cost of production is called __________.
   Answer: Manufacturing Account
3. Gross profit is calculated in the __________.
   Answer: Trading Account
4. Net profit is transferred to __________ in the Balance Sheet.
   Answer: Capital Account
5. Closing entries are made to close __________ accounts.
   Answer: Nominal
6. Outstanding expenses are __________ in final accounts.
   Answer: Added to liabilities / adjusted
7. Prepaid expenses are __________ in final accounts.
   Answer: Deducted from expenses
8. Assets minus liabilities give __________ in the Balance Sheet.
   Answer: Capital / Owner's Equity
9. Stock at the end of the period is shown in __________.
   Answer: Trading Account / Balance Sheet (as current asset)
10. Adjustments like depreciation and bad debts are made in __________.
    Answer: Profit & Loss Account