

**S.S.R. DEGREE COLLEGE, (AUTONOMOUS)**  
**NIZAMABAD (C.C:5029)**  
**I SEMESTER INTERNAL ASSESSMENT I EXAMINATIONS**  
**FINANCIAL ACCOUNTING QUESTION BANK**

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**I. Fill in the blanks**

1. Capital is ( )
  - a. Amount invested in business
  - b. Loan taken for carrying on business
  - c. Assets purchased for business
  - d. None of above
2. Drawing is ( )
  - a. Withdrawal of cash from bank for office use
  - b. Money withdrawn from bank for purchase of machinery
  - c. Cash and goods withdrawn for personal use
  - d. Goods distributed as sample
3. Debtor is a person ( )
  - a. Who owes money to the business
  - b. Who contributes cash for running business?
  - c. Who sells goods for cash
  - d. Who purchases goods for cash
4. Creditor is a person ( )
  - a. Who owes money to the business
  - b. Who supplies goods for cash
  - c. To whom money is owed by the business
  - d. Who borrows money from business
5. Which of the following Accounting equation is correct Capital ( )
  - a. Liabilities plus assets
  - b. Assets plus profit plus liabilities
  - c. Liabilities plus profit plus assets
  - d. Assets minus liabilities
6. When goods are withdrawn from personal use ( )
  - a. Purchases Account is debited
  - b. Drawings Account is debited
  - c. Sales Account is debited
  - d. General Express Account is debited
7. When bad debts are written off credit is given to ( )
  - a. Bad debts Account
  - b. Sales Account
  - c. Debtors Account
  - d. Cash Account
8. For bad debts recovered ( )
  - a. Debtors Account is credited
  - b. Bad Debts Account is debited
  - c. Bad debts Recovered account is credited
  - d. Capital account is credited
9. Subsidiary books are called ( )
  - a. Books of original entry
  - b. Books of secondary entry
  - c. Ledger
  - d. financial statements
10. Purchases book records ( )
  - a. Cash purchase of goods
  - b. Credit purchases of goods
  - c. Both cash and credit purchases
  - d. None of the above

11. Sales book records ( )
  - a. Credit sale of goods
  - b. Both cash and credit sales
  - c. Cash and credit purchase
  - d. None of the above
12. Return outwards book records ( )
  - a. Sales returns
  - b. Purchase returns
  - c. Return of assets purchased
  - d. Trade discount
13. Return inwards book records ( )
  - a. Purchase of assets
  - b. Sales returns
  - c. Purchase returns
  - d. Cash discount
14. Simple cash book (one column cash book) records ( )
  - a. Only cash transactions
  - b. Cash and banking transactions
  - c. Credit sale & purchase of assets
  - d. Cash, Bank and discount transactions
15. Triple column cash book records ( )
  - a. Cash and credit transactions
  - b. Cash and discount transactions
  - c. Cash, Bank and discount transactions
  - d. None of the above
16. Which of the following is the kind of cash book ( )
  - a. Single column cash book
  - b. Double column cash book
  - c. Three column cash book
  - d. All of them
17. Bank Reconciliation statement is a part of ( )
  - a. Cash book
  - b. Part of financial statement showing position of the business
  - c. Account showing profit or loss of the business
  - d. None of the above
18. Bank reconciliation statement is prepared to know ( )
  - a. Causes for difference between cash book and pass book balances
  - b. The financial position of the business
  - c. Profit or loss made by the business
  - d. None of the above
19. Bank reconciliation statement is prepared with the help of ( )
  - a. Bank pass book and bank column of cash book
  - b. Bank statement and cash column of the cash book
  - c. Bank column of the cash book and cash column of the cash book
  - d. None of the above
20. In case of favourable bank balance ( )
  - a. Cash book shows debit balance
  - b. Pass book shows debit balance
  - c. Cash book shows credit balance
  - d. None of the above
21. In case of bank overdraft ( )
  - a. Cash book shows debit balance
  - b. Cash books shows credit balance
  - c. Pass book shows credit balance
  - d. None of the above
22. Bank reconciliation statement is prepared by ( )
  - a. Account holder
  - b. Bank
  - c. Income tax officer
  - d. None of the above
23. While preparing bank reconciliation if starting point is balance as per cash book, direct deposit by customer are ( )

- |                                |                      |
|--------------------------------|----------------------|
| a. Added                       | b. Deducted          |
| c. Not required to be adjusted | d. None of the above |
24. While preparing bank reconciliation if we start with a debit balance as per pass book cheques issued but not presented should be (      )
- |                                |                      |
|--------------------------------|----------------------|
| a. Deducted                    | b. Added             |
| c. Not required to be adjusted | d. None of the above |
25. When balance as per pass book is the starting point, direct payment by bank are (      )
- |                                |                      |
|--------------------------------|----------------------|
| a. added                       | b. subtracted        |
| c. not required to be adjusted | d. None of the above |
26. When balance as per cash book is the starting point cheques deposited but not collected will be (      )
- |                                |                      |
|--------------------------------|----------------------|
| a. Added                       | b. subtracted        |
| c. Not required to be adjusted | d. None of the above |
27. If an amount is written on the wrong side of and accounts it is (      )
- |                       |                        |
|-----------------------|------------------------|
| a. Error of Omission  | b. Error of commission |
| c. Error of principle | d. compensating error  |
28. Salary paid to Deepak has been debited to his personal account. It is (      )
- |                       |                        |
|-----------------------|------------------------|
| a. Error of omission  | b. Error of commission |
| c. Error of principle | d. Not an error        |
29. Purchase of office furniture is debited to General expenses A/c it is (      )
- |                        |                       |
|------------------------|-----------------------|
| a. Error of omission   | b. Error of Principle |
| c. Error of commission | d. Not an error       |
30. Goods taken by proprietor for personal use should be debited to (      )
- |                             |                      |
|-----------------------------|----------------------|
| a. Purchases account        | b. Drawings accounts |
| c. General expenses account | d. charity account   |
31. Wages Rs.1000 paid for erecting a machine should be debited to (      )
- |                             |                      |
|-----------------------------|----------------------|
| a. Wages account            | b. Machenery account |
| c. General expenses account | d. Capital account   |
32. Rs.5000 received from sarat whose account was written off as Bad debts should be credited to (      )
- |                       |                        |
|-----------------------|------------------------|
| a. Bad debts accounts | b. Bad debts recovered |
| c. Sarat account      | d. sales               |
33. Sale of office furniture should be credited to (      )
- |                         |                      |
|-------------------------|----------------------|
| a. Sales account        | b. Furniture account |
| c. Miscellaneous income | d. Purchases account |
34. Goods worth Rs. 2000 given as charity should be credited to (      )
- |                      |                             |
|----------------------|-----------------------------|
| a. Charity account   | b. Sales account            |
| c. Purchases account | d. General expenses account |
35. Capital expenditure is incurred to (      )
- |   |   |
|---|---|
| a. Improve the efficiency of the assets | b. Reduce the liability of the business |
| c. Maintain the efficiency of the asset | d. None of the above                    |
36. Fixed assets are kept in business (      )
- |                       |  |
|-----------------------|--|
| a. For earning income |  |
|-----------------------|--|

- b. For re-sale
  - c. For conversion into cash as early as possible
  - d. For elepreciation purpose
37. Trading account is prepared to calculate (      )
- a. Cost of the goods sold
  - b. Net profit
  - c. Opening stock
  - c. Gross profit
38. Manufacturing account is prepared to ascertain (      )
- a. Cost of semi-finished goods
  - b. Profit or loss on the sale of finished goods
  - c. Cost of the goods manufactured
  - d. Cost of goods sold
39. Good will is (      )
- a. Current asset
  - b. Tangible asset
  - c. An investment
  - d. Intangible asset
40. Closing stock is valued at (      )
- a. Cost price
  - b. Market price
  - c. Replacement price
  - d. Cost or market price whichever is less
41. Prepaid rent is an item of (      )
- a. Liability
  - b. an asset
  - c. Deferred revenue expenditure
  - d. None of the above
42. Wages and salaries given in trail balance will appear in (      )
- a. Profit & Loss account
  - b. Trading account
  - c. Balance sheet
  - d. Half in trading account and half in profit & loss A/c

## II. Fill in the blanks

1. Amount invested by the proprietor in called \_\_\_\_\_
2. Goods withdrawn by the proprietor for personal use is debited to \_\_\_\_\_
3. When computer is purchased for the personal use of the proprietor the account to be debited is \_\_\_\_\_.
4. When interest on personal investments of the proprietor is received the account to be credited is \_\_\_\_\_
5. Rajesh becomes insolvent, for writing off this account the account to be debited is \_\_\_\_\_
6. 50% of the amount written off as bad debts is received from Rajesh the amount to be credited is \_\_\_\_\_.
7. Fixed assets are shown in the books of account at its \_\_\_\_\_ value
8. The process of transferring transactions from journal to ledger is called \_\_\_\_\_
9. Purchases book records \_\_\_\_\_ of the goods dealt by us
10. Sales book records \_\_\_\_\_ of the goods dealt by us
11. Returns inwards book records \_\_\_\_\_
12. Return outwards book records \_\_\_\_\_
13. Cash discount allowed by us the to the customer is entered on \_\_\_\_\_ side of cash book
14. \_\_\_\_\_ is allowed when payent is made before specified date

15. \_\_\_\_\_ is an allowance given by manufacturer or whole seller to the retailer on the catalogue price by of the goods sold.
16. For \_\_\_\_\_ discount there is no entry in the books of account
17. If the deposits are more than withdrawals it is \_\_\_\_\_ bank balance
18. If withdrawals are more than deposits then it is called \_\_\_\_\_ balance
19. A copy of the customers bank account maintained by the bank in its books is called \_\_\_\_\_
20. In case of favourable bank balance cash book shows \_\_\_\_\_ balance and pass book \_\_\_\_\_
21. In case of bank overdraft, cash book shows \_\_\_\_\_ balance and passbook \_\_\_\_\_
22. Statement prepared for reconciling the cash book balance and pass book balance is called \_\_\_\_\_
23. If all entries are made in cash book and pass book then the two balance will be \_\_\_\_\_
24. Dividends and interest on investments collected by bank are \_\_\_\_\_ in pass book and \_\_\_\_\_ in cash book  
(A) Error discovered before preparation of Trial Balance
25. Purchases book is under cast by Rs. 1500 is rectified by \_\_\_\_\_
26. A sum of Rs. 5000 written off depreciation on Machinery has not been debited to depreciation account is rectified by \_\_\_\_\_
27. An amount of Rs. 251 fro credit sale of Hari Krishna although correctly entered in sale book, has been posted as Rs.521 in his personal account is rectified by \_\_\_\_\_  
(B) Error discovered after preparation of Trial balance
28. Rs. 1000 paid for furniture purchased has been charged to purchases account
29. Rent paid Rs.2000 to Landlord has been debited to Landlord A/c
30. Purchase of goods from Desai amounting to Rs.600 has been wrongly entered through sales book
31. A credit sale of goods amounting to Rs. 450 to Rajesh has been wrongly passed in purchases book
32. Sales book is under cast by Rs.555
33. Purchases account was overcast by Rs.5000
34. Sale of Goods to Tukaram for Rs.5000 was omitted to be recorded in sales book
35. Trading and profit and loss account and balance sheet prepared at the end of the trading period are called \_\_\_\_\_
36. Expenditure which results in the acquisitions of an assets is called \_\_\_\_\_
37. An expenditure which is incurred for running the business is called \_\_\_\_\_
38. Heavy expenditure of revenue nature for getting benefit over a period is called \_\_\_\_\_
39. Amount realized by sale of an asset is called \_\_\_\_\_
40. Excess of sales over cost of the goods sold is called \_\_\_\_\_
41. Statement prepared to know the financial position of business on a particular date is called \_\_\_\_\_

42. Marshalling of Assets and liabilities can be done either \_\_\_\_\_

**III. Descriptive Questions**

1. What is Accounting? What are the objectives and limitations of financial accounting.
2. What is meant by Accounting? Discuss the advantages and limitations of accounting.
3. (a) What are the basic accounting concepts ? Discuss.  
(b) Is accounting a science or an art or both ? Discuss.
4. What do you understand by 'Subsidiary Books' ? Explain the purpose of each of them.
5. Explain the various methods of rectification of errors by giving suitable examples.