

SSR DEGREE COLLEGE (AUTONOMOUS)
II- SEMESTER INTERNAL-II
BBA FINANCIAL ACCOUNTING

Unit III Adjustments & Financial Statement Preparation

1. Accrual accounting recognizes revenue when it is:

- A. Received in cash
- B. Earned
- C. Paid in advance
- D. Recorded in bank

Answer: B

2. The matching concept requires that:

- A. Assets be matched with liabilities
- B. Income be matched with cash
- C. Expenses be matched with related revenues
- D. Revenue be matched with capital

Answer: C

3. Expenses paid in advance but not yet incurred are called:

- A. Outstanding expenses
- B. Accrued expenses
- C. Prepaid expenses
- D. Deferred income

Answer: C

4. Income earned but not yet received is known as:

- A. Unearned income
- B. Prepaid income
- C. Accrued income
- D. Deferred expense

Answer: C

5. Depreciation is charged to:

- A. Increase asset value
- B. Provide for replacement

- C. Allocate cost of asset over its useful life
- D. Show market value

Answer: C

6. Bad debts represent:

- A. Money receivable
- B. Loss due to non-recovery of debts
- C. Capital expenditure
- D. Provision for discount

Answer: B

7. Trading Account is prepared to ascertain:

- A. Net profit
- B. Gross profit or gross loss
- C. Operating profit
- D. Cash balance

Answer: B

8. Which of the following appears on the debit side of the Trading Account?

- A. Sales
- B. Closing stock
- C. Purchases
- D. Commission received

Answer: C

9. Net profit is transferred to:

- A. Balance Sheet
- B. Trading Account
- C. Capital Account
- D. Cash Account

Answer: C

10. Balance Sheet shows the financial position of a business on a:

- A. Period
- B. Month
- C. Particular date
- D. Year

Answer: C

Fill in the Blanks

1. Under accrual accounting, expenses are recorded when they are _____.

Answer: incurred

2. Revenue recognition concept states that revenue should be recognized when it is _____.

Answer: earned

3. Outstanding expenses are also known as _____ expenses.

Answer: accrued

4. Prepaid expenses are shown as _____ in the Balance Sheet.

Answer: assets

5. Depreciation is a charge against _____.

Answer: profit

6. Bad debts are treated as _____ in the Profit & Loss Account.

Answer: loss

7. Trading Account is prepared before the _____ Account.

Answer: Profit and Loss

8. Closing stock appears on the _____ side of the Trading Account.

Answer: credit

9. The excess of income over expenditure is called _____.

Answer: profit

10. Capital of the proprietor is shown on the _____ side of the Balance Sheet.

Answer: liabilities

Unit IV Cash, Bank& Special Accounting Issues

1. Cash equivalents are:

- A. Long-term investments
- B. Highly liquid short-term investments
- C. Inventory items
- D. Fixed assets

Answer: B

2. Which of the following is NOT an objective of internal control over cash?

- A. Safeguarding cash

- B. Preventing errors and fraud
- C. Maximizing profits
- D. Ensuring accurate records

Answer: C

3. Under the imprest system of petty cash:

- A. Cash is issued daily
- B. Petty cashier maintains full accounts
- C. A fixed amount is reimbursed periodically
- D. No vouchers are required

Answer: C

4. Which depreciation method charges equal depreciation every year?

- A. Reducing balance method
- B. Straight-line method
- C. Annuity method
- D. Sinking fund method

Answer: B

5. Under the reducing balance method, depreciation is calculated on:

- A. Original cost
- B. Market value
- C. Written down value
- D. Scrap value

Answer: C

6. Provision for doubtful debts is created to:

- A. Increase profit
- B. Provide for future losses
- C. Increase capital
- D. Reduce liabilities

Answer: B

7. Reserves are generally created out of:

- A. Capital receipts
- B. Borrowed funds
- C. Profits
- D. Liabilities

Answer: C

8. Share capital issued by a company is shown under:

- A. Current liabilities
- B. Fixed assets
- C. Shareholders' funds
- D. Current assets

Answer: C

9. Amount received by a company on issue of shares is a:

- A. Revenue receipt
- B. Capital receipt
- C. Deferred income
- D. Liability

Answer: B

10. Which of the following is a corporate financial statement?

- A. Trading Account
- B. Profit and Loss Account
- C. Balance Sheet
- D. All of the above

Answer: D

Fill in the Blanks

1. Cash and cash equivalents are shown under _____ assets.

Answer: current

2. Petty cash system commonly used for small expenses is the _____ system.

Answer: imprest

3. Depreciation represents a _____ in the value of fixed assets.

Answer: decrease

4. Straight-line method is also known as the _____ installment method.

Answer: equal

5. Reducing balance method is also called the _____ value method.

Answer: written down

6. Provision is a charge against _____.

Answer: profits

7. Reserve is an appropriation of _____.

Answer: profits

8. Shares issued by a company represent ownership _____.

Answer: capital

9. Equity shares carry _____ rights.

Answer: voting

10. Corporate balance sheet shows the financial position of a company on a particular _____.

Answer: date

Unit V Reporting, Analysis & Contemporary Trends

1. The main purpose of regulatory reporting is to ensure:

- A. Higher profits
- B. Uniformity and transparency
- C. Cost reduction
- D. Tax avoidance

Answer: B

2. Disclosure norms in financial reporting aim at:

- A. Concealing information
- B. Providing only minimum data
- C. Providing relevant and complete information
- D. Reducing liabilities

Answer: C

3. Bank reconciliation statement is prepared to reconcile:

- A. Cash account and capital account
- B. Bank balance as per cash book and bank statement
- C. Profit and loss account and balance sheet
- D. Debtors and creditors

Answer: B

4. Cheques issued but not yet presented will cause the bank balance as per pass book to be:

- A. More than cash book
- B. Less than cash book
- C. Equal to cash book
- D. Nil

Answer: B

5. Which of the following is an operating activity?

- A. Purchase of machinery
- B. Issue of shares
- C. Cash received from customers
- D. Sale of investments

Answer: C

6. Cash flow from investing activities includes:

- A. Payment of wages
- B. Purchase of fixed assets
- C. Payment of dividends
- D. Issue of debentures

Answer: B

7. Which ratio measures the firm's ability to meet short-term obligations?

- A. Gross profit ratio
- B. Debt-equity ratio
- C. Current ratio
- D. Return on capital employed

Answer: C

8. Net profit ratio is a _____ ratio.

- A. Liquidity
- B. Solvency
- C. Profitability
- D. Activity

Answer: C

9. AIS stands for:

- A. Accounting Information Standard
- B. Automated Information System
- C. Accounting Information System
- D. Account Integration Software

Answer: C

10. Computerized accounting helps in:

- A. Manual recording
- B. Increasing clerical work

- C. Faster processing and accuracy
- D. Eliminating accounting standards

Answer: C

1. Regulatory reporting is governed by accounting _____ and laws.

Answer: standards

2. Bank reconciliation statement explains the difference between cash book and _____.

Answer: bank statement

3. Cash flow from core business operations is called _____ cash flow.

Answer: operating

4. Cash flow statement is divided into _____, investing, and financing activities.

Answer: operating

5. Purchase and sale of fixed assets fall under _____ activities.

Answer: investing

6. Issue of shares and repayment of loans are _____ activities.

Answer: financing

7. Current ratio is calculated as current assets divided by _____.

Answer: current liabilities

8. Ratio analysis helps in evaluating the financial _____ of a business.

Answer: performance

9. Computerized accounting reduces human _____.

Answer: errors

10. AIS integrates accounting with _____ technology.

Answer: information