

# **SSR DEGREE COLLEGE NIZAMABAD**

## **Unit I :- Foundations & Conceptual Framework**

**1. The main objective of financial accounting is to:**

- A. Calculate tax liability
- B. Provide information for decision-making
- C. Detect fraud
- D. Control costs

**Answer: B**

**2. Which of the following is an external user of accounting information?**

- A. Production manager
- B. Sales manager
- C. Government
- D. Internal auditor

**Answer: C**

**3. Which qualitative characteristic ensures information is free from bias and error?**

- A. Relevance
- B. Comparability
- C. Faithful representation
- D. Timeliness

**Answer: C**

**4. The concept that assumes a business will continue operating in the future is:**

- A. Accrual concept
- B. Going concern concept
- C. Matching concept
- D. Consistency concept

**Answer: B**

**5. Recording only transactions that can be expressed in monetary terms is known as:**

- A. Cost concept
- B. Money measurement concept
- C. Business entity concept
- D. Dual aspect concept

**Answer: B**

**6. The accounting convention of recognizing losses but not anticipated gains is:**

- A. Consistency
- B. Materiality
- C. Conservatism
- D. Objectivity

**Answer: C**

**7. IFRS is issued by:**

- A. FASB
- B. SEC
- C. IASB
- D. IFAC

**Answer: C**

**8. GAAP is considered to be more:**

- A. Principle-based
- B. Flexible
- C. Subjective
- D. Rule-based

**Answer: D**

**9. Which principle requires expenses to be matched with related revenues?**

- A. Revenue recognition
- B. Matching principle
- C. Cost principle
- D. Disclosure principle

**Answer: B**

**10. Maintaining honesty and fairness in accounting is known as:**

- A. Confidentiality
- B. Professional competence
- C. Integrity
- D. Objectivity

**Answer: C**

**1. Financial accounting records transactions in terms of \_\_\_\_\_.**

**Answer: money**

**2. Users who are not part of the organization are called \_\_\_\_\_ users.**

**Answer: external**

**3. The qualitative characteristic that helps predict future outcomes is \_\_\_\_\_.**

**Answer:** relevance

**4. The assumption that business and owner are separate entities is the \_\_\_\_\_ concept.**

**Answer:** business entity

**5. GAAP is mainly followed in the \_\_\_\_\_.**

**Answer:** United States

**6. IFRS follows a \_\_\_\_\_-based approach.**

**Answer:** principle

**7. The practice of showing all important information in financial statements is called \_\_\_\_\_.**

**Answer:** full disclosure

**8. Recording income when it is earned is known as the \_\_\_\_\_ concept.**

**Answer:** accrual

**9. The ethical duty of keeping client information secret is called \_\_\_\_\_.**

**Answer:** confidentiality

**10. The organization that issues IFRS is the \_\_\_\_\_.**

**Answer:** IASB

## **Unit II Accounting Cycle**

**1. The accounting cycle begins with:**

- A. Preparation of trial balance
- B. Recording of transactions
- C. Identification of transactions
- D. Preparation of financial statements

**Answer:** C

**2. Books in which transactions are recorded for the first time are called:**

- A. Ledger
- B. Trial balance
- C. Final accounts
- D. Books of original entry

**Answer:** D

**3. Which of the following is a source document?**

- A. Ledger
- B. Journal
- C. Invoice
- D. Trial balance

**Answer: C**

**4. The double-entry system is based on the principle that:**

- A. Every transaction has one effect
- B. Every transaction has two equal effects
- C. Only cash transactions are recorded
- D. Assets equal liabilities only

**Answer: B**

**5. Which book is known as the principal book of accounts?**

- A. Journal
- B. Cash book
- C. Ledger
- D. Trial balance

**Answer: C**

**6. A T-account is a simplified form of:**

- A. Journal
- B. Trial balance
- C. Ledger account
- D. Cash book

**Answer: C**

**7. Trial balance is prepared to check:**

- A. Profit or loss
- B. Cash position
- C. Arithmetical accuracy of accounts
- D. Financial position

**Answer: C**

**8. An error which does not affect the trial balance is:**

- A. Error of commission
- B. Error of omission
- C. Compensating error
- D. Posting error

**Answer: C**

**9. Errors that violate accounting principles are called:**

- A. Errors of omission
- B. Errors of commission
- C. Errors of principle
- D. Compensating errors

**Answer: C**

**10. When the trial balance does not agree, the difference is transferred to:**

- A. Capital account
- B. Profit and loss account
- C. Suspense account
- D. Cash account

**Answer: C**

## **Fill in the Blanks**

**1. The accounting cycle is a \_\_\_\_\_ process of accounting activities.**

**Answer:** systematic

**2. Original evidence of a transaction is called a \_\_\_\_\_ document.**

**Answer:** source

**3. Journal is also known as the book of \_\_\_\_\_ entry.**

**Answer:** original

**4. Every transaction has a \_\_\_\_\_ and a credit aspect.**

**Answer:** debit

**5. Posting means transferring entries from journal to \_\_\_\_\_.**

**Answer:** ledger

**6. A trial balance is prepared on a particular \_\_\_\_\_.**

**Answer:** date

**7. Errors which completely cancel each other are called \_\_\_\_\_ errors.**

**Answer:** compensating

**8. Trial balance is not a \_\_\_\_\_ proof of accuracy.**

**Answer:** conclusive

9. Rectification of errors after preparing trial balance may require a \_\_\_\_\_ account.

Answer: suspense

10. Ledger accounts are balanced to find their \_\_\_\_\_.

Answer: balances

## UNIT I: Foundations & Conceptual Framework

### Long Answer / Essay Questions

1. Explain the **nature, purpose, and scope of financial accounting**.
2. Discuss the **qualitative characteristics of financial information** as per the conceptual framework.
3. Explain **accounting principles, concepts, and conventions** with suitable examples.
4. Compare **GAAP and IFRS** frameworks.
5. Explain the **role and ethical responsibilities of accountants**.

### Short Notes

- Users of accounting information
- Going concern concept
- Accrual concept
- Conservatism convention
- Faithful representation

## ★ UNIT II: Accounting Cycle

### Long Answer / Practical Questions

1. Explain the **accounting cycle** and its steps in detail.
2. Explain the **double-entry system** and the **golden rules of accounting**.
3. What are **source documents**? Explain different **books of original entry**.
4. Prepare a **trial balance** and explain its objectives.
5. Explain **types of accounting errors** and their **rectification**.

### Short Notes

- Journal and ledger
- T-accounts
- Trial balance
- Errors of principle
- Suspense account