

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