

## Accounting Sample Questions and Answers

### 1-Accounting provides information on

- (A) Cost and income for managers
- (B) Company's tax liability for a particular year
- (C) Financial conditions of an institution
- (D) All of the above

(Ans: D)

### 2-The long term assets that have no physical existence but are rights that have value is known as

- (A) Current assets
- (B) Fixed assets
- (C) Intangible assets
- (D) Investments

(Ans: C)

### 3-The assets that can be converted into cash within a short period (i.e. 1 year or less) are known as

- (A) Current assets
- (B) Fixed assets
- (C) Intangible assets
- (D) Investments

(Ans: A)

### 4-Patents, Copyrights and Trademarks are

- (A) Current assets
- (B) Fixed assets
- (C) Intangible assets
- (D) Investments

(Ans: C)

### 5-The following is not a type of liability

- (A) Short term
- (B) Current
- (C) Fixed
- (D) Contingent

(Ans: A)

### 6-The liabilities that are payable in more than a year and are not be liquidated from current assets

- (A) Current liabilities
- (B) Fixed liabilities
- (C) Contingent liabilities
- (D) All of the above

(Ans: B)

**7-The debts, which are to be repaid within a short period (year or less) are known as**

- (A) Current liabilities
- (B) Fixed liabilities
- (C) Contingent liabilities
- (D) All of the above

(Ans: A)

**8-The sales income (Credit and Cash) of a business during a given period is called**

- (A) Transactions
- (B) Sales returns
- (C) Turnover
- (D) Purchase returns

(Ans: C)

**9-Any written evidence in support of a business transaction is called**

- (A) Journal
- (B) Ledger
- (C) Ledger posting
- (D) Voucher

(Ans: D)

**10-The accounts that records expenses, gains and losses are**

- (A) Personal accounts
- (B) Real accounts
- (C) Nominal accounts
- (D) None of the above

(Ans: C)

**11-Real accounts records**

- (A) Dealings with creditors or debtors
- (B) Dealings in commodities
- (C) Gains and losses
- (D) All of the above

(Ans: B)

**12-In journal, the business transaction is recorded**

- (A) Same day
- (B) Next day
- (C) Once in a week
- (D) Once in a month

(Ans: A)

**13-The following is (are) the type(s) of Journal**

- (A) Purchase journal

- (B) Sales journal
- (C) Cash journal
- (D) All of the above

(Ans: D)

**14-The process of entering all transactions from the journal to ledger is called**

- (A) Posting
- (B) Entry
- (C) Accounting
- (D) None of the above

(Ans: A)

**15-The following is a statement showing the financial status of the company at any given time**

- (A) Trading account
- (B) Profit and Loss statements
- (C) Balance sheet
- (D) Cash book

(Ans: C)

**16-The following is a statement of revenues and expenses for a specific period of time**

- (A) Trading account
- (B) Trial balance
- (C) Profit and loss statements
- (D) Balance sheet

(Ans: C)

**17-Balance sheet is a statement of**

- (A) Assets
- (B) Liability
- (C) Capital
- (D) All of the above

(Ans: D)

**18-Balance sheets are prepared**

- (A) Daily
- (B) Weekly
- (C) Monthly
- (D) Annually

(Ans: D)

**19-The ratios that refer to the ability of the firm to meet the short term obligations out of its short term resources**

- (A) Liquidity ratio
- (B) Leverage ratios

- (C) Activity ratios
- (D) Profitability ratios

(Ans: A)

**20-The measure of how efficiently the assets resources are employed by the firm is called**

- (A) Liquidity ratio
- (B) Leverage ratios
- (C) Activity ratios
- (D) Profitability ratios

(Ans: C)

**21-The following is (are) the current liability (ies)**

- (A) Bills payable
- (B) Outstanding expenses
- (C) Bank overdraft
- (D) All of the above

(Ans: D)

**22-Current ratio =**

- (A) Quick assets / Current liabilities
- (B) Current assets / Current liabilities
- (C) Debt. / Equity
- (D) Current assets / Equity

(Ans: B)

**23-A current ratio of \_\_\_\_\_ and above indicates that the availability of sufficient net working capital and the ability of the firm to meet current liabilities.**

- (A) 1.33:1
- (B) 1.44:1
- (C) 1.55:1
- (D) 1.66:1

(Ans: A)

**24-Liquid or Quick assets =**

- (A) Current assets - (stock + work in progress)
- (B) Current assets + stock + work in progress
- (C) (Current assets + stock) + work in progress
- (D) (Current assets + work in progress) - stock

(Ans: A)

**25-The following is also known as External Internal Equity ratio**

- (A) Current ratio
- (B) Acid test ratio
- (C) Debt Equity ratio

(D) Debt service coverage ratio

(Ans: C)

**26-Lower the Debt Equity ratio**

(A) Lower the protection to creditors

(B) Higher the protection to creditors

(C) It does not affect creditors

(D) None of the above

(Ans: B)

**27-A higher inventory ratio indicates**

(A) Better inventory management

(B) Quicker turnover

(C) Both 'A' and 'B'

(D) None of the above

(Ans: C)

**28-Return on Investment Ratio (ROI) =**

(A)  $(\text{Gross profit} / \text{Net sales}) \times 100$

(B)  $(\text{Gross profit} \times \text{Sales} / \text{Fixed assets}) \times 100$

(C)  $(\text{Net profit} / \text{Sales}) \times 100$

(D)  $(\text{Net profit} / \text{Total assets}) \times 100$

(Ans: D)

**29-A Low Return on Investment Ratio (ROI) indicates**

(A) Improper utilization of resources

(B) Over investment in assets

(C) Both 'A' and 'B'

(D) None of the above

(Ans: C)

**30-Following is (are) the characteristic(s) of a budget**

(A) It outlines projected activities

(B) Expressions are made in quantitative terms

(C) It is for a fixed period

(D) All of the above

(Ans: D)

**31-Sales expenditure budget is prepared by estimating the expense(s) of**

(A) Advertisement

(B) Market analysis

(C) Salesman's salary

(D) All of the above

(Ans: D)

**32-Budgeting is difficult to apply in the following cases**

- (A) Products subjected to rapid changes
- (B) Job order manufacturing
- (C) Uncertain market conditions
- (D) All of the above

(Ans: D)

**33-A Master Budget consists of**

- (A) Sales budget
- (B) Production budget
- (C) Material budget
- (D) All of the above

(Ans: D)

# Accounting

**MCQ.** Cost which is related to specific cost object and economically traceable is classified as

1. direct cost
2. indirect cost
3. line cost
4. staff cost

**MCQ.** Material or anything for which cost is to be measured is classified as

1. measurement object
2. cost object
3. accounting object
4. budget object

**MCQ.** Cost which is changed in proportion to level total volume is classified as

1. fixed cost
2. variable cost
3. total cost
4. infeasible cost

**MCQ.** Costs are classified as fixed or variable on basis of

1. specific activity
2. given time period
3. common activity
4. both a and b

**MCQ.** Process of tracing direct costs and allocation of indirect costs is classified as

1. cost assignment
2. direct assignment
3. indirect assignment
4. economic assignment

**MCQ.** Cost which remains unchanged in proportion to level total volume of production is

classified as

1. total cost
2. infeasible cost
3. fixed cost
4. variable cost

**MCQ.** In accounting, cost which is predicted to be incurred or future cost is classified as

1. past cost
2. incurred cost
3. actual cost
4. budgeted cost

**MCQ.** Cost which is related to specific cost object and cannot be economically traceable is classified as

1. line cost
2. staff cost
3. direct cost
4. indirect cost

**MCQ.** Process of assigning indirect costs to any specific cost object is classified as

1. economic cost
2. cost tracing
3. cost allocation
4. non-economic costs

**MCQ.** In accounting, resources sacrifice for achieving or fulfill specific objective is classified as

1. source cost
2. sacrifice cost
3. treated cost
4. cost

**MCQ.** In production, variables such as level of activity or volume of company activity are

classified as

1. cost drivers
2. timed drivers
3. variable drivers
4. fixed drivers

**MCQ.** Relationship between change in activity and change in total costs is considered as

1. fixed relationship
2. cause and effect relationship
3. ineffective relationship
4. variable relationship

**MCQ.** Direct cost assignment for specific cost object is classified as

1. cost object line cost
2. cost tracing
3. cost object indirect cost
4. cost object staff cost

**MCQ.** In accounting, cost incurred in past or in historical financial statements is classified as

1. actual cost
2. budgeted cost
3. past cost
4. incurred cost

**MCQ.** Collection of cost data according to accounting system in an organized way is classified as

1. system accumulation
2. accumulated data
3. cost accumulation
4. organized accumulation