FYBCom Sem-1 – Financial Accounting

MCQ Question Bank with Answers

---

1. Financial accounting is mainly concerned with recording, classifying and ______ financial transactions.
A. Ignoring
B. Summarising
C. Destroying
D. Forecasting only
Answer: B. Summarising

2. The concept which treats business and owner as separate entities is called ______.
A. Going Concern Concept
B. Entity Concept
C. Cost Concept
D. Realisation Concept
Answer: B. Entity Concept

3. According to the Entity Concept, the business is treated as ______ from its owner.
A. Same
B. Separate
C. Dependent
D. Temporary
Answer: B. Separate

4. Money Measurement Concept states that only transactions measurable in ______ are recorded.
A. Units
B. Kilograms
C. Monetary terms
D. Percentages
Answer: C. Monetary terms

5. Under Money Measurement Concept, which of the following is generally not recorded in financial accounts?
A. Purchase of machinery
B. Payment of salary
C. Employee's loyalty
D. Sale of goods
Answer: C. Employee's loyalty

6. The assumption that a business will continue for the foreseeable future is known as ______.

A. Entity Concept
B. Going Concern Concept
C. Cost Concept
D. Materiality Concept
Answer: B. Going Concern Concept

7. Under the Cost Concept, assets are generally recorded at their ______.
A. Market value
B. Selling price
C. Historical cost
D. Replacement cost
Answer: C. Historical cost

8. The concept which recognises revenue when it is earned is called ______.
A. Realisation Concept
B. Entity Concept
C. Cost Concept
D. Periodicity Concept
Answer: A. Realisation Concept

9. According to the Accrual Concept, income and expenses are recognised when they are ______.
A. Received and paid only
B. Earned and incurred
C. Budgeted
D. Estimated only
Answer: B. Earned and incurred

10. Outstanding salary is an example of the application of ______ concept.
A. Accrual
B. Entity
C. Cost
D. Money Measurement
Answer: A. Accrual

11. The division of the life of a business into specific accounting periods is known as ______.
A. Consistency
B. Periodicity
C. Prudence
D. Realisation
Answer: B. Periodicity

12. The Consistency Convention requires an enterprise to follow accounting methods ______.
A. Randomly
B. Consistently
C. Annually changing

D. Only once
Answer: B. Consistently

13. The convention of anticipating possible losses but not anticipated profits is called ______.
A. Materiality
B. Prudence
C. Consistency
D. Full Disclosure
Answer: B. Prudence

14. Prudence is also known as ______.
A. Matching
B. Conservatism
C. Realisation
D. Periodicity
Answer: B. Conservatism

15. Materiality relates to the importance of an item in influencing the decisions of ______.
A. Employees
B. Customers
C. Users of financial statements
D. Suppliers only
Answer: C. Users of financial statements

16. The convention requiring all significant information to be disclosed in financial statements is called ______.
A. Full Disclosure
B. Cost
C. Going Concern
D. Entity
Answer: A. Full Disclosure

17. Which concept assumes that the business has a separate identity from its proprietor?
A. Cost
B. Entity
C. Accrual
D. Prudence
Answer: B. Entity

18. Which concept is the basis for charging depreciation over the useful life of an asset?
A. Going Concern
B. Money Measurement
C. Materiality
D. Realisation
Answer: A. Going Concern

19. The accounting convention of not changing accounting policies frequently is known as ______.
A. Prudence
B. Consistency
C. Full Disclosure
D. Realisation
Answer: B. Consistency

20. Which of the following is NOT an accounting concept/convention listed in the course?
A. Entity
B. Going Concern
C. Advertising
D. Accrual
Answer: C. Advertising

---

21. When a partnership firm is taken over by a company, the purchasing company is called the ______ company.
A. Vendor
B. Purchasing
C. Debtor
D. Holding
Answer: B. Purchasing

22. The partnership firm whose business is taken over by a company is generally called the ______ firm.
A. Purchasing
B. Vendor
C. Holding
D. Subsidiary
Answer: B. Vendor

23. Purchase consideration represents the amount payable by the purchasing company to the ______.
A. Creditors
B. Vendor
C. Employees
D. Government
Answer: B. Vendor

24. Purchase consideration may be discharged by the issue of ______ by the purchasing company.
A. Shares
B. Debentures
C. Cash
D. All of the above
Answer: D. All of the above

25. When a company takes over all assets and liabilities of a partnership firm, it is called ______ of the business.
A. Dissolution only
B. Conversion/Takeover
C. Depreciation
D. Amalgamation only
Answer: B. Conversion/Takeover

---

26. A Balance Sheet shows the ______ position of a business.
A. Financial
B. Production
C. Marketing
D. Personnel
Answer: A. Financial

27. Balance Sheet is prepared on a ______ date.
A. Periodic
B. Particular
C. Random
D. Future
Answer: B. Particular

28. The Balance Sheet mainly shows ______.
A. Income and expenses
B. Assets and liabilities
C. Sales and purchases
D. Cash receipts only
Answer: B. Assets and liabilities

29. The main purpose of preparing a Balance Sheet is to ascertain the ______ position of an entity.
A. Financial
B. Production
C. Sales
D. Tax
Answer: A. Financial

30. Balance Sheet is generally prepared ______ the preparation of Profit and Loss Account.
A. Before
B. After
C. Instead of
D. Without
Answer: B. After

31. Balance Sheet is a ______ statement.
A. Dynamic

B. Static
C. Cash
D. Revenue
Answer: B. Static

32. Which of the following is a limitation of a Balance Sheet?
A. It shows financial position
B. It helps users
C. It contains many estimates and judgements
D. It shows assets and liabilities
Answer: C. It contains many estimates and judgements

33. Balance Sheet does not show the ______ of a business for a period.
A. Financial position
B. Profit or loss
C. Assets
D. Liabilities
Answer: B. Profit or loss

34. The Balance Sheet of a company is prepared according to ______ of the Companies Act, 2013.
A. Schedule I
B. Schedule II
C. Schedule III
D. Schedule IV
Answer: C. Schedule III

35. Equity and Liabilities is one of the major sections of the ______.
A. Trading Account
B. Balance Sheet
C. Cash Book
D. Journal
Answer: B. Balance Sheet

36. Shareholders' funds are shown under ______.
A. Assets
B. Equity and Liabilities
C. Expenses
D. Income
Answer: B. Equity and Liabilities

37. Share capital is included under ______.
A. Shareholders' funds
B. Current assets
C. Current liabilities
D. Non-current assets
Answer: A. Shareholders' funds

38. Reserves and surplus are included under ______.
A. Current assets
B. Shareholders' funds
C. Current liabilities
D. Non-current liabilities
Answer: B. Shareholders' funds

39. Share application money pending allotment is shown under ______.
A. Assets
B. Equity and Liabilities
C. Expenses
D. Revenue
Answer: B. Equity and Liabilities

40. Debentures are generally classified as ______ liabilities.
A. Current
B. Non-current
C. Contingent
D. Fictitious
Answer: B. Non-current

41. Creditors for goods are generally classified as ______ liabilities.
A. Non-current
B. Current
C. Contingent
D. Capital
Answer: B. Current

42. Which of the following is a current liability?
A. Trade Payables
B. Land
C. Machinery
D. Goodwill
Answer: A. Trade Payables

43. Which of the following is a non-current asset?
A. Cash
B. Inventory
C. Land and Building
D. Trade Receivables
Answer: C. Land and Building

44. Which of the following is a current asset?
A. Goodwill
B. Machinery
C. Inventory
D. Building
Answer: C. Inventory

45. Trade receivables are classified as ______.
A. Current assets
B. Non-current liabilities
C. Shareholders' funds
D. Contingent liabilities
Answer: A. Current assets

46. Cash and cash equivalents are generally shown under ______.
A. Non-current assets
B. Current assets
C. Non-current liabilities
D. Share capital
Answer: B. Current assets

47. Goodwill is generally classified as a ______ asset.
A. Current
B. Non-current
C. Contingent
D. Fictitious liability
Answer: B. Non-current

48. Property, Plant and Equipment is generally included under ______ assets.
A. Current
B. Non-current
C. Contingent
D. Liquid
Answer: B. Non-current

---

49. A contingent liability is a liability which depends upon the occurrence or non-occurrence of a ______ event.
A. Certain
B. Future uncertain
C. Past certain
D. Daily
Answer: B. Future uncertain

50. A guarantee given on behalf of another party may result in a ______ liability.
A. Current asset
B. Contingent liability
C. Share capital
D. Revenue
Answer: B. Contingent liability

51. Contingent liabilities are generally ______ in the Balance Sheet.
A. Capitalised
B. Disclosed by way of notes
C. Ignored completely

D. Treated as revenue
Answer: B. Disclosed by way of notes

52. A contingent asset arises from a ______ event.
A. Certain past
B. Possible future
C. Completed
D. Recorded
Answer: B. Possible future

53. Contingent assets are generally recognised only when the realisation of economic benefits becomes ______.
A. Impossible
B. Certain/virtually certain as applicable
C. Unlikely
D. Irrelevant
Answer: B. Certain/virtually certain as applicable

---

54. A branch which does not maintain complete accounting records independently is known as a ______ branch.
A. Foreign
B. Dependent
C. Independent
D. Temporary
Answer: B. Dependent

55. In a dependent branch, the main accounting records are generally maintained by the ______.
A. Branch manager
B. Head Office
C. Customers
D. Government
Answer: B. Head Office

56. A dependent branch usually does not maintain a complete set of ______ books.
A. Personal
B. Financial
C. Memorandum
D. Statistical
Answer: B. Financial

57. The Head Office sends goods to a dependent branch mainly for the purpose of ______.
A. Production
B. Sale
C. Donation

D. Destruction
Answer: B. Sale

58. The account maintained by Head Office to record transactions relating to a dependent branch is called ______.
A. Branch Account
B. Capital Account
C. Cash Account
D. Trading Account
Answer: A. Branch Account

---

59. Under the Debtors System, a Branch Account is prepared to ascertain ______.
A. Gross profit/loss of branch
B. Net profit/loss of branch
C. Cash balance only
D. Capital employed only
Answer: B. Net profit/loss of branch

60. In the Debtors System, goods supplied to the branch by Head Office are generally recorded on the ______ side of Branch Account.
A. Credit
B. Debit
C. Both
D. Neither
Answer: B. Debit

61. Cash sent by Head Office to the branch is recorded on the ______ side of Branch Account.
A. Debit
B. Credit
C. Both
D. Neither
Answer: B. Credit

62. Cash sales made by the branch are generally recorded on the ______ side of Branch Account.
A. Debit
B. Credit
C. Both
D. Neither
Answer: B. Credit

63. Cash received from branch debtors is generally recorded on the ______ side of Branch Account.
A. Debit
B. Credit
C. Asset side

D. Liability side
Answer: B. Credit

64. Branch expenses paid by Head Office are recorded on the ______ side of Branch Account.
A. Debit
B. Credit
C. Both
D. Neither
Answer: A. Debit

65. The balance of Branch Account under Debtors System represents ______.
A. Branch profit or loss
B. Branch stock only
C. Branch debtors only
D. Head Office capital
Answer: A. Branch profit or loss

---

66. Under Stock and Debtors System, separate accounts are maintained for ______.
A. Stock and debtors
B. Capital and reserves
C. Creditors only
D. Expenses only
Answer: A. Stock and debtors

67. The Branch Stock Account is maintained mainly to control ______.
A. Cash
B. Stock at branch
C. Capital
D. Creditors
Answer: B. Stock at branch

68. The Branch Debtors Account is maintained to control ______.
A. Customers' balances
B. Fixed assets
C. Capital
D. Expenses
Answer: A. Customers' balances

69. Under Stock and Debtors System, the Branch Stock Account may be maintained at ______.
A. Cost only
B. Selling price
C. Cost or invoice price, as applicable
D. Market price only
Answer: C. Cost or invoice price, as applicable

70. Goods returned by branch customers affect the ______ account.
A. Branch Debtors
B. Capital
C. Building
D. Bank Loan
Answer: A. Branch Debtors

71. Goods returned by the branch to Head Office affect the ______ account.
A. Branch Stock
B. Branch Debtors
C. Capital
D. Cash
Answer: A. Branch Stock

72. The main purpose of Stock and Debtors System is to ascertain branch ______ and exercise control over stock and debtors.
A. Profit
B. Capital
C. Salary
D. Tax
Answer: A. Profit

73. Which account helps to ascertain gross profit at a branch under Stock and Debtors System?
A. Branch Stock Account
B. Branch Debtors Account
C. Branch Expenses Account
D. Cash Account
Answer: A. Branch Stock Account

74. Goods sent to a branch are recorded in Branch Stock Account on the ______ side.
A. Debit
B. Credit
C. Both
D. Neither
Answer: A. Debit

75. Goods returned by a branch to Head Office are recorded in Branch Stock Account on the ______ side.
A. Debit
B. Credit
C. Both
D. Neither
Answer: B. Credit

76. Cash sales are recorded in Branch Stock Account on the ______ side.
A. Debit
B. Credit
C. Liability

D. Neither
Answer: B. Credit

77. Credit sales are recorded in ______ Account under Stock and Debtors System.
A. Branch Debtors
B. Branch Cash
C. Capital
D. Branch Expenses
Answer: A. Branch Debtors

78. Cash received from branch debtors is recorded on the ______ side of Branch Debtors Account.
A. Debit
B. Credit
C. Both
D. Neither
Answer: B. Credit

79. Discount allowed to branch debtors is recorded on the ______ side of Branch Debtors Account.
A. Debit
B. Credit
C. Asset
D. Liability
Answer: B. Credit

80. Bad debts written off from branch debtors are recorded on the ______ side of Branch Debtors Account.
A. Debit
B. Credit
C. Both
D. Neither
Answer: B. Credit

---

81. Which concept treats the business as separate from its owner?
A. Entity
B. Cost
C. Prudence
D. Materiality
Answer: A. Entity

82. Which concept assumes continuity of business?
A. Accrual
B. Going Concern
C. Realisation
D. Periodicity
Answer: B. Going Concern

83. Which convention is also called Conservatism?
A. Consistency
B. Prudence
C. Materiality
D. Full Disclosure
Answer: B. Prudence

84. Which Schedule contains the prescribed format of company Balance Sheet?
A. Schedule I
B. Schedule II
C. Schedule III
D. Schedule V
Answer: C. Schedule III

85. Trade payables are generally classified as:
A. Non-current assets
B. Current liabilities
C. Shareholders' funds
D. Contingent assets
Answer: B. Current liabilities

86. Machinery is generally classified as:
A. Current asset
B. Non-current asset
C. Current liability
D. Contingent liability
Answer: B. Non-current asset

87. A dependent branch is controlled by:
A. Customers
B. Head Office
C. Creditors
D. Government
Answer: B. Head Office

88. Under Debtors System, Branch Account is prepared to determine:
A. Branch net profit/loss
B. Branch sales only
C. Branch stock only
D. Branch capital only
Answer: A. Branch net profit/loss

89. Under Stock and Debtors System, which account controls branch stock?
A. Branch Stock Account
B. Branch Debtors Account
C. Branch Cash Account
D. Branch Capital Account
Answer: A. Branch Stock Account

90. Which of the following is a current asset?
A. Building
B. Goodwill
C. Inventory
D. Machinery
Answer: C. Inventory

REVISION

No.	Multiple Choice Question	Options	Answer
1	Balance Sheet means a statement showing ______ of any economic unit.	**A)** Income & Expenditure **B)** Profit/Loss **C)** Financial Position **D)** None of these	**C) Financial Position**
2	According to which assumption, a firm prepares its Profit & Loss Account and Balance Sheet after a specific period?	**A)** Money Measurement **B)** Accounting Period **C)** Separate Entity **D)** Conservatism	**B) Accounting Period**
3	The cost price of closing stock is ₹80,000 and its market price is ₹50,000. At what price should closing stock be shown? According to which concept?	**A)** ₹80,000, Conservatism **B)** ₹50,000, Conservatism **C)** ₹80,000, Money Measurement **D)** ₹50,000, Money Measurement	**B) ₹50,000, Conservatism**
4	Balance Sheet is a ______.	**A)** Account **B)** Statement **C)** Report **D)** None of these	**B) Statement**
5	Fixed Assets are depreciated according to the ______ concept.	**A)** Separate Entity **B)** Going Concern **C)** Money Measurement **D)** Conservatism	**B) Going Concern**

6	The shops opened in different countries or cities by one company are known as _______.	**A)** Head Office **B)** Branches **C)** Consignment **D)** Joint Venture	**B) Branches**
7	Cash is shown in the Balance Sheet under which main head and sub-head as per Companies Act, 2013, Schedule III?	**A)** Cash & its equivalent in Current Assets **B)** Inventories in Current Assets **C)** Tangible Assets in Non-Current Assets **D)** Intangible Assets in Non-Current Assets	**A) Cash & its equivalent in Current Assets**
8	Branch Account is a _______ Account.	**A)** Personal **B)** Real **C)** Nominal **D)** Non-personal	**C) Nominal**
9	Sundry Creditors amounted to ₹8,000. These were paid at a discount of 5%. Realisation Account will be debited by _______.	**A)** ₹8,000 **B)** ₹7,600 **C)** ₹400 **D)** ₹8,400	**B) ₹7,600**
10	On firm's dissolution, which one of the following accounts should be prepared at the last?	**A)** Realisation Account **B)** Partners' Capital Accounts **C)** Cash Account **D)** Partners' Loan Account	**C) Cash Account**
11	Which accounting concept assumes that the business will continue for an indefinite period?	**A)** Going Concern **B)** Business Entity **C)** Money Measurement **D)** Dual Aspect	**A) Going Concern**
12	According to the Business Entity Concept, business is treated as _______ from its owner.	**A)** Same **B)** Separate **C)** Dependent **D)** Identical	**B) Separate**

13	Which concept states that every transaction has two aspects?	**A)** Matching Concept **B)** Dual Aspect Concept **C)** Conservatism Concept **D)** Cost Concept	**B) Dual Aspect Concept**
14	The amount invested by the owner in the business is called ______.	**A)** Asset **B)** Liability **C)** Capital **D)** Revenue	**C) Capital**
15	Which of the following is a current asset?	**A)** Building **B)** Machinery **C)** Debtors **D)** Capital	**C) Debtors**
16	Which of the following is a liability of the business?	**A)** Cash **B)** Debtors **C)** Creditors **D)** Stock	**C) Creditors**
17	The basic accounting equation is ______.	**A)** Assets = Capital + Liabilities **B)** Assets = Capital – Liabilities **C)** Capital = Assets + Liabilities **D)** Liabilities = Assets + Capital	**A) Assets = Capital + Liabilities**
18	Purchase of machinery for cash is an example of ______ transaction.	**A)** Increase in one asset and decrease in another asset **B)** Increase in liability **C)** Increase in capital **D)** Increase in income	**A) Increase in one asset and decrease in another asset**
19	Which book is known as the book of original entry?	**A)** Ledger **B)** Trial Balance **C)** Journal **D)** Balance Sheet	**C) Journal**
20	Ledger is known as the book of ______ entry.	**A)** Original **B)** Secondary **C)** Final **D)** Cash	**B) Secondary**
21	Trial Balance is prepared mainly to check the ______	**A)** Arithmetical **B)** Legal **C)** Financial **D)** Managerial	**A) Arithmetical**

	accuracy of books of accounts.		
22	Which account is prepared to ascertain gross profit or gross loss?	**A)** Profit & Loss Account **B)** Trading Account **C)** Balance Sheet **D)** Cash Account	**B) Trading Account**
23	Which account is prepared to ascertain net profit or net loss?	**A)** Trading Account **B)** Profit & Loss Account **C)** Balance Sheet **D)** Capital Account	**B) Profit & Loss Account**
24	Depreciation means ______ in the value of a fixed asset.	**A)** Increase **B)** Decrease **C)** No change **D)** Transfer	**B) Decrease**
25	Outstanding expenses are shown in the Balance Sheet as ______.	**A)** Asset **B)** Liability **C)** Income **D)** Capital	**B) Liability**