

THE SOCIETY OF ACCOUNTING EDUCATION
CERTIFIED FINANCIAL & MANAGEMENT ACCOUNTANT MEMBERSHIP
PROGRAM

Model Paper for Course : Corporate Financial Reporting

Course Code: CL-01

Level: Certification Level

1. Which of the following is (are) item (s) of cost of goods sold statement?
 - a) Purchase of raw material
 - b) Any tax/freight paid on purchases
 - c) Any expense incurred on carriage/transportation of raw material purchased items
 - d) **All of the given options**

2. Which of the following voucher is used to record transactions that do not affect bank & cash?
 - a) **Journal Voucher**
 - b) Receipt Voucher
 - c) Payment Voucher
 - d) Nominal Voucher

3. What would conversion costs if costs of raw materials, direct **labor costs**, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?
 - a) Rs.130, 000
 - b) **Rs.110, 000**
 - c) Rs.140, 000
 - d) Rs.190, 000

4. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:

- a) Bank statement
 - b) Income statement
 - c) Financial statement
 - d) **Bank Reconciliation statement**
5. Cash and other resources that are expected to turn to cash or to be used up within one year of the balance sheet date are called:
- a) Current liability
 - b) **Current assets**
 - c) Fixed assets
 - d) Long-term assets
6. An accounting system is used by a business to:
- a) Analyze transactions
 - b) Handle routine bookkeeping tasks
 - c) Structure information
 - d) **All of the given options**
7. Particulars Rs. Opening written down value of machine 3,75,000 Cost of machine 50,000 Depreciation during the year 11,500. Calculate Closing written down value (WDV) of the Machines?
- a) **Rs. 4,13,500**
 - b) Rs. 4, 25,000
 - c) Rs. 3, 36,500
 - d) Rs. 61,500
8. Expenditure incurred in acquiring the patent right for the business is an example of:
- a) **Revenue expenditure**
 - b) Capital expenditure
 - c) Deferred revenue expenditure

- d) Administrative expenditure
9. Total assets - Total liabilities =?
- a) **Owner's Equity**
 - b) Expenses
 - c) Retained earnings
 - d) Net profit
10. What will be debited, if business bought goods on credit from Mr. Ali?
- a) **Purchases account**
 - b) Mr. Ali account
 - c) Cash account
 - d) Sales account
11. Prepaid rent given in the Trial Balance will be treated as a (an):
- a) Asset
 - b) Liability
 - c) **Revenue**
 - d) Deferred expense
12. A business event which can be measured in terms of money and must be recorded in books of accounts is called:
- a) Condition
 - b) **Transaction**
 - c) Information
 - d) Record
13. Which one of the following is NOT a feature of sole proprietorship business.
- a) Easy Formation
 - b) Easy Dissolution

- c) Unlimited Liability
 - d) **Separate Legal Entity**
14. In which of the following statement opening stock is shown?
- a) Profit and loss account
 - b) **Balance sheet**
 - c) Cash flow statement
 - d) Owner's equity
15. Which of the following is (are) example(s) of non distributable profit?
- a) General reserve
 - b) Accumulated profit and loss (credit balance)
 - c) Revaluation reserves
 - d) **None of the given options**
16. Which of the following Organization converts raw material into finished goods?
- a) Trading concern
 - b) **Manufacturing concern**
 - c) Merchandising concern
 - d) Service concern
17. In firms cash flow statements, which of the following would appear as a cash outflow?
- a) The payments for share in a company whose shares are treated on a stock exchange
 - b) A decrease in trade debtors over the course of an accounting period
 - c) Money received as a result of issuing new shares
 - d) **Money received as result of selling fixed assets**
18. Which of the following particular/s is/are included in receipt voucher?
- a) Name of organization

- b) Bank receipt
 - c) Date
 - d) **All of the given options**
19. Which of the following assets is most likely to appreciate rather than depreciate?
- a) **Land**
 - b) Motor vehicles
 - c) Plant and machinery
 - d) Fixtures and fittings
20. Which of the following item needs to be entered in the Cash Book in order to bring it in line with the entries on the Bank Statement?
- a) **A bank charges**
 - b) An error on the Bank Statement
 - c) An uncredited deposit
 - d) An unpresented cheque
21. Wages paid to laborers working in the manufacturing department is treated as an expense of:
- a) **Cost of goods sold**
 - b) Administrative expenses
 - c) Selling expenses
 - d) Marketing expenses
22. Bad debts written off (given in adjustment) always affect the:
- a) **Debtors account**
 - b) Creditors account
 - c) Cash account
 - d) Capital account

23. Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:
- a) Only carriage account
 - b) **Only machinery account**
 - c) Both carriage and machinery account
 - d) None of the given options
24. Cost of goods manufactured - opening work in process + ending work in process =?
- a) Cost of goods sold
 - b) Prime cost
 - c) Conversion cost
 - d) **Total factory cost**
25. If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 300,000. What will be net result?
- a) **Rs. 1, 95,000 Losses**
 - b) Rs. 1, 95,000 Profits
 - c) Rs 1, 05,000 Profits
 - d) Rs1, 05,000 Losses
26. What is the proper order of the following steps in the accounting process?
- I. Prepare and analyze the trial balance
 - II. Record relevant transactions and events in a journal
 - III. Analyze each transaction and event from source documents
 - IV. Post journal information to ledger accounts
- a) III. IV. I. II.
 - b) II. III. IV.
 - c) **III. II. IV. I.**
 - d) III. II. I. IV.

27. All of the below items are directly recorded by bank without intimating the business until the end of month, EXCEPT:
- a) Bank Charges
 - b) Interest on Overdraft
 - c) **Un-presented Cheques**
 - d) Direct Receipts
28. Which of the following is Not an Asset Account?
- a) Plant & Machinery
 - b) Loan to XYZ co.
 - c) Cash at Bank
 - d) **Loan from ABC co.**
29. A balance of pass book written in brackets () by the bank is known as:
- a) **Favorable balance for customer**
 - b) Unfavorable balance for bank
 - c) Unfavorable balance for customer
 - d) None of the above
30. Which of the following is an example of direct materials cost?
- a) **Production worker's wages**
 - b) Depreciation expenses
 - c) A piece of wood for the production of chair
 - d) Polish and finishing material for chair
31. Expenditure incurred in acquiring the patent right for the business is an example of:
- a) Revenue expenditure
 - b) **Capital expenditure**
 - c) Deferred revenue expenditure

- d) Administrative expenditure
32. Cash book is a part of _____ .
- a) Voucher
 - b) General Journal
 - c) **General Ledger**
 - d) Trial Balance
33. What will be the entry of disposal of an asset at cost price?
- a) Debit Fixed Asset Disposal and Credit Fixed Asset Cost
 - b) Debit Accumulated Dep. and Credit Fixed Asset Disposal
 - c) **Debit Cash / Bank and Credit Fixed Asset Disposal**
 - d) None of the given options
34. ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?
- a) Rs. 20,000
 - b) Rs. 150,000
 - c) **Rs. 10,000**
 - d) Rs. 25,000
35. A manufacturing concern has Raw material of worth Rs. 100,000, Direct Labor Rs. 75,000 and Factory Overhead Rs. 50,000. The amount of Conversion cost will be:
- a) Rs. 150,000
 - b) Rs. 175,000
 - c) **Rs. 125,000**
 - d) Rs. 225,000
36. The Sales Returns Day Book would include:
- a) Goods bought on credit

- b) Fixed Assets bought that are inappropriate for business
 - c) **Stock that customers have returned**
 - d) Goods bought on credit that are returned to the original supplier
- 37.** Total Sales are calculated by adding:
- a) Cash sales and cash received from debtors
 - b) Credit sales and cash received from debtors
 - c) **Cash sales and credit sales**
 - d) Cash sales and credit purchases
- 38.** In the cost of goods sold statement, the sum of labor cost and the factory over head is known as:
- a) **Conversion cost**
 - b) Prime cost
 - c) Total factory cost
 - d) Cost of goods manufactured
- 39.** Outsider's claim against the assets of the business is called:
- a) Capital
 - b) **Liability**
 - c) Expense
 - d) Income
- 40.** Which of the following particular/s is/are included in payment voucher?
- a) Name of organization
 - b) Cash payment
 - c) Date
 - d) **All of the given options**
- 41.** Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:

- a) **Mr. B is Debit Sales Returns is Credit**
 - b) Sales Returns is Debit Mr. B is Credit
 - c) Mr. B is Debit Accounts Receivable Credit
 - d) Purchases Return Debit Mr. B is Credit
- 42.** A form that allows individuals to compare their personal bank account records to the bank's records of the individual's account balance in order to uncover any possible discrepancies is known as:
- a) Bank statement
 - b) Income statement
 - c) Financial statement
 - d) **Bank Reconciliation statement**
- 43.** Following information is available relating to a manufacturing concern: Cost of Goods Sold Rs. 245,000 Purchases Rs. 250,000 Freight Inward Rs. 5,000 Closing Stock Rs. 25,000 What will be the amount of Opening Stock?
- a) **Rs. 15,000**
 - b) Rs. 10,000
 - c) Rs. 25,000
 - d) Rs. 20,000
- 44.** Which of the following are without maturity dates?
- a) Zero coupon bonds
 - b) Coupon securities
 - c) **Consoles**
 - d) Preferred Bonds
- 45.** Make periodic interest payments forever, never repaying the principal that was borrowed. Which of the following institution takes direct deposit from customer and gives loan to customer directly?
- a) Zarai Tarkaytee Bank LTD

- b) Soneri Bank
 - c) Khushali Bank
 - d) **Credit union**
46. Mr. Ghazanfar obtains a home improvement loan from Allied Bank. This loan is:
- a) Mr. Ghazanfar's asset and the bank's liability
 - b) Mr. Ghazanfar 's asset, but the liability belongs to the bank's depositors
 - c) **Mr. Ghazanfar 's liability and an asset for the bank**
 - d) Both Mr. Ghazanfar's and bank's liability
47. Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000 Liabilities 90,000
- a) Rs. 35,000
 - b) Rs. 55,000
 - c) Rs. 1, 25,000
 - d) **Rs. 1, 05,000**
48. The totals of return inwards Journal (day book) are
- a) credited to the trade receivables control account
 - b) **debited to the trade payables control account**
 - c) debited to the trade receivable control account
 - d) credited to the trade payables control account
49. ABC co. has a capital of Rs. 100,000, Long Term Liabilities Rs. 50,000, net profit during the year Rs. 15,000 and the amount of total liabilities is Rs 175,000. What will be the amount of Current Liabilities?
- a) Rs. 20,000
 - b) Rs. 150,000
 - c) **Rs. 10,000**
 - d) Rs. 25,000

50. The third party who owes money to the business is called:

- a) Debtor
- b) Creditor
- c) **Stakeholder**
- d) Stockholder

51. Which of the following voucher is used to record receipt of cash?

- a) Journal Voucher
- b) **Receipt Voucher**
- c) Payment Voucher
- d) Nominal Voucher

52. The allocation of the cost of a tangible plant asset to expense in the periods, in which services are received from the asset, is termed as:

- a) Appreciation
- b) **Depreciation**
- c) Fluctuation
- d) None of the given options

53. The minimum number of members that can form a public limited company are:

- a) 1
- b) **2**
- c) 3
- d) 7

54. Budget is a plan of income, expenses & other financial operations for:

- a) Current period
- b) **Future period**
- c) Past period

55. Find out the missing value of an Accounting Equation with the help of given data:
Furniture Rs. 90,000 Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000
Owner's equity Rs. 90, 000 Liabilities ?

- a) Rs. 201,000
- b) **Rs. 111,000**
- c) Rs. 290, 000
- d) Rs. 291, 000

56. From the given particulars, calculate the rate of depreciation under the fixed installment method of depreciation:

Cost of Asset = Rs. 2,000

Residual Value = Rs. 400

Useful Life = 4 years

- a) **20 %**
- b) 30%
- c) 25%
- d) 33%

57. Which of the following formula is used to calculate the cost of goods sold?

- a) Cost of goods available for sale minus net purchases plus ending inventory
- b) **Beginning inventory plus net purchases plus freight in minus ending inventory**
- c) Beginning inventory minus net purchases minus ending inventory
- d) Beginning inventory minus ending inventory

58. The investment of Rs. 10,000 made by the owner in business will have an effect on which of the following accounts?

- a) **Cash Account & Capital Account**
- b) Cash Account & Expense Account
- c) Capital Account & Revenue Account
- d) Capital Account & Expense Account

59. Goods sold to Mr. Naeem for Rs. 5,000 are wrongly recorded in sales journal at Rs. 500 and same amount is posted in Mr. Naeem's account, this is an example of:

- a) Compensating errors
- b) Error of Commission
- c) Error of Principle
- d) **Error of Original entry**

60. Which of the following is the first book to record a transaction?

- a) Trial Balance
- b) **Journal**
- c) Trial Balance
- d) Balance Sheet

61. Which of the following would NOT be considered as a component of 'cost' of stock?

- a) **Salaries of selling staff**
- b) Transportation inward costs
- c) Import duties
- d) Purchase price

62. Which of the following is (are) characteristic(s) of Bad Debt?

- a) It is a definite loss to the business
- b) It must be shown in Profit & loss account
- c) No provision is necessary for it
- d) **All of the given options**

63. The difference between Management Accounting and Financial Accounting is that:

- a) Financial accounting is used by managers to plan strategies in the area of company growth
- b) Financial accounting is used by external investors to gain information about the company

- c) Managerial accounting is used by the internal managers to plan for daily business activities
- d) **Both c and b**
64. If Current Assets Rs. 100,000, Current Liability Rs. 50,000 and Fixed Assets Rs. 2,00,000. Calculate working capital.
- a) **Rs. 50,000**
- b) Rs. 1, 00,000
- c) Rs. 1, 50,000
- d) Rs. 3, 00,000
65. Which of the following is NOT a revenue expenditure?
- a) **Petrol consumed in motor vehicles**
- b) Cost of saleable goods
- c) Bad debts
- d) Premium given on lease
66. The Amount charged to depreciation goes on declining in:
- a) Depreciation fixed method
- b) Annuity method
- c) **Written-down value method**
- d) Straight line depreciation method
67. If Cost of sales in Rs. 90,000, income from sales Rs. 200,000 and operating expenses Rs.100,000,. What will be net results?
- a) Rs. 5,000 Loss
- b) **Rs. 10,000 Profit**
- c) Rs. 1,95,000 Profit
- d) Rs. 1,95,000 Loss
68. The main purpose of _____ is to ascertain true result of the business operation during particular period of time.

- a) Cost Accounting
 - b) **Financial Accounting**
 - c) Managerial Accounting
 - d) Tax Accounting
69. The bank loan or the bank charges are called:
- a) Cost of good expenses
 - b) Selling expenses
 - c) Financial expenses
 - d) Administrative expenses
70. Which of the following item is found in a Journal entry? (1) Date of each transaction (2) Rupee amount of each debit and credit (3) Explanation of each transaction
- a) 1 only
 - b) 1 & 2 only
 - c) 2 & 3 only
 - d) **1, 2 & 3**
71. If Purchase price of machine = 400,000 Profit on disposal = Rs. 5,000 Residual value = Rs. 10,000 Useful life of machine = 5 years Find Sale price at the time of disposal =?
- a) **Rs. 15,000**
 - b) Rs. 10,000
 - c) Rs. 20,000
 - d) Rs. 5,000
72. Which of the following is the main cause of depreciation?
- a) Fall in the market value of money
 - b) **Fall in the market value of an asset**
 - c) Physical wear and tear
73. The estimated value of an asset after the expiry of its useful life is called as:

- a) Written Down value
 - b) **Residual Value**
 - c) Accumulated depreciation
 - d) Sales value
74. In the creditors control account, all of the below exist except:
- a) Credit purchases
 - b) Purchase returns
 - c) **Cash purchases**
 - d) Cash/cheques paid
75. Franchise rights, goodwill and patents are the examples of:
- a) Liquid assets
 - b) Tangible assets
 - c) **Intangible assets**
 - d) Current assets
76. In which of the following statement opening stock is shown?
- a) **Profit and loss account**
 - b) Balance sheet
 - c) Cash flow statement
 - d) Owner's equity
77. On the receipts side of the cash and bank book, a column is added in which the receipts from debtors are separately noted, this type of cash/bank book is also called:
- a) Single column cash/bank book
 - b) Cash/bank book
 - c) **Multi column cash/bank book**
 - d) None of the above

78. If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

- a) Cheque deposited but not credited by the bank
- b) Cheques omitted to be deposited into bank
- c) **Any amount directly collected by bank on behalf of customer but not recorded in cash book**
- d) Debit side of cash book was overcast

79. Which of the following is NOT a characteristic of Cash Book?

- a) It has two identical sides—left hand side, the debit side and right hand side, the credit side
- b) It verifies the arithmetic accuracy of posting of entries from the Journal to the Ledger
- c) The difference between the total of two sides of cash book shows cash in hand
- d) **It always shows debit balance. It can never show credit balance**

80. Which of the following is NOT a rule for revaluation of fixed assets?

- a) The change in the value should be permanent
- b) Revaluation has to be carried out at regular intervals
- c) Whole class of asset has to be revalued
- d) **The profit on revaluation should be credited to revaluation reserve account**

81. A transaction in which Cash A/c and Bank A/c are involved, is recorded on both the sides of Double Column Cash Book, it is called _____.

- a) Rectifying Entry
- b) Adjusting Entry
- c) **Contra Entry**
- d) Closing Entry

82. What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?

- a) Rs.130, 000
- b) **Rs.110, 000**
- c) Rs.140, 000
- d) Rs.190, 000

83. The Sales Returns Day Book would include:

- a) Goods bought on credit
- b) Fixed Assets bought that are inappropriate for business
- c) **Stock that customers have returned**
- d) Goods bought on credit that are returned to the original supplier

84. Loss on the sale of plant and machinery should be written off against:

- a) Sales premium account
- b) Depreciation fund account
- c) Sales account
- d) **Plant and machinery**

85. In an account if debit side > credit side, the balance is known as the:

- a) Negative Balance
- b) **Debit balance**
- c) Positive Balance
- d) Credit balance

86. Any expense that becomes a source of income generation for a long time period is called _____

- a) **Capital Expense**
- b) Revenue Expense
- c) Revenue Receipt
- d) Capital Receipt

87. Which one of the following is NOT a feature of sole proprietorship business.
- a) Easy Formation
 - b) Easy Dissolution
 - c) Unlimited Liability
 - d) **Separate Legal Entity**
88. Carriage paid Rs. 50 for the newly purchased machinery if debited to carriage account will effect:
- a) Only carriage account
 - b) **Only machinery account**
 - c) Both carriage and machinery account
 - d) None of the given options
89. Which of the following is(are) TRUE about the sole trader form of business?
- a) A sole trader is liable to pay income tax on his/her earnings
 - b) Sole traders must have to prepare books of accounts by law
 - c) Sole traders must register the name of their business with the Registrar of Companies
 - d) **All of the given options**
90. Goods returned by Mr. B amount to Rs. 4,000. The entry in the books will be:
- a) **Mr. B is Debit**
 - b) Sales Returns is Credit
 - c) Sales Returns is Debit Mr. B is Credit
 - d) Mr. B is Debit Accounts Receivable Credit
91. Which of the following Organization converts raw material into finished goods?
- a) Trading concern
 - b) **Manufacturing concern**
 - c) Merchandising concern

- d) Service concern
92. Find out the missing value of an Accounting Equation with the help of given data: Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1, 000 Liabilities ?
- a) Rs. 12,000
 - b) Rs. 11,000**
 - c) Rs. 110,000
 - d) Rs. 111,000
93. _____ is the art of recording monetary transactions in the books of Accounts in a proper manner:
- a) Accounting
 - b) Book Keeping**
 - c) Posting
 - d) Vouching
94. Which of the following Journal entry will be recorded when the bad debts are recovered?
- a) Cash account (Dr.) & Bad Debts recovered account (Cr.)**
 - b) Accounts Receivable (Dr.) & Bad Debts recovered account (Cr.)
 - c) Bad debts recovered account (Dr.) and profit & loss account (Cr.)
 - d) Provision for doubtful debts account (Dr.) & cash account (Cr.)
95. Which of the following is/are the example/s of Intangible Asset?
- a) Copy rights
 - b) Good will
 - c) Patent rights
 - d) All of the given options**
96. Under the straight line method of depreciation:
- a) Amount of depreciation increases every year**

- b) Amount of depreciation remains constant for every year
 - c) Amount of depreciation decreases every year
 - d) None of the given options
- 97.** If, Cost of machine = Rs.400, 000 Useful life = 5 years Residual value = Rs.25, 000 Saleprice = Rs.40, 000 Rate of depreciation = 40% What will be the amount of depreciation charged on 3rd year using straight line method?
- a) Rs. 35,000
 - b) Rs. 57,600
 - c) **Rs. 75,000**
 - d) Rs. 96,000
- 98.** Loss on revaluation of fixed asset should be charged to:
- a) **Profit and loss account**
 - b) Balance sheet
 - c) Revaluation Reserve account
 - d) Accumulated depreciation account
- 99.** Debts that are not collectible and worthless to the creditor are known as:
- a) **Bad debts**
 - b) Good debts
 - c) Doubtful debts
 - d) Provision for doubtful debts
- 100.** Which of the following would NOT be considered as a component of 'cost' of stock?
- a) **Salaries of selling staff**
 - b) Transportation inward costs
 - c) Import duties
 - d) Purchase price

- 101.** Total depreciation of an asset cannot exceed its:
- a) **Scrap value**
 - b) Residual value
 - c) Market value
 - d) Depreciable value
- 102.** A company uses straight line method of depreciation for an item of equipment that cost Rs. 28,000, has salvage value of Rs. 3,000, and has a five year useful life. What will be the book value of asset at the end of third year?
- a) Rs. 15,000
 - b) Rs. 10,000
 - c) Rs. 18,000
 - d) **Rs. 13,000**
- 103.** Which of the following is / are the particular/s of a cash book? (1) Date of transaction (2) Account title (3) Amount
- a) 1 only
 - b) 1 & 2 only
 - c) 1 & 3 only
 - d) **1, 2 & 3**
- 104.** At the end of the accounting period, the balance which is showing on the debit side of ledger account is called as:
- a) Credit Balance
 - b) **Debit Balance**
 - c) Contra account
 - d) None of the above
- 105.** The amount charged to depreciation goes on declining in:
- a) Depreciation fixed method
 - b) Annuity method

- c) **Written-down value method**
 - d) Straight line depreciation method
- 106.** Which of the following is NOT revenue expenditure?
- a) **Petrol consumed in motor vehicles**
 - b) Cost of saleable goods
 - c) Bad debts
 - d) Premium given on lease
- 107.** The total of all costs incurred to convert raw material into finished goods is known as:
- a) Prime cost
 - b) Conversion cost
 - c) Sunk cost
 - d) **Opportunity Cost**
- 108.** Amount generated from sales in a business is called:
- a) **Income**
 - b) Net Income
 - c) Gross Profit
 - d) Operating profit
- 109.** Cost of goods manufactured - opening work in process + ending work in process is equal to?
- a) Cost of goods sold
 - b) Prime cost
 - c) Conversion cost
 - d) **Total Factory Cost**
- 110.** Which of the following is the example of current liability?
- a) **Notes Payable**

- b) Notes receivable
 - c) Accounts receivable
 - d) Prepaid expenses
- 111.** What will be debited, if business sold goods for Rs.10, 000 on credit?
- a) Cash account
 - b) Sales account
 - c) Accounts receivable account**
 - d) Purchases account
- 112.** Which of the following particular is NOT included in journal voucher?
Select correct option:
- a) Name of organization
 - b) Bank Receipt Number**
 - c) Debit amount
 - d) Credit amount
- 113.** What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?
- a) Rs.130, 000
 - b) Rs 110,000**
 - c) Rs.140, 000
 - d) Rs.190, 000
- 114.** The main purpose of _____ is to ascertain true result of the business operation during particular period of time.
- a) Cost Accounting
 - b) Financial Accounting**
 - c) Managerial Accounting
 - d) Tax Accounting

115. If cost of sales is Rs. 90,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will be net result?
- a) Rs. 5,000 Loss
 - b) Rs. 10,000 Profit**
 - c) Rs 1, 95,000 Profit
 - d) Rs 1, 95,000 Loss
116. What is the next step to Journalizing in Accounting cycle?
- a) Recording
 - b) Posting**
 - c) Balancing
 - d) Analyzing
117. Consider the following data: Particulars Rs. Assets 99,500 Owner's equity 50,500 Liabilities?
- a) Rs. 49,000**
 - b) Rs. 55,000
 - c) Rs. 125,000
 - d) Rs. 115,700
118. Net Profit = Income - _____
- a) Liabilities
 - b) Assets
 - c) Expenses**
 - d) Capital
119. Depreciation arises because of:
- a) Fall in the market value of an asset
 - b) Fall in the value of money
 - c) Physical wear and tear**

- d) All of the given options
- 120.** Which of the following account balance/s is/are shown on credit side of Trial Balance? (It is assumed that all account balances are shown on normal balance)
- a) Capital account
 - b) Sundry creditors account
 - c) Accounts payable account
 - d) All of the above
- 121.** In case of Income and Expenditure account, Excess of income over expenses in a specified accounting period is called:
- a) Profit**
 - b) Loss
 - c) Surplus
 - d) Deficit
- 122.** Which of the following Organization converts raw material into finished goods?
- a) Trading concern
 - b) Manufacturing Concern**
 - c) Merchandising concern
 - d) Service concern
- 123.** When total liabilities are subtracted from total assets the remaining amount is known as:
- a) Equity and net assets**
 - b) Net income or net loss
 - c) Total expenses
 - d) Total revenue
- 124.** Which one of the following is INCORRECT about closing Stock?
- a) It is added into current assets

- b) It is deducted from Material available for use
 - c) It becomes opening stock of next year
 - d) It reduces the resources of business**
- 125.** Find out the missing value of an Accounting Equation with the help of given data:
Cash Rs.100, 000 Debtors Rs.10, 000 Other Assets Rs. 1,000 Owner's equity Rs. 1, 000
Liabilities ?
- a) Rs. 12,000
 - b) Rs. 11,000
 - c) Rs. 110,000**
 - d) Rs. 111,000
- 126.** Which of the following account summarizes the profitability of business for a specific accounting period?
- a) P&L Account**
 - b) Cash flow statement
 - c) Receipt & Payment account
 - d) Balance Sheet
- 127.** What will be debited, if Mohsin commenced business with cash?
- a) Cash Account**
 - b) Capital account
 - c) Drawings account
 - d) Proprietor account
- 128.** Which of the following is Not a part of General Ledger?
- a) Activity book**
 - b) Purchase Return Book
 - c) Purchase Book
 - d) Sales Book

- 129.** Debit signifies:
- a) Increase in Asset account
 - b) Decrease in liability account
 - c) Decrease in capital account
 - d) All of the above**
- 130.** Under the diminishing balance method, depreciation is calculated on:
- a) The original cost
 - b) The scrap value
 - c) Book Value**
 - d) Both original cost and Scrap value
- 131.** The amount charged to depreciation goes on declining in:
- a) Depreciation fixed method
 - b) Annuity method
 - c) Written down value method**
 - d) Straight line depreciation method
- 132.** Which of the following is NOT correct?
- a) Decrease in asset will be debit**
 - b) Decrease in Liabilities will be debit
 - c) Decrease in Expenses will be credit
 - d) Decrease in Revenue will be debit
- 133.** What will be the effect on accounting equation if cash is received from a tenant as office rent?
- a) Increase cash and decrease equity
 - b) Increase cash and increase equity**
 - c) Decrease cash and increase equity

- d) Decrease cash and increase dividends
- 134.** Which one of the following is INCORRECT about closing Stock?
- a) It is added into current assets
 - b) It is deducted from Material available for use
 - c) It becomes opening stock of next year
 - d) It reduces the resources of business**
- 135.** Which of the following is a FIRST product of accounting cycle?
- a) Voucher**
 - b) General Journal
 - c) General Ledger
 - d) Financial Statements
- 136.** If cost of sales is Rs. 95,000, income from sales Rs. 200,000 and operating expenses Rs. 100,000. What will gross profit?
- a) Rs. 5,000**
 - b) Rs. 95,000
 - c) Rs. 1, 00,000
 - d) Rs.1, 05,000
- 137.** Which of the following are recorded in Cash Book?
- a) Receipts and payments**
 - b) Profits and losses
 - c) Assets and liabilities
 - d) Capital and Expenditures
- 138.** Net Profit = Income - _____
- a) Liabilities
 - b) Assets

- c) **Expense**
 - d) Capital
139. Which of the following particular/s is/are included in payment voucher?
- a) Name of organization
 - b) Cash payment
 - c) Date
 - d) **All of the above**
140. $\text{Cost of goods manufactured} + \text{opening finished goods} - \text{ending finished goods} = ?$
- a) Total factory cost
 - b) **Cost of goods Sold**
 - c) Prime cost
 - d) Conversion cost
141. Which of the following account is normally NOT exists in the balance sheet of the manufacturing concern?
- a) Work in Process Inventory
 - b) Raw Materials Inventory
 - c) **Merchandise Inventory**
 - d) Finished Goods Inventory
142. All the statements are correct about Journal voucher EXCEPT:
- a) Financial data is picked only from journal vouchers to Journal
 - b) These are used to record all transaction other than cash & bank
 - c) **These are used to make corrections or adjustments to previous receipt**
 - d) Format of journal voucher is different from other vouchers
143. In case of Income and Expenditure account, Excess of income over expenses in a specified accounting period is called:
- a) **Profit**

- b) Loss
 - c) Surplus
 - d) Deficit
- 144.** The investment of Rs. 10,000 made by the owner in business will have an effect on which of the following accounts?
- a) **Cash account & Capital Account**
 - b) Cash Account & Expense Account
 - c) Capital Account & Revenue Account
 - d) Capital Account & Expense Account
- 145.** Outsider's claim against the assets of the business is called:
- a) Capital
 - b) **Liability**
 - c) Expense
 - d) Income
- 146.** Consider the following data: Particulars Rs. Assets 75,500 Owner's equity ?
Liabilities 40,200
- a) **Rs. 35,300**
 - b) Rs. 55,000
 - c) Rs. 125,000
 - d) Rs. 115,700
- 147.** What will be debited, if business bought goods on credit from Mr. Ali?
- a) **Purchase Account**
 - b) Mr. Ali account
 - c) Cash account
 - d) Sales account

- 148.** In the cost of goods sold statement, the sum of labor cost and the factory overhead is known as:
- a) **Conversion Cost**
 - b) Prime cost
 - c) Total factory cost
 - d) Cost of goods manufactured
- 149.** Consider the following data: Particulars Rs. Assets ? Owner's equity 35,000
Liabilities 90,000
- a) Rs. 35,000
 - b) Rs. 55,000
 - c) **Rs. 1, 25,000**
 - d) Rs. 1, 05,000
- 150.** When total liabilities are subtracted from total assets the remaining amount is known as:
- a) **Equity or net assets**
 - b) Net income or net loss
 - c) Total expenses
 - d) Total revenue
- 151.** Which of the following is fiscal Year of Government of Pakistan?
Select correct option:
- a) 1st January to 31st December
 - b) 1st June to 31st May
 - c) **1st July to 30th June**
 - d) 1st October to 30th September
- 152.** Which of the following is/are inventory valuation method(s)?
- a) FIFO
 - b) LIFO

- c) Weighted average
 - d) **All of the above**
153. The investment of Rs. 10,000 made by the owner in business will have an effect on which of the following accounts?
- a) **Cash account and capital account**
 - b) Cash Account & Expense Account
 - c) Capital Account & Revenue Account
 - d) Capital Account & Expense Account
154. What will be debited, if business purchased Furniture on cash?
- a) **Furniture Account**
 - b) Cash account
 - c) Business account
 - d) Bank account
155. $\text{Cost of goods manufactured} + \text{opening finished goods} - \text{ending finished goods} = ?$
- a) Total factory cost
 - b) Prime cost
 - c) **Cost of goods sold**
 - d) Conversion cost
156. Which of the following contents are included in the Cost of goods sold?
- a) Opening stock
 - b) Purchases
 - c) Freight in
 - d) **All of the above**
157. Particulars Rs. Opening written down value of machine 1,00,000 Cost of new machine purchased during the year 50,000 Depreciation during the year 20,000 Closing written down value (WDV) ?

- a) **Rs. 130,000**
 - b) Rs. 1, 50,000
 - c) Rs. 1, 20,000
 - d) Rs. 70,000
- 158.** What will be debited, If Mr. “A” started business with Rs. 2, 00,000.
- a) **Capital account**
 - b) Cash Account
 - c) Mr. A’s account
 - d) Business account
- 159.** In cost of goods sold statement the ‘cost of goods manufactured’ is equal to:
- a) Total factory cost + Opening work in process + Ending work in process
 - b) **Total factory cost + opening work in process – Ending work in process**
 - c) Total factory cost - Opening work in process + Ending work in process
 - d) Ending work in process +Total factory cost – Opening work in process
- 160.** What is nature of Capital account?
- a) Debit
 - b) **Credit**
 - c) Expenses
 - d) Loss
- 161.** Which of the following is (are) item (s) of cost of goods sold statement?
- a) Purchase of raw material
 - b) Any tax/freight paid on purchases
 - c) Any expense incurred on carriage/transportation of raw material purchased items
 - d) **All of the above**

162. Which of the following voucher is used to record transactions that do not affect bank & cash?
- a) **Journal Voucher**
 - b) Receipt Voucher
 - c) Payment Voucher
 - d) Nominal Voucher
163. If salaries are Rs. 2500, purchases Rs. 18,000 and rent Rs. 400; what will be administrative expenses?
- a) Rs. 400
 - b) Rs. 2,500
 - c) **Rs. 2,900**
 - d) Rs.20, 900
164. What would conversion costs if costs of raw materials, direct labor costs, and manufacturing overhead costs Rs.80,000, Rs.50,000, and Rs.60,000, respectively?
- a) Rs.130, 000
 - b) **Rs.110,000**
 - c) Rs.140, 000
 - d) Rs.190, 000
165. A form that allows individuals to compare their personal bank account records to the bank's records of the individual's **account balance** in order to uncover any possible discrepancies is known as:
- a) Bank statement
 - b) Income statement
 - c) Financial statement
 - d) **Bank Reconciliation Statement**
166. Cash and other resources that are expected to turn to cash or to be used up within one year of the balance **sheet** date are called:
- a) Current liability
 - b) **Current Assets**
 - c) Fixed assets
 - d) Long-term assets
167. An accounting system is used by a business to:
- a) Analyze transactions
 - b) Handle routine bookkeeping tasks
 - c) Structure information
 - d) **All of the above**
168. Total assets - Total liabilities =?
- a) **Owner Equity**
 - b) Expenses

- c) Retained earnings
- d) Net profit

169. What will be debited, if business bought goods on credit from Mr. Ali?

- a) **Purchase Account**
- b) Mr. Ali account
- c) Cash account
- d) Sales account

170. Prepaid rent given in **the Trial Balance** will be treated as a (an):

- a) Asset
- b) Liability
- c) **Revenue**
- d) Deferred expense

171. A business event which can be measured in terms of money and must be recorded in books of accounts is called:

- a) Condition
- b) **Transaction**
- c) Information
- d) Record

172. Which one of the following is NOT a feature of sole proprietorship business.

- a) Easy Formation
- b) Easy Dissolution
- c) Unlimited Liability
- d) **Separate legal Entity**

173. The primary purpose of preparing a cash flow statement for an entity is to provide information about:

- a) The profitability of its business operations for a period of time
- b) Its financial position at the end of an accounting period
- c) **Its cash receipts and cash payments during and accounting period**
- d) None of the given options

174. Which of the following is (are) example(s) of non distributable profit?

- a) General reserve
- b) Accumulated profit and loss (credit balance)
- c) Revaluation reserves
- d) **None of the above**

175. In firms cash flow statements, which of the following would appear as a cash outflow?

- a) The payments for share in a company whose shares are treated on a stock exchange
- b) A decrease in trade debtors over the course of an accounting period
- c) Money received as a result of issuing new shares
- d) **Money received as result of selling fixed assets**

176. Which of the following is true when a debtor pays his dues?

- a) The asset side of the balance sheet will decrease
- b) The asset side of the balance sheet will increase
- c) The liability side of the balance sheet will increase
- d) **There is no change in total assets or total liabilities**

177. Withdrawal of goods from stock by the owner of the business for personal use should be recorded by debiting

- a) Drawings account and crediting cash account
- b) **Drawings account and crediting purchases account**
- c) Capital account and crediting drawings account
- d) Purchases account and crediting drawings account

178. The cost price of a machine is Rs.1,20,000 and the depreciated value of the machine after 3 years will be Rs.66,000. If the company charges depreciation under straight-line method, the rate of depreciation will be

- a) 25%
- b) 20%
- c) 18%
- d) **15%**

179. Consider the following data pertaining to a firm:

Credit balance as per bank column of cash book Rs.13,500

Bank interest on overdraft appeared only in the pass book Rs.2,100

Cheques deposited but not collected by the bank Rs.5,000

The balance as per pass book is

- a) **Rs.20,600 (Dr. balance)**
- b) Rs.18,500 (Dr. balance)
- c) Rs.18,500 (Cr. balance)
- d) Rs.15,600 (Dr. balance)

- 180.** Consider the following data pertaining to a company for the year 2011-2012:
Opening balance of sundry debtors Rs. 45,000
Credit sales Rs.4,25,000
Cash sales Rs. 20,000
Cash collected from debtors Rs.4,00,000
Closing balance of sundry debtors Rs. 50,000
The bad debts of the company during the year are
- a) Rs.40,000
 - b) Rs.35,000
 - c) Rs.30,000
 - d) **Rs.20,000**
- 181.** The opening stock of a company is Rs.40,000 and the closing stock is Rs.50,000. If the purchases during the year are Rs.2,00,000 the cost of goods sold will be
- a) Rs.2,10,000
 - b) Rs.2,00,000
 - c) **Rs.1,90,000**
 - d) Rs.1,80,000
- 182.** The balance as per bank statement of a company is Rs.12,500 (Dr.). The company deposited two cheques worth Rs.8,500, out of which one cheque for Rs.2,800 was dishonoured which was not entered in the cash book. The credit balance as per cash book is
- a) Rs.21,000
 - b) Rs.15,300
 - c) Rs.23,800
 - d) **Rs. 9,700**
- 183.** During the year 2002-03, the profit of a business before charging manager's commission was Rs.1,89,000. If the manager's commission is 5% on profit after charging his commission, then the total amount of commission payable to manager is
- a) Rs.10,000
 - b) Rs. 9,450
 - c) **Rs. 9,000**
 - d) Rs. 8,500
- 184.** Which of the following statements is true?

- a) The losses from the sale of capital assets need not be deducted from the revenue to ascertain net income
 - b) Going concern concept requires that always non-monetary assets should be valued and recorded at market value
 - c) According to consistency concept, the results of one accounting period of a business cannot be compared with that of in the past
 - d) **In terms of conservatism concept all probable losses must be considered in computation of income**
- 185.** Which of the following ratios indicates the short-term liquidity of a business?
- a) Inventory turnover ratio
 - b) Debt-equity ratio
 - c) **Acid test ratio**
 - d) Proprietary ratio
- 186.** Which of the following should be deducted in the Balance Sheet of a company from the share capital to find out paid-up capital?
- a) Calls-in-advance
 - b) **Calls-in-arrears**
 - c) Share forfeiture
 - d) Discount on issue of shares
- 187.** Which of the following statements is false?
- a) **The forfeited shares should not be issued at a premium**
 - b) At the time of forfeiture of shares, share premium should not be debited with the amount of premium already received
 - c) Shares can be issued at a discount only after one year from the commencement of business
 - d) Share premium cannot be utilized to redeem preference shares
- 188.** Which of the following accounting treatments is/are true in respect of accrued commission appearing on the debit side of a trial balance?
- [A]It is shown on the debit side of the profit and loss account
 - [B]It is shown on the credit side of the profit and loss account
 - [C]It is shown on the liabilities side of the balance sheet
 - [D]**It is shown on the assets side of the balance sheet**
- 189.** The maximum amount beyond which a company is not allowed to raise funds by issue of shares is

- a) Issued capital
 - b) Reserve capital
 - c) **Nominal capital**
 - d) Subscribed capital
- 190.** The discount allowed on re-issue of forfeited shares is debited to
- a) Discount on re-issue of shares account
 - b) Profit and loss account
 - c) Share premium account
 - d) **Forfeited shares account**
- 191.** The process of recording the economic effects of business transactions in a book of original entry is known as which of the following?
- a) Double entry system
 - b) Debit
 - c) **Journalizing**
 - d) Posting
- 192.** An entry that affects more than one account is known as _____.
- a) Journal entry
 - b) **Compound entry**
 - c) Adjusting entry
 - d) Reversing entry
- 193.** In which of the following forms of Income Statement, the total of all expenses is deducted from the total of all revenues?
- a) Multiple-step form
 - b) **Account form**
 - c) Report form
 - d) Single-step form
- 194.** Which one of the following statements is TRUE regarding distributions to stockholders?
- a) The payment of dividends is not directly related to the profits of a given period
 - b) Shareholders can individually decide on their distributions
 - c) **To receive a corporate dividend, stock must be owned on the date of declaration**
 - d) Corporate dividends reduce contributed capital and therefore, stockholders' equity

195. All of the following are true regarding the financing activity section of the cash flow statement EXCEPT:

- a) Financing activities require analysis of long-term liability and shareholders' equity accounts
- b) The ability to issue large quantities of common shares usually signals investor confidence in the future of the company
- c) Excessive borrowing has been the downfall of many companies
- d) **The declaration and payment of a large cash dividend may signal an emergency**

196. Which of the following would NOT be the cash inflow for the business?

- a) Sale of land for cash
- b) Issuance of long term bonds
- c) The sale of common stock
- d) **Retirement of long term debt**

197. Under which cost flow assumption, the ending inventory is composed of the earliest purchased Merchandise?

- a) **FIFO**
- b) LIFO
- c) Average cost
- d) Specific identification

198. Which of the following would affect the gross profit rate if sales remain constant?

- a) An increase in advertising expense
- b) A decrease in depreciation expense
- c) **An increase in cost of goods sold**
- d) A decrease in insurance expense

199. Which of the following is NOT an advantage of a Sole proprietorship?

- a) Easy to form and wind up
- b) Direct motivation
- c) Better control
- d) **Limited liability**

200. Which of the following is a type of preferred stock that entitles the holder to a fixed dividend And, in addition, to the right to get any surplus profits after payment of agreed levels of dividends to holders of common stock?
- a) In arrears preferred shares
 - b) Call able preferred shares
 - c) Cumulative preferred shares
 - d) **Participating preferred shares**
201. If a firm has Rs. 100 in inventories, a current ratio equal to 1.2, and a quick ratio equal to 1.1, What is the firm's Net Working Capital?
- a) Rs. 0
 - b) Rs. 100
 - c) **Rs. 200**
 - d) Rs. 1,000
202. To financial analysts, "working capital" means the same thing as which of the following?
- a) Total assets
 - b) Fixed assets
 - c) Current assets
 - d) **Current assets minus current liabilities**
203. Which of the following could account for a company's gross profit ratio increasing from one Period to the next?
- a) An increase in the cost of sales which has not been accompanied by an increase in the Selling price of goods sold
 - b) **An increase in the selling price of goods sold which has not been accompanied by an Increase in the cost of sales**
 - c) A change in mix of goods sold so that lower profit margin goods take a greater Proportion of total sales
 - d) A change in stock valuation method at the year end which leads to a decrease in the Closing stock figure
204. Nestle Pakistan Limited is an example of which of the following types of businesses?
- a) **Manufacturing**
 - b) Service
 - c) Merchandise
 - d) Whole seller

205. Which of the following represents the long term debt paying ability of the company as they Become due?
- a) Liquidity
 - b) **Solvency**
 - c) Profitability
 - d) Stability
206. Which group of ratios relates the financial charges of a firm to its ability to service them?
- a) Debt ratios
 - b) **Coverage ratios**
 - c) Profitability ratios
 - d) Activity ratios
207. In isolation, which of the following is TRUE about a financial ratio?
- a) Useless piece of information
 - b) **Useful piece of information**
 - c) Useful only for past performance
 - d) Useful only for future predictions
208. How is the accounts receivable turnover ratio calculated?
- a) Net credit sales / Average total assets
 - b) Net credit sales /Operating income
 - c) **Net credit sales /Average accounts receivables**
 - d) Net credit sales /Cost of goods sold
209. Company A makes an operating profit margin of 5 % on sales of Rs. 2.5 million. Company B has sales that are 20% higher than Company A and achieves an operating profit margin of 3.5%. Which company makes the highest operating profit?
- a) Company B
 - b) **Company A**
 - c) Both make the same operating profit
 - d) Not possible to calculate
210. The DuPont Approach breaks down the earning power on shareholders' equity (ROE) as which of the following?
- a) **Net profit margin × Total asset turnover × Equity multiplier**
 - b) Total asset turnover × Gross profit margin × Debt ratio
 - c) Total asset turnover × Net profit margin

- d) Total asset turnover \times Gross profit margin \times Equity multiplier
211. Which of the following statement best describes the operating profit margin?
- a) It shows what portion of profits are being distributed to shareholders
 - b) It shows what return is being made on assets employed in the business
 - c) **It shows how well a company is controlling its costs, including overheads**
 - d) It shows how efficiently a company is turning profits into cash
212. Return on Sales is also known as which of the following?
- a) Gross profit margin
 - b) **Operating profit margin**
 - c) Return on total assets
 - d) Return on investment
213. Which of the following is NOT a profitability measure?
- a) **Accounts receivable turnover ratio**
 - b) Return on total assets
 - c) Return on sales
 - d) Dividend yield
214. Which of the following is formula to measure the return on total assets?
- a) Average total assets by operating income
 - b) Average total assets by net income
 - c) **Operating income by average total assets**
 - d) Net income by average total assets
215. Which of the following is NOT part of additional paid-in-capital of the company?
- a) Preferred stocks
 - b) Common stocks
 - c) Retained earnings
 - d) **Dividends distributed**
216. Which of the following options indicate how quickly accounts receivables are converted into cash?
- a) **Accounts receivable turnover**
 - b) Days to collect accounts receivable
 - c) Working capital

- d) Total assets turnover
217. Which one of the following statement indicates the Inventory turnover ratio?
- a) How quickly company prepared its inventory
 - b) How quickly company converts its inventory into cash
 - c) How quickly company purchases its inventory
 - d) **How quickly company sells its inventory**
218. Assume that a company has current assets of Rs. 60,000, current liabilities of Rs. 5,000 and prepaid expenses of Rs. 5,000. Calculate the quick ratio of the company?
- a) **1.57**
 - b) 1.71
 - c) 1.86
 - d) 0.58
219. What will be the effect on the EPS of the company, if it paid stock dividend on common stock?
- a) **Increase**
 - b) Decrease
 - c) No effect
 - d) Can not be found from the given information
220. What will be the effect of appropriated retained earnings on the rate of return on stockholder's equity?
- a) **Increase**
 - b) Decrease
 - c) No effect
 - d) Can not be found from the given information
221. Which of the following is the basic purpose of an accounting system?
- a) Develop financial statements in conformity GAAP
 - b) **Provide as much useful information to decision makers as possible**
 - c) Record changes in the financial position of an entity
 - d) Meet an organization's need for accounting information as efficiently as possible
222. A complete set of financial statements for Rasheed & Company, at December 31, 1999, would include each of the following, EXCEPT:
- a) Balance sheet as of December 31, 1999
 - b) Income statement for the year ended December 31, 1999
 - c) **Statement of projected cash flows for 2000**

- d) Notes containing additional information that is useful in interpreting the financial statements
223. Which of the following equations properly represents a derivation of the fundamental accounting equation?
- a) Assets + liabilities = owner's equity
 - b) Assets = owner's equity
 - c) Cash = assets
 - d) **Assets - liabilities = owner's equity**
224. Which of the following is TRUE regarding Retained Earnings?
- a) Increased by net income
 - b) Increased by revenues
 - c) **Decreased by dividends declared**
 - d) Decreased by gains and losses
225. What are the effects of an adjusting entry on the financial statements?
- a) Match revenues and expenditures
 - b) Increase net income
 - c) **Increase the accuracy of balance sheet and income statement**
 - d) Match revenues and assets
226. The supplies account has a balance of Rs. 1,500 at year end. The actual amount of supplies in hand at the end of period is Rs. 400. The necessary adjusting entry is:
- a) Debit Supplies on Hand Rs. 1100; Credit Supplies Expense Rs. 1100
 - b) Debit Supplies Expense Rs. 400; Credit Supplies on Hand Rs. 400
 - c) **Debit Supplies Expense Rs. 1100; Credit Supplies on Hand Rs. 1100**
 - d) Debit Supplies on Hand Rs. 400; Credit Supplies Expense Rs. 400
227. Which of the following principle deals with the valuation and recording of the assets at cost?
- a) Entity Principle
 - b) Matching Principle
 - c) **Cost Principle**
 - d) Stable Currency principle
228. Which of the following is the acronym for GAAP?
- a) Generally Adopted Accounting Principles
 - b) Generally Accepted Auditing Principles
 - c) **Generally Accepted Accounting Principles**

- d) Generally Adapted American Principles
229. How much duration does an accounting period usually have?
- a) Three months
 - b) Two years
 - c) **One year**
 - d) Five years
230. To determine the balance of a particular account, one should refer to which of the following?
- a) **Ledger**
 - b) Source document
 - c) Chart of accounts
 - d) Journal
231. As transactions and events related to financial resources occur, they are analyzed with respect to their effect on which of the following?
- a) Financial position of the company
 - b) Accounting cycle
 - c) **Trial balance**
 - d) Liquidity position of the company
232. Which of the following refers to the term “posting”?
- a) The system of giving numbers to the accounts
 - b) **Transferring the debits and credits to ledger**
 - c) Transferring the debits and credits to journal
 - d) The recording of transactions
233. Which of the following is the next step after the preparation of trial balance?
- a) Adjusted trial balance
 - b) Financial statements
 - c) **Adjusting entries**
 - d) Closing entries
234. Which of the following is TRUE regarding the income statement?
- a) The income statement reports only revenue for which cash was received at the point of sale

- b) The income statement reports the financial position of a business at a particular point in time
 - c) **The income statement is sometimes called the statement of operations**
 - d) The income statement reports revenues, expenses and liabilities
235. Which of the following principle is used for recording an expense?
- a) **Matching Principle**
 - b) Cost Principle
 - c) Realization Principle
 - d) Objectivity Principle
236. The net income reported on the income statement is Rs. 90,000. However, adjusting entries have not been made at the end of the period for supplies expense of Rs. 2,700 and accrued salaries of Rs. 1,300. Net income, as corrected, would be:
- a) Rs. 87,300
 - b) **Rs. 86,000**
 - c) Rs. 88,700
 - d) Rs. 90,000
237. Prepaid Expense is a(n) _____ account and has a _____ normal balance.
- a) Revenue, credit
 - b) Liability, credit
 - c) **Asset, debit**
 - d) Expense, debit
238. Company A owns a building. Which of the following statements regarding depreciation is FALSE from an accounting perspective?
- a) As the market value of the building increases, depreciation should increase
 - b) **Depreciation is an estimated expense to be recorded each period during the building's life**
 - c) As depreciation is recorded, stockholders' equity is reduced
 - d) As depreciation is recorded, total assets are reduced
239. A firm paid Rs. 800,000 in dividends over the last period. The beginning and ending retained earnings account balances were Rs. 10,100,000 and Rs. 12,500,000 respectively. Assuming a 40% average tax rate, what was the firm's net income (net profit after taxes)?
- a) Rs. 5,333,333
 - b) Rs. 3,200,000
 - c) **Rs. 2,400,000**
 - d) Rs. 1,600,000

240. Which of the following is the largest single expense of most merchandising firms?
- a) **Cost of goods sold**
 - b) Rent Expense
 - c) Amortization Expense
 - d) Salaries Expense
241. Which of the following is NOT among the five main kinds of current assets?
- a) Cash and equivalents
 - b) **Deferred income**
 - c) Accounts receivable
 - d) Prepaid expenses
242. When preparing a statement of cash flows under the indirect method, supplemental disclosure should be made for which of the following?
- a) **Net cash consumed by operating activities**
 - b) Cash dividend distributions
 - c) Cash paid for interest and taxes
 - d) Cash paid for wages
243. Which of the following items is included in the financing activities section of the statement of cash flows?
- a) **Cash effects of transactions involving making and collecting loans**
 - b) Cash effects of acquiring and disposing of investments and property, plant, and equipment
 - c) Cash effects of transactions obtaining resources from owners and providing them with a return on their investment
 - d) Cash effects of transactions that enter into the determination of net income
244. ABC Company has a cost of goods sold of Rs. 500,000. During the year the inventory increased by Rs. 10,000 and accounts payable increased by Rs. 15,000. The interest expense was Rs. 15,000 for the year and dividend of Rs. 11,000 were paid during the year. What would be the cash payments for the purchase of the merchandise.
- a) Rs. 505,000
 - b) **Rs. 516,000**
 - c) Rs. 490,000
 - d) Rs. 495,000
245. Which of the following arrangement is used to maintain the accounts?
- a) Sequentially

- b) Alphabetically
 - c) Monthly
 - d) **Orderly**
246. Which of the following represents the main step(s) of accounting cycle?
- a) Recording the transactions
 - b) Classifying the transactions
 - c) Ordering, summarizing, counting the transactions
 - d) **Recording, classifying, summarizing transactions**
247. Blankenship Company pays its employees every Friday for work rendered that week. The payroll is typically Rs.10,000 per week. Which of the following journal entries would Blankenship ordinarily record on the Friday payday?
- a) Salary expense Rs. 10,000 - Debit; Salary payable Rs. 10,000 - Credit
 - b) Salary expense Rs. 10,000 - Debit; Cash Rs. 10,000 - Credit
 - c) Salary payable Rs. 10,000 - Debit; Cash Rs. 10,000 - Credit
 - d) Salary payable Rs. 10,000 - Debit; Salary expense Rs. 10,000 - Credit
248. Retained earnings change over time because of several factors. Which of the following factors would explain an **INCREASE** in retained earnings?
- a) Net Income
 - b) Dividends payment
 - c) **Investment by the stockholders**
 - d) Net Loss
249. Which one of the following statements is **TRUE** regarding distributions to stockholders?
- a) The payment of dividends is not directly related to the profits of a given period
 - b) Shareholders can individually decide on their distributions
 - c) To receive a corporate dividend, stock must be owned on the date of declaration
 - d) **Corporate dividends reduce contributed capital and therefore, stockholders' equity**
250. Which of the following is **NOT** the most common example of cash equivalents?
- a) Savings deposits
 - b) Certificates of Deposit (CDs)
 - c) Stocks of other companies
 - d) **Money market mutual funds**
251. In perpetual inventory system, a return of defective merchandise is recorded by crediting _____.

- a) Purchases
 - b) **Purchase Returns**
 - c) Purchase Allowance
 - d) Merchandise Inventory
252. Which depreciation method allocates an equal portion of depreciation expense to each period of asset's useful life?
- a) **Straight line method**
 - b) Double decline balance method
 - c) Sum of the year digit method
 - d) accelerated depreciation method
253. Which of the following is not example of accelerated depreciation method?
- a) **Straight-line method**
 - b) Sum-of-the-years digit method
 - c) Double-declining balance method
 - d) Modified Accelerated Cost Recovery System
254. The Drawing account is closed by which of the following entry?
- a) **Capital – Debit; Drawing - Credit**
 - b) Drawing – Debit; Capital - Credit
 - c) Income Summary – Debit; Drawing - Crediting
 - d) Drawing – Debit; Income Summary - Crediting
255. Which of the following account would be classified as a current asset on the balance sheet?
- a) Accumulated depreciation
 - b) **Accounts receivable**
 - c) Office equipment
 - d) Land
256. An adjusting entry would **NOT** be required for which of the following account?
- a) Salaries
 - b) **Past due expense**
 - c) Income tax expense
 - d) Accounts receivable
257. Which of the following accounts will be debited, when increased?
- a) Liabilities and expenses
 - b) Assets and equity

- c) **Assets and expenses**
 - d) Equity and revenues
258. Accounting Cycle is a series of activities that begins with _____ and ends with _____.
- a) Closing of books, transactions
 - b) Transaction, After closing Trial Balance
 - c) Journal, ledger account
 - d) **Transactions, financial statements**
259. The income statement of ABL shows other operating expenses of Rs. 30 million; prepaid insurance expense increased by Rs. 4 million; and accrued utilities payable decreased by Rs. 7 million. How much did the company pay in other operating expenses?
- a) **Rs. 41 million**
 - b) Rs. 33 million
 - c) Rs. 27 million
 - d) Rs. 19 million
260. The statement of cash flows does **NOT** report the:
- a) Sources of cash in the current period
 - b) **Amount of checks outstanding at the end of the period**
 - c) Uses of cash in the current period
 - d) Change in the cash balance for the current period
261. Which of the following is **NOT** normally required for revenue to be recognized According to the revenue principle for accrual basis accounting?
- a) **The price is fixed or determinable**
 - b) Services have been performed
 - c) Cash that has already been collected
 - d) Evidence of an arrangement for customer payment exists
262. Which of the following balances does the Contra-Asset account show typically?
- a) **Credit**
 - b) Debit
 - c) Negative
 - d) Positive
263. Which one of the following would lead to the decrease in the owner's equity?

- a) Purchasing a piece of land
 - b) **Paying dividends to shareholders**
 - c) Purchasing equipment on account
 - d) Paying back the principal of a loan
264. The users of a statement of cash flows are mostly interested in:
- a) **Net cash flow from operating activities**
 - b) Net cash flow from investing activities
 - c) Net cash flow from financing activities
 - d) Net cash flow from non-cash transactions
265. How much duration does an accounting period usually have?
- a) Three months
 - b) Two years
 - c) **One year**
 - d) Five years
266. Balance Sheet and Accounting Cycle are based on which of the following?
- a) Adjusting entries
 - b) Closing entries
 - c) Financial position
 - d) **Accounting Equation**
267. Which of the following is the next step after the preparation of trial balance?
- a) Adjusted trial balance
 - b) Financial statements
 - c) **Adjusting entries**
 - d) Closing entries
268. Which of the following errors are identified during the preparation of trial balance?
- a) Recording transactions in the wrong account
 - b) Duplication of a transaction in the accounting records
 - c) **Posting only the debit portion of a particular journal entry**
 - d) Recording the wrong amount for a transaction to both the accounts.
269. Which of the following is **NOT** an advantage of the Trial Balance?
- a) It ensures that the all accounts have identical debits and credits
 - b) It ensures that the balance of each ledger account has been computed correctly
 - c) The debit and the credit columns of trial balance have been added up correctly

d) All the transactions have been recorded and nothing has been omitted

270. At the end of the fiscal year, Accounts Receivable has a balance of Rs. 100,000 and Allowance for Doubtful Accounts has a balance of Rs. 7,000. The expected net realizable value of the accounts receivable is:

- a) Rs. 7,000
- b) Rs. 93,000**
- c) Rs. 100,000
- d) Rs. 107,000

271. Retained earnings change over time because of several factors. Which of the following factors would explain an **INCREASE** in retained earnings?

- a) Net Income**
- b) Dividends payment
- c) Investment by the stockholders
- d) Net Loss

272. Which of the following would be considered a cash-flow item from a "financing" activity?

- a) A cash outflow to the government for taxes
- b) A cash outflow to repurchase the firm's own common stock**
- c) A cash outflow to lenders as interest
- d) A cash outflow to purchase bonds issues by the other company.

273. 'Equity dividends' shown in the cash flow statement will comprise:

- a) All company dividends paid during the year
- b) All dividends paid to voting shares in the year**
- c) All dividends paid and proposed in the year relating to voting shares
- d) All proposed dividends in the year relating to voting share.

274. Which of the following activities convert the income statement items from the accrual basis of accounting to cash?

- a) Operating activities**
- b) Investing activities
- c) Financing activities
- d) Non cash activities

275. The balance sheet reported a beginning balance of Rs. 20,000 in Accounts Receivable and an ending balance of Rs. 15,000. The income statement reported Sales Revenue of Rs. 200,000. Using this information

- a) **205000**
 - b) 215000
 - c) 195000
 - d) 200000
- 276.** When cash flow statement is prepared by using indirect method, which part of it is different from the direct method
- a) Cash flow from investing activities
 - b) Cash flow from financing activities
 - c) **Cash flow from operating activities**
 - d) All parts are same in both methods
- 277.** The cash flow from financing activities shows the cash effects of which of the following?
- a) Income statement items
 - b) Long term assets items
 - c) **Long term liability & stockholder's equity**
 - d) Long term liability and long term assets
- 278.** Which of the following must be included in a company's summary of significant accounting policies in the notes to the financial statements?
- a) Description of current year equity transactions
 - b) Summary of long-term debt outstanding
 - c) Schedule of fixed assets
 - d) **Revenue recognition policies**
- 279.** Which one of the following is NOT an inventory costing method?
- a) FIFO cost method
 - b) Weighted-average cost method
 - c) **Specific unit cost method**
 - d) LIFO cost method
- 280.** In a perpetual inventory system, which of the following would be debited when inventory is sold on account?
- a) Cost of goods sold
 - b) Merchandise inventory
 - c) Sales
 - d) **Both Accounts receivable & cost of goods sold**
- 281.** Which of the following would affect the gross profit rate if sales remain constant?

- a) An increase in advertising expense
 - b) A decrease in depreciation expense
 - c) **An increase in cost of goods sold**
 - d) A decrease in insurance expense
- 282.** Warner Corporation reported net income in excess of its net cash flow from operations. A possible explanation of this difference is:
- a) Depreciation expense
 - b) **Non operating gains**
 - c) A decrease in income tax rates
 - d) A decrease in accounts receivable over the period
- 283.** Which of the following transaction have an effect on expense account?
- a) Purchase of office equipment on credit
 - b) Payment on accounts payable
 - c) Repayment of principle of bank loan
 - d) **Payment of wages**
- 284.** The supplies account has a balance of Rs. 1,500 at year end. The actual amount of supplies in hand at the end of period is Rs. 400. The necessary adjusting entry is:
- a) Debit Supplies on Hand Rs. 1100; Credit Supplies Expense Rs. 1100
 - b) Debit Supplies Expense Rs. 400; Credit Supplies on Hand Rs. 400
 - c) **Debit Supplies Expense Rs. 1100; Credit Supplies on Hand Rs.1100**
 - d) Debit Supplies on Hand Rs. 400; Credit Supplies Expense Rs. 400
- 285.** The balance of the unearned rent account for Javed & co .as on dec31 is Rs.1200. If Javed Co. failed to record the adjusting entry for Rs.600 of rent earned during December, the effect on the Balance Sheet and Income Statement for December will be:
- a) Assets understated by Rs.600; net income overstated by Rs.600
 - b) **Liabilities overstated by Rs.600; net income understated by Rs.600**
 - c) Liabilities understated by Rs.600; net income understated by Rs.600
 - d) Liabilities overstated by Rs.600; net income overstated by Rs.600
- 286.** A business has purchased machinery on credit, what will be its journal entry?
- a) Cash - (Debit); Machinery - (Credit)
 - b) **Machinery - (Debit) ; Accounts payable - (Credit)**
 - c) Accounts payable - (Debit) ; Machinery - (Credit)

- d) Machinery - (Debit) ;Cash - (Credit)
- 287.** Closing entries result in net income being calculated in the income summary account and then transferred to which of the following account?
- a) Revenue account
 - b) Common Stock account
 - c) Dividends account
 - d) **Owner's Capital account**
- 288.** Assuming that net purchases cost Rs 250,000 during the year. The closing inventory was of Rs 4,000, and opening inventory was of Rs 30,000, how much was the cost of goods sold?
- a) **Rs. 276, 000**
 - b) Rs. 280,000
 - c) Rs. 254,000
 - d) Rs. 246,000
- 289.** Given the following, what is the amount of Capital? Assets: Premises Rs.20,000; Stock Rs.8,500; Cash Rs.100. Liabilities: Creditors Rs. 3,000; Loan from Adil Rs. 4,000
- a) 21,100
 - b) 21400
 - c) **21600**
 - d) 32400
- 290.** Gross profit is
- a) Cost of goods sold + opening stock
 - b) **Excess of sales over cost of goods sold**
 - c) Sales less purchases
 - d) Net profit less expenses for the period
- 291.** The credit entry for the net profit Is on the credit side of
- a) The trading account
 - b) The drawing account
 - c) **The capital account**
 - d) The profit and loss account
- 292.** Which of these best describes the balance sheet
- a) A statements of assets
 - b) **A listing of balances**
 - c) An account proving the books balance

d) A record of closing notes

293. Depreciation is

- a) The salvage value of fixed assets
- b) The amount of money spent in replacing the assets
- c) The part of a cost of fixed assets reduced during its life**
- d) The amount spent to buy a fixed asset

294. A firm bought a machine for £3,200. It is to be depreciated at a rate of 25 per cent using

the Reducing Balance Method. What would be the remaining book value after 2 years?

- a) 2400
- b) 1800**
- c) 1600
- d) None of above

295. When the final accounts are prepared, Bad debt account is closed by a transfer to

- a) Trading account
- b) Provision for doubtful debts
- c) Balance sheet
- d) P & L Account**