

MB0025

Model Question Paper 2

Financial and Management Accounting

1 Mark

1. What is the relationship between book keeping and accounting?
 - a. Both are concerned with recording economic data
 - b. Accounting stops, book keeping starts
 - c. Book keeping is concerned with recording transactions while accounting is measuring, analyzing and communicating the financial data
 - d. They are synonymous.

2. Identify financial transaction in the following list
 - a. Formulating a bonus policy
 - b. Discussion on discontinuation of production of a product
 - c. Receiving royalty for the minerals extracted
 - d. A wordy warfare between employees and management about wages.

3. The object of financial Accounting is not
 - a. To prepare future financial plans
 - b. To prepare and communicate final accounts
 - c. To record all transactions and interpret the financial data
 - d. To take into consideration the historical data

4. What is a credit transaction?
 - a. Transaction to transfer goods from one to another
 - b. Transaction with a promise to pay for the goods at a future date
 - c. Transaction, where customers has already paid the price and the goods are due to be sent
 - d. Transaction where goods are promised to be transferred and the price promised to be paid.

5. What do you mean by a concept?
 - a. Reasonable assumption
 - b. A willful prediction
 - c. Universal characteristic
 - d. A regulated condition

6. A convention is different from a concept because
 - a. Convention represents meaningless customs
 - b. Convention is a presumption
 - c. Convention is subjective and convenient principle
 - d. Convention is a time tested principle

7. A manufacturing Company has produced 50000 units of a product during 2006. What accounting concept is missing in the above statement?
 - a. Separate business unit

- b. Accrual concept
 - c. Going concern concept
 - d. Money measurement concept
8. A manufacturing Company has produced 50000 units of a product costing Rs.2,50,000. What accounting concept is missing in the above statement?
- a. Separate business unit
 - b. Accrual concept
 - c. Periodicity concept
 - d. Money measurement concept
9. The principle of 'full disclosure' means
- a. Giving all business information to all parties
 - b. Giving all business information to a few parties
 - c. Giving part of business information to all parties
 - d. Giving relevant business information to relevant parties
10. Capital is invested in the business. How does it impact the accounting equation?
- a. Capital of the business increases
 - b. Cash is received into the business as asset
 - c. Cash increases the liability and capital increases asset of the business
 - d. Capital appears as a liability and cash appears as asset of the business
11. What is 'Accounting Trail'?
- a. Process of preparing all accounts
 - b. Process of commencing from recording to preparation of final accounts
 - c. Process of preparing a trial balance
 - d. Process of finding out P & L Account
12. What is the purpose of preparing a voucher?
- a. To safeguard all cash disbursements
 - b. To have some supportive document
 - c. A mere formality
 - d. Helpful for finalizing final accounts
13. What does an accounting equation indicate?
- a. Sources of funds are equal to application of funds
 - b. Assets and liabilities to outsiders are equal
 - c. Owner's equity only is equal to assets
 - d. Assets and liabilities put together are equal to owner's equity
14. What is journalizing
- a. Writing a transaction in a book
 - b. Systematic recording of journal entries in journal
 - c. A career of journalism
 - d. Process of making a record
15. State the rule of journalizing with regard to personal accounts

- a. Debit the given and credit the receiver
 - b. Debit the receiver and credit the giver
 - c. Debit what comes in and credit what goes out
 - d. Debit all assets and credit all liabilities
16. Debit all assets and credit all liabilities. This principle hold good because, they belong to
- a. Personal accounts
 - b. Real accounts
 - c. Nominal accounts
 - d. Personal and real a/s accounts
17. Credit sales create
- a. Tr. Debtors
 - b. Tr. Creditors
 - c. Supplier
 - d. Agents
18. What is Journal Proper?
- a. Journal , properly being maintained
 - b. Journal containing proper accounts
 - c. Journal containing all such transactions not covered by General ledger, Journal or subsidiary books
 - d. Journal of all uncovered accounts
19. What is opening journal entry?
- a. Entry made on the opening date of accounting year
 - b. Entry of assets and liabilities and capital as on the opening date of the accounting period
 - c. Journal entry found on opening the Journal
 - d. Entry made at the beginning of the journal
- 20 To close 'Rent Received Account' at the end of the year, what closing entry is drawn in Journal proper?
- a. Rent Received account Dr
 To P & L account
 - b. P & L Account Dr
 To Rent Received Account
 - c. Rent Received Account Dr
 To Total rent account
 - d. Trading Account Dr
 To Rent Received account
21. How do you adjust closing stock in journal proper?
- a. Closing stock is debited and P&L a/c is credited
 - b. Stock a/c is taken to the debit side of Trading a/c
 - c. Cl.Stock a/c is debited and Trading a/c is credited
 - d. Closing stock account is taken to balance sheet
22. The two methods of preparing trial balance are
- a. Journalizing & ledger
 - b. Total method & balance method
 - c. Debit method & credit method
 - d. Horizontal & vertical methods

23. If assets accounts and expenses accounts are shown on debit side of TB, what accounts are shown on credit side of TB
- Income accounts
 - Income & capital accounts
 - Liabilities and capital accounts
 - Liabilities, capital and income accounts
24. Which of the following contains error of commission?
- Ravi's account is debited by Rs 2000 but posted to the credit side of his a/c
 - Ramanan's account is debited instead of ramana's a/c
 - An invoice of Rs 1200 is taken as Rs 1020 in the journal
 - Plant purchased is transferred to purchases a/c
25. State the type of error involved in the following transaction, If a sale of goods to kannan for Rs 960 is entered as Rs 690 in the sales book
- Error of omission
 - Error of principle
 - Error of commission
 - Compensating error
26. Final accounts are prepared recognizing the concept of
- Separate entity concept
 - Income recognition concept
 - Accrual concept
 - Money measurement concept
27. What do you mean by depreciation?
- Depreciation is a loss of an asset
 - Depreciation is a loss as a result of wear and tear
 - Depreciation is an expenditure to business
 - Depreciation is fall in the price of an asset.
28. Budgetary control is
- Planning in advance
 - Action in advance
 - Reaction in advance
 - No action in advance
29. Financial Accounting needs to be audited but Management Accounting
- Voluntary
 - Compulsory
 - Fiduciary
 - Territory
30. Current ratio is
- current assets – current liability
 - current assets + current liability
 - current assets * current liability
 - current asset / current liabilities

31. Acid test ratio is
- current assets – stock / current liabilities
 - current assets + stock / current liabilities
 - current assets / current liabilities
 - current liabilities – stock / current assets
32. Schedule of working capital changes is prepared to find
- Gross change
 - Net change
 - No change
 - Negative change
33. Decrease in WC will be the result of decrease in
- CL
 - A
 - FL
 - CA
34. CFS is prepared to know the position of
- Asset
 - Profit
 - Cash
 - Flow
35. Cash flow from cash sales is
- Total sales - credit sales is
 - Total sales + credit sales is
 - Credit sales
 - Credit sales - total sales
36. Notional expenditure does not involve
- Cash outlay
 - Cash inflow
 - Source
 - None
37. Chargeable expenses are treated as
- Indirect
 - Invalid
 - None
 - Direct
38. Fixed cost per unit remain
- Fixed
 - Constant
 - Variable
 - None

39. Variable cost varies in

- a. Proportion
- b. Ratio
- c. Total
- d. None

40 Every budget should reflect the business

- a. procedures
- b. laws
- c. policies
- d. Programs

2 Marks

1. As customers of business, what accounting information they are interested in?
 - a. Cash flow statement of the business
 - b. Balance Sheet containing assets and liabilities
 - c. Debtor's account and facility of discounts and allowances.
 - d. Profit and Loss Account
2. Creditors of a business are interested to look to
 - a. Cash flow statement of the business
 - b. Balance Sheet containing assets and liabilities
 - c. Trading Account
 - d. Profit and Loss Account
3. If Capital is Rs.4,00,000 liabilities are Rs1, 50,000 on 1-1-2005 and losses suffered during the year 2005 are Rs.50,000 find out the total assets on 31-12-2005.
 - a. Rs.5,00,000
 - b. Rs.2,50,000
 - c. Rs.3,00,000
 - d. Rs.2,00,000
4. ICAI established Accounting Standards Board with an object of
 - a. Bringing all Institutes of Chartered Accountants in the world together
 - b. Bring about changes in the pattern of work carried out by Accountants
 - c. Bring uniformity in terminology, accounting concepts, conventions and assumptions
 - d. World body of Chartered Accountants.
5. Rent for 2005 is Rs. 60,000(Jan - Dec). Rent for Sept, Oct, and Dec, 2005 is not yet received. Do you consider this unrealized portion as income and why?
 - a. Yes, because it accrued
 - b. Yes, because the rent belongs to 2005.
 - c. No, because it is not received.
 - d. No, because that portion will be received next year.
6. When goods are purchased for cash from Gopal, indicate what accounts are affected in the account books?
 - a. Goods account and Gopal account.
 - b. Purchase account and Gopal account
 - c. Goods account and Cash account
 - d. Purchases account and Cash account

7. The balance sheet of Raghu shows the following position

Capital	Rs..50,000	Cash	Rs 15,000
Creditors	10,000	Furniture	30,000
		Stock	15,000
Total	60,000		60,000

If creditors are paid out and goods are bought for cash at Rs.5,000, What will be the total of the balance sheet

- Rs. 45,000
 - Rs. 40,000
 - Rs. 50,000
 - Rs. 75,000
8. The annual interest on an investment made on 1-1-2006 is Rs. 48,000. The accounting year is from January to December. If periodicity principle is applied, find out the interest for 2005-06 and 2006-07.
- Rs. 12,000 and Rs.48,000
 - Rs. 48,000 and Rs.48,000
 - Rs. 48,000 and Rs.12,000
 - Rs.12,000 and Rs. 12,000
9. If liabilities to outsiders are more than assets of a business, how do you account for owner's equity?
- Owner's equity shows nil balance
 - Owner's equity does not appear in the balance sheet
 - It shows excess of loss, having eaten away capital and is shown on asset side
 - Owner's equity is not there and so business is closed
10. If wages are paid for the installation of plant, what account is debited and what account is credited.
- Debit wages A/c and credit Cash A/c
 - Debit Plant A/c and credit Wages A/c
 - Debit Plant A/c and credit cash A/c
 - Debit Wages A/c and credit Plant A/c
11. John is a creditor to whom Rs 5000 is due, If Rs 3000/- is paid to him, what entry do you make
- Creditor are Rs 3000
To cash a/c 3000
 - John a/c Dr 5000
To cash a/c 3000
 - cash a/c Dr 3000
To john 3000
 - John a/c Dr 3000
To cash a/c 3000
12. Purchased a plant for Rs 5 lakhs from L & T co and the first installment is paid Rs 50,000, How is recorded journal

- a. Plant a/c Rs 50,000
To cash are 50,000
 - b. Plant a/c Rs 5,00,000
To L& T a/c 5,00,000
 - c. Purchase Dr 50,000
To L & T a/c 50,000
 - d. Plant a/c Dr 5,00,000
To cash are 50,000
To L & T 4,50,000
13. In which subsidiary book the following J.E is found?
Furniture and fitting a/c Dr 4000
To Furniture Mart a/c 4000
(Being the purchase of furniture on credit
- a. Purchases book
 - b. Sales book
 - c. Cash book
 - d. Journal proper
14. What balance is shown by purchases account and sales returns account?
- a. Credit
 - b. Debit
 - c. Debit and Credit respectively
 - d. Credit and debit respectively
15. If furniture is purchased from Raman & Co. on credit, Rama & Co. account appears in. .
- a. General Ledger
 - b. Debtor's ledger
 - c. Creditor's ledger
 - d. Sales Ledger
16. Salary outstanding is Rs.15, 000. What entry is passed for this adjustment in Journal proper?
- a. Outstanding salary account Dr
P & L Account
 - b. Salary account Dr
To Outstanding salary account
 - c. P & L Account Dr
To outstanding salary account
 - d. P & L Account Dr
To salary account
17. Insurance premium paid for a [period from 1-1-2006 to 31-12-2006 is Rs. 6000. But accounts are finalized on 30th June, 2006. How do you adjust the prepaid insurance?
- a. Insurance account Dr 1,500
To prepaid insurance account 1,500
 - b. Prepaid Insurance A/c Dr 1,500

To P & L Account 1,500
c. P & L Account Dr 1,500
 To Prepaid insurance Account 1,500
d. Prepaid insurance account Dr 1,500
 To Insurance account 1,500

18. Outstanding Advertising on 31-12-2000 and 31-12-2001 are respectively Rs. 5,600 and Rs.7,500. The actual advertisement expenses paid during the year amounted to Rs. 74,000. What is the advertisement expenditure for the year 2001?
- Rs. 80,000
 - Rs. 78,000
 - Rs. 75,900
 - Rs. 75,000
19. Goodwill Company has invested Rs. 5,000 @ 14% simple interest on 1-1-1993 and interest is receivable on 30th June and 31st December every year. Find out what is outstanding interest for the year ending 31-3-1993?
- Rs. 700
 - Rs. 350
 - Rs. 175
 - Rs. 875
20. Working Capital is the result of
- Current assets – current liabilities
 - Current assets + current liabilities
 - Current assets / current liabilities
 - Current assets * current liabilities
21. High debt indicates the capital structure as
- Excellent
 - Good
 - Balanced
 - Poor

4 Marks

1. Match the following

Situation	Accounting concept involved
i) If a firm believes that some of the debtors are likely to become bad for which some reserve is to be provided	a. Consistency
ii) The firm has certain stock, which is in high demand and has high market value. The firm followed cost method of valuation.	b. Going concern
iii) A business makes a loss in an year, but the business shall continue for long time	c. Materiality
iv) Accountant of a firm is worried with the total amount of drawings, the partner made. He need not worry how did he spend it because of	d. Prudence

- a. 1 - a; 2 - b; 3 - c; 4 - d
b. 1 - d; 2 - a; 3 - b; 4 - c
c. 1 - b; 2 - d; 3 - a; 4 - c
d. 1 - c; 2 - d; 3 - a; 4 - b

2. Match the following

1. Bills Receivable	a. Accepted a bill in favor of Y for 3 months for credit purchases made
2. Bills Payable	b. Royalty received in cash
3. Cash book	c. stamps and postage expenses recorded
4. Petty cash	d. Gave us a bill for 4 months for credit sales made to him

- a. 1-a,2-b,3-c,4-d
b. 1-d,2-a,3-b,4-c
c. 1-b,2-c,3-d,4-a
d. 1-c,2-d,3-a,4-b

3. Complete the following matrix by entering either debit or credit in each cell, as shown below

owners capital, To Increase - credit To Decreases - debit

- Assets
- Gains
- Losses
- Liabilities

- a. Debit & credit, credit & debit, debit & credit, credit & debit
b. Debit & debit, credit & credit, credit & debit, credit & debit
c. Credit & debit, debit & credit, credit & debit, debit & credit
d. Debit & credit, debit & credit, debit & credit, debit & credit

4. Enter the following transactions in two column cash book of Mr. Ganesh for the month of October, 2004. Find out the cash and bank balance at the end of the month

01 Commenced business with cash	Rs. 25,000
03 Paid into bank	20,000
05 Sold goods for cash	4,500
08 Sold goods for cash	6,400
09 Purchased goods from Ranganath on credit	22,000
12 Paid to Ranganath by cheque	12,000
15 Received cheque from Sudheer for goods sold to him	10,700
16 Deposited Shdheer's cheque into bank	
17 Sumathi paid directly into our bank account	8,000
20 Purchased furniture from Godrej Co and paid them by cheque	7,500
24 Sold goods to Veerasamy	23,000
28 Received a cheque from Veerasamy in full settlement	22,200
31 Drew a cheque for personal use	6,000
31 Drew a cheque for office use	4,000

- Cash balance Rs. 42,100 and bank balance Rs. 9,200
- Cash balance Rs. 41,100 and bank balance Rs. 8,200
- Cash balance Rs. 41,000 and bank balance Rs.9,200
- Cash balance Rs. 42,000 and bank balance Rs.9,000

5. Show the effect of the following transactions on the accounting equation in the manner shown below

Transaction Assets = (Liabilities Owner's Equity)
 (Cash + Goods + Debtors +Fur) (Creditors +Capital)

- Ramcharan brings in capital in cash Rs. 1,00,000
- Purchases goods on credit from Durga Prasad Rs. 40,000
- Sold goods to Devi Prasanna on credit Rs.50000 (Cost Rs. 25000)
 Purchased Furniture Rs.10,000

Find the end balance of the accounting equation.

- Rs.1,50,000
- Rs. 1,65,000
- Rs. 1,00,000
- Rs. 1,25,000

6. From the following trial balance of Mr. Bharath, containing errors, prepare a correct trial balance

Ledger balances	Debit(Rs)	Ledger balances	
Credit (Rs)			
Purchases	60,000	Sales	1,00,000
Reserve Fund	20,000	Sales returns	2,000
Purchase Returns	1,000	Closing stock	40,000
Opening stock	30,000	Expenses	20,000
Outstanding Expenses	2,000	Debtors	80,000
Bank balance	5,000	Creditors	30,000
Assets	50,000		
Capital	94,000		
Suspense account	10,000		
Total	2,72,000	Total	2,72,000

- a. Trial balance total is Rs. 2,40,000 and suspense a/c 7000
- b. Trial balance total is Rs. 2,47,000
- c. Trial balance total is Rs. 2,72,000
- d. Trial balance total is Rs. 2,70,000

Note: Closing stock should not be taken in trial balance. Do not consider Suspense account