

Types of Account

1. What is the main objective of financial accounting?

- [A] profit and loss account only
- [B] balance sheet only
- [C] both P & L account and balance sheet
- [D] trial balance only

Answer: Option [C]

2. According to which concept the owners are considered to be different from the business

- [A] business entity concept
- [B] going concern concept
- [C] money measurement concept
- [D] accounting period concept

Answer: Option [A]

3. According to which concept all the transactions are measurable in the terms of money are recorded in accounts?

- [A] business entity concept
- [B] going concern concept
- [C] money measurement concept
- [D] accounting period concept

Answer: Option [C]

4. While putting the value or price of an entity in financial records the lowest price is recorded not the current price or current market value. This is known as

- [A] Business Entity Concept
- [B] Conservatism

- [C] Expenditure Concept
- [D] Money Measurement Concept

Answer: Option [B]

5. Which of the following is related to Scientific system of maintaining account?

- [A] single entry
- [B] double entry
- [C] contra entry
- [D] book entry

Answer: Option [B]

6. Which of the following defines outstanding salary account?

- [A] natural personal account
- [B] artificial personal account
- [C] representative personal account
- [D] real account

Answer: Option [C]

7. Debit the receiver, credit the giver is rule for

- [A] personal account
- [B] tangible real account
- [C] nominal account
- [D] representative personal account

Answer: Option [A]

8. Interest earned is a

- [A] personal account
- [B] real account
- [C] nominal account

- [D] Intangible real account

Answer: Option [C]

9. Investment is a

- [A] personal account
- [B] real account
- [C] nominal account
- [D] representative personal account

Answer: Option [B]

10. Trading account is a

- [A] personal account
- [B] real account
- [C] nominal account
- [D] none of the above

Answer: Option [C]

11. Profit and loss account starts with

- [A] net profit
- [B] net loss
- [C] gross profit
- [D] none of the above

Answer: Option [C]

12. All revenue incomes are credited to

- [A] manufacturing account
- [B] trading account
- [C] profit and loss account
- [D] none of the above

Answer: Option [C]

13. In profit and loss account, if debit is more than the credit, the difference is

- [A] net profit
- [B] net loss
- [C] gross profit
- [D] none of the above

Answer: Option [A]

14. Assets which are acquired and held permanently and used in the business with the objective of making profits is known as

- [A] fixed assets
- [B] current assets
- [C] intangible assets
- [D] none of the above

Answer: Option [A]

15. Which of the following assets have definite physical share or identity and existence?

- [A] fictitious assets
- [B] current assets
- [C] tangible assets
- [D] intangible assets

Answer: Option [C]

16. Outstanding expenses is a

- [A] liability
- [B] income
- [C] asset
- [D] none of the above

Answer: Option [A]

17. Interest on capital in a business can be defined as

- [A] expense
- [B] income

- [C] liability
- [D] asset

Answer: Option [A]

18. The ratios which reflect managerial efficiency in handling the assets is

- [A] turnover ratios
- [B] profitability ratios
- [C] short term solvency ratio
- [D] none of the above

Answer: Option [A]

19. Interest on capital is added with

- [A] capital
- [B] profit
- [C] loss
- [D] donation

Answer: Option [A]

20. The ratios which reveal the final result of the managerial policies and performance is

- [A] turnover ratios
- [B] profitability ratios
- [C] long term solvency ratio
- [D] none of the above

Answer: Option [B]

21. Which of the following matches with fixed assets ratio?

- [A] short-term solvency ratio
- [B] long-term solvency ratio
- [C] profitability ratio
- [D] turnover ratio

Answer: Option [B]

22. The ratio which determines the profitability from the shareholders point of view is

- [A] return on investment
- [B] gross profit ratio
- [C] return on shareholders funds
- [D] operating profit ratio

Answer: Option [C]

23. The ratio which shows the proportion of profits retained in the business out of the current year profits is

- [A] retained earnings ratio
- [B] pay out ratio
- [C] earnings per share
- [D] None

Answer: Option [A]

24. How the dividend is related to the market value of shares?

- [A] interest coverage ratio
- [B] fixed dividend coverage ratio
- [C] debt service coverage ratio
- [D] dividend yield ratio

Answer: Option [D]

25. In funds flow statement, outflow of funds on account of operations is

- [A] application of fund
- [B] source of cash
- [C] application of cash
- [D] source of fund

Answer: Option [A]

26. In funds flow statement, repayment of long-term loans is

- [A] application of fund
- [B] source of cash
- [C] application of cash
- [D] source of fund

Answer: Option [A]

27. In adjusted P & L account, depreciation on fixed assets will be

- [A] debited
- [B] credited
- [C] ignored
- [D] deducted

Answer: Option [A]

28. Cash flow analysis is based on the

- [A] capital
- [B] fixed assets
- [C] cash concept of funds
- [D] working capital

Answer: Option [C]

29. In cash flow statement, increase in current asset

- [A] increases cash
- [B] decreases cash
- [C] increases working capital
- [D] decreases working capital

Answer: Option [B]

30. In cash flow statement, opening balances of bank balance is posted in which side of the statement

- [A] sources of cash
- [B] application of cash
- [C] sources of funds
- [D] application of funds

Answer: Option [A]

31. In cash flow statement, closing balances of bank balance is posted in which side of the statement

- [A] sources of cash
- [B] application of cash
- [C] sources of funds

- [D] application of funds

Answer: Option [B]

32. Production cost under marginal costing includes

- [A] prime cost only
- [B] prime cost and fixed overhead
- [C] prime cost and variable overhead
- [D] prime cost, variable overhead and fixed overhead

Answer: Option [C]

33. Contribution margin is equal to

- [A] fixed cost - loss
- [B] profit + variable cost
- [C] sales - fixed cost- profit
- [D] sales - profit

Answer: Option [A]

34. P/V Ratio is an indicator of

- [A] the rate at which goods are sold
- [B] the volume of sales
- [C] the volume of profit
- [D] the rate of profit

Answer: Option [D]

35. An increase in variable costs

- [A] increases p/v ratio
- [B] increases the profit
- [C] reduces contribution
- [D] increases margin of safety

Answer: Option [C]

36. CVP analysis is most important for the determination of

- [A] sales revenue necessary to equal fixed costs

- [B] relationship between revenues and costs at various levels of operations
- [C] variable revenues necessary to equal fixed costs
- [D] volume of operations necessary to Break-even

Answer: Option [A]