

Accounting Sample Questions and Answers

1-Accounting provides information on

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

(Ans: D)

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

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

(Ans: C)

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

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

(Ans: A)

4-Patents, Copyrights and Trademarks are

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

(Ans: C)

5-The following is not a type of liability

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

(Ans: A)

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

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

(Ans: B)

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

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

(Ans: A)

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

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

(Ans: C)

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

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

(Ans: D)

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

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

(Ans: C)

11-Real accounts records

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

(Ans: B)

12-In journal, the business transaction is recorded

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

(Ans: A)

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

- (A) Purchase journal

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

(Ans: D)

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

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

(Ans: A)

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

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

(Ans: C)

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

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

(Ans: C)

17-Balance sheet is a statement of

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

(Ans: D)

18-Balance sheets are prepared

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

(Ans: D)

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

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

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

(Ans: A)

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

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

(Ans: C)

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

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

(Ans: D)

22-Current ratio =

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

(Ans: B)

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

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

(Ans: A)

24-Liquid or Quick assets =

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

(Ans: A)

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

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

(D) Debt service coverage ratio

(Ans: C)

26-Lower the Debt Equity ratio

(A) Lower the protection to creditors

(B) Higher the protection to creditors

(C) It does not affect creditors

(D) None of the above

(Ans: B)

27-A higher inventory ratio indicates

(A) Better inventory management

(B) Quicker turnover

(C) Both 'A' and 'B'

(D) None of the above

(Ans: C)

28-Return on Investment Ratio (ROI) =

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

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

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

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

(Ans: D)

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

(A) Improper utilization of resources

(B) Over investment in assets

(C) Both 'A' and 'B'

(D) None of the above

(Ans: C)

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

(A) It outlines projected activities

(B) Expressions are made in quantitative terms

(C) It is for a fixed period

(D) All of the above

(Ans: D)

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

(A) Advertisement

(B) Market analysis

(C) Salesman's salary

(D) All of the above

(Ans: D)

32-Budgeting is difficult to apply in the following cases

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

(Ans: D)

33-A Master Budget consists of

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

(Ans: D)

Accounting

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

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

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

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

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

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

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

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

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

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

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

classified as

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

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

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

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

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

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

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

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

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

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

classified as

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

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

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

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

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

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

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

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

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