

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)