

## Financial Accounting - MCQs

1. The customer's account with the bank is called as \_\_\_\_.

**Ans:** Bank Statement/Pass book

2. In the bank column of the cash, the cheques deposited are entered on the \_\_\_\_ book.

**Ans:** Debit side

3. Bank Reconciliation statement is prepared to \_\_\_\_ the bank balance as shown by the cash book and the bank statement.

**Ans:** Reconcile

4. Cheques issued are posted on the \_\_\_\_ side of the bank column of Cash Book.

**Ans:** Credit

5. The credit column of pass book should be equal to \_\_\_\_ column of cash book and debit column of pass book should equal to \_\_\_\_ column of cash book, if there are no differences.

**Ans:** Debit, Credit

6. Bank credits firm's account as soon as it receives cheques from the firm. (True / False)

**Ans:** False

7. Bank charges are entered in the pass book first. (True / False)

**Ans:** True

8. Banks make certain payments on behalf of the customer under his standing instructions. (True / False)

**Ans:** True

9. In case of cheques issued but not encashed, the balance of pass book will be less than the balance of Cash Book. (True / False)

**Ans:** False

10. Direct deposits in the bank by a customer would increase the balance shown by the Pass Book. (True / False)

**Ans:** True

**From the following transactions, please specify which transactions are to be added or deducted to the cash book balance given: Mention "A" if to be added and "D" if to be deducted:**

11. Interest allowed by Bank ( )

**Ans:** A

12. Cheques deposited with bank and dishonoured ( )

**Ans:** D

13. Cheques issued but not encashed ( )

**Ans:** A

14. Bank charges ( )

**Ans:** D

15. Insurance premium paid by bank ( )

**Ans:** D

16. Dividends on share collected by bank ( )

**Ans:** A

17. Overdraft means \_\_\_ balance.

**Ans:** Negative

18. The balance of cash book is \_\_\_ in case of overdraft.

**Ans:** Negative

19. Bank charges will \_\_\_ in case of overdraft as per Cash Book

**Ans:** Increase

20. Cheques issued but not encashed will \_\_\_ the overdraft as per Pass Book.

**Ans:** Decrease

21. A bill of exchange is an instrument, in writing, containing an \_\_\_ signed by maker.

**Ans:** Unconditional Order

22. The person who draws the bill is called as \_\_\_ and the person who accepts the bill is called as \_\_\_.

**Ans:** Drawer; Drawee

23. The person to whom the bill is endorsed is called as \_\_\_.

**Ans:** Endorsee

24. The person who endorses the bill is called as \_\_\_.

**Ans:** Endorsor

25. State whether the following statements are true or false.

a. A bill of exchange is a negotiable instrument.

**Ans:** True

b. A bill of exchange provides easy financial assistance to the creditor.

**Ans:** True

c. A bill of exchange is not discountable.

**Ans:** False

d. Bill of exchange is drawn by debtor and duly accepted by creditor.

**Ans:** False

26. Fill in the blanks:

i. \_\_\_ sends the bill to \_\_\_ for acceptance.

**Ans:** drawer, drawee

ii. A bill of exchange before its acceptance is known as \_\_\_.

**Ans:** Draft

iii. \_\_\_ acceptance is a bill that is accepted without any conditions.

**Ans:** General

27. Qualified acceptance is a bill that has some conditions laid by the drawer. (True or False)

**Ans:** False. Drawee adds conditions to the bill before acceptance

28. Fill in the blanks with suitable word:

i. \_\_\_ is the date on which a bill becomes payable.

**Ans:** due date

ii. The \_\_\_ extra days given for the bill is known as grace days.

**Ans:** Three

iii. For a bill drawn on 1st Oct 2008 at 3 months, what will be the maturity date?

**Ans:** 4th Jan 2009

29. Fill in the blanks with a suitable word/sentence:

i. A bill duly met on due date is called as \_\_\_.

**Ans:** Honouring/Payment/Discharge of Bill

ii. A bill which is not paid by drawee on due date is called as \_\_\_.

**Ans:** Dishonour of Bill

iii. A draws a bill on B and later on endorses the bill to C. On the due date, to whom B has to pay the money?

**Ans:** C

iv. What is the process of collecting money from bank after surrendering the bill by the drawer for a less amount?

**Ans:** Discounting

v. In case of discounting of bill, which account needs to be credited in the books of drawer?

**Ans:** Bank Account

30. Interest allowed by bank will be \_\_\_ in case of the favourable balance of cash book.

**Ans:** Added to

31. The number of persons required to form the partnership firm is \_\_\_

**Ans:** Two

32. Partnership firm will be formed by \_\_\_

**Ans:** Agreement

33. All agreements of partnership firm are either \_\_\_ or \_\_\_

**Ans:** Written, Oral

34. The written form of agreement of a partnership is called \_\_\_

**Ans:** Partnership Deed

35. The sacrificing ratio will be calculated by subtracting \_\_\_ share from \_\_\_ share of profits of the existing partners.

**Ans:** New, Old

36. Whenever a new partner is joined, the partnership firm will be \_\_\_

**Ans:** Reconstituted

37. The ratio in which partners surrender their profits is known as \_\_\_\_

**Ans:** Sacrifice

38. When the new partner share is given, the sacrificing ratio of old partners will be generally \_\_\_\_ ratio.

**Ans:** Existing

39. If Veer and Trisha are partners sharing profits in the ratio of 5:3. What will be their sacrificing ratio if Rahul is admitted for  $\frac{1}{8}$  share of profit in the firm?

**Ans:** 5:3

40. What entry to be made when goodwill is paid privately?

**Ans:** No entry

41. The amount of goodwill brought by the new partner will be \_\_\_\_ to the goodwill account.

**Ans:** Credited

42. Amount of goodwill brought by the new partner will be transferred to the existing partners in \_\_\_\_ ratio.

**Ans:** Sacrificing

43. If the new partner is unable to bring his share of goodwill, his account will be \_\_\_\_ and the existing partners' capital accounts will be \_\_\_\_.

**Ans:** Debited and credited

44. Whenever assets are increased due to reassessment, Revaluation account will be \_\_\_\_.

**Ans:** Credited

45. Whenever the liabilities are decreased, Revaluation account will be \_\_\_\_.

**Ans:** Credited

46. Revaluation account will be debited for the decrease in the value of \_\_\_\_.

**Ans:** Assets

47. Unrecorded assets will be \_\_\_\_ to Revaluation account.

**Ans:** Credited

48. Unrecorded liabilities will be \_\_\_\_ to Revaluation account.

**Ans:** Debited

49. Revaluation account is debited for an increase in the value of \_\_\_\_.

**Ans:** Liabilities

50. Profit on revaluation is transferred to the \_\_\_\_ of the partners' capital account.

**Ans:** Existing partners

51. Reserve should be distributed amongst the existing partners in \_\_\_\_.

**Ans:** Existing ratio.

52. Accumulated Losses are \_\_\_\_ in the existing partner's capital account in the existing profit sharing ratio.

**Ans:** Debited

53. The ratio gained by the existing partners due to the retirement of a partner is called as \_\_\_\_

**Ans:** Gaining ratio

54. A, B and C are partners sharing profits and losses in the ratio of 1:2:3. If B retires what could the new profit sharing ratio between A and C?

**Ans:** 1:3

55. The share of the goodwill of the retiring partner will be debited to his capital account in case of retirement. (True / False)

**Ans:** False

56. Goodwill is recorded in the books only when it is paid in money. (True / False)

**Ans:** True

57. The account of remaining partners will be debited and the retiring partner account is credited with the share of goodwill in the gaining ratio. (True / False)

**Ans:** True

58. In case goodwill account is written off the capital account of all partners is credited. (True / False)

**Ans:** True

59. The revaluation account credit balance indicates.\_\_\_\_.

**Ans:** Profit

60. Reserve shown in the Balance sheet is transferred to the \_\_\_\_ side of retiring partner.

**Ans:** Credit

61. When the assets value is decreased, which account needs to be debited and which accounts needs to be credited?

**Ans:** Revaluation account to be debited and assets account to be credited.

62. The diminution in the cost of an asset during a particular period due to wear and tear and obsolescence is known as \_\_\_\_.

**Ans:** Depreciation

63. Depreciation is treated as a/an \_\_\_\_ in the Profit & Loss account.

**Ans:** Expense

64. Due to new inventions the assets become useless and this increases the value of the asset.

**Ans:** False

65. In the case of Patents the reason for decrease in the value of asset is

- |                           |                         |
|---------------------------|-------------------------|
| a. Obsolescence           | b. Physical Wear & Tear |
| c. Expiry of Legal rights | d. Accident             |

**Ans:** (c) Expiry of Legal rights

66. \_\_\_\_ must be considered as a part of the cost of production of goods, as goods are produced with the help of fixed assets.

**Ans:** Depreciation

67. \_\_\_\_ is the value which the asset will fetch when discarded as useless.

**Ans:** Scrap value

68. Under \_\_\_\_ method the asset is depreciated at fixed percentage calculated on the debit balance of the asset which is diminished year after year on account of depreciation.

**Ans:** Written down value method

69. In Annuity method, the amount of \_\_\_\_ remains the same during the life time of the asset.

**Ans:** Depreciation

70. \_\_\_\_ is also known as sinking fund method or amortization fund method.

**Ans:** Depreciation fund method

71. In straight line method the amount of depreciation decreases year after year. (True / False)

**Ans:** False

72. In Depreciation fund method, the asset appears in the balance sheet year after year at its original cost while depreciation fund account appears on the liability side. (True / False)

**Ans:** True

73. The \_\_\_\_ of a depreciable asset should be estimated after considering the expected physical wear and tear, obsolescence & legal or other limits on the use of the asset.

**Ans:** Useful life

74. Depreciation is considered as a \_\_\_\_.

a. source of funds

b. working capital

c. source of funds for replacement of assets

d. All the above

**Ans:** d. All the above

75. In case of death of the partner, accounting treatment will be similar to that of retiring partner. (True / False)

**Ans:** True