

Question 1

Business is said to be in a profit when

- A) Expenditure exceeds income
- B) Income exceeds expenditure
- C) Income exceeds liability
- D) Assets exceed expenditure

Answer: B

Question 2

As per the accounting double-entry system, when expense increases, it is _____.

- A) No need to show as an accounting record.
- B) Credited.
- C) Debited.
- D) Both (B) and (C).

Answer: C

Question 3

What does the term “credit” mean in business?

- A) agreement between a lender and a borrower
- B) revenue a business earns from selling its goods
- C) cost of operations that a company incurs to generate revenue
- D) own with the expectation to provide a future benefit

Answer: A

Question 4

When a Liability is decreased or reduced, it is registered on the

- A) Debit side or left side of the account
- B) Credit side or right side of the account
- C) Debit side or right side of the account
- D) Credit side or left side of the account

Answer: A

Question 5

When there is an increase in capital by an amount, it

is registered on the

- A) Credit or right side of the account
- B) Debit or left side of the account
- C) Credit or left side of the account
- D) Debit or right side of the account

Answer: A

Question 6

What kind of expenses are paid from Gross Profit?

- A) Selling Expenses
- B) Financial Expenses
- C) General Expenses
- D) All of the above

Answer: D

7. Trial balance is used to check the accuracy of

- A) Balance sheet balances
- B) Ledger accounts balances
- C) Cash flow statement balances
- D) Income statement balances

Answer: B

8.In the books of account if a transaction is completely deleted, will it affect the trial balance?

- A) No
- B) Yes
- C) A transaction cannot be omitted

Answer: A

9. What is used in preparing trial balance?

- A) Specialised Journals
- B) Balance Sheet
- C) Ledger Accounts
- D) General Journal

Answer: C

10. What is the trial balance used for?

- A) It is a financial statement
- B) It records balances of a balance sheet
- C) It doesn't contribute to the accounting cycle
- D) It records balances of accounts

Answer: D

11. When debit balance is equal to credit balance then

the trial balance means

- A) Account balances are correct
- B) Mathematically $\text{Capital} + \text{Liabilities} = \text{Assets}$
- C) No mistake in recording transactions
- D) No mistake in posting entries to ledger accounts

Answer: B

12. When is trial balance prepared?

- A) At the end of an accounting period
- B) At the end of a year
- C) Frequently during the year
- D) At the end of a month

Answer: A

13. Which items influence the trial balance agreement?

- A) Deposit in transit
- B) Compensating errors
- C) Complete omission of a transaction
- D) Partial omission of a transaction

Answer: D

14. When credit balances = debit balances, the trial balance check and shows _____. It also indicates that there were no errors made during posting and recording and posting.

- A) Understatements of Balances
- B) Errors of Commission
- C) Arithmetic Accuracy
- D) Omissions of Economic Events

Answer: C

15. Which of the following account with normal balance is shown at the debit side of a trial balance?

- A) Creditors account
- B) Unearned income account
- C) Rent income account
- D) Cash account

Answer: D

16. In trial balance, which accounts with normal balance is recorded at the credit side?

- A) Bank account

- B) Equipment account
- C) Cash account
- D) Accrued expenses account

Answer: D

17. A ledger is called a book of.

- (a) Primary entry
- (b) Final entry
- (c) Original entry
- (d) None of the above

Answer: b

18. From which of the following is a ledger account prepared.

- (a) Transactions
- (b) Journal
- (c) Events
- (d) None of the above

Answer: b

19. The process of transferring of items from a journal to their respective ledger accounts is called as.

- (a) Entry
- (b) Arithmetic
- (c) Balancing
- (d) Posting

Answer: d

20. The ledger column that links the entry with the journal is called as.

- (a) J.F column
- (b) L.F column
- (c) Credit column
- (d) Debit column

Answer: a

21. The left hand side of the ledger account is referred to as.

- (a) Footing
- (b) Credit side
- (c) Debit side
- (d) Balance

Answer: c

22. Ledger is a principal book that contains.

- (a) Real accounts only
- (b) Personal accounts only
- (c) All accounts
- (d) Nominal accounts only

Answer: c

23. Accounts that have credit balance are closed by using the statement.

- (a) By balance b/d
- (b) By balance c/d
- (c) To balance b/d
- (d) To balance c/d

Answer: d

24. An account is having debit balance is established when.

- (a) The last entry of the accounting period was posted on the debit side
- (b) The amount of debit exceeds the amount of the credits
- (c) There are more entries on the debit side than on the credit side
- (d) None of above

Answer: b

25. Which of the following item will be appearing on the credit side of the ledger account?

- (a) Discount received
- (b) Cash received
- (c) Rent Expenses
- (d) Purchases

Answer: a

26. Among these, which item is used as the base for preparing trial balance?

- (a) Cash account
- (b) Balance sheet
- (c) Journal
- (d) Ledger account

Answer: d

Question 27.

Business is said to be in a profit when

- A) Expenditure exceeds income
- B) Income exceeds expenditure
- C) Income exceeds liability
- D) Assets exceed expenditure

Answer: B

Question 28.

As per the accounting double-entry system, when expense increases, it is _____.

- A) No need to show as an accounting record.
- B) Credited.
- C) Debited.
- D) Both (B) and (C).

Answer: C

Question 29.

What does the term “credit” mean in business?

- A) agreement between a lender and a borrower
- B) revenue a business earns from selling its goods
- C) cost of operations that a company incurs to generate revenue
- D) own with the expectation to provide a future benefit

Answer: A

Question 30.

When a Liability is decreased or reduced, it is registered on the

- A) Debit side or left side of the account
- B) Credit side or right side of the account
- C) Debit side or right side of the account
- D) Credit side or left side of the account

Answer: A

Question 31.

When there is an increase in capital by an amount, it is registered on the

- A) Credit or right side of the account
- B) Debit or left side of the account
- C) Credit or left side of the account
- D) Debit or right side of the account

Answer: A

Question 32.

What kind of expenses are paid from Gross Profit?

- A) Selling Expenses
- B) Financial Expenses
- C) General Expenses
- D) All of the above

Answer: D

Question 33.

Which option gives a review report on the firm's financial status at a specified date?

- A) Income & Expenditure Account
- B) Balance Sheet
- C) Cash Flow Statement
- D) Profit & Loss Account

Answer: B

Question 34.

Which of the options is not an intangible asset?

- A) Land
- B) Patents
- C) Goodwill
- D) Franchise rights

Answer: A

Question 35.

Which of the options is an example of business liability?

- A) Creditors
- B) Cash
- C) Building
- D) Land

Answer: A

Question 36.

The unfavourable balance of Profit and Loss account should be

- A) Subtracted from liabilities
- B) Subtracted from capital
- C) Subtracted from current assets
- D) Added in liabilities

Q.1 GAAP stands for:

- (a) Generally Accepted Accounting Provisions
- (b) Generally Accepted Accounting Policies
- (c) Generally Accepted Accounting Principles
- (d) None of these

Answer: c

Q.37 Which accounting principle states that companies and owners should be treated as separate entities.

- (a) Monetary Unit Assumption
- (b) Business Entity Concept
- (c) Periodicity Assumption
- (d) Going Concern Concept

Answer: b

Q.38 Cost or expenses must be recorded at the same time as the revenue to which they correspond is specified by which principle?

- (a) Matching Principle
- (b) Going Concern Principle
- (c) Consistency Principle
- (d) Prudence Principle

Answer: a

Q.39 Which concept states that “for every debit, there is a credit”?

- (a) Money Measurement Concept
- (b) Accounting Period Concept
- (c) Separate Entity Concept
- (d) Dual Aspect Concept

Answer: d

Q.40 For measuring income, the most acceptable method is?

- (a) To apply normal rate of return on capital invested
- (b) To apply the average return in industry on capital
- (c) To match the cost with revenue
- (d) To find out the difference in net worth as on two dates

Answer: c

Q.41 The correct form of Accounting equation is

- (a) Assets – Receivable = Equity
- (b) Assets + Receivable = Equity
- (c) Assets – Liabilities = Equity
- (d) Assets + Liabilities = Equity

Answer: c

Q. 42As per revenue recognition principle, sales revenues should be recognized at the time when?

- (a) Order is taken for merchandise
- (b) Ownership of goods gets transferred from the seller to the buyer
- (c) Cash is received
- (d) All of the above

Answer: b

Q.43 Due to which concept, accounting does not record non-financial transactions?

- (a) Going concern concept
- (b) Money measurement concept
- (c) Accrual concept
- (d) Cost concept

Answer: b

Q.44The owner of the business is treated as a creditor of the business according to which of the following concept?

- (a) Entity concept
- (b) Materiality concept
- (c) Consistency concept
- (d) Periodicity concept

Answer: a

Q.45 As per the accrual concept of accounting, any financial or business transaction should be recorded:

- (a) when profit is computed
- (b) when balance sheet is prepared
- (c) when cash is received or paid
- (d) when transaction occurs

Answer: d

Q.46 As per revenue recognition principle, sales revenues should be recognized at the time when?

- (a) Order is taken for merchandise

- (b) Ownership of goods gets transferred from the seller to the buyer
- (c) Cash is received
- (d) All of the above

Answer: b

Q.47 Due to which concept, accounting does not record non-financial transactions?

- (a) Going concern concept
- (b) Money measurement concept
- (c) Accrual concept
- (d) Cost concept

Answer: b

Q.48 The owner of the business is treated as a creditor of the business according to which of the following concept?

- (a) Entity concept
- (b) Materiality concept
- (c) Consistency concept
- (d) Periodicity concept

Answer: a

Q.49 As per the accrual concept of accounting, any financial or business transaction should be recorded:

- (a) when profit is computed
- (b) when balance sheet is prepared
- (c) when cash is received or paid
- (d) when transaction occurs

Answer: d

50. Book-keeping is mainly concerned with

- (a) designing for systems of recording, classifying and summarising recorded data
- (b) recording financial data relating to business operations
- (c) interpreting data for internal and external users
- (d) All of the above

Ans. b

51. The basic function of financial accounting is to

- (a) record all business transactions
- (b) interpret financial data

(c) assist the management in performing functions effectively

(d) None of the above

Ans. a

52. Which of the following is not an internal user of financial statements?

(a) Lenders

(b) Managers

(c) Board of Directors

(d) Employees

Ans. a

53. Which of the following will not be recorded in the books of accounts?

(a) Paid rent for office premises rs.10,000

(b) Paid commission for purchase of raw material rs. 200

(c) Purchased goods on credit rs. 15,000 for resale

(d) Resignation of manager Mr Mohan

Ans. d

54. Transactions are posted into ledger accounts from

(a) journal

(b) vouchers

(c) subsidiary books

(d) Both a and c

Ans. d

Q55. The main objective of depreciation is

(a) To show the previous profit

(b) To calculate net profit

(c) To reduce tax

(d) To satisfy the tax department

Answer: B

Q56.. Depreciation is generated due to

(a) Increase in the value of liability

- (b) Decrease in capital
- (c) Wear and tear
- (d) Decrease in the value of assets

Answer: C

Q57 What is the purpose of making a provision for depreciation in the accounts?

- (a) To charge the cost of fixed assets against profits
- (b) To show the current market value of fixed asset
- (c) To make cash available to replace fixed assets
- (d) To make a provision for repairs

Answer: A

Q58. According to straight line method of providing depreciation, the depreciation

- (a) Remains constant
- (b) Increase each year.
- (c) Decrease each year
- (d) None of them.

Answer: A

Q59. Total amount of depreciation of an asset cannot exceed its

- (a) Depreciable value
- (b) Scrap value
- (c) Market value
- (d) None of these

Answer: A

Q60. According to fixed instalment method, the depreciation is calculated on

- (a) Balance amount
- (b) Original cost
- (c) Scrap value
- (d) None of them

Answer: B

Q.61. Salvage value means

- (a) Definite sale price of the asset
- (b) Cash to be received when life of the asset ends
- (c) Cash to be paid when asset is disposed off
- (d) Estimated disposal value

Answer: D

Q62.. Depreciation is calculated under diminishing balance method, based on

- (a) Original value
- (b) Book value
- (c) Scrap value
- (d) None of them

Answer: B

Q63.. Depreciation amount charged on a machinery will be debited to:

- (a) Repair account
- (b) Cash account
- (c) Depreciation account

(d) Machinery account

Answer: C

Q64. In accounting, becoming out of date or obsolete is known as

(a) Amortization

(b) Obsolescence

(c) Depletion

(d) Physical deterioration

Answer: B

65. What is the Bill receivable account?

A) Personal Account

B) Machinery Account

C) Real Account

D) Nominal Account

Answer: A

66. A bill of exchange includes.

A) An order to pay

B) A request to pay

C) A promise to pay

D) All the above

Answer: A

67. Which bill is drawn and accepted in the same country?

A) Trade Bill

B) Foreign Bill

C) Inland Bill

D) Accommodation Bill

Answer: C

68. Who draws a bill of exchange?

A) Creditor

B) Debtor

C) Drawer

D) None of the above

Answer: C

69.. What is the person known as who draws a bill of exchange

A) Drawer

B) Payee

C) Drawee

D) None of the above

Answer: A

70.. What are the three additional days known as that a drawer gives to the drawee for payment

A) Conditional days

B) Additional days

C) Days of grace

D) Days of rebate

Answer: C

71. When the drawee signs the bill, it is considered as

A) Accepted

- B) Retired
- C) Renewed
- D) Endorsed

Answer: A

72. What kind of acceptance is known as when the bill is accepted without any condition?

- A) Qualified acceptance
- B) Conditional acceptance
- C) Blank acceptance
- D) General acceptance

Answer: D

73.. When the bill is noted from the notary public, it is known as?

- A) Noting
- B) Discounting
- C) Accepting
- D) None of the above

Answer: A

74. What is retiring a bill under rebate means?

- A) Making a payment of the bill before the due date
- B) Dishonoring of a bill
- C) Making a payment of the bill after the due date
- D) All of the above

Answer: A

75.The rules of debit and credit for a balance sheet says that _____.

- a. A decrease in asset and liability accounts is recorded as a credit transaction
- b. An increase in asset and owner's equity accounts is recorded as a debit transaction
- c. A decrease in liability and owners' equity accounts is recorded as a credit transaction
- d. An increase in asset, liability and owners' equity accounts is recorded as a debit transaction

Answer: c

76. Company B had Rs. 30000 account receivable from Company D. On 26th February, Company D made a partial payment of Rs. 21000 to Company B. The journal entry made by Company B to record this transaction is _____.

- a. A credit to the accounts receivable account of Rs. 21000
- b. A credit to the cash account of Rs. 21000
- c. A debit to the accounts receivable account of Rs. 21000
- d. A debit to the cash account of Rs. 21000

Answer: c

77. In the accounting cycle _____.

- a. Journal entries get posted to the appropriate ledger accounts
- b. Transactions are posted before they are journalised
- c. A trial balance is prepared after journal entries get posted
- d. Both a and c are correct

Answer: d

78. Dividends _____.

- a. Are a business expense
- b. Are recorded by debiting the dividend account
- c. Decrease owners' equity
- d. Both b and c are correct

Answer: d

79. Which of the financial statements gets prepared first?

- a. Statement of cash flows
- b. Statement of retained earnings
- c. Balance sheet
- d. Income statement

Answer: d

80. Which of the following accounts is never reported in the income statement as an expense?

- a. Dividend expense
- b. Interest expense
- c. Income tax expense
- d. Depreciation expense

Answer: a

81. Which of the following accounts will never appear in the trial balance?

- a. Income tax expense
- b. Dividends
- c. Both a and b are incorrect
- d. Both a and b are correct

Answer: d

82. The long-term assets that have no physical existence but are rights that have value are known as _____.

[a. Investments](#)

- b. Intangible assets
- c. Fixed assets
- d. None of the above

Answer: b

83. The assets that can be converted into cash within a year are known as _____.

[a. Investments](#)

- b. Intangible assets
- c. Current assets

d. None of the above

Answer: c

84. The debts which are repaid within a year are known as _____.

a. Contingent liabilities

b. Fixed liabilities

c. Current liabilities

d. None of the above

Answer: c

85. _____ is the first phase of the accounting cycle.

a. Making a decision about the business

b. Posting entries to ledger accounts

c. Preparing journal

d. Identifying an economic event or transaction

Answer: d

86. The sales income (both credit and cash) during a given period is called _____.

a. Purchase returns

b. Turnover

c. Sales returns

d. None of the above

Answer: b

87. The account that records expenses, gains and losses is called _____.

a. Nominal account

b. Personal account

c. Real account

d. None of the above

Answer: a

89. The process of entering all transactions from the journal to the ledger is called _____.

a. Accounting

b. Posting

c. Entry

d. None of the above

Answer: b

90. The _____ is a statement that shows the financial status of a company at any given time.

a. Balance sheet

b. Trading account

c. Profit and loss statement

d. Trial Balance

Answer: a

91. The ratio that refers to a firm's ability to meet its short term obligations out of its short term resources is called _____.

a. Profitability ratio

b. Activity ratio

c. Leverage ratio

d. Liquidity ratio

Answer: d

92. Which of the following is a current liability for the firm?

a. Bank overdraft

b. Bills payable

c. Outstanding expenses

d. All of the above

Answer: d

Question 93

Business is said to be in a profit when

A) Expenditure exceeds income

B) Income exceeds expenditure

C) Income exceeds liability

D) Assets exceed expenditure

Answer: B

Question 94

As per the accounting double-entry system, when expense increases, it is _____.

- A) No need to show as an accounting record.
- B) Credited.
- C) Debited.
- D) Both (B) and (C).

Answer: C

Question 95

What does the term “credit” mean in business?

- A) agreement between a lender and a borrower
- B) revenue a business earns from selling its goods
- C) cost of operations that a company incurs to generate revenue
- D) own with the expectation to provide a future benefit

Answer: A

Question 96

When a Liability is decreased or reduced, it is registered on the

- A) Debit side or left side of the account
- B) Credit side or right side of the account
- C) Debit side or right side of the account
- D) Credit side or left side of the account

Answer: A

Question 97

When there is an increase in capital by an amount, it

is registered on the

- A) Credit or right side of the account
- B) Debit or left side of the account
- C) Credit or left side of the account
- D) Debit or right side of the account

Answer: A

Question 98

What kind of expenses are paid from Gross Profit?

- A) Selling Expenses
- B) Financial Expenses
- C) General Expenses
- D) All of the above

Answer: D

Question 99

Which option gives a review report on the firm's financial status at a specified date?

- A) Income & Expenditure Account
- B) Balance Sheet
- C) Cash Flow Statement
- D) Profit & Loss Account

Answer: B

Q100.

Which of the options is not an intangible asset?

- A) Land
- B) Patents
- C) Goodwill

D) Franchise rights

Answer: A

Q 101

Which of the options is an example of business liability?

A) Creditors

B) Cash

C) Building

D) Land

Answer: A

Q102

The unfavourable balance of Profit and Loss account should be

A) Subtracted from liabilities

B) Subtracted from capital

C) Subtracted from current

103. The statements prepared to indicate the profit and loss, and financial position of a business are called _____.

1.
 - a. Trial balances
 - b. Financial statements
 - c. Bank reconciliation statements
 - d. All of the above

Answer:

104. Profit and loss account shows the _____.

2.
 - a. Profit earned or loss suffered by the business
 - b. Total capital employed
 - c. Profit and loss through the sale of assets
 - d. None of the above

Answer:

105. Expenses related to the sale of goods are shown in the _____.

3.
 - a. Trading account
 - b. Trading profit and loss account
 - c. Balance sheet
 - d. Profit and loss account

Answer: d

106. The credit side of a profit and loss account records _____.

4.
 - a. Indirect income
 - b. Indirect expenses
 - c. Direct income
 - d. Direct expenses

Answer: a

107. Revenue expenditure is recorded in the _____.

5.
 - a. Trading account
 - b. Profit and loss account
 - c. Balance sheet
 - d. None of the above

Answer: b

108. Loss on sale of an old car is debited to the _____.

6.
 - a. Car account
 - b. Profit and loss account
 - c. Depreciation account
 - d. None of the above

Answer: b

109. The profit and loss account reveals the _____.

7. a. Cost of goods sold during a particular period
b. The financial results of a business during a particular date
c. The financial position of the business for a period
d. The financial results of the business for a period

Answer: d

8. **110.Excess of debit in the profit and loss account is known as_____.**
a. Gross loss
b. Gross profit
c. Net loss
d. Net profit

Answer: c

9. **111.Profit and loss account is also known as _____.**
a. Statement of earnings
b. Statement of income
c. Statement of operations
d. None of the above

Answer: b

112. A company that manufactures cars is preparing its profit and loss account. Under which heading will it include production labour costs?

10. a. Cost of sales
 b. Distribution costs
 c. Interest payable and similar charges
 d. Administrative expenses

Answer: a

112. Net loss in a profit and loss account should be _____ in the balance sheet.

11. a. Added to liabilities
 b. Deducted from liabilities
 c. Added to capital
 d. Deducted from capital

Answer: d

113. The provision for bad debts is created by _____ to the profit and loss account.

12. a. Deducting
b. Adding
c. Debiting
d. Crediting

Answer: c

13. **114. Which of the following are included in the profit and loss account?**

- a. Depreciation
b. Wages and salaries
c. Freight and carriage on sales
d. All of the above

Answer: d

14. **115. The term financial statement covers _____.**

- a. Balance sheet
b. Posting
c. Entry
d. None of the above

Answer: b

15. **116. The _____ is a statement that shows the financial status of a company at any given time.**

1. Balance sheet
2. Trading account
3. Profit and loss account
4. Both a and c

Answer: d

16. **117. Which of the following items gets recorded on the credit side of a profit and loss account?**

- a. Discount received
- b. Profit on sale of an asset
- c. Dividend on shares
- d. All of the above

Answer: d

17. **118. The balance from the profit and loss account is transferred to the _____.**

- a. Balance sheet
- b. Trial balance
- c. Cash flow statement
- d. None of the above

Answer: a

18. **119. Excess of credit in the profit and loss account is known as _____.**

- a. Gross profit
- b. Gross loss
- c. Net profit
- d. Net loss

Answer: c

19. **120. Capital Expenditure is a part of _____.**

- a. Balance sheet
- b. Trading account
- c. Profit and loss account
- d. Trial balance

Answer: a

20. **121. Profit and Loss account is prepared for a year by following the _____.**

- a. Periodicity concept
- b. Going concern concept
- c. Cost concept
- d. Consistency concept

Answer: b

1. **122. The statements prepared to indicate the profit and loss, and financial**

position of a business are called _____.

- a. Trial balances
- b. Financial statements
- c. Bank reconciliation statements
- d. All of the above

Answer: b

2. 123.Profit and loss account shows the _____.

- a. Profit earned or loss suffered by the business
- b. Total capital employed
- c. Profit and loss through the sale of assets
- d. None of the above

Answer: a

3. 124.Expenses related to the sale of goods are shown in the _____.

- a. Trading account
- b. Trading profit and loss account

- c. Balance sheet
- d. Profit and loss account

Answer: d

4. 125. The credit side of a profit and loss account records _____.

- a. Indirect income
- b. Indirect expenses
- c. Direct income
- d. Direct expenses

Answer: a

5. 126. Revenue expenditure is recorded in the _____.

- a. Trading account
- b. Profit and loss account
- c. Balance sheet
- d. None of the above

Answer: b

6. 127. Loss on sale of an old car is debited to the _____.

- a. Car account
- b. Profit and loss account
- c. Depreciation account

d. None of the above

Answer: b

7. 128. The profit and loss account reveals the _____.

- a. Cost of goods sold during a particular period
- b. The financial results of a business during a particular date
- c. The financial position of the business for a period
- d. The financial results of the business for a period

Answer: d

8. 129. Excess of debit in the profit and loss account is known as _____.

- a. Gross loss
- b. Gross profit
- c. Net loss

d. Net profit

Answer: c

9. **130. Profit and loss account is also known as _____.**

a. Statement of earnings

b. Statement of income

c. Statement of
operations

d. None of the above

Answer: b

10. **131. A company that manufactures cars is preparing its profit and loss account. Under which heading will it include production labour costs?**

a. Cost of sales

b. Distribution costs

c. Interest payable and
similar charges

d. Administrative
expenses

Answer: a

11. **132. Net loss in a profit and loss account should be _____ in the balance sheet.**

- a. Added to liabilities
- b. Deducted from liabilities
- c. Added to capital
- d. Deducted from capital

Answer: d

12. **133. The provision for bad debts is created by _____ to the profit and loss account.**

- a. Deducting
- b. Adding
- c. Debiting
- d. Crediting

Answer: c

13. **134. Which of the following are included in the profit and loss account?**

- a. Depreciation
- b. Wages and salaries

- c. Freight and carriage on sales
- d. All of the above

Answer: d

14. **135. The term financial statement covers _____.**
- a. Balance sheet
 - b. Posting
 - c. Entry
 - d. None of the above

Answer: b

15. **136. The _____ is a statement that shows the financial status of a company at any given time.**
- 1. Balance sheet
 - 2. Trading account
 - 3. Profit and loss account
 - 4. Both a and c

Answer: d

16. **137. Which of the following items gets recorded on the credit side of a profit and loss account?**

- a. Discount received
- b. Profit on sale of an asset
- c. Dividend on shares
- d. All of the above

Answer: d

17. **138.**The balance from the profit and loss account is transferred to the _____.
- a. Balance sheet
 - b. Trial balance
 - c. Cash flow statement
 - d. None of the above

Answer: a

18. **139.**Excess of credit in the profit and loss account is known as _____.
- a. Gross profit
 - b. Gross loss
 - c. Net profit
 - d. Net loss

Answer: c

19. **140**Capital Expenditure is a part of _____.

- a. Balance sheet
- b. Trading account
- c. Profit and loss account
- d. Trial balance

Answer: a

20. **141. Profit and Loss account is prepared for a year by following the _____.**

- a. Periodicity concept
- b. Going concern concept
- c. Cost concept
- d. Consistency concept

Answer: b

142. Trial balance is used to check the accuracy of

- A) Balance sheet balances
- B) Ledger accounts balances
- C) Cash flow statement balances
- D) Income statement balances

Answer: B

143. In the books of account if a transaction is completely deleted, will it affect the trial balance?

A) No

B) Yes

C) A transaction cannot be omitted

Answer: A

144. What is used in preparing trial balance?

A) Specialised Journals

B) Balance Sheet

C) Ledger Accounts

D) General Journal

Answer: C

145. What is the trial balance used for?

- A) It is a financial statement
- B) It records balances of a balance sheet
- C) It doesn't contribute to the accounting cycle
- D) It records balances of accounts

Answer: D

146. When debit balance is equal to credit balance then the trial balance means

- A) Account balances are correct
- B) Mathematically
 $\text{Capital} + \text{Liabilities} = \text{Assets}$
- C) No mistake in recording transactions
- D) No mistake in posting entries to ledger accounts

Answer: B

147. When is trial balance prepared?

- A) At the end of an accounting period
- B) At the end of a year
- C) Frequently during the year
- D) At the end of a month

Answer: A

148. Which items influence the trial balance agreement?

- A) Deposit in transit
- B) Compensating errors
- C) Complete omission of a transaction
- D) Partial omission of a transaction

Answer: D

149. When credit balances = debit balances, the trial

balance check and shows _____ . It also indicates that there were no errors made during posting and recording and posting.

- A) Understatements of Balances
- B) Errors of Commission
- C) Arithmetic Accuracy
- D) Omissions of Economic Events

Answer: C

150. Which of the following account with normal balance is shown at the debit side of a trial balance?

- A) Creditors account
- B) Unearned income account
- C) Rent income account

D) Cash account

Answer: D

151. | In trial balance, which accounts with normal balance is recorded at the credit side?

A) Bank account

B) Equipment account

C) Cash account

D) Accrued expenses account