MGT101
FINANCIAL ACCOUNTING

Important mcqs

Lec 1 - Basic Concepts of Accounting

1. **Which of the following is the fundamental equation of accounting?** a) Assets = Liabilities b) Assets = Liabilities + Equity c) Revenue = Expenses d) None of the above

Answer: b) Assets = Liabilities + Equity

2. **Which accounting concept requires that expenses be recognized when incurred, regardless of when payment is made?** a) Going concern concept b) Matching concept c) Accrual concept d) None of the above

Answer: c) Accrual concept

3. **Which type of accounting records the flow of money in and out of a business?** a) Financial accounting b) Management accounting c) Cost accounting d) None of the above

Answer: a) Financial accounting

4. **What is the purpose of double-entry accounting?** a) To record every transaction twice b) To prevent errors and ensure accuracy c) To calculate net income d) None of the above

Answer: b) To prevent errors and ensure accuracy

5. **Which financial statement shows a company's revenues and expenses over a period of time?** a) Balance sheet b) Income statement c) Statement of cash flows d) None of the above

Answer: b) Income statement

6. **Which accounting concept assumes that a business will continue to operate into the foreseeable future?** a) Going concern concept b) Matching concept c) Accrual concept d) None of the above

Answer: a) Going concern concept

7. **Which account represents a company's obligations to pay for goods or services received?** a) Accounts receivable b) Accounts payable c) Inventory d) None of the above

Answer: b) Accounts payable

8. **Which of the following is a current asset?** a) Property, plant, and equipment b) Accounts receivable c) Patents d) None of the above

Answer: b) Accounts receivable

9. **Which financial statement shows a company's assets, liabilities, and equity at a specific point in time?** a) Balance sheet b) Income statement c) Statement of cash flows d) None of the above

Answer: a) Balance sheet

10. **Which account represents a company's ownership interest in its assets?** a) Liabilities b) Equity c) Revenue d) None of the above

Answer: b) Equity

Lec 2 - Record Keeping and Some Basic Concepts

1. **Which of the following is NOT a type of record?**
   a) Financial statements
   b) Payroll records
   c) Customer complaints
   d) Sales forecasts
   Answer: c) Customer complaints

2. **Which of the following is a basic concept of record keeping?**
   a) Keeping all records in paper form
   b) Recording only the most important transactions
   c) Maintaining accurate and complete records
   d) Updating records only once a year
   Answer: c) Maintaining accurate and complete records

3. **What is the purpose of record keeping?**
   a) To comply with legal requirements
   b) To make the company look good
   c) To impress customers
   d) To avoid paying taxes
   Answer: a) To comply with legal requirements

4. **Which of the following is an example of a financial record?**
   a) Customer database
   b) Sales forecast
   c) Balance sheet
   d) Employee handbook
   Answer: c) Balance sheet

5. **Which of the following is NOT a benefit of using accounting software?**
   a) It can help prevent errors
   b) It saves time
   c) It improves communication with customers
   d) It provides detailed financial reports
   Answer: c) It improves communication with customers

6. **Which of the following is a component of a basic record keeping system?**
   a) A filing cabinet
   b) An abacus
   c) A ledger book
   d) A calculator
   Answer: c) A ledger book

7. **Which of the following is a characteristic of accurate records?**
   a) They are always up-to-date
   b) They contain only important information
   c) They are easy to read
   d) They reflect the true state of the company's finances
   Answer: d) They reflect the true state of the company's finances

8. **Which of the following is an example of an internal record?**
   a) Sales invoice
   b) Purchase order
   c) Employee time sheet
   d) Bank statement
   Answer: c) Employee time sheet

9. **Why is record keeping important for small businesses?**
   a) It helps them keep track of their finances
   b) It helps them avoid paying taxes
   c) It is a legal requirement
   d) It is not important for small businesses
   Answer: a) It helps them keep track of their finances

10. **Which of the following is a disadvantage of manual record keeping?**
    a) It is more prone to errors
    b) It is more expensive
    c) It is more time-consuming
    d) It is more difficult to understand
    Answer: a) It is more prone to errors

Lec 3 - Systems of Accounting and Some Basic Terminologies

1. **What is the primary purpose of accounting?**
   a) To maximize profits
   b) To maintain accurate financial records
   c) To minimize expenses
   d) To reduce tax liability
   Answer: b) To maintain accurate financial records

2. **What is the difference between cash basis accounting and accrual basis accounting?**
   a) Cash basis accounting records transactions as they occur, while accrual basis accounting records transactions when payment is received.
   b) Cash basis accounting records transactions when payment is received, while accrual basis accounting records transactions as they occur.
   c) Cash basis accounting is used by small businesses, while accrual basis accounting is used by large corporations.
   d) Cash basis accounting is only used for tax purposes, while accrual basis accounting is used for financial reporting.
   Answer: b) Cash basis accounting records transactions when payment is received, while accrual basis accounting records transactions as they occur.

3. **What is an asset in accounting?**
   a) Something a business owes
   b) Something a business owns
   c) A business's profits
   d) A business's expenses
   Answer: b) Something a business owns

4. **What is a liability in accounting?**
   a) Something a business owes
   b) Something a business owns
   c) A business's profits
   d) A business's expenses
   Answer: a) Something a business owes

5. **What is equity in accounting?**
   a) The amount of money a business owes to its creditors
   b) The amount of money a business owes to its shareholders
   c) The value of a business's assets minus its liabilities
   d) The value of a business's assets plus its liabilities
   Answer: c) The value of a business's assets minus its liabilities

6. **What is revenue in accounting?**
   a) The money a business owes to its creditors
   b) The money a business owes to its shareholders
   c) The amount of money a business earns from its sales
   d) The amount of money a business spends on its expenses
   Answer: c) The amount of money a business earns from its sales

7. **What are expenses in accounting?**
   a) The amount of money a business earns from its sales
   b) The amount of money a business spends on its assets

c) The amount of money a business owes to its creditors
d) The amount of money a business spends on its operations
Answer: d) The amount of money a business spends on its operations

8. **What is profit in accounting?**
   a) The difference between revenue and expenses
   b) The value of a business's assets minus its liabilities
   c) The amount of money a business owes to its creditors
   d) The amount of money a business owes to its shareholders
   Answer: a) The difference between revenue and expenses

9. **Which accounting system is commonly used for financial reporting?**
   a) Cash basis accounting
   b) Accrual basis accounting
   c) Hybrid accounting
   d) None of the above
   Answer: b) Accrual basis accounting

10. **What is the purpose of the chart of accounts in accounting?**
    a) To list a business's liabilities
    b) To list a business's expenses
    c) To list a business's assets
    d) To categorize a business's financial transactions
    Answer: d) To categorize a business's financial transactions

Lec 4 - Single and Double Entry Record Keeping

1. **In which method of record keeping is every transaction recorded in two accounts?**
   a. Single-entry record keeping
   b. Double-entry record keeping
   c. Both A and B
   Answer: b

2. **What is the main difference between single-entry and double-entry record keeping?**
   a. Single-entry only records basic transaction details, while double-entry records every transaction in two accounts
   b. Single-entry is more complex than double-entry
   c. Both methods are the same
   Answer: a

3. **In double-entry record keeping, which account is debited and which is credited?**
   a. The same account is debited and credited
   b. The account receiving value is debited, while the account giving value is credited
   c. The account giving value is debited, while the account receiving value is credited
   Answer: c

4. **Which of the following is a disadvantage of single-entry record keeping?**
   a. It is more complex than double-entry record keeping
   b. It is less accurate than double-entry record keeping
   c. It is more time-consuming than double-entry record keeping
   Answer: b

5. **What is the purpose of double-entry record keeping?**
   a. To ensure that the accounting equation remains balanced
   b. To create financial statements such as the balance sheet, income statement, and cash flow statement
   c. To simplify the recording of financial transactions
   Answer: a

6. **Which of the following statements is true about single-entry record keeping?**
   a. It is more accurate than double-entry record keeping
   b. It does not provide an accurate picture of a company's financial health
   c. It is a more complex method of record keeping
   Answer: b

7. **What is the main advantage of double-entry record keeping?**
   a. It is less time-consuming than single-entry record keeping
   b. It provides better accuracy and ensures the accounting equation remains balanced
   c. It requires less knowledge of accounting principles
   Answer: b

8. **Which of the following financial statements can be created using double-entry record keeping?**
   a. Balance sheet
   b. Income statement
   c. Cash flow statement
   d. All of the above

Answer: d

9. **Which accounting principle does double-entry record keeping follow?**
   a. Duality principle
   b. Single principle
   c. Basic principle
   Answer: a

10. **Which method of record keeping is commonly used in small businesses?**
    a. Single-entry record keeping
    b. Double-entry record keeping
    c. Both A and B
    Answer: a

Lec 5 - Classification of Account

1. **Which category of accounts represents money owed by a company to its creditors?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: b) Liabilities

2. **Which category of accounts represents money invested by the owners of a company?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: c) Equity

3. **Which category of accounts represents goods or services provided by a company to generate revenue?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: d) Income

4. **Which category of accounts represents expenses incurred by a company in order to generate revenue?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Expenses

Answer: d) Expenses

5. **Which category of accounts represents cash and other resources owned by a company?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: a) Assets

6. **Which category of accounts represents the amount of money that a company owes to its creditors?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: b) Liabilities

7. **Which category of accounts represents the value of a company's assets after deducting its liabilities?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: c) Equity

8. **Which category of accounts represents expenses incurred by a company for the maintenance and repair of its assets?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Expenses

Answer: d) Expenses

9. **Which category of accounts represents the amount of revenue earned by a company but not yet received?**
   a) Assets
   b) Liabilities
   c) Equity
   d) Income

Answer: a) Assets

10. **Which category of accounts represents the amount of money paid by a company for the use of borrowed funds?**
    a) Assets
    b) Liabilities
    c) Equity
    d) Income

Answer: b) Liabilities

Lec 6 - Flow of Transactions

1. **What is the term used to describe the sequence of steps involved in the exchange of goods or services between two parties?**
   A. Payment processing
   B. Flow of transactions
   C. Order placement
   D. Delivery of goods

Answer: B

2. **Which of the following is not a step in the flow of transactions?**
   A. Order placement
   B. Payment processing
   C. Delivery of goods
   D. Marketing strategy

Answer: D

3. **What is the primary reason for effective management of the flow of transactions?**
   A. To minimize errors and fraud
   B. To maximize profits
   C. To increase customer satisfaction
   D. To reduce taxes

Answer: A

4. **Which technology has revolutionized the flow of transactions by making it faster, more secure, and transparent?**
   A. Blockchain
   B. Wi-Fi
   C. Bluetooth
   D. USB

Answer: A

5. **What is the role of intermediaries in the flow of transactions?**
   A. To place orders
   B. To process payments
   C. To deliver goods
   D. To play a specific role in the process

Answer: D

6. **What is the final step in the flow of transactions?**
   A. Payment processing
   B. Order placement
   C. Delivery of goods
   D. Customer feedback

Answer: C

7. **Which of the following is not a benefit of effective management of the flow of transactions?**
   A. Minimizing errors and fraud
   B. Reducing customer satisfaction
   C. Providing a seamless customer experience
   D. Timely and accurate processing of orders

Answer: B

8. **Which of the following technologies is used for digital payments?**
   A. Blockchain
   B. Wi-Fi
   C. Bluetooth
   D. All of the above

Answer: D

9. **Which of the following is not a potential risk in the flow of transactions?**
   A. Errors and fraud
   B. Delayed delivery
   C. Lack of communication
   D. Transparent tracking of transactions

Answer: D

10. **Which of the following is not a potential solution for managing the flow of transactions effectively?**
    A. Automating the process
    B. Training employees
    C. Increasing taxes
    D. Implementing blockchain technology

Answer: C

Lec 7 - Basic Books of Accounts

1. **Which of the following is an example of a basic book of accounts?**
   a) Sales report
   b) Budget report
   c) Ledger
   d) Marketing plan
   Answer: c) Ledger

2. **What is the purpose of maintaining basic books of accounts?**
   a) To track business operations
   b) To comply with regulatory requirements
   c) To make informed business decisions
   d) All of the above
   Answer: d) All of the above

3. **Which basic book of accounts records all the financial transactions of a business in chronological order?**
   a) Journal
   b) Ledger
   c) Balance sheet
   d) Income statement
   Answer: a) Journal

4. **Which basic book of accounts records individual transactions by accounts?**
   a) Journal
   b) Ledger
   c) Balance sheet
   d) Income statement
   Answer: b) Ledger

5. **Which basic book of accounts provides a summary of a company's financial position at a specific point in time?**
   a) Journal
   b) Ledger
   c) Balance sheet
   d) Income statement
   Answer: c) Balance sheet

6. **Which basic book of accounts provides a summary of a company's financial performance over a period of time?**
   a) Journal
   b) Ledger
   c) Balance sheet
   d) Income statement
   Answer: d) Income statement

7. **Which basic book of accounts records all the cash transactions of a business?**
   a) Cash book
   b) Purchase book
   c) Sales book
   d) General ledger

Answer: a) Cash book

8. **Which basic book of accounts records all the credit purchases made by a business?**
   a) Cash book
   b) Purchase book
   c) Sales book
   d) General ledger
   Answer: b) Purchase book

9. **Which basic book of accounts records all the credit sales made by a business?**
   a) Cash book
   b) Purchase book
   c) Sales book
   d) General ledger
   Answer: c) Sales book

10. **Which basic book of accounts records all the transactions of a business that are not recorded in other books?**
    a) Cash book
    b) Purchase book
    c) Sales book
    d) General journal
    Answer: d) General journal

Lec 8 - Introduction to Financial Statements

1. **What financial statement shows a company's revenues and expenses over a period of time?**
   a. Balance Sheet
   b. Income Statement
   c. Cash Flow Statement
   Solution: b. Income Statement

2. **What financial statement shows a company's assets, liabilities, and equity at a specific point in time?**
   a. Balance Sheet
   b. Income Statement
   c. Cash Flow Statement
   Solution: a. Balance Sheet

3. **Which financial statement shows how much cash a company generated or used during a period?**
   a. Balance Sheet
   b. Income Statement
   c. Cash Flow Statement
   Solution: c. Cash Flow Statement

4. **What is the accounting equation?**
   a. Assets = Liabilities + Equity
   b. Revenue - Expenses = Net Income
   c. Cash Flow = Cash Inflows - Cash Outflows
   Solution: a. Assets = Liabilities + Equity

5. **What is the formula for calculating net income?**
   a. Revenue - Expenses = Net Income
   b. Assets = Liabilities + Equity
   c. Cash Flow = Cash Inflows - Cash Outflows
   Solution: a. Revenue - Expenses = Net Income

6. **Which financial statement reports a company's retained earnings?**
   a. Balance Sheet
   b. Income Statement
   c. Statement of Retained Earnings
   Solution: c. Statement of Retained Earnings

7. **What is the purpose of financial statements?**
   a. To show a company's profitability
   b. To provide information for decision-making
   c. To show a company's cash balance
   Solution: b. To provide information for decision-making

8. **What is the formula for calculating total assets?**
   a. Total Assets = Total Liabilities + Equity
   b. Total Assets = Current Assets - Current Liabilities
   c. Total Assets = Non-Current Assets + Current Assets
   Solution: c. Total Assets = Non-Current Assets + Current Assets

9. **What is the formula for calculating total equity?**
   a. Total Equity = Total Assets - Total Liabilities
   b. Total Equity = Retained Earnings + Common Stock
   c. Total Equity = Net Income - Dividends
   Solution: b. Total Equity = Retained Earnings + Common Stock

10. **Which financial statement shows how a company's equity changed over a period?**
    a. Balance Sheet
    b. Income Statement
    c. Statement of Retained Earnings
    Solution: c. Statement of Retained Earnings

Lec 9 - Introduction to Financial Statements (Continued)

1. **Which financial statement shows a company's revenues and expenses over a period of time?**
   a) Balance sheet
   b) Cash flow statement
   c) Income statement
   d) Statement of retained earnings
   Solution: c) Income statement

2. **The accounting equation is:**
   a) Assets = Liabilities + Equity
   b) Assets + Liabilities = Equity
   c) Liabilities + Equity = Assets
   d) None of the above
   Solution: a) Assets = Liabilities + Equity

3. **What is the purpose of the statement of retained earnings?**
   a) To show a company's liquidity and cash flow management
   b) To show a company's profitability
   c) To show how a company's retained earnings changed over a period
   d) None of the above
   Solution: c) To show how a company's retained earnings changed over a period

4. **Which financial statement shows a company's assets, liabilities, and equity at a specific point in time?**
   a) Balance sheet
   b) Cash flow statement
   c) Income statement
   d) Statement of retained earnings
   Solution: a) Balance sheet

5. **What is the formula for calculating net income?**
   a) Revenue + Expenses
   b) Revenue - Expenses
   c) Assets = Liabilities + Equity
   d) None of the above
   Solution: b) Revenue - Expenses

6. **The statement of cash flows is divided into how many sections?**
   a) 2
   b) 3
   c) 4
   d) 5
   Solution: b) 3

7. **Which financial statement shows how much cash a company generated or used during a period?**
   a) Balance sheet
   b) Cash flow statement
   c) Income statement
   d) Statement of retained earnings

Solution: b) Cash flow statement

8. **What are current assets?**
   a) Assets that are not expected to be converted to cash within one year
   b) Assets that are expected to be converted to cash within one year
   c) Liabilities that are due within one year
   d) Liabilities that are due in more than one year
   Solution: b) Assets that are expected to be converted to cash within one year

9. **What is the difference between current liabilities and long-term liabilities?**
   a) Current liabilities are liabilities that are due in more than one year, while long-term liabilities are liabilities that are due within one year.
   b) Current liabilities are liabilities that are due within one year, while long-term liabilities are liabilities that are due in more than one year.
   c) Current liabilities and long-term liabilities are the same thing.
   d) None of the above.
   Solution: b) Current liabilities are liabilities that are due within one year, while long-term liabilities are liabilities that are due in more than one year.

10. **Why is it important for financial statements to be accurate and reliable?**
    a) They provide information for decision-making by investors, creditors, and management.
    b) They are used for regulatory compliance and tax reporting purposes.
    c) Inaccurate financial statements can lead to incorrect decisions and financial losses.
    d) All of the above.
    Solution: d) All of the above.

Lec 10 - Exercises: Recording of Transactions

1. **Which of the following accounts is classified as an asset?**
   a. Accounts payable
   b. Common stock
   c. Inventory
   d. Retained earnings
   Answer: c. Inventory

2. **What is the accounting equation?**
   a. Assets = Liabilities - Equity
   b. Assets - Liabilities = Equity
   c. Assets + Liabilities = Equity
   d. Assets = Liabilities + Equity
   Answer: d. Assets = Liabilities + Equity

3. **Which of the following accounts increases with a debit?**
   a. Accounts payable
   b. Common stock
   c. Sales revenue
   d. Rent expense
   Answer: d. Rent expense

4. **What is the normal balance for liabilities?**
   a. Debit
   b. Credit
   c. Neither debit nor credit
   d. Both debit and credit
   Answer: b. Credit

5. **Which of the following transactions would decrease assets and decrease liabilities?**
   a. Payment of accounts payable
   b. Purchase of inventory on credit
   c. Sale of goods on credit
   d. Receipt of cash from a customer
   Answer: a. Payment of accounts payable

6. **Which of the following financial statements shows the net income of a company?**
   a. Balance sheet
   b. Income statement
   c. Statement of retained earnings
   d. Statement of cash flows
   Answer: b. Income statement

7. **Which of the following accounts is classified as a liability?**
   a. Accounts receivable
   b. Prepaid rent
   c. Notes payable
   d. Supplies expense
   Answer: c. Notes payable

8. **Which of the following transactions would increase both assets and liabilities?**
   a. Purchase of equipment with cash
   b. Sale of goods on credit
   c. Borrowing money from a bank
   d. Payment of accounts payable
   Answer: c. Borrowing money from a bank

9. **What is the normal balance for equity accounts?**
   a. Debit
   b. Credit
   c. Neither debit nor credit
   d. Both debit and credit
   Answer: b. Credit

10. **Which of the following financial statements shows a company's cash flows from operating, investing, and financing activities?**
    a. Balance sheet
    b. Income statement
    c. Statement of retained earnings
    d. Statement of cash flows
    Answer: d. Statement of cash flows

Lec 11 - Exercises: Recording of Transactions (Continued)

1. **Which of the following is not a type of adjusting entry?**
   a) Accruals
   b) Prepayments
   c) Depreciation
   d) Closing entries
   Answer: d) Closing entries

2. **Which journal is used to record credit sales?**
   a) General journal
   b) Sales journal
   c) Cash receipts journal
   d) Purchases journal
   Answer: b) Sales journal

3. **Which of the following accounts would be debited in an adjusting entry for depreciation?**
   a) Accumulated depreciation
   b) Depreciation expense
   c) Equipment
   d) Retained earnings
   Answer: b) Depreciation expense

4. **Which financial statement shows a company's financial position at a specific point in time?**
   a) Income statement
   b) Statement of cash flows
   c) Balance sheet
   d) None of the above
   Answer: c) Balance sheet

5. **What type of entry is made at the end of an accounting period to update account balances?**
   a) Adjusting entry
   b) Closing entry
   c) Reversing entry
   d) General entry
   Answer: a) Adjusting entry

6. **Which of the following is not a specialized journal?**
   a) Sales journal
   b) Purchases journal
   c) General journal
   d) Cash receipts journal
   Answer: c) General journal

7. **Which account is credited in an adjusting entry for accrued expenses?**
   a) Accrued expenses payable
   b) Expenses
   c) Prepaid expenses
   d) None of the above
   Answer: b) Expenses

8. **Which of the following statements is true about the trial balance?**
   a) It shows a company's revenues and expenses.
   b) It shows a company's financial position at a specific point in time.
   c) It ensures that the accounting system remains in balance.
   d) It is used to make adjusting entries.
   Answer: c) It ensures that the accounting system remains in balance.

9. **What is the purpose of closing entries?**
   a) To update account balances
   b) To ensure that the accounting system remains in balance
   c) To transfer net income or loss to the retained earnings account
   d) To reverse adjusting entries
   Answer: c) To transfer net income or loss to the retained earnings account

10. **Which financial statement shows a company's revenues and expenses over a specific period of time?**
    a) Income statement
    b) Balance sheet
    c) Statement of cash flows
    d) None of the above
    Answer: a) Income statement

Lec 12 - Accounting Equation

1. **What is the accounting equation?**
   A. Assets = Liabilities + Equity
   B. Liabilities = Assets + Equity
   C. Equity = Assets - Liabilities
   D. None of the above

Answer: A

2. **What is the relationship between assets and equity in the accounting equation?**
   A. They are equal
   B. Equity is greater than assets
   C. Assets are greater than equity
   D. None of the above

Answer: A

3. **Which of the following is an example of an asset?**
   A. Accounts payable
   B. Inventory
   C. Retained earnings
   D. Common stock

Answer: B

4. **Which of the following is an example of a liability?**
   A. Accounts receivable
   B. Equipment
   C. Long-term debt
   D. Prepaid rent

Answer: C

5. **What happens to equity when a company incurs a loss?**
   A. Equity decreases
   B. Equity increases
   C. Equity remains the same
   D. It depends on the amount of the loss

Answer: A

6. **Which of the following is an example of an owner's equity account?**
   A. Accounts payable
   B. Common stock
   C. Rent expense
   D. Salaries payable

Answer: B

7. **What happens to the accounting equation when a company borrows money from a bank?**
   A. Assets increase and liabilities increase
   B. Assets increase and equity increases
   C. Liabilities increase and equity increases
   D. None of the above

Answer: A

8. **What happens to the accounting equation when a company pays cash for an expense?**
   A. Assets increase and liabilities increase
   B. Assets decrease and liabilities decrease
   C. Assets decrease and equity decreases
   D. None of the above

Answer: C

9. **What is the purpose of the accounting equation?**
   A. To ensure that accounting records remain in balance
   B. To calculate net income
   C. To determine the fair value of a company
   D. None of the above

Answer: A

10. **Which of the following is an example of a contra account?**
    A. Accounts payable
    B. Accumulated depreciation
    C. Rent expense
    D. Salaries payable

Answer: B

Lec 13 - Vouchers and Posting to Ledger Accounts

1. **Which of the following is not a type of voucher?**
   a) Purchase voucher
   b) Sales voucher
   c) Payment voucher
   d) Liability voucher
   Answer: d) Liability voucher

2. **Which document serves as a source document for a payment voucher?**
   a) Sales invoice
   b) Purchase order
   c) Receipt
   d) None of the above
   Answer: c) Receipt

3. **What is the purpose of posting to ledger accounts?**
   a) To summarize financial transactions
   b) To provide evidence of transactions
   c) To calculate financial ratios
   d) To reconcile bank statements
   Answer: a) To summarize financial transactions

4. **Which of the following is a liability account?**
   a) Cash
   b) Accounts receivable
   c) Accounts payable
   d) Inventory
   Answer: c) Accounts payable

5. **Which side of a ledger account is used for debits?**
   a) Left side
   b) Right side
   c) Both sides
   d) None of the above
   Answer: a) Left side

6. **Which type of account is used for recording sales transactions?**
   a) Revenue account
   b) Expense account
   c) Asset account
   d) Liability account
   Answer: a) Revenue account

7. **Which of the following is a contra account?**
   a) Accumulated depreciation
   b) Accounts payable
   c) Prepaid expenses
   d) Inventory
   Answer: a) Accumulated depreciation

8. **When posting to a ledger account, which column of the journal is used to record the account number?**
   a) Debit column
   b) Credit column
   c) Particulars column
   d) None of the above
   Answer: c) Particulars column

9. **What is the purpose of a trial balance?**
   a) To identify errors in posting
   b) To calculate net income
   c) To prepare financial statements
   d) All of the above
   Answer: a) To identify errors in posting

10. **Which of the following is a current asset?**
    a) Property, plant, and equipment
    b) Accounts receivable
    c) Patents
    d) Goodwill
    Answer: b) Accounts receivable

Lec 14 - Posting to Ledgers & Recording of Stock

1. **Which of the following is NOT a part of the process of posting to ledgers?**
   a) Transferring transactional data from journal to ledger
   b) Determining the account to be debited or credited
   c) Preparing a balance sheet
   d) Calculating the total of each ledger account

Answer: c) Preparing a balance sheet

2. **Which of the following is a ledger account that records a business's sales transactions?**
   a) Accounts payable
   b) Accounts receivable
   c) Cash
   d) Sales revenue

Answer: d) Sales revenue

3. **What is the purpose of recording stock in a business?**
   a) To keep track of inventory levels
   b) To determine the cost of goods sold
   c) To calculate profits
   d) All of the above

Answer: d) All of the above

4. **Which of the following is a type of inventory system that records inventory movements in real-time?**
   a) Perpetual inventory system
   b) Periodic inventory system
   c) Just-in-time inventory system
   d) Economic order quantity system

Answer: a) Perpetual inventory system

5. **Which of the following is a common method of recording stock?**
   a) FIFO (First-In, First-Out)
   b) LIFO (Last-In, First-Out)
   c) Weighted average cost
   d) All of the above

Answer: d) All of the above

6. **Which of the following accounts is debited when a business purchases inventory on credit?**
   a) Accounts payable
   b) Accounts receivable
   c) Cost of goods sold
   d) Sales revenue

Answer: a) Accounts payable

7. **Which of the following accounts is credited when a business sells inventory for cash?**
   a) Accounts payable
   b) Accounts receivable
   c) Cost of goods sold
   d) Sales revenue

Answer: d) Sales revenue

8. **Which of the following is a reason why businesses need to accurately record their stock levels?**
   a) To prevent theft
   b) To avoid stockouts
   c) To determine the value of the business
   d) All of the above

Answer: b) To avoid stockouts

9. **Which of the following inventory systems involves physically counting inventory at the end of a specific period?**
   a) Perpetual inventory system
   b) Periodic inventory system
   c) Just-in-time inventory system
   d) Economic order quantity system

Answer: b) Periodic inventory system

10. **Which of the following is a method of valuing inventory that assumes the most recent inventory purchases are the first to be sold?**
    a) FIFO (First-In, First-Out)
    b) LIFO (Last-In, First-Out)
    c) Weighted average cost
    d) Specific identification

Answer: b) LIFO (Last-In, First-Out)

Lec 15 - Recording of Stock (Continued)

1. **What is the purpose of the perpetual inventory system?**
   a) To physically count inventory at the end of a period
   b) To maintain a real-time record of inventory movements
   c) To determine the value of ending inventory
   d) None of the above

Answer: b) To maintain a real-time record of inventory movements

2. **Which inventory valuation method assumes that the last inventory items purchased are the first to be sold?**
   a) FIFO
   b) LIFO
   c) Weighted Average Cost
   d) None of the above

Answer: b) LIFO

3. **How is the cost of goods sold calculated?**
   a) Beginning inventory - ending inventory
   b) Ending inventory - beginning inventory
   c) Beginning inventory + purchases - ending inventory
   d) None of the above

Answer: c) Beginning inventory + purchases - ending inventory

4. **Which inventory system involves physically counting inventory at the end of a specific period?**
   a) Perpetual inventory system
   b) Periodic inventory system
   c) Weighted average cost system
   d) None of the above

Answer: b) Periodic inventory system

5. **What is the purpose of the inventory turnover ratio?**
   a) To measure how many times a business sells and replaces its inventory during a specific period
   b) To determine the value of ending inventory
   c) To calculate the cost of goods sold
   d) None of the above

Answer: a) To measure how many times a business sells and replaces its inventory during a specific period

6. **Which inventory valuation method assumes that the first inventory items purchased are the first to be sold?**
   a) FIFO
   b) LIFO

c) Weighted Average Cost
d) None of the above

Answer: a) FIFO

7. **What is the difference between the perpetual inventory system and the periodic inventory system?**
   a) The perpetual inventory system involves physically counting inventory, while the periodic inventory system maintains a real-time record of inventory movements
   b) The perpetual inventory system maintains a real-time record of inventory movements, while the periodic inventory system involves physically counting inventory
   c) Both systems involve physically counting inventory
   d) None of the above

Answer: b) The perpetual inventory system maintains a real-time record of inventory movements, while the periodic inventory system involves physically counting inventory

8. **How is the value of ending inventory calculated using the LIFO method?**
   a) Multiplying the number of units in ending inventory by the cost per unit of the most recent inventory purchases
   b) Dividing the total cost of goods available for sale by the total units available for sale
   c) Adding the beginning inventory to the purchases made during the period and subtracting the ending inventory
   d) None of the above

Answer: a) Multiplying the number of units in ending inventory by the cost per unit of the most recent inventory purchases

9. **What is the purpose of the weighted average cost method?**
   a) To assume that the first inventory items purchased are the first to be sold
   b) To calculate the average cost of inventory by dividing the total cost of goods available for sale by the total units available for sale
   c) To maintain a real-time record of inventory movements
   d) None of the above

Answer: b) To calculate the average cost of inventory by dividing the total cost of goods available for sale by the total units available for sale

10. **Which inventory system is commonly used to record inventory movements in real-time?**
    a) Perpetual inventory system
    b) Periodic inventory system
    c) Weighted average cost system
    d) None of the above

Answer: a) Perpetual inventory system

Lec 16 - Cost of goods Sold Statement & Valuation of Stock

1. **What is the Cost of Goods Sold statement?**
   A) A statement that reflects the cost of goods purchased
   B) A statement that reflects the cost of goods manufactured
   C) A statement that reflects the cost of goods sold
   D) A statement that reflects the cost of goods in inventory

Answer: C) A statement that reflects the cost of goods sold

2. **What is the importance of the Cost of Goods Sold statement?**
   A) It provides information on the gross profit of a business
   B) It provides information on the net profit of a business
   C) It provides information on the revenue generated by a business
   D) It provides information on the total assets of a business

Answer: A) It provides information on the gross profit of a business

3. **What is the formula for calculating the Cost of Goods Sold?**
   A) Beginning inventory + Purchases – Ending inventory
   B) Beginning inventory – Purchases + Ending inventory
   C) Beginning inventory + Purchases + Ending inventory
   D) Beginning inventory – Purchases – Ending inventory

Answer: A) Beginning inventory + Purchases – Ending inventory

4. **What is the purpose of valuing inventory?**
   A) To determine the number of units in inventory
   B) To determine the cost of goods sold
   C) To determine the selling price of goods
   D) To determine the net income of a business

Answer: B) To determine the cost of goods sold

5. **Which inventory valuation method assumes that the first goods purchased are the first sold?**
   A) FIFO
   B) LIFO
   C) Weighted average
   D) Specific identification

Answer: A) FIFO

6. **Which inventory valuation method assumes that the last goods purchased are the first sold?**
   A) FIFO
   B) LIFO
   C) Weighted average
   D) Specific identification

Answer: B) LIFO

7. **What is the formula for calculating the weighted average cost of inventory?**
   A) Total cost of goods sold / Total units sold
   B) Total cost of goods available for sale / Total units available for sale
   C) Total cost of goods in inventory / Total units in inventory
   D) Total cost of goods produced / Total units produced

Answer: B) Total cost of goods available for sale / Total units available for sale

8. **What is the impact of using LIFO valuation on the Cost of Goods Sold?**
   A) It reduces the cost of goods sold
   B) It increases the cost of goods sold
   C) It has no impact on the cost of goods sold
   D) It depends on the inventory level

Answer: A) It reduces the cost of goods sold

9. **What is the impact of using FIFO valuation on taxes?**
   A) It increases taxes
   B) It reduces taxes
   C) It has no impact on taxes
   D) It depends on the inventory level

Answer: B) It reduces taxes

10. **Which financial statement does the Cost of Goods Sold appear on?**
    A) Income statement
    B) Balance sheet
    C) Statement of cash flows
    D) Statement of retained earnings

Answer: A) Income statement

Lec 17 - Fixed Assets and Depreciation

1. **What are fixed assets?**
   a. Short-term tangible assets
   b. Long-term tangible assets
   c. Intangible assets
   d. Both a and b

Answer: b. Long-term tangible assets

2. **Which of the following is an example of a fixed asset?**
   a. Cash
   b. Inventory
   c. Building
   d. Accounts receivable

Answer: c. Building

3. **What is depreciation?**
   a. The process of allocating the cost of a fixed asset over its useful life
   b. The process of increasing the cost of a fixed asset over its useful life
   c. The process of revaluing a fixed asset based on market prices
   d. The process of adjusting the cost of a fixed asset based on inflation

Answer: a. The process of allocating the cost of a fixed asset over its useful life

4. **Which of the following is not a method of depreciation?**
   a. Straight-line
   b. Double-declining balance
   c. Units of production
   d. Last-in, first-out (LIFO)

Answer: d. Last-in, first-out (LIFO)

5. **Which method of depreciation results in a higher depreciation expense in the early years of an asset's life?**
   a. Straight-line
   b. Double-declining balance
   c. Units of production
   d. All of the above

Answer: b. Double-declining balance

6. **Which method of depreciation results in a lower depreciation expense in the early years of an asset's life?**
   a. Straight-line
   b. Double-declining balance
   c. Units of production
   d. None of the above

Answer: a. Straight-line

7. **What is the salvage value of a fixed asset?**
   a. The amount of money the business paid for the asset
   b. The estimated value of the asset at the end of its useful life
   c. The amount of depreciation expense recognized in the first year
   d. The estimated value of the asset at the beginning of its useful life

Answer: b. The estimated value of the asset at the end of its useful life

8. **What is the formula for calculating straight-line depreciation?**
   a. (Cost - Salvage Value) / Useful Life
   b. Cost x Useful Life
   c. Salvage Value x Useful Life
   d. Cost - (Salvage Value / Useful Life)

Answer: a. (Cost - Salvage Value) / Useful Life

9. **What is the purpose of tracking fixed assets?**
   a. To determine the value of a business
   b. To calculate taxes owed
   c. To comply with accounting standards
   d. All of the above

Answer: d. All of the above

10. **What is the impact of depreciation on a business's financial statements?**
    a. It increases assets and decreases liabilities
    b. It decreases assets and increases liabilities
    c. It decreases assets and decreases equity
    d. It has no impact on assets, liabilities, or equity

Answer: c. It decreases assets and decreases equity.

Lec 18 - Methods of Charging Depreciation

1. **Which method of depreciation allocates a higher rate of depreciation in the earlier years of an asset's life?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: b

2. **Which method of depreciation bases depreciation on the amount of output produced by the asset?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: c

3. **Which method of depreciation is the simplest and involves dividing the cost of the asset by its useful life?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: a

4. **Which method of depreciation may be more appropriate for assets that produce output that varies from year to year?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: c

5. **Which method of depreciation may result in a higher total amount of depreciation expense over the asset's useful life?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: b

6. **Which method of depreciation results in a constant amount of depreciation expense each year?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: a

7. **Which method of depreciation is based on the assumption that an asset's usefulness declines at a constant rate each year?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: b

8. **Which method of depreciation may result in higher depreciation expense in years when the asset is heavily used?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: c

9. **Which method of depreciation may be more appropriate for assets that are used more heavily in their early years?**
   a) Straight-line method
   b) Declining balance method
   c) Units of production method
   Answer: b

10. **Which method of depreciation is more commonly used for assets with shorter useful lives?**
    a) Straight-line method
    b) Declining balance method
    c) Units of production method
    Answer: b

Lec 19 - Methods for Charging Depreciation (Continued)

1. **Which depreciation method is best suited for assets that have higher depreciation in the early years and lower depreciation in later years?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: b) Sum-of-the-years'-digits method

2. **Which depreciation method is best suited for assets that become less efficient over time and need to be replaced sooner?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: c) Double-declining balance method

3. **Which depreciation method is used for tax purposes in the United States?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: d) MACRS method

4. **Which depreciation method results in a higher depreciation expense in the earlier years of an asset's life?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: c) Double-declining balance method

5. **Which depreciation method is easiest to calculate and understand?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: a) Straight-line method

6. **Which depreciation method can result in a negative book value for an asset at the end of its useful life?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: c) Double-declining balance method

7. **Which depreciation method results in a constant depreciation expense each year?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method

d) MACRS method
Answer: a) Straight-line method

8. **Which depreciation method is most commonly used by businesses?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: a) Straight-line method

9. **Which depreciation method takes into account the asset's salvage value?**
   a) Straight-line method
   b) Sum-of-the-years'-digits method
   c) Double-declining balance method
   d) MACRS method
   Answer: a) Straight-line method

10. **Which depreciation method is most appropriate for assets that have a longer useful life?**
    a) Straight-line method
    b) Sum-of-the-years'-digits method
    c) Double-declining balance method
    d) MACRS method
    Answer: a) Straight-line method

Lec 20 - Depreciation on Purchase and Disposal of Fixed Assets

1. **Which of the following is a method of calculating depreciation on fixed assets?**
   a) Straight-line method
   b) Perpetual inventory method
   c) FIFO method
   d) LIFO method

Answer: a) Straight-line method

2. **What is the purpose of charging depreciation on fixed assets?**
   a) To calculate the value of the asset at the end of its useful life
   b) To allocate the cost of the asset over its useful life
   c) To determine the market value of the asset
   d) To adjust the value of the asset for inflation

Answer: b) To allocate the cost of the asset over its useful life

3. **Which of the following is not a factor that affects the calculation of depreciation?**
   a) The cost of the asset
   b) The useful life of the asset
   c) The market value of the asset
   d) The salvage value of the asset

Answer: c) The market value of the asset

4. **How is the book value of a fixed asset calculated?**
   a) Cost of the asset minus accumulated depreciation
   b) Cost of the asset plus accumulated depreciation
   c) Market value of the asset minus accumulated depreciation
   d) Market value of the asset plus accumulated depreciation

Answer: a) Cost of the asset minus accumulated depreciation

5. **Which of the following methods of depreciation is best suited for assets that have a high rate of obsolescence?**
   a) Straight-line method
   b) Units of production method
   c) Declining balance method
   d) Sum of years' digits method

Answer: c) Declining balance method

6. **When disposing of a fixed asset, how is the gain or loss on disposal calculated?**
   a) By subtracting the book value from the selling price
   b) By subtracting the selling price from the book value
   c) By adding the selling price to the book value
   d) By adding the book value to the selling price

Answer: a) By subtracting the book value from the selling price

7. **What happens if the selling price of a fixed asset is greater than its book value?**
   a) A gain on disposal is recorded
   b) A loss on disposal is recorded
   c) The asset is revalued upwards
   d) The asset is revalued downwards

Answer: a) A gain on disposal is recorded

8. **Which of the following is not a method of disposing of a fixed asset?**
   a) Sale
   b) Exchange
   c) Abandonment
   d) Depreciation

Answer: d) Depreciation

9. **What is the tax treatment of gains and losses on the disposal of fixed assets?**
   a) Gains are taxable, and losses are tax-deductible
   b) Gains and losses are not taxable or tax-deductible
   c) Gains and losses are both taxable and tax-deductible
   d) Gains are not taxable, and losses are tax-deductible

Answer: a) Gains are taxable, and losses are tax-deductible

10. **Which of the following is not a reason for disposing of a fixed asset?**
    a) The asset has become obsolete
    b) The asset is no longer needed
    c) The asset has reached the end of its useful life
    d) The asset's book value has increased

Answer: d) The asset's book value has increased

Lec 21 - Revaluation of Fixed Assets

1. **What is the purpose of revaluation of fixed assets?**
   a) To decrease the value of fixed assets
   b) To increase the value of fixed assets
   c) To reclassify the fixed assets
   d) To dispose of the fixed assets

Answer: b) To increase the value of fixed assets

2. **Which accounting standard provides guidance on revaluation of fixed assets?**
   a) IAS 16
   b) IFRS 9
   c) IAS 36
   d) IAS 10

Answer: a) IAS 16

3. **When should a company revalue its fixed assets?**
   a) Whenever it wants to increase the value of the assets
   b) When there is a significant increase or decrease in the market value of the assets
   c) At the end of every fiscal year
   d) Only when the assets are disposed of

Answer: b) When there is a significant increase or decrease in the market value of the assets

4. **What is the impact of revaluation of fixed assets on the income statement?**
   a) It does not have any impact on the income statement
   b) It results in an increase in profit
   c) It results in a decrease in profit
   d) It depends on the revaluation amount

Answer: d) It depends on the revaluation amount

5. **How is the revaluation reserve reported on the balance sheet?**
   a) As an asset
   b) As a liability
   c) As equity
   d) It is not reported on the balance sheet

Answer: c) As equity

6. **What is the purpose of creating a revaluation reserve?**
   a) To provide a source of funding for future capital expenditures
   b) To offset any future losses that may occur on the fixed assets
   c) To reflect the increase in the value of the fixed assets on the balance sheet
   d) To decrease the value of the fixed assets

Answer: c) To reflect the increase in the value of the fixed assets on the balance sheet

7. **What is the impact of revaluation of fixed assets on the depreciation expense?**
   a) It results in an increase in depreciation expense
   b) It results in a decrease in depreciation expense
   c) It does not have any impact on depreciation expense
   d) It depends on the revaluation amount

Answer: a) It results in an increase in depreciation expense

8. **Which of the following is not a method of revaluing fixed assets?**
   a) Cost model
   b) Revaluation model
   c) Market model
   d) Discounted cash flow model

Answer: c) Market model

9. **What is the journal entry to record the revaluation of fixed assets?**
   a) Debit revaluation reserve, credit fixed asset
   b) Debit fixed asset, credit revaluation reserve
   c) Debit revaluation reserve, credit retained earnings
   d) Debit retained earnings, credit revaluation reserve

Answer: b) Debit fixed asset, credit revaluation reserve

10. **Which of the following is a limitation of revaluation of fixed assets?**
    a) It is time-consuming and expensive
    b) It can only be done for tangible assets
    c) It may result in overvaluing assets
    d) It is not allowed under accounting standards

Answer: c) It may result in overvaluing assets

Lec 22 - Bank Reconciliation Statement

1. **Which of the following is the primary purpose of a bank reconciliation statement?**
   A) To identify outstanding checks
   B) To identify deposits in transit
   C) To identify bank charges
   D) All of the above

Answer: D) All of the above

2. **Which of the following items should be added to the bank balance when preparing a bank reconciliation statement?**
   A) Outstanding checks
   B) Deposits in transit
   C) Bank charges
   D) None of the above

Answer: B) Deposits in transit

3. **Which of the following items should be deducted from the bank balance when preparing a bank reconciliation statement?**
   A) Outstanding checks
   B) Deposits in transit
   C) Bank charges
   D) None of the above

Answer: A) Outstanding checks

4. **Which of the following items should be added to the book balance when preparing a bank reconciliation statement?**
   A) Outstanding checks
   B) Deposits in transit
   C) Bank charges
   D) None of the above

Answer: D) None of the above

5. **Which of the following items should be deducted from the book balance when preparing a bank reconciliation statement?**
   A) Outstanding checks
   B) Deposits in transit
   C) Bank charges
   D) None of the above

Answer: C) Bank charges

6. **A bank reconciliation statement is prepared to reconcile which of the following two balances?**
   A) Book balance and net income
   B) Book balance and bank balance

C) Book balance and revenue balance
D) None of the above

Answer: B) Book balance and bank balance

7. **Which of the following is an example of a timing difference in a bank reconciliation statement?**
   A) An outstanding check
   B) A bank error
   C) A deposit in transit
   D) None of the above

Answer: C) A deposit in transit

8. **Which of the following is an example of a bank error in a bank reconciliation statement?**
   A) An outstanding check
   B) A deposit in transit
   C) A bank charge
   D) None of the above

Answer: D) None of the above

9. **Which of the following is the correct formula for calculating the adjusted book balance in a bank reconciliation statement?**
   A) Book balance + deposits in transit - outstanding checks - bank charges
   B) Book balance - deposits in transit - outstanding checks - bank charges
   C) Book balance + deposits in transit + outstanding checks + bank charges
   D) None of the above

Answer: B) Book balance - deposits in transit - outstanding checks - bank charges

10. **Which of the following is the correct formula for calculating the adjusted bank balance in a bank reconciliation statement?**
    A) Bank balance + deposits in transit - outstanding checks - bank charges
    B) Bank balance - deposits in transit - outstanding checks - bank charges
    C) Bank balance + deposits in transit + outstanding checks + bank charges
    D) None of the above

Answer: A) Bank balance + deposits in transit - outstanding checks - bank charges