

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. $\text{Assets} = \text{Liabilities} + \text{Equity}$
 - b. $\text{Revenue} - \text{Expenses} = \text{Net Income}$
 - c. $\text{Cash Flow} = \text{Cash Inflows} - \text{Cash Outflows}$**Solution: a. Assets = Liabilities + Equity**
- 5. What is the formula for calculating net income?**
 - a. $\text{Revenue} - \text{Expenses} = \text{Net Income}$
 - b. $\text{Assets} = \text{Liabilities} + \text{Equity}$
 - c. $\text{Cash Flow} = \text{Cash Inflows} - \text{Cash Outflows}$**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. $\text{Total Assets} = \text{Total Liabilities} + \text{Equity}$
 - b. $\text{Total Assets} = \text{Current Assets} - \text{Current Liabilities}$
 - c. $\text{Total Assets} = \text{Non-Current Assets} + \text{Current Assets}$**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. $\text{Assets} = \text{Liabilities} + \text{Equity}$
- B. $\text{Liabilities} = \text{Assets} + \text{Equity}$
- C. $\text{Equity} = \text{Assets} - \text{Liabilities}$
- 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. $(\text{Cost} - \text{Salvage Value}) / \text{Useful Life}$
 - b. $\text{Cost} \times \text{Useful Life}$
 - c. $\text{Salvage Value} \times \text{Useful Life}$
 - d. $\text{Cost} - (\text{Salvage Value} / \text{Useful Life})$

Answer: a. $(\text{Cost} - \text{Salvage Value}) / \text{Useful Life}$

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

