

OBJECTIVE TYPE QUESTIONS

(A) Which of the following transactions are of financial character and will be recorded in the books?

- (i) Credit purchase of goods.
- (ii) Strike by employees.
- (iii) Goods worth ₹20,000 taken from the business and given by the proprietor to his friend as gift.
- (iv) Withdrawing of money by proprietor from business for personal use.
- (v) Interviewing the candidates for employment.
- (vi) Sale of household furniture for ₹10,000.
- (vii) Payment of school fees of proprietor's son from proprietor's personal bank account.
- (viii) Make promise to send the goods.
- (ix) Receiving an order to send the goods.
- (x) Loss of goods by fire.
- (xi) Value of human resources.

Ans. (i), (iii), (iv) (x)

(B) State whether the following statements are true or false :

- (i) Accounting is the language of business.
- (ii) Accounting is helpful in raising loans.
- (iii) Accounting is not accepted as evidence in legal matters.
- (iv) Management of an enterprise is internal user of its accounting information.
- (v) Accounting makes a record of qualitative aspects of business.
- (vi) Accounting is a service function.
- (vii) Accounting involves only the recording of business transactions.
- (viii) Accounts are prepared on the basis of historical costs.
- (ix) Only those transactions are recorded in accounting which can be expressed in terms of money.
- (x) Book-keeping starts where accounting ends.
- (xi) Creditors are external users of accounting information.
- (xii) A creditor would use an entitie's financial report to determine whether or not credit may be granted to the firm.
- (xiii) Accounting may be affected by window dressing.

Ans. True (i), (ii), (iv), (vi), (vii), (viii), (ix), (xi), (xii), (xiii)

(C) Choose the best Alternate

1. In accounts recording is made of :
- (A) Only Financial Transactions
 - (B) Only Non-financial transactions
 - (C) Financial as well as non-financial transactions
 - (D) Personal transactions of the Proprietor

2. Ghanshyam is a furniture dealer. Which one of the following will not be recorded in his books?
 - (A) Purchase of Timber for ₹50,000
 - (B) Sofa set worth ₹40,000 taken to his home
 - (C) Sale of household furniture for ₹5,000
 - (D) Dining table of ₹30,000 given to his friend as gift
3. Which of the following transactions is not of financial character?
 - (A) Purchase of asset on credit
 - (B) Purchase of asset for cash
 - (C) Withdrawing of money by proprietor from business
 - (D) Strike by Employees
4. Last step of accounting process is :
 - (A) Provide information to various parties who are interested in business enterprise.
 - (B) Record transactions in the books.
 - (C) To make summary in the form of financial statements.
 - (D) To classify the transactions under separate heads in the ledger.
5. Internal users of accounting information are :
 - (A) Potential Investors
 - (B) Creditors
 - (C) Management
 - (D) Employees
6. External users of accounting information are :
 - (A) Researchers
 - (B) Government
 - (C) Potential Investors
 - (D) All of the above
7. External users of accounting information are not :
 - (A) Lenders
 - (B) Officers
 - (C) Employees
 - (D) Public
8. Which of the following is not a limitation of accounting?
 - (A) Based on accounting conventions
 - (B) Evidence in Legal Matters
 - (C) Incomplete Information
 - (D) Omission of Qualitative Informations
9. Which one of the following is not an objective of accounting?
 - (A) To provide information about the assets, liabilities and capital of the enterprise.
 - (B) To provide information about the private assets and liabilities of the proprietor.
 - (C) To maintain records of the business
 - (D) To provide information regarding the profit and loss of the enterprise.
10. If accounting information is based on facts and it is verifiable by documents it has the quality of
 - (A) Relevance
 - (B) Reliability
 - (C) Understandability
 - (D) Comparability
11. Which of the following transactions is of a financial character and will be recorded in the business?
 - (A) Purchase of Timber for ₹50,000
 - (B) Sofa set worth ₹40,000 taken to his home
 - (C) Sale of household furniture for ₹5,000
 - (D) Dining table of ₹30,000 given to his friend as gift

- (A) Goods taken from the business by the proprietor for her personal use
 (B) Interviewing the candidates for employment
 (C) Sale of Household furniture ₹5,000
 (D) Received an order for sales of goods
12. Book-keeping is mainly concerned with :
 (A) Recording of financial data
 (B) Designing the systems of summarising the recorded data
 (C) Interpreting the data for internal and external users
 (D) Preparation of financial statements of the business enterprise
13. Which of the following is not a sub-field of accounting?
 (A) Financial accounting
 (B) Book Keeping
 (C) Management accounting
 (D) Cost Accounting (CA, CPT, June 2012)
14. Which of the following is the most relevant accounting information for taxation authorities?
 (A) Cash Balance of the firm (B) Book Value of the Fixed Assets
 (C) Credit Sales of the year (D) Profit generated during the year
15. Which of the following limitations of accounting states that accounts may be manipulated to conceal vital facts :
 (A) Accounting is not fully exact
 (B) Accounting may lead to window dressing
 (C) Accounting ignores price level changes
 (D) Accounting ignores qualitative elements
- [Ans. 1. (A) 2. (C) 3. (D) 4. (A) 5. (C)
 6. (D) 7. (B) 8. (B) 9. (B) 10. (B)
 11. (A) 12. (A) 13. (B) 14. (D) 15. (B)]

HIGHER ORDER THINKING SKILLS (HOTS) QUESTIONS

- What is the traditional function of Accounting?
- Is the basic objective of Book-keeping to maintain systematic records or to ascertain net results of operations of financial transactions?
 (Chandigarh, 2012)
- Recording of financial transactions and preparing the financial statements are the only objectives of accounting. Do You agree?
- What is the first step of Accounting Process?
- What is the last step of Accounting Process?
- On 1st Jan., 2015, Mr. Vadera was appointed as Marketing Manager of the firm with a salary of ₹50,000 per month. State whether this event will be recorded in the books of accounts.
 (Delhi 2015)
- A firm follows a practice of giving the figures of previous year alongwith the figures of current year. Now the Accountant of the firm wants to discontinue this practice. Do you justify this decision?

8. Give two examples of transactions which are not recorded in accounting.
9. A firm has received a large order to supply the goods. Will it be recorded in the books?
10. Mr. Ganpati, the proprietor of a business, sold his residential house for ₹50 Lac. Will it be recorded in the books of accounts?
11. Miss Priti, an electronic goods dealer, gifted a washing machine valued ₹25,000 to her friend Suruchi. Will it be recorded in the books of accounts?
12. How is accounting influenced by personal judgements?
13. Mr. Vishwanath established a Travel Agency. Over the years the Travel Agency earned high reputation. Mr. Vishwanath considers the value of goodwill of his Travel Agency at ₹50 lac. He wants to record the value of the goodwill in the books of accounts. Can he do so?
14. What is meant by qualitative information?
15. Huge loss occurred due to the strike by employees. Will it be recorded?
16. If the accounting information is not clearly presented, which of the qualitative characteristic of the accounting information is violated?
17. Confidence and trust that the reported information is a reasonable representation of the actual items and events, that have occurred, depicts which qualitative characteristic of accounting information.
18. Which value is most important for a good accountant?
19. The accountant of the firm found an error in the books of accounts but neither he rectified the error nor disclosed it to the management fearing that it will risk his job. Which value has been violated by the accountant?
20. Accounting records business transactions and events which are of financial nature. Do you consider it a limitation of accounting?