

## OBJECTIVE TYPE QUESTIONS

### (1) Fill in the blanks :

- (i) Amount which the proprietor has invested in a business is known as .....
- (ii) Amount which the firm owes to outsiders is known as .....
- (iii) ..... is the cost incurred in producing goods and services.
- (iv) Revenue means the income of a ..... nature.
- (v) The term 'sales' is used only for the sales of ..... and is never used for the sale of .....
- (vi) The persons who still owe some amount to the business are termed as .....
- (vii) The persons to whom money is owing by the firm are termed as .....
- (viii) Assets held for continued use in the business and not meant for resale are termed as .....
- (ix) ..... are those assets which have a physical existence and which can be seen or felt.
- (x) ..... refer to those liabilities which are to be paid normally within one year.

[Ans. : (i) Capital (ii) Liability (iii) Expenses  
(iv) Regular or recurring (v) Goods, Assets (vi) Debtors  
(vii) Creditors (viii) Fixed Assets (ix) Tangible Assets  
(x) Current Liabilities.]

### (2) Classify the following into (i) Assets (ii) Liabilities (iii) Expenses and (iv) Revenues

Sales, Bank balance, Debtors, Bank Overdraft, Creditors, Salary to manager, Discount to debtors, Cost of goods sold

[Ans. : (i) Assets : Bank balance, Debtors  
(ii) Liabilities : Bank overdraft, creditors  
(iii) Expenses : Salary to Manager, Discount to debtors, cost of goods sold.  
(iv) Revenues : Sales.]

### (3) Choose the best Alternate

1. Current Liabilities include :

- (A) Bills Payable (B) Creditors
- (C) Outstanding Expenses (D) All of the above

2. Which of the following is capital expenditure?

- (A) Wages (B) Wages paid for building construction
- (C) Repair expenses of building (D) Advertisement Expenses



1. A person who gives money to the firm is called .....
  - (A) Debtor
  - (B) Creditor
  - (C) Supplier
  - (D) None of these
4. Goods means :
  - (A) Commodity to be bought and sold
  - (B) Commodity to be bought but not to be sold
  - (C) Commodity to be used as an asset
  - (D) All of the above
5. Trade Discount is :
  - (A) Which is allowed at the time of receiving the payment
  - ✓ (B) Which is allowed at the time of sale of goods
  - (C) Which is allowed both at the time of receiving payment and sale of goods
  - (D) Allowed in all of the above
6. Cash Discount is :
  - (A) Which is received at the time of making the payment
  - (B) Which is allowed at the time of sale of goods
  - (C) Which is received at the time of purchase of goods
  - (D) Which is received both at the time of making payment and purchase of goods
7. Current assets do not include :
  - (A) Debtors
  - (B) Motor Car
  - (C) Bank Balance
  - (D) Prepaid Expenses
8. Tangible Assets do not include :
  - (A) Goodwill
  - (B) Furniture
  - (C) Stock
  - (D) Cash
9. Which of the following will be treated as drawings :
  - (A) Withdrawing money for payment of salary to employees
  - (B) Withdrawing money for payment to creditors
  - (C) Withdrawing money from business for private expenses
  - (D) Withdrawing money for purchase of asset
10. Main feature of business transaction is :
  - (A) It involves an economic activity
  - (B) It results in a change in the financial position of the firm
  - (C) Change must be capable of being expressed in terms of money
  - (D) All of the above
11. Current Liabilities do not include :
  - (A) Bills Payable
  - (B) Creditors
  - (C) Outstanding Exp.
  - (D) Debentures
12. Purchases refers to the buying of
  - (A) Stationery for office use
  - (B) Assets for the factory
  - (C) Goods of resale
  - (D) Investment



13. The term sales is used only for the sales of ..... and is never used for the sale of .....

- (A) Assets, Investments (B) Assets, Goods  
(C) Intangible Assets, Goods (D) Goods, Assets

14. Out of the following assets which one is NOT an intangible asset?

- (A) Patents (B) Investments  
(C) Goodwill (D) Trademark (CA-CPT June, 2013)

15. At the end of financial year, during which sale of goods was worth ₹5,00,000, the closing stock is valued at ₹40,000. This is .....

- (A) An event  
(B) A transaction  
(C) Both an event as well as transaction  
(D) None of (A) and (B)

16. Which of the following is the Capital expenditure?

- (A) Wages paid for repair of building  
(B) Wages paid for white washing of building  
(C) Wages paid for construction of building  
(D) Wages paid for cleaning of building

17. Consider the following items :

1. Prepaid Salary 2. Accrued Interest (Receivable)  
3. Loan (Short term) 4. Bank Overdraft

Current Liability would include :

- (A) 1, 2, 3, 4 (B) 2, 3, 4  
(C) 4, 3, 1 (D) 3, 4 (CA-CPT, June 2013)

- [Ans. 1. (D) 2. (B) 3. (A) 4. (A) 5. (B)  
6. (A) 7. (B) 8. (A) 9. (C) 10. (D)  
11. (D) 12. (C) 13. (D) 14. (B) 15. (C)  
16. (C) 17. (D)

## HIGHER ORDER THINKING SKILLS (HOTS) QUESTIONS

- Godrej Ltd. imported from Germany one machinery for sale in India and another machinery for production purpose. Will you treat them goods or fixed assets?
- Mr. Jaspal Singh dealing in electronic goods sold 20 TV sets costing ₹30,000 each at ₹40,000 each. Out of this ₹5,00,000 were received in cash and the balance is not yet received. State the amount of revenue.
- Mr. Dinanath who owed us ₹50,000 became insolvent and paid only 40% of this amount. What is term used for the amount not received?
- Why assets are classified into current and non-current?
- Why receipts are classified into capital and revenue?
- Why expenditure is classified into capital and revenue.
- What is the reason that the capital expenditure is shown in the Balance Sheet?