

FINANCIAL ACCOUNTING

Multiple Choice Questions & Answers

1. The accounts of non-trading concerns are generally maintained according to
 - A. Mercantile accounting system
 - B. Cash accounting system
 - C. Double entry book keeping system
 - D. Single entry systemANSWER: C
2. Depreciation is provided on _____.
 - A. current asset .
 - B. fixed assets.
 - C. fictitious assets.
 - D. investment.ANSWER: B
3. The permanent, continuing and gradual shrinkage in the book value of a fixed asset is called _____.
 - A. depreciation .
 - B. appreciation.
 - C. reduction.
 - D. computation.ANSWER: A
4. Mines, quarries, oilfields and forest are example of _____.
 - A. fixed assets.
 - B. current assets.
 - C. wasting assets.
 - D. intangible assets.ANSWER: C
5. Depreciation applies to _____.
 - A. current assets.
 - B. wasting assets.
 - C. intangible assets.
 - D. fixed assets.ANSWER: D
6. The main source of income for non-trading concern is
 - A. Subscription
 - B. Sales
 - C. Dividend on investment
 - D. entrance feeANSWER: A
7. The control of non-trading concern rest in the hand of
 - A. Directors
 - B. Managing agents
 - C. Governing body
 - D. PromotersANSWER: C
8. The asset account appears in the books at original cost when a _____.
 - A. P & L account is maintained.
 - B. balance sheet is maintained.
 - C. provision for depreciation account is maintained.
 - D. provision for depreciation account is not maintained.ANSWER: C

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9. The value of asset can be reduced to zero under this method _____.
A. straight line method .
B. written down value method.
C. annuity method.
D. depreciation fund method.
ANSWER: A
10. The balance in the asset account will not be reduced to zero under this method _____.
A. straight line method .
B. written down value method.
C. annuity method.
D. depreciation fund method.
ANSWER: B
11. Income tax authorities recognize this method _____.
A. straight line method .
B. written down value method.
C. annuity method.
D. depreciation fund method.
ANSWER: B
12. Deficit balance can be shown in balance sheet as
A. Liability
B. Assets
C. Owner's equity
D. None of above
ANSWER: B
13. If debit side of income and expenditure account is greater it is termed as
A. Excess of income over expenditure
B. Net income
C. Surplus balance
D. Deficit balance
ANSWER: D
14. Under annuity method the amount of depreciation is found out from _____.
A. log tables.
B. sinking fund tables.
C. annuity tables.
D. present value tables.
ANSWER: C
15. Depreciation fund is also called _____.
A. reserve fund.
B. compensation fund.
C. workers fund.
D. sinking fund.
ANSWER: D
16. An advance receipt of subscription from a member of the non-profit organization is considered as an
A. Expense
B. Liability
C. Equity
D. Asset
ANSWER: B