

**110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>**



<http://basiccollegeaccounting.com>

“Dedicated to helping Students & Teachers”

NOTE: 110 Questions & Answers on True Or False on Accounting Basics

ACCOUNTING CONCEPTS & DOUBLE ENTRY SYSTEM		True	False
1.	Accounting Principle is general law or rule followed in the preparation of financial statements		
2.	Usefulness, objectivity and feasibility are the three basic norms generally found in accounting principles		
3.	The entity concept considers the business and the proprietor as distinct from each other		
4.	In accountancy, all business transactions are recorded as having dual aspect		
5.	It is on the basis of going concern concept that the asset are always valued at market value		
6.	Since the life of the business is assumed to be indefinite, the financial statement of the business should be prepare only when it goes into liquidation		
7.	According to money measurement concept, the efficiency of the top management of the business must be clearly recorded in the books of accounts		
8.	According to periodic matching of cost and revenue concept, a business man is not only to measure revenues in a particular accounting period but also has to calculate expenses which can be assigned in earning such revenues		
9.	Cash basis considers the revenue as realized when the goods are produced		
10.	The losses from sale of capital assets need not be deducted from revenue to ascertain the net income		
11.	The convention of disclosure implies that all material information should be disclosed in the accounts		
12.	In keeping with the principle of materiality, important items must be recorded instead of being left out or merged with other items		
13.	The comparison of the results of one accounting period with that in the past is possible when the convention of consistency is adhered to by the business		
14.	The convention of conservation takes into account all prospective profits and		

(Page 1)



110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>

	all prospective losses.		
	SUBSIDIARY BOOKS	True	False
15.	Total of Return Inward Register is credited to Return Inwards Account		
16.	The sale of an old car is recorded in the Sales Register		
17.	Credit Note is the basis for making entry in the Purchase Returns Book		
18.	The Sales Register is a part of the ledge		
19.	Recording the transaction in the subsidiary books is the first step in the accounting cycle.		
20.	The total of the Purchase Register is posted to the debit of the Purchases Account		
21.	Sales Book is also called as Daybook		
22.	Total of the Sales Register is credited to Sales account		
23.	Journal proper is used for recording only those transactions as cannot be recorded in any of the other subsidiary books		
24.	Journal proper is used to record purchase of furniture on credit		
25.	Return Outward Books record goods returned by the customers		
26.	Debit Note informs the supplier that his account has been credited		
27.	The sale of a business asset on credit is recorded in a general journal		
28.	The Cash book record only the cash payments		
29.	The balance of cash book indicates net income		
30.	If a cheque sent for collection is dishonored, the debit is given to customer's account		
31.	If a cheque is issued by us is dishonored, the credit is given to supplier's account		
32.	Discount allowed column appears in debit side of the cash book		
33.	Discount received column appears in the credit side of the cash book		

(Page 2)



110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>

34.	Cash books one of the Subsidiary books		
	BANK RECONCILIATION	True	False
35.	When Bank column of a Cash Book shows a credit balance, it means overdraft or amount due to the bank		
36.	When Pass Book shows a credit balance, it means balance per Pass book or amount due from bank		
37.	When Bank column of a Cash Book shows a debit balance, it means balance per Cash Book		
38.	When Pass book shows a debit balance, it means overdraft as per Pass book		
39.	Bank balance as per Cash book is \$18,500, \$4,500 is entered in the Cash Book and paid into Bank but is not credited by the bank. The Pass book balance is \$14,000 credit		
40.	Bank balance as per Pass Book is \$20,000. Dividend of \$1,000 collected by bank but entered in the Cash Book as \$100. The Cash Book Bank balance is \$19,100 debit		
41.	Overdraft balance as per Pass book is \$11,500. Interest on Overdraft \$350 Debited by Bank but not recorded in the Cash Book. Overdraft Bank balance as per Cash Book is \$11,150 credit		
	Ledger Accounts	True	False
42.	The ledger is the book of original entry		
43.	After posting from journal, each account is balanced off		
	Accounting Errors		
44.	Errors of posting affect one account		
45.	Errors which affect profit and loss relates to nominal account		
46.	Under casting of sales book is an error of casting		
47.	Error of principle will affect Trial Balance		
48.	Repairs to machinery affect Machinery Account		
49.	Compensating errors do not disturb agreement of trial balance		

(Page 3)



110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>

50.	Sales book was under cast by \$3,500. Rectification of this entry will decrease gross profit by \$3,500		
51.	Error of principle involves an incorrect allocation of expenditure or receipts between capital and revenue		
52.	To tally the Trial Balance the difference is put into Suspense Account		
	FINAL ACCOUNTS	True	False
53.	The income statement shows either net profit or net loss for a particular period		
54.	Gains from the sale or exchange of assets are not considered as the revenue of the business		
55.	The salary paid in advance is not an expense because it neither reduces assets or nor increase liabilities		
56.	A loss is an expenditure which does not bring any benefit to the concern		
57.	All liabilities which become due for payment in one year are classified as long term liabilities		
58.	The term current asset is used to designate cash and other assets or resources which are reasonably expected to be realized or sold or consumed within one year		
59.	An asset gives rise to expenditure when it is acquired and to an expense when it is consumed		
60.	If the balance of an account on the debit side of the trial balance where the benefit has already expired then it is treated as an expense		
61.	Sales less cost of good sold = gross profit		
62.	If the debit side of the trading account exceeds its credit side then the balance is termed as gross profit		
63.	The provision for bad debts is debited to Sundry Debtors Account		
64.	The provision for discount on creditors is often not provided in keeping with the principle of conservatism		
65.	Stock at the end does not appear in the Trial balance. In case it appears in the Trial balance, the amount of purchases in the Trial balance is reduced		
66.	The debts written off as bad, if recovered subsequently are credited to Debtors		

(Page 4)



110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>

	Account		
67.	The adjustment entry in respect of income received in advance is debit Income received in advance account and credit income account		
68.	Premium paid on the life policy of a partner is debited to profit and loss account		
69.	Depreciation account appear in the trial balance is taken only to profit and loss account		
70.	Private purchases included in the purchases day book are added to the sales account in the Trading account		
71.	Medicines given to the office staff by a manufacturer of medicines will be debited to salaries account		
72.	The expression-depreciation at 5% and 5% per annum carry the same meaning		
	DEPRECIATION	True	False
73.	The concept of depreciation occupies a significant place in the determination of income and in the measurement of service potential of assets		
74.	Depreciation is charged on all assets		
75.	Depreciation is charged on continuous basis		
76.	Depreciation is calculated generally on the market value of fixed assets		
77.	Depreciation should be provided only where there is profit in a financial year		
78.	Providing depreciation in the accounts reduces the amount of profits available for dividend		
79.	Fixed assets are stated in the balance sheet at their written down value		
80.	The expression-depreciation is to be charged at 15% per annum and 15% on machinery carries the same meaning		
81.	Depreciation should be calculated on market value if it is higher than the cost		
82.	Depreciation charge is necessary to calculate the true cost of production		
83.	Depreciation is a non-cash item		

(Page 5)



110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>

84.	Depreciation is a visible expense charged to profit and loss account		
85.	Depreciation accounting is a process of allocation and not of valuation		
86.	There is no difference between the Written Down Value Method and Diminishing Balance Method Of Depreciation		
87.	Higher depreciation will not affect cash profit of the business		
88.	Depreciation cannot be provided in case of loss in a financial year		
89.	The company did not provide any depreciation on plant and machinery as its market value is much higher than the cost of purchase		
90.	Providing depreciation ensures sufficient cash for asset replacement		
91.	Reducing balance method of depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together		
92.	Depreciation is an amortized expenditure		
	SINGLE ENTRY SYSTEM / INCOMPLETE RECORDS	True	False
93	While calculating the figure for credit purchases the balance of bills payable account should be taken to the creditors account		
94	Books according to single entry system can be kept even by Joint Stock companies		
95	If the rate of Gross profit is $\frac{1}{4}$ th of the cost and the amount of the sales is \$200,000 then the amount of gross profit will be equal to \$40,000		
95	The opening balance of creditors can be located either by preparing creditors account or opening balance sheet		
96	Net profit is equal to capital at the end + drawings + fresh capital introduced – capital in the beginning		
	PARTNERSHIP	True	False
97	Interest on capital is always calculated on the capital balance of the partners at the end		
98	Interest on drawings is income for partnership firm		

(Page 6)



**110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>**

99	When the capitals of the partners are required to be fixed then any adjustment regarding interests on capital, salary to partners are all done through current accounts		
100	Capital at the end – net profit + drawings = Capital in the beginning		
	INTERPRETATION OF FINANCIAL STATEMENTS	True	False
101	There is no difference between the return on total assets ratio and return on sales ratio		
102	Average debtors are calculated by dividing the sum of debtors in the beginning and at the end by 2		
103	Gross profit ratio means the ratio of gross profit to net sales		
104	The profitability ratios includes only profit ratios and having nothing to do with sales and expense ratios		
105	Expenses ratios reflect the profit earning capacity of the concern		
106	Acid test ratio is equal to quick current assets divided by current liabilities		
107	Return on total assets ratio is obtained by dividing net income before preferential dividend by total assets		
108	The return of net worth ratio is obtained by dividing the net profit by proprietors fund		
109	Return on equity capital ratio is calculated by divided net income minus preferred dividend by equity capital		
110	Undercapitalization is indicated by low current ratio		



**110 Questions(with Answers) On Accounting Basics
FREE E-book from <http://basiccollegeaccounting.com>**

Answers Sheet

(T=True and F=False)

No		No		No		No		No		No	
1.	T	21.	T	41.	T	61.	T	81.	F	101	F
2.	T	22.	T	42.	F	62.	F	82.	T	102	T
3.	T	23.	T	43.	T	63.	F	83.	T	103	T
4.	T	24.	T	44.	T	64.	T	84.	F	104	F
5.	F	25.	T	45.	T	65.	T	85.	T	105	T
6.	F	26.	T	46.	T	66.	F	86.	F	106	T
7.	F	27.	T	47.	F	67.	F	87.	T	107	T
8.	T	28.	F	48.	F	68.	T	88.	F	108	T
9.	F	29.	F	49.	T	69.	T	89.	F	109	T
0.	F	30.	T	50.	F	70.	F	90.	T	110	T
11	T	31.	T	51.	T	71.	T	91.	T		
12	T	32.	T	52.	T	72.	F	92.	T		
13	T	33.	T	53.	T	73.	T	93.	T		
14	T	34.	T	54.	F	74.	F	94.	F		
15	F	35.	T	55.	T	75.	T	95.	T		
16	F	36.	T	56.	T	76.	F	96.	F		
17	F	37.	T	57.	F	77.	F	97.	F		
18	F	38.	T	58.	T	78.	T	98.	T		
19	T	39.	T	59.	T	79.	T	99.	T		
20	T	40.	T	60.	T	80.	F	100.	T		

(Page 8)



(Page 9)

