

Accounting MCQs 1-50

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GAT Subject Management Sciences Accounting MCQs (1-50)

1. Which of the following statement is true?
 - (a) The director of a company is liable for any losses of the company
 - (b) Sole trader business is owned by share holder and operated by the proprietor
 - (c) Partner is liable for losses in a partnership in proportion to their share ratio
 - (d) **A company is run by a director on behalf of its member**
2. A work sheet provides total information for preparing
 - (a) Income statement
 - (b) Balance sheet
 - (c) **Financial statement**
 - (d) Adjusting entries
3. Which of the following is not a long-term liability?
 - (a) Accounts payable (for payables due in more than one year)
 - (b) **Bank overdrafts**
 - (c) Bank borrowings reimbursable in more than one year
 - (d) Bonds
4. Bank statement also called
 - (a) **Pass book**
 - (b) Cash book
 - (c) Credit book
 - (d) Debit book
5. In cash book bank charges recorded
 - (a) Debit side
 - (b) **Credit side**
 - (c) both a & b
 - (d) Non of them
6. Which of the following is not a current asset?
 - (a) Accounts receivable
 - (b) Inventory of finished products
 - (c) Inventory of raw materials
 - (d) **Land**
7. Which of the following transaction would have no impact on Gross Profit?
 - (a) Carriage in
 - (b) Wages
 - (c) **Wages outstanding**
 - (d) Loss by fire
8. Closing stock effect which accounts
 - (a) Adjustment Trial balance and Income statement
 - (b) Income statement and Trading account
 - (c) **Trading account and Balance sheet**
 - (d) Adjustment Trial balance and Trading account
9. Which of the following is recorded under Long Term Liabilities section of the Balance Sheet?
 - (a) Creditors
 - (b) Provision for Taxation
 - (c) Dividend Payable
 - (d) **Bonds**
10. A contra assets account shows as a deduction from the related assets account in the balance sheet.
 - (a) Assets Account
 - (b) **Accumulated Depreciation**
 - (c) Expense Account
 - (d) Revenue Account
11. When all the items relating to revenue and expense have been recorded in the income statement than ultimate result
 - (a) **Net Income/Net Loss**
 - (b) Resource valuation
 - (c) Claim valuation
 - (d) None
12. The Accrued Expenses which are Shown in the Worksheet and balance Sheet under the head of
 - (a) Current Assets
 - (b) Current Equity
 - (c) **Current Liability**
 - (d) Current Expenses
13. Direct expenses are
 - (a) Carriage inward
 - (b) Carriage outward
 - (c) Wages
 - (d) **Both a & c**
14. Liabilities are
 - (a) Equal to the sum of assets plus owner's equity
 - (b) Created when stockholder contributed cash to company by stock exchanges
 - (c) **Obligation of the entity to outsiders**
 - (d) All of above are correct

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15. When do revenues affect net income?
- (a) **In the period during which they are earned**
(b) In the period in which their cash equivalent is collected (c) Both a and b (d) Neither a nor b
16. Which of the following statements is true?
- (a) **The balance sheet, the income statement and the cash flow statement are totally linked**
(b) There are links only between the balance sheet and the cash flow statement
(c) There is no link between the balance sheet, the income statement and the cash flow statement
(d) There are links only between the income statement and the cash flow statement
17. What is the final stage of the accounting process?
- (a) Journal (b) **Financial statement** (c) Ledger (d) Trial balance
18. Which of the following does not describe accounting?
- (a) Language of business (b) Useful for decision making
(c) **Is an end rather than a mean to an end?**
(d) Used by business, government, non-profit organizations and individuals
19. AAA stands for
- (a) American accounting agency (b) **American accounting association**
(c) Asian accounting association (d) Australian accounting association
20. Double entry book-keeping was fathered by
- (a) F. W. Taylor (b) Jones (c) Henry Fayol (d) **L. Pacioli**
21. Which one of the following statement completely and correctly describe accounting
- (a) **Recording, classifying and summarizing economic activities in systematic way**
(b) Recording, classifying and summarizing all activities in useful manner
(c) Accounting is the systematic process of recording social activities only
(d) Recording, classifying and summarizing economic activities in informal manner
22. Which of the following would not be considered a component of 'cost' of Goods Sold?
- (a) **Sales force Salaries** (b) Transportation for purchase
(c) Import duties or raw material (d) Factory electricity expense
23. The accountant's worksheet:
- (a) **Lays the groundwork for formal financial statement preparation**
(b) Is a fundamental financial statement
(c) Provides details necessary for full disclosure and the preparation of footnotes
(d) Is prepared at the end of each operating cycle
24. Work sheet signify
- (a) **A complete sketch of business activities** (b) Information about assts and liabilities
(c) Adjusting entries as closed of period (d) None of above
25. To arrive at the Gross profit of a Trading business, which one of the following formula is applied?
- (a) Sales - (Opening Stock - Purchases - Closing Stock) (b) Sales - (Opening Stock + Purchases + Closing Stock)
(c) **Sales - (Opening Stock + Purchases - Closing Stock)** (d) Sales - (Opening Stock - Purchases + Closing Stock)
26. Amount of profit on revenue after deducting the direct cost of making the goods or supplying the services is called
- (a) **Gross profit** (b) Cost of sales (c) Expenses (d) Net profit

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27. Consider the following

Sales	\$80,000
Beginning merchandise inventory	\$10,000
Purchases	\$45,000
Cost of goods sold	\$50,000

Determine the value of the ending merchandise inventory

- (a) \$ 10,000 (b) \$ 15,000 (c) \$ **5,000** (d) \$ 25,000
28. Cost of Goods sold is classified as which type of account
 (a) Asset (b) Liability (c) Revenue (d) **Expense**
29. Which of the following is a financial asset?
 (a) Inventories (b) Equipment (c) **Marketable Securities** (d) Leasehold land
30. A business started its financial period with 100 bicycles and then bought 600 bicycles during the period. The cost of 50 bicycles was owing to creditors at the end of the period. It sold 500 bicycles during the financial period, but customers have paid for only 400. Each bicycle was bought for £100 and sold for £150. What is the value of sales to be included in the firm's profit and loss account for the period?
 (a) £40,000 (b) £60,000 (c) £50,000 (d) **£75,000**
31. Cost of finished goods inventory is calculated by
 (a) **Multiplying units of finished goods inventory with the cost per unit**
 (b) Dividing units of finished goods inventory with the cost per unit
 (c) Dividing per unit cost with finished goods inventory (d) Deducting total cost from finished goods inventory
32. An organization sold units 2,000 and has closing finished goods 500 units and opening finished goods units were 300. The quantity of unit produced would be
 (a) 7,500 units (b) 4,500 units (c) 8,500 units (d) **2,200 units**
33. Increase in material Inventory means:
 (a) **The ending inventory is greater than opening inventory**
 (b) The ending inventory is less than opening inventory
 (c) Both ending and opening inventories are equal (d) Can not be determined
34. Conversion cost = Direct labor + _____
 (a) Labor (b) **F.O.H** (c) Material (d) Non of these
35. Direct expenses are such expenses
 (a) Which are directly paid to the employee (b) **Which are directly associated with the purchase**
 (c) Which are directly associated with the sale (d) All of above
36. Selling expenses are shown in
 (a) Cost of Goods sold (b) **Profit and loss account**
 (c) Manufacturing account (d) Profit and loss appropriation account
37. A top dress designer misjudged the fashion market, and has an unsold stock of 100 silk dresses which normally sell for Rs. 500 each. They cost the business Rs. 200 each to make, but can now only be sold for Rs.100 each. What is the valuation per dress for the purposes of the asset valuation in the balance sheet?
 (a) Rs. 200 (b) Rs. 500 (c) **Rs. 100** (d) None

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38. Which of the following is true regarding the income statement?
- (a) **The income statement is sometimes called the statement of operations**
 - (b) The income statement reports revenues, expenses, and liabilities
 - (c) The income statement reports only revenue at the point of sale
 - (d) It shows financial position of a business at a particular period of time
39. The specific cost of the workforce used to produce a product such cost is called
- (a) **Direct labor cost**
 - (b) Direct material cost
 - (c) Other than production cost
 - (d) Non of above
40. Loss obtained by the business is written in work sheet on
- (a) **Assets side of Balance sheet**
 - (b) Liability side of Balance Sheet
 - (c) Plus in Equity side of Balance sheet
 - (d) b and c
41. Retain earning increased when the corporation has a
- (a) **Profit**
 - (b) Loss
 - (c) No profit, No loss
 - (d) None of them
42. A company has, by the end of its financial period, paid out more Value Added Tax than it has received. How would this be shown in the balance sheet?
- (a) As an accrual
 - (b) **As a debtor within current assets**
 - (c) As a 'creditor due within one year'
 - (d) As a 'creditor due after more than one year'
43. The controller's responsibilities are primarily in nature, while the treasurer's responsibilities are primarily related to
- (a) Operational; Financial accounting
 - (b) Financial management; Accounting
 - (c) Financial management; Operations
 - (d) **Accounting; Financial management**
44. The outcome of financial accounting is to
- (a) Record all transactions in the books of accounts
 - (b) Provide management with detailed analyses of costs
 - (c) **Present the financial results to the organization by means of recognized statements**
 - (d) Calculate profit
45. The Maximum number of Banking Partners in Pakistan can be fixed at the following
- (a) **10**
 - (b) 20
 - (c) 50
 - (d) No Limit
46. The focal point of financial management in a firm is
- (a) The number and types of products or services provided by the firm
 - (b) The minimization of the amount of taxes paid by the firm
 - (c) **The creation of value for shareholders**
 - (d) The dollars profits earned by the firm
47. Which of the following is not a user of Management Accounting Information?
- (a) Store Manager
 - (b) Chief Executive Officer
 - (c) **Creditor**
 - (d) Chief Financial Officer
48. Which of the following is a benefit of the corporate form of business
- (a) Rising large amount of capital is easier
 - (b) Ownerships are easily transferrable
 - (c) Limited liability of the shareholders/stockholders
 - (d) **All of the above**
49. Company with single taxation is called
- (a) LLP
 - (b) **S-Type**
 - (c) Joint Stock Company
 - (d) PC
50. In general, the asset side of the balance sheet is designed to summarize balance sheet accounts with
- (a) Credit balances
 - (b) **Debit balances**
 - (c) Neither a. nor b
 - (d) Both a and b