Top Accounting Interview Questions with Answers [Updated]

Are you looking for commonly asked accounting interview questions for an upcoming interview? There is a lot of competition in the job market nowadays for the position of accounting and you need to be well-prepared. This article will list some of the common accounting interview questions along with answers to help you ace it.

Accounting is an important part of any organization and they usually hire someone who has good knowledge in the field. It is popularly known as the language of business and is core to the growth of an organization. If you want, you can improve your skills with a professional accounting certification.

Interviewers are likely to cover all the basics of accounting interview questions which require a thorough understanding of accounting principles to answers correctly.

Here are some of the top accounting interview questions which are generally expected:

Q1. How many types of business transactions are there in accounting?

Ans. There are two types of business transactions in accounting – revenue and capital.

Q2. Explain real and nominal accounts with examples.

Ans. A real account is an account of assets and liabilities. E.g. land account, building account, etc.

A nominal account is an account of income and expenses. E.g. salary account, wages account, etc.

Q3. Which accounting platforms have you worked on? Which one do you prefer the most?

Ans. Describe the accounting platforms (QuickBooks, Microsoft Dynamic GP, etc.) that you have worked with and which one you liked the most.

Q4. What is double-entry bookkeeping? What are the rules associated with it?

Ans. Double-entry bookkeeping is an accounting principle where every debit has a corresponding credit. Thus, the total debit amount is always equal to the total credit. In this system, when one account is debited then another account gets credited at the same time.

Q5. What is working capital?

Ans. Working capital is calculated as current assets minus current liabilities, which is used in day-to-day trading.

Q6. How do you maintain accounting accuracy?

Ans. Maintaining the accuracy of an organisation's accounting is an important activity as it can result in a huge loss. There are various tools and resources which can be used to limit the potential for errors to creep in and address quickly if any errors do arise.

Q7. What is TDS? Where do you show TDS on a balance sheet?

Ans. TDS (Tax Deducted at Source) is a concept aimed at collecting tax at every source of income. In a balance sheet, it is shown in the assets section, right after the head current asset.

Q8. What is the difference between 'accounts payable (AP)' and 'accounts receivable (AR)'?

Ans.

Accounts Payable	Accounts Receivable
The amount a company owes because it purchased goods or services on credit from a vendor or supplier.	The amount a company has the right to collect because it sold goods or services on credit to a customer.
Accounts payable are liabilities.	Accounts receivable are assets.

Q9. What is the difference between a trial balance and a balance sheet?

Ans. A trial balance is the list of all balances in a ledger account and is used to check the arithmetical accuracy in recording and posting. A balance sheet, on the other hand, is a statement that shows the assets, liabilities, and equity of a company and is used to ascertain its financial position on a particular date.

Q10. Is it possible for a company to show positive cash flows and still be in grave trouble?

Ans. Yes, if it shows an unsustainable improvement in working capital and involves a lack of revenue going forward in the pipeline.

Q11. What are the common errors in accounting?

Ans. The common errors in accounting are – errors of omission, errors of commission, errors of principle, and compensating error.

Q12. What is the difference between inactive and dormant accounts?

Ans. Inactive accounts are which are closed and will not be used in the future. Dormant accounts are not currently functional but may be used in the future.

Q13. Are you familiar with the Accounting Standards? How many accounting standards are there in India? [Frequently asked accounting interview question]

Ans. There are currently 41 Accounting Standards which are usually issued by the Accounting Standards Board (ASB).

Q14. Why do you think Accounting Standards are mandatory?

Ans. Accounting Standards play an important role in preparing a good and accurate financial report. It ensures reliability and relevance in financial reports.

Check Out >> IFRS vs GAAP: Which is suited for you?

Q15. Have you ever helped your company to save money or use their available financial resources effectively?

Ans. Explain if you have proposed an idea which has affected the company's finances positively. Tell how you have optimized the process and how you came to such a decision through historical data review.

Q16. If our organisation has three bank accounts for processing payments, what is the minimum number of ledgers it needs?

Ans. Three ledgers for each account for proper accounting and reconciliation processes.

Q17. What are some of the ways to estimate bad debts?

Ans. Some of the popular ways of estimating bad debts are – the percentage of outstanding accounts, aging analysis, and percentage of credit sales.

Q18. What is deferred tax liability?

Ans. Deferred tax liability signifies that a company may pay more tax in the future due to current transactions.

Q19. What is a deferred tax asset and how is the value created?

Ans. A deferred tax asset is when the tax amount has been paid or has been carried forward but has still not been recognized in the income statement. The value is created by taking the difference between the book income and the taxable income

Q20. What is the equation for Acid-Test Ratio in accounting?

Ans. The equation for Acid-Test Ratio in accounting

Acid-Test Ratio = (Current assets – Inventory) / Current Liabilities

Q21. What are the popular accounting applications?

Ans. I am familiar with accounting apps like CGram Software, Financial Force, Microsoft Accounting Professional, Microsoft Dynamics AX, and Microsoft Small Business Financials.

Q22. Which accounting application you like the most and why?

Ans. I find Microsoft Accounting Professional the best as it offers reliable and fast processing of accounting transactions, thereby saving time and increasing proficiency.

Q23. Tell me something about GST.

Ans. GST is the acronym for Goods and Service Tax and it is an indirect tax other than the income tax. The seller charges it to the customer on the value of the service or product sold. The seller then deposits the GST to the government.

Q24. What is a bank reconciliation statement?

Ans. A bank reconciliation statement or BRS is a form that allows individuals to compare their personal bank account records to that of the bank. BRS is prepared when the passbook balance differs from the cashbook balance.

Q25. What is tally accounting?

Ans. It is accounting software used by small businesses and shops to manage routine accounting transactions.

Q26. What are fictitious assets?

Ans. Fictitious assets are intangible assets and their benefit is derived over a longer period, for example, goodwill, rights, deferred revenue expenditure, miscellaneous expenses, preliminary expenses, and accumulated loss, among others.

Q27. Can you explain the basic accounting equation?

Ans. Yes, since we know that accounting is all about assets, liabilities, and capital. Hence, its equation can be summarized as:

Assets = Liabilities + Owners Equity.

Q28. What are the different branches of accounting?

Ans. There are three branches of accounting –

- Financial Accounting
- Management Accounting
- Cost Accounting

Q29. What is the meaning of purchase return in accounting?

Ans. As the name suggests, purchase return is a transaction where the buyer of merchandise, inventory or fixed assets returns these defective or unsatisfactory products back to the seller.

Q30. What is retail banking?

Ans. Retail banking or consumer banking involves a retail client, where individual customers use local branches of larger commercial banks.

Q31. What is off set accounting?

Ans. Offset accounting is a process of cancelling an accounting entry with an equal but opposite entry. It decreases the net amount of another account to create a net balance.

Q32. What are the trade bills?

Ans. These are the bills generated against each transaction. It is a part of the documentation procedure for all types of transactions.

Q33. What is fair value accounting?

Ans. As per fair value accounting, a company has to show the value of all of its assets in terms of price on the balance sheet on which that asset can be sold.

Q34. What happens to the cash, which is collected from the customers but not recorded as revenue?

Ans. It goes into "Deferred Revenue" on the balance sheet as a liability if no revenue has been earned yet.

Q35. Why did you choose 'accounting' as a career?

Ans. This could be a tricky accounting interview question so you can answer like – "I was good at numbers and accounting since my school days, but it was during my 10+2; I decided to adopt this field as a profession and did Bachelor's and then Master's in Accounting."

Q36. What is an MIS report, have you prepared any?

Ans. Yes, I have prepared MIS reports. It is an acronym for Management Information System, and this report is generated to identify the efficiency of any department of a company.

Q37. What do you mean by the company's payable cycle?

Ans. It is the time required by the company to pay all its account payables.

Q38. What is Scrap Value in accounting?

Ans. Scrap Value is the residual value of an asset that any asset holds after its estimated lifetime.

Q39. Which account is responsible for interest payable?

Ans. Current liability account is responsible for interest payable.

Prepare for Top Financial Analyst Interview Questions

Q40. What is the departmental accounting system?

Ans. It is a type of accounting information system that records all the financial information and activities of the department. This financial information can be used to check the profitability and efficiency of every department.

Q41. What is a perpetual inventory system?

Ans. Perpetual inventory is a methodology that involves recording the sale or purchase of inventory immediately using enterprise asset management software and computerized point-of-sale systems.

Q42. What do you mean when you say that you have negative working capital?

When a company's current liabilities exceed its current assets, it is named as negative working capital. It is a common terminology in certain industries like retail and restaurant businesses.

Q43. What are the major constraints that can hamper relevant and reliable financial statements?

Ans.

1. Delay, which leads to irrelevant information
2. No balance between costs and benefits
3. No balance between the qualitative characteristics
4. No clarity in true and fair view presentation

Q44. Tell me the golden rules of accounting, just mention the statements.

Ans. There are three golden rules of accounting –

- Debit the receiver, credit the giver
- Debit what comes in, credit what goes out
- Debit all expenses and losses, credit all incomes and gains

Q45. Please elaborate, what this statement means – "Debit the Receiver, Credit the Giver".

Ans. So, this is among the most frequently asked accounting interview questions. Your reply should be –

This principle is used in the case of personal accounts. If a person is giving any amount either in cash or by cheque to an organization, it becomes an inflow and thus that person must be credited in the books of accounts. Therefore, when an organization received the money or cheque, it needs to credit the person who is paying and debit the organization.

Q46. Any idea what is ICAI?

Ans. Of course, it is the abbreviation of the Institute of Chartered Accountants in India.

Q47. What do you mean by premises?

Ans. Premises refer to fixed assets presented on a balance sheet.

Q48. What is Executive Accounting?

Ans. Executive Accounting is specifically designed for service-based businesses. This term is popular in finance, advertising and public relations businesses.

Q49. What are the bills receivable?

Ans. Bills receivable are the proceeds or payments, which a merchant or a company will be receiving from its customers.

When replying to **accounting interview questions,** be very specific and don't speak up generic stuff.

Q50. Define Balancing.

Ans. Balancing means equating or balancing both debit and credit sides of a T-account.

Time For Accounting Interview Question Quiz

Which among the below states liabilities and assets of the company at certain point?

1. Worksheet
2. Record Sheet
3. Balance Sheet
4. Account Sheet

Ans. Balance Sheet

The right answer is the balance sheet.

If inventory goes up by Rs. 10,000 what will happen to the income statement?

1. Income statement will be impacted
2. Income statement will be impacted

Ans. Option 2
(Inventory will impact balance sheet and cash flow statements and not income statement)

The right answer is the 2nd option – the income statement will be impacted.

Operating cost – Operating Expenses = ?

1. Net Profit
2. Operating Profit
3. Cost of Revenue from Operations
4. Gross Profit

Ans. Cost of revenue from operations

If you can choose just one statement to review a company's overall health, which one will you choose?

1. Income statement
2. Cash flow statement

Ans. Cash Flow Statement
(It points how much cash the company is generating. However all the three statements gives the full picture of the company's health)

The right answer is -Cash flow statement.

Which among the below is not the solvency ratio?

1. Total Assets to Debt Ratio
2. Proprietary Ratio
3. Quick Ratio
4. Debt equity ratio

Ans. Quick Ratio
(Quick ratio only tells the company's ability to meet short term hence it is not known as solvency ratio)

The right option is the Quick Ratio.

Q51. What is Marginal Cost?

Ans. If there is an increase in the number of units produced, the total cost of output is changed. Marginal cost is that change in the cost of an additional unit of output.

Q52. What are Trade Bills?

Ans. Every transaction is documented and the trade bills are those documents, generated against each transaction.

Q53. Can you define the term Material Facts?

Ans. Yes, these are the documents such as vouchers, bills, debit and credit notes, or receipts, etc. They serve as the base of every account book.

Q54. What are the different stages of the Double Entry System?

Ans. There are three different stages of the double-entry system, which are –

- Recording transactions in the accounting systems
- Preparing a trial balance in respective ledger accounts

- Preparing final documents and closing the books of accounts

Q55. What are the disadvantages of a Double Entry System?

Ans.

- Difficult to find the errors, especially when transactions are recorded in the books
- In case of any error, extensive clerical labour is required
- You can't disclose all the information of a transaction, which is not properly recorded in the journal

Q56. What is Assets Minus Liabilities?

Ans. It stands for an owner's or a stockholder's equity.

Q57. What is GAAP?

Ans. GAAP is the abbreviation for Generally Accepted Accounting Principles (GAAP) issued by the Institute of Chartered Accountants of India (ICAI) and the provisions of the Companies Act, 1956. It is a cluster of accounting standards and common industry usage, and it is used by organizations to:

- Record their financial information properly
- Summarize accounting records into financial statements
- Disclose information whenever required

Q58. Can you tell me some examples of liability accounts?

Ans. Some popular examples of liability accounts are –

- Accounts Payable
- Accrued Expenses
- Bonds Payable
- Customer Deposits
- Income Taxes Payable
- Instalment Loans Payable
- Interest Payable
- Lawsuits Payable
- Mortgage Loans Payable

- Notes Payable
- Salaries Payable
- Warranty Liability

Q59. What is the difference between accounts receivable and deferred revenue?

Ans. Accounts receivable is yet-to-be received cash from products or services that are already sold/delivered to customers, whereas, deferred revenue is the cash received from customers for services or goods not yet delivered.

Q60. Where should you record a cash discount in a journal entry?

Ans. A cash discount should be recorded as a reduction of expenses in a cash account.

Q 61. What is compound journal entry?

Ans. A compound journal entry is just like other accounting entries; the only difference is that it affects more than two account heads. The compound journal entry has one debit, more than one credits, or more than one of both debits and credits.

Q 62. What is the dual aspect term?

Ans. The dual aspect suggests that every business transaction requires double-entry bookkeeping. This can be understood with the example- If you purchase anything, you give the cash and receive the stuff, and when you sell anything, you lose the stuff and earn the money. This defines the aspects of every transaction.

Q 63. What is retail banking?

Ans. Retain banking is also known as consumer banking, where individuals use the local branches of larger commercial banks.

Q 64. Define depreciation.

Ans. Depreciation refers to the decreasing value of any asset that is in use.

Q 65. What are the different types of depreciation?

Ans. Depreciation is of two types –

1. Straight Line Method
2. Written Down Value Method

Q 66. What is the difference between the consignor and consignee?

Ans. Consigner – S/he is the shipper of the goods

Ans. Consignee – S/he is the recipient of the goods.

Q 67. Define Partitioning.

Ans. Partitioning refers to the division/subdivision/grouping/regrouping of financial transactions in a given financial year.

Q 68. Differentiate between Provision and Reserve.

Ans.

Provisions – This refers to keeping the money for a given liability. In short, EXPENSES.

Reserves – Refers to retaining some amount from the profit for future use. In short, PROFITS.

Q 69. What is an over accrual?

Ans. It is a situation where the estimate for accrual journal entry is very high, and this may apply to the accrual of revenue or expense.

Q 70. What is reversing journal entries?

Ans. Reversing entries refer to the journal entries that are made when an accounting period starts. These entries reverse or cancel the adjusting journal entries that were made at the end of the previous accounting period.

Q 71. Name some intangible assets.

Ans. Intangible assets include –

- Patents
- Copyrights
- Trademarks
- Brand names
- Domain names

Q 72. What is Bad debt expense?

Ans. Bad debts expense is asset accounts receivable of a company and is considered to be uncollectible accounts expense or doubtful accounts expense.

Q 73. When do you capitalize rather than expense a purchase?

Ans. An item's cost is capitalized is it is expected to be consumed by the company over a long period. This way their economic value does not depreciate.

Q 74. When does goodwill increase?

Ans. Goodwill can be increased through the acquisition of another company as a subsidiary, by paying more than the fair value of its tangible and intangible assets.

Q 75. What are Revenue Recognition and Matching Principles?

Ans. Revenue Recognition Principle – This principle suggests that the revenue should be recognized and recorded when it is realized and earned, no matter when the amount has been paid.

Matching Principle – This principle dictates the companies to report an expense on its income statement the time the related revenues are earned. It is associated with the accrual basis of accounting.

Q 76. Name different accounting concepts.

Ans. The most popular accounting concepts are –

- Accounting Period Concept
- Business Entity Concept
- Cost Concept
- Dual Aspect Concept
- Going Concern Concept
- Matching Concept
- Money Measurement Concept

Q 77. What is the owner's equity?

Ans. The owner's equity is a business owner's claim against the assets of the business. It is also called the capital of the business and is calculated by subtracting equity of creditors from the total equity.

Q 78. What is a debit note?

Ans. Debit note or debit memorandum is a commercial document sent to a seller, by a buyer, formally requesting a credit note. The original document is sent to the party to whom the goods are being returned and the duplicate copy is kept for office record.

Q 79. What is a credit note?

Ans. A credit note is a receipt given to a buyer who has returned a product, by the seller/shop. This intimation suggests that the buyer's account is being credited for the purpose indicated.

Q 80. Explain Contingent Liabilities.

Ans. Contingent Liabilities are potential obligations that may or may not become an actual liability. They may or may not be incurred by an entity, based on the outcome of an uncertain future event, e.g. – If an ex-employee of an ABC company sues it for gender discrimination for any particular sum, the company has a contingent liability. In case the company is found guilty, it will have a liability, and if it is not found guilty, the company will not have an actual liability.

Q 81. What is GST?

Ans. GST or Goods and Service Tax is an indirect tax charged on the value of the service or product sold to a customer. Here the consumers pay the tax to the seller, who thereby deposits the GST to the government.

Q 82. Can you name some common errors in accounting?

Ans. Some common accounting errors are –

- Error of omission
- Error of commission
- Error of original entry
- Error of accounting principle
- Compensating error
- Error of entry reversal
- Error of duplication

Q 83. What is project implementation?

Ans. Project implementation is a phase when the plans and visions come into reality. This includes carrying out the tasks to deliver the outputs and monitor the related progress.

Q 84. What are the various stages of project implementation?

Ans. There are six steps involved in project implementation, which are –

- Identifying need
- Generating and screening ideas
- Conducting a feasibility study
- Developing the project
- Implementing the project
- Controlling the project

Q 85. Are you in favour of having accounting standards?

Ans. I believe that accounting standards contribute to high quality and accurate reporting and ensure reliable financial statements.

Q86. What do you mean by Amortization and also mention its journal entry?

Ans. Amortization is an accounting concept that is used to gradually write off the cost. Through amortization, over a period of time, one can allocate the cost of any intangible asset. Also, it can be done to repay any loan principal. However, those assets which have an indefinite life like Goodwill can not be amortized.

Below is the journal entry for amortization:

	Debit	**Credit**
Amortization expense	x~xx	
Accumulated amortization		xxx

The concept of amortization in accounting is different from depreciation. The major point of difference between amortization and depreciation is their usage. Amortization works for intangible assets whereas depreciation works for tangible assets. Also, unlike depreciation, amortization has no salvage value. Another key difference between both is that depreciation can be implemented using both the straight-line method and accelerated method but amortization is implemented through the straight-line method.

Using the below transactions solve the practical accounting questions:

Firm's Name – ABC Ltd. which is 10 years old firm on December 31, 2018. As on January 01, 2019, below are the trial balance entries

Transactions/entries	**Amount in INR**
Accounts Payable	50,000
Accounts Receivable	20,000
Cash	4,50,000
Merchandise inventory	6,620

Land	60,000
Unearned revenue	10,000
Salaries payable	32,000
Common Stocks	15,000
Prepaid Rent for Office	15,000
Supplies	20,000
Retained Earnings	25,000

Later other transactions which took place in 2019 are:

1.
    1. Paid salaries payable from 2018.
    2. As of March 2019, the petty cash expense made was Rs 10,000.
    3. Advanced payment made for the company's car which was on lease Rs, 1,00,000 on May 1, 2019.
    4. Paid office rent in advance Rs. 25,000 on May 3, 2019.
    5. Supplies purchased for Rs. 10,000 on the account.
    6. During the year, purchased 20 CCTV cameras for Rs. 20,000 for cash.
    7. Sold 103 CCTV cameras for Rs. 42,000 (calculate the cost of goods sold using FIFO method)
    8. Accounts payable was Rs. 30,000
    9. Petty cash replenished and the receipts included office supply expenses – Rs. 2,000, miscellaneous Rs. 7,000. Currency left Rs.1000
    10. Billed Fixing services for Rs 10,000 for the year.
    11. The salaries paid were Rs. 30,000 in cash
    12. Accounts receivable were Rs. 60,000
    13. Ad and marketing expense Rs. 6,000
    14. Utility expense paid Rs. 5,000
    15. The dividend paid to the shareholders was Rs. 15,000.

Q87.What is the total value of cash in the above transactions?

Ans. Here is the total calculation of cash:

All Cash Transactions and balances:

- Actual Cash = 4,50,000
- Salaries payable = 32,000
- Company's car lease = 1,00,000
- Office rent = 25,000
- CCTV purchase = 20,000
- Accounts payable = 30,000
- Petty cash = 10,000
- Petty cash replenished = 7,000 + 2000
- Balance petty cash = 1000
- Salaries paid = 30,000
- Accounts receivable = 60,000
- Ad and marketing expense = 6,000
- Utility expense = 5,000
- Dividend paid = 15,000

Hence as per the nature, here is the actual calculation of cash:

4,50,000 – 32,000 – 1,00,000 – 25,000 – 20,000 – 30,000 – (10,000 – 1,000) – 1,000 + 60,000 – 5,000 – 15,000 = 2,73,000

Q88. What is the total value of accounts receivable in the above transactions?

Ans. All entries related to accounts receivable:

- Accounts receivable = 20,000
- Income from selling CCTV camera = 42,000
- Billed Fixing services = 10,000
- Accounts receivable = 60,000

Hence, here is the total calculation of accounts receivable:

20,000 + 42,000 + 10,000 + 60,000 = 1,32,000

Q89. What is the value of the total fixed assets?

Ans. As no other assets apart from land is mentioned we will consider Land as the only fixed assets:

Value of Fixed Asset:

Land = 60,000

Q90. What will all be included in current assets?

Ans. We will include the following things:

- Closing inventory
- Bank and cash value
- Supplies
- Account Receivables

Q91. What will be included in the Owner's equity?

Ans. We will include the following things in owners equity:

- Capital (Common Stocks)
- Retained earnings (balance at the beginning of the year, profits for the current year, less dividend paid, capital contributed during the year if any)

Q92. What will be included in the Current Liabilities?

Ans. Under the current liabilities, we will include the amount for creditors/payables which is 10,000 in the above case.

Q93. What do you mean by Days Payable Outstanding (DPO)?

Ans. DPO or Days Payable Outstanding refers to the average number of days which ideally a company takes to clear its credit purchase in regards to the outstanding suppliers. Most of the time, DPO is a monthly task for a business, however, each month the day of clearing the outstanding payment might differ, hence the average is taken out to estimate the payment period.

Below is the formula for calculating DPO:

Closing accounts payable / Purchase per day

Or

(Average accounts payable / COGS) X Number of days

Q94. Find out the DPO in the below query.

Ans.

Average accounts payable in June	50,000
Cost of Goods sold in June	5,00,000

As the month of June has 30 days the DPO will be:

(50,000/5,00,000)*30 = 3 days

Hence, the DPO in the above situation is 3 days. This states that a company takes 3 days on average to clear all its pending invoices.

Q95. What are the different types of liquidity ratios in accounting?

Ans.

Basically, there are five different types of ratios in accounting:

1. **Current Ratio**
   The higher the company has a current ratio, the better is the company's strength to handle short term financial issues. It is calculated by – *Current ratio = Current Asset/ Current Liabilities*

2. **Net-Working Capital Ratio**
   It articulates that whether or not a company has sufficient funds to carry out short term operations. It is calculated by – *Current Asset – Current Liabilities*
3. **Quick ratio**
   The quick ratio is also known as the acid test ratio or liquid ratio which illustrates the

company's short term liquidity to meet any short term obligations. If the quick ratio is below 1:1, the company is not in a good state to handle short term debts. *Quick ratio = Liquid Assets / Current Liabilities*

4. **Super-Quick Ratio**
   Super Quick Ratio = (Cash + Marketable Securities) / Current Liabilities
5. **The operating Cash Flow ratio**
   It is calculated by dividing cash flow from operations with current liabilities. It is observed that a sound operating cash flow ratio makes the firm's liquidity position better.
   Here cash flow from operations will generally include:
   All revenues from operations + Non-cash based expenses – Non-cash based revenue
   Whereas Current Liabilities will include:
   Balance payments, creditors, provisions, short term loans, etc.

Q96. What is the Accounting Information System (AIS)?

Ans. This is a frequently asked accounting interview question thus you should know everything about AIS.

AIS is a computer-based method used for tracking accounting activity and involves – collecting, storing, processing, organizing, and summarizing accounting data and transactions. It also helps in cumulating financial transactions and essential financial reports, which helps stakeholders in decision making. Using AIS for storing and processing financial data helps in the following tasks:

- Measure the financial performance
- Evaluate the finances of the company and compare it with the previous period to draw a conclusion
- Avoid any miss-handling of data
- Connects Information Technology with GAAP principles

Q97. What do you mean by tangible real accounts and intangible real accounts?

Ans.

Tangible Real Account – Those assets which can be touched and have a physical existence are defined as tangible real accounts.

Example – Machinery A/c, Vehicle A/c, Building A/c

Journal Entry –

- Debit what comes in
- Credit what goes out

Intangible real account – Those assets which have some monetary values but can't be touched are referred to as intangible real accounts.

Example – Goodwill, Patents, Copyrights

Journal Entry –

- Debit what comes in
- Credit what goes out

Q98. How to perform an income statement analysis?

Ans. The income statement is the company's core financial statement highlighting the profits and losses of the company. It involves:

All revenues – expenses (both operating and non-operating activities)

To analyze this statement, financial analysts consider vertical analysis and horizontal analysis.

1. **Vertical analysis:**
   It involves comparing the up and down of the income statement to the revenue (in percentage). The key metrics involved are:

   -
     - Cost of Goods Sold (COGS)
     - Gross profits
     - Depreciation
     - Interest
     - Earnings Before Tax (EBT)
     - Tax
     - Net earnings

2. **Horizontal analysis**

It involves comparing the year-over-year (YoY) change of each line in the income statement. To perform this analysis:

- Take the value in Period N and
- Divide it by value in Period N-1
- Subtract the value by 1 (gives the per cent change)

To learn more about how to conduct a financial analysis you can consider taking the following courses:

- Financial Analysis Fundamentals by CFI
- Valuation and Financial Analysis For Startups Specialization by Coursera

Q99. What is Section 209(4A) in The Companies Act, 1956?

Ans. Section 209(4A) in The Companies Act, 1956 states that:

Every company must preserve the books of accounts, together with the vouchers relevant to any entry in such books of account, in good order, relating to a period of not less than 8 years immediately preceding the current year.

So of the Current Year Ending is – March 2020 then, the company needs to store the accounts and vouchers for the following years:

March 2019, 2018, 2017,……, to 2012

Q100. Which latest accounting trends you think are prevailing in 2020? [one of the most frequently asked accounting interview questions]

Ans. Below are some of the latest accounting trends:

1. **Increased dependency on cloud**
   Companies are now using cloud computing as a technology for tracking – tracking inventory, sales, and expenses. A report by Accounting Age suggests that 78% of small businesses will rely solely on cloud technology and 67% accountants say that cloud technology will make their role easier.

2. **Automated Data Entry:**
   As per the Practice of Now 2020 survey, nearly two-thirds of accountants consider automation of processes, workflows, and payments the biggest challenge that will impact accountancy in the next 12 months. That's why a lot of companies have started

depending upon automation software as they are efficient and reduce the chances of error or loss of entry.

The Parting Note

Going through the above accounting interview questions will probably have given you an idea of the type of accounting interview questions that are asked during an accounting interview. These will also help you to freshen up your accounting knowledge.

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