11 - ACCOUNTANCY

1. INTRODUCTION OF ACCOUNTING

FILL IN THE BLANKS:

1. The amount which the proprietor has invested in the business is-------------.
2. Book-keeping is an art of recording--------in the book of accounts.
3. --------is a written document in support of a transaction.
4. Accounting begins where---------ends.
5. Liabilities refer to the ----------obligations of a business.
6. Owner of the business is called --------------.
7. An account is a---------of relevant business transactions at one place relating to a person,
   assets, expense or revenue named in the heading.
8. Receipt is an acknowledgement for----------.
9. Income is the difference between revenue and ----------.

CHOOSE THE CORRECT ANSWER:

1. The debts owing to others by the business is known as
   a) liabilities  b) expenses  c) debtors
2. Assets minus liabilities is
   a) drawings  b) capital  c) credit
3. A written document in support of a transaction is called
   a) Receipt  b) credit note  c) voucher
4. Business transactions may be classified into
   a) three  b) two  c) one
5. Purchases return means goods returned to the supplier due to
   a) good quality  b) defective quality  c) revenue
6. Amount spent in order to produce and sell the goods and services is called
   a) Expense  b) income  c) revenue

2. CONCEPTUAL WORK OF ACCOUNTING FRAME

FILL IN THE BLANKS:

1. Stock in trade are to be recorded at cost price or market price whichever is less is based on --- principle.
2. The assets are recorded in books of accounts in the cost of acquisition is based on ------- concept.
3. The benefits to be derived from the accounting information should exceed its cost is based on ------- principle.
4. Transaction between owner and business are recorded separately due to ----------assumption.
5. Business concern must prepare financial statements at least once in a year is based on---------- assumption.
6. ----------principle requires that the same accounting methods should be followed from one accounting period to the next.

CHOOSE THE CORRECT ANSWER:

7. As per the business entity assumption, the business is different from the
   a)owners       b)bankers     c)government
8. Going concern assumption tell us the life of the business is
   a) Very short      b) very long      c) none
9. Cost incurred should be matched with the revenues of the particular period is based on
   a) Matching concept   b) Historical cost concept  c) Full disclosure concept
10. As per dual aspect concept, every business transaction has
    a) Three aspects    b) one aspect       c) two aspects
FILL IN THE BLANKS:

1. The author of the famous book “Arthasastra” is ----------------.
2. Every business transaction reveals --------------aspects.
3. The incoming aspect of a transaction is called --------------and the outgoing aspect of a transaction is called --------------.
4. Traditional approach of accounting is also called as --------------approach.
5. The American approach is otherwise known as --------------approach.
6. Impersonal accounts are classified into --------------types.
7. Plant and machinery is an example of --------------account.
8. Capital account is an example of --------------account.
9. Commission account will be classified under --------------account.

CHOOSE THE CORRECT ANSWER:

10. The receiving aspect in a transaction is called as
    a) Debit aspect   b) credit aspect   c) neither of the two
11. The giving aspect in a transaction is called as
    a) Debit aspect   b) credit aspect   c) neither of the two
12. Murali account is an example for
    a) Personal A/c   b) real A/c   c) nominal A/c
13. Capital account is classified under
    a) Personal A/c   b) real A/c   c) nominal A/c
14. Goodwill is an example of
    a)tangible real A/c   b)intangible real A/c   c)nominal A/c
15. Commission received is an example of
    a) Real A/c   b) personal A/c   c) nominal A/c
16. Outstanding rent A/c is an example for
    a) Nominal account   b) personal account   c) representative personal account
17. Nominal Account is classified under
    a) Personal account   b) impersonal account   c) neither of the two
18. Drawings A/c is classified under
    a) Real A/c   b) personal A/c   c) nominal A/c
4. BASIC ACCOUNTING PROCEDURES-2

JOURNAL

FILL IN THE BLANKS:

1. The source document gives information about the nature of the --------------.
2. The accounting equation is a statement of --------------between the debits and credits.
3. In double entry book keeping, every transaction affects at least two------------.
4. Assets are always equal to liabilities plus-------------.
5. A transaction which increases the capital is called --------------.
6. The journal is a book of--------------.
7. Recording of transaction in the journal is called --------------.
8. The --------------column of journal represents the place of posting of an entry in the ledger account.
9. --------------account is debited for the amount not recovered from the customer.
10. The assets of a business on 31st December, 2002 were worth Rs.50000 and its capital was Rs.35,000. Its liabilities on that date were Rs.---------------.

CHOOSE THE CORRECT ANSWER:

11. The origin of a transaction is derived from the
    a. a) Source document     b) journal     c) accounting equation
12. Which of the following is correct?
13. Amount owned by the proprietor is called
    a. a) Assets b) Liabilities c) Capital
14. The accounting equation is connected with
    a. a) Assets only b) liabilities only c) assets, liabilities and capital
15. Goods sold to Srinivasan should be debited to
    a. a) Cash A/c b) Srinivasan A/c c) sales A/c
16. Purchased goods from Venkat for cash should be credited to
    a. a) venkat a/c b) cash a/c c) purchases a/c
17. Withdrawals of cash from bank by the proprietor for office use should be credited to
    a. a) Drawings a/c b) cash a/c c) bank a/c
18. Purchased goods from Murthy on credit should be credited to
    a. a) murthy a/c b) cash a/c c) purchases a/c
19. An entry is passed in the beginning of each current year is called
    a. a) original entry b) final entry c) opening entry

20. The liabilities of a business are Rs.30,000; the capital proprietor is Rs.70,000. The total assets are:
   a) Rs.70,000  
   b) Rs.1,00,000 
   c) Rs.40,000  

5. BASIC ACCOUNTING PROCEDURE -3

LEDGER

FILL IN THE BLANKS:

1. Ledger is the ___________ book of account.

2. The process of transferring entries from journal to the ledger is called __________.

3. C/d means ___________ and B/d means ___________.

4. C/f means ___________ and B/f means ___________.

5. Debiting an account signifies recording the transactions on the ___________ side.

6. The left hand side of an account is known as ___________ and the right hand side as ___________.

7. Credit Balance means ___________ is heavier than ___________.

8. Real accounts cannot have ___________ balance.

9. Account having debit balance is closed by writing ___________.

10. L.F. column in the journal is filled at the time of ___________.

CHOOSE THE CORRECT ANSWER:

1. Ledger is a book of:
   a) Original entry  
   b) final entry   
   c) all cash transactions.

2. Personal and real accounts are:
   a) Closed  
   b) balanced  
   c) closed and transferred.

3. The column of ledger which links the entry with journal is:
   a) L.F. column  
   b) J.F. column  
   c) Particulars column.

4. Posting on the credit side of an account is written as
   a) To  
   b) By   
   c) Being.

5. Nominal account having credit balance represents
   a) income/gain  
   b) expenses/losses  
   c) assets.

6. Nominal account having debit balance represents
   a) income/gain  
   b) expenses/losses  
   c) liability.

7. Real accounts always show
   a) debit balances  
   b) credit balances  
   c) nil balance.

8. Account having credit balance is closed by writing
   a) To Balance b/d  
   b) By Balance c/d   
   c) To Balance c/d.
9. When the total of debits and credits are equal, it represents
   a) debit balance  b) credit balance  c) nil balance

10. The balance of personal and real accounts are shown in the
   a) profit and loss account  b) balance sheet  c) both

6. SUBSIDIARY BOOKS – I
SPECIAL PURPOSE BOOKS

FILL IN THE BLANKS:

1. Sub division of journals into various books of recording transactions of similar nature are
called -----.

2. The total of the ----------- book is posted to the debit of purchases account.

3. The person who prepares a bill is called the -------------.

4. Days of grace are ----------- in number.

CHOOSE THE CORRECT ANSWER:

1. Purchase of machinery is recorded in
   a) Sales book  b) journal proper  c) purchases book

2. Purchases book is kept to record
   a) all purchases  b) only cash purchases  c) only credit purchases

3. Credit sales are recorded in
   a) Sales book  b) cash book  c) journal proper

4. Goods returned by customers are recorded in

5. On 1st January 2003, Chandran draws a bill on Sundar for 3 months, its due date is
   a) 31st March 2003  b) 1st April 2003  c) 4th April 2003
7. SUBSIDIARY BOOKS -2

CASH BOOK

FILL IN THE BLANKS:

1. Discount allowed column appears in ---------- side of cash book.
2. In the triple column cash book, when a cheque is received the amount is entered in the ---------- column.
3. Discount received column appears in ---------- side of the cash book.
4. A cheque received and paid into the bank on the same day is recorded in the ---------- column of the three column cash book.
5. When a cheque received from a customer is dishonoured, his account is ----------.
6. Cash Book is one of the ---------- books.

CHOOSE THE CORRECT ANSWER:

1. The cash book records
   (a) all cash payments  (b) all cash receipts  (c) all cash receipts & payments
2. When goods are purchased for cash, the entry will be recorded in the
   (a) Cash book  (b) purchases book  (c) journal
3. The balance of cash book indicates
   (a) Net income  (b) cash in hand  (c) difference between debtors and creditors
4. In triple column cash book, cash withdrawn from bank for office use will appear in
   (a) Debit side of the cash book only  (b) both sides of the cash book.
   (c) Credit side of the cash book only.
5. If a cheque sent for collection is dishonoured, the debit is given to
   (a) Suppliers A/C  b) bank A/C  c) customers A/C
6. If a cheque issued by us is dishonoured the credit is given to
   (a)Supplier’s A/C  b) customer’s A/C  c) bank A/C
8. SUBSIDIARY BOOKS –III

PETTY CASH BOOK

FILL IN THE BLANKS:

1. The book that records all small payments is called --------------.
2. The person who maintains petty cash book is known as --------------.
3. Analytical petty cash is just like the --------------
4. The periodic total of each column in the analytical petty cash book is posted to the concerned -------accounts.
5. The petty cashier generally works on --------- system.

CHOOSE THE CORRECT ANSWERS:

1. Petty cash may be used to pay
   a) Salaries to staff   b) Purchase of furniture and fittings   c) Expenses relating to post and telegrams
2. The balance in the petty cash book is
   a) An asset   b) A liability   c) An income
3. On Jan 1st 2002, Rs.1,000 given to petty cashier. He has spent Rs. 860 during the month of January. On Feb 1st to make the imprest he will receive cheque for Rs.---------
   A) Rs,1,000   b) Rs,860   c) Rs,1,860
9. BANK RECONCILIATION STATEMENT

FILL IN THE BLANKS:

1. The bank statement is sent by -------- to the customer.
2. Overdraft means credit balance as per-------- book.
3. When cash is withdrawn from the bank, the bank-------- the customer’s account.
5. For the purposes of reconciliation only the ----- column of the cash book are to be considered.
6. A bank reconciliation statement is prepared by the --------

CHOOSE THE CORRECT ANSWERS:

1. Bank reconciliation statement is prepared by the
   (a) Bank (b) Customer of a bank (c) Creditor of a business
2. Debit balance in the cash book means
   (a) Overdraft as per pass book (b) Credit balance as per pass book
      (c) Overdraft as per cash book
3. When balances per Cash Book is the starting point, to ascertain balance as per pass book interest allowed by Bank is :
   (a) Subtracted (b) added (c) not adjusted
4. When balances per Cash Book is the starting point, to ascertain the balance as per pass book interest charged by Bank is
   (a) Added (b) subtracted (c) not adjusted
5. When balances per Cash Book is the starting point, to ascertain balance as per pass book, direct deposits by customers are:
   (a) Added (b) subtracted (c) not adjusted
6. When the balance as per Cash Book is the starting point to ascertain balance as per pass book, direct Payments by bank are:
   (a) Added (b) subtracted (c) not adjusted
7. A bank pass book is a copy of
   (a) The cash column of a customer’s cash book.
      (c) The customer’s account in the bank’s ledger.
8. The bank statement shows an overdrawn balance of Rs.2,0000. A cheque for Rs.500 drawn in a Favour of a creditor has not yet been presented for payment. When the creditor presents the cheque For payment, the bank balance will be
10. TRIAL BALANCE AND
RECTIFICATION OF ERRORS

FILL IN THE BLANKS

1. Trial Balance should be tallied by following the rules of --------------.
2. If the total debits exceeds the total credits of trial balance, suspense account will show -------- balance.
3. Suspense account having debit balance will be shown on the -------- side of balance sheet.
4. If the total debit balance of trial balance exceeds the total credit balance, the difference is transferred to the -------- side of the balance sheet.
5. Suspense account having credit balance will be shown on the -------- side of the balance sheet.
6. Short credit of an account decreases the -------------- column of the trial balance.
7. When errors are located and rectified, -------------- automatically gets closed.
8. Journal entries passed to correct the errors are called --------------.
9. Excess debit of an account can be rectified by -------------- the same account.
10. Short debit of an account can be rectified by -------------- of the same account.

CHOOSE THE CORRECT ANSWER:

1. Trial balance is prepared to find out the
   (a) Profit or loss     (b) financial position     (c) arithmetical accuracy of the accounts
2. Suspense account in the trial balance is entered in the
   (a) Trading A/C     (b) Profit and loss A/C     (c) Balance sheet
3. Suspense account having credit balance will be shown on the
   (a) Credit side of the profit and loss account
   (b) Liabilities side of the balance sheet
   (c) Assets side of the balance sheet
4. State which of the following will not be revealed by the Trial Balance.
   (a) Errors of complete commission.
   (b) Error of carrying forward.
   (c) Wrong totalling of the purchases book.
5. Errors which affect one side of an account are called
   (a) Single side errors  (b) Double sided errors  (c) None of the above

6. Amount spent on servicing office typewriter should be debited to
   (a) Repairs account  (b) Typewriter account  (c) Miscellaneous expenses a/c

7. Wages paid to workers for the installation of a new Machinery should be debited to
   (a) Wages A/c  (b) Machinery A/c  (c) Factory Expenses A/c

8. Salary paid to manager must be debited to
   (a) Manager’s A/c  (b) Office Expenses  (c) salary A/c

9. Goods taken by the proprietor for domestic use should be credited to
   (a) Purchase A/c  (b) Sales A/c  (c) Drawings A/c

10. Cash received from mani whose account was previously written off as a Bad Debt should be credited to
    (a) Mani’s A/c  (b) Bad Debts Recovered A/c  (c) Expenses A/c
FILL IN THE BLANKS:

1. Amount spent on acquiring a copy right is an example for --------------.
2. Capital expenditure is -------------- in nature.
3. Revenue transactions can be -------------- or --------------.
4. Depreciation on fixed asset is a -------------- expenditure.
5. Expenses on research and development will be classified under --------------.

CHOOSE THE CORRECT ANSWER:

1. Transaction which provide benefit to the business for more than one year is called as  
   a) Capital transaction  b) revenue transaction c) neither of the two.
2. Amount spent on remodelling an old car is example of  
   a) Deferred revenue expenditure  b) revenue expenditure c) capital expenditure  
   a) Shankar introduces Rs.50,000 as additional capital in the business. This amount will be considered  
   -- a) Capital receipt b) revenue receipt c) both
3. Revenue receipts are -------------- in the business.  
   a) Non-recurring b) recurring c) neither of the above.
4. Venkatesh purchases goods worth Rs.80,000 for the purpose of selling. This amount will be treated  
   a) Capital expenditure  b) revenue expenditure  c) deferred revenue expenditure
5. Expenses on advertisement will be classified under  
   a) Capital expenditure  b) revenue expenditure  c) deferred revenue expenditure
6. An plant worth Rs.8,000 is sold for 8,500 the capital receipt amounts to  
   a) Rs.8,000  b) Rs.8,500  c) 500
7. Revenue expenditure is intended to benefit.  
   a) Subsequent year  b) previous year  c) current year
8. An asset worth Rs.1,00,000 is sold for Rs.85,000 the capital loss amount to  
   a) Rs.85,000  b) Rs.1,00,000  c) Rs.15,000
9. The net loss which arises in a business is an example of  
   a) Revenue loss b) capital loss  c) neither of the two

FILL IN THE BLANKS:

1. --------------- Account enables the trader to find out gross profit or loss.
2. By preparing profit and loss account --------------- can be find out.
3. Closing stock is --------------- in the trading account.
4. Direct expenses appears in the debit side of the --------------- account.
5. Indirect expenses appear in the --------------- side of the profit and loss account.
6. All incomes are --------------- in the profit and loss account.
7. Bad debt is a --------------- expense.
8. ‘Salaries and wages’ appear on the --------------- account.

CHOOSE THE CORRECT ANSWER:

1. Trading account is prepared to find out
   a) Gross profit or loss   b) net profit or loss  c) financial position
2. Wages is an example of
   a) Capital expenses  b) indirect expenses  c) direct expenses
3. Opening stock is
   a) Debited in trading account  b) credited in trading account  c) credited in profit and loss account
4. Balance sheet is a
   a) Statement  b) account  c) ledger
5. Fixed assets have
   a) Short life  b) long life  c) no life
6. Cash in hand is an example of
   a) Current assets  b) fixed assets  c) current liability
7. Capital is a
   a) Income  b) assets  c) liability
8. Drawing must be deducted from
   a) Net profit  b) capital  c) gross profit
9. Current liabilities are recorded in the balance sheet on
   a) Not recorded  b) liability side  c) asset side
10. Net profit is added to
   a) Gross profit  b) drawings  c) capital