

Notes for PAF Account Branch

1) ____ is the art of recording, classifying, and summarizing in a significant manner, and in terms of money transactions and events which are in part at least, of a financial character and interpreting the results thereof.

- a) Journal Entry
- b) Ledger
- c) Accounting**
- d) None

2) Any form of accounting which enables a business to be conducted more efficiently can be regarded as ____ accounting.

- a) Financial
- b) Management**
- c) Cost
- d) None

3) Inflation accounting is also called ____

- a) Revaluation
- b) Replacement**
- c) None
- d) All

4) A process of accounting that recognizes the impact of transactions on the financial statements in the time periods when revenues and expenses occur instead of when cash is received or disbursed is called ____ basis

- a) Accrual**
- b) Cash
- c) None
- d) a & b

5) A process of accounting where revenue and expense recognition would occur when cash is received and disbursed is called ____

- a) Cash**
- b) Accrual
- c) None
- d) a & b

6) ____ they are the present obligations arising from past events. It also arises when an asset is created or acquired.



- a) Asset
- b) Liabilities**
- c) Equity
- d) All

7) ___ is an increase in economic benefits during the accounting period in the form of inflows or enhancements of assets or a decrease in liabilities, thereby increasing equity and net worth.

- a) Income**
- b) Equity
- c) Expenses
- d) None

8) ___ is a residual interest in the assets after deducting liabilities

- a) Income
- b) Equity**
- c) Expenses
- d) None

9) ___ concept implies that each transaction and event must be expressible in monetary terms

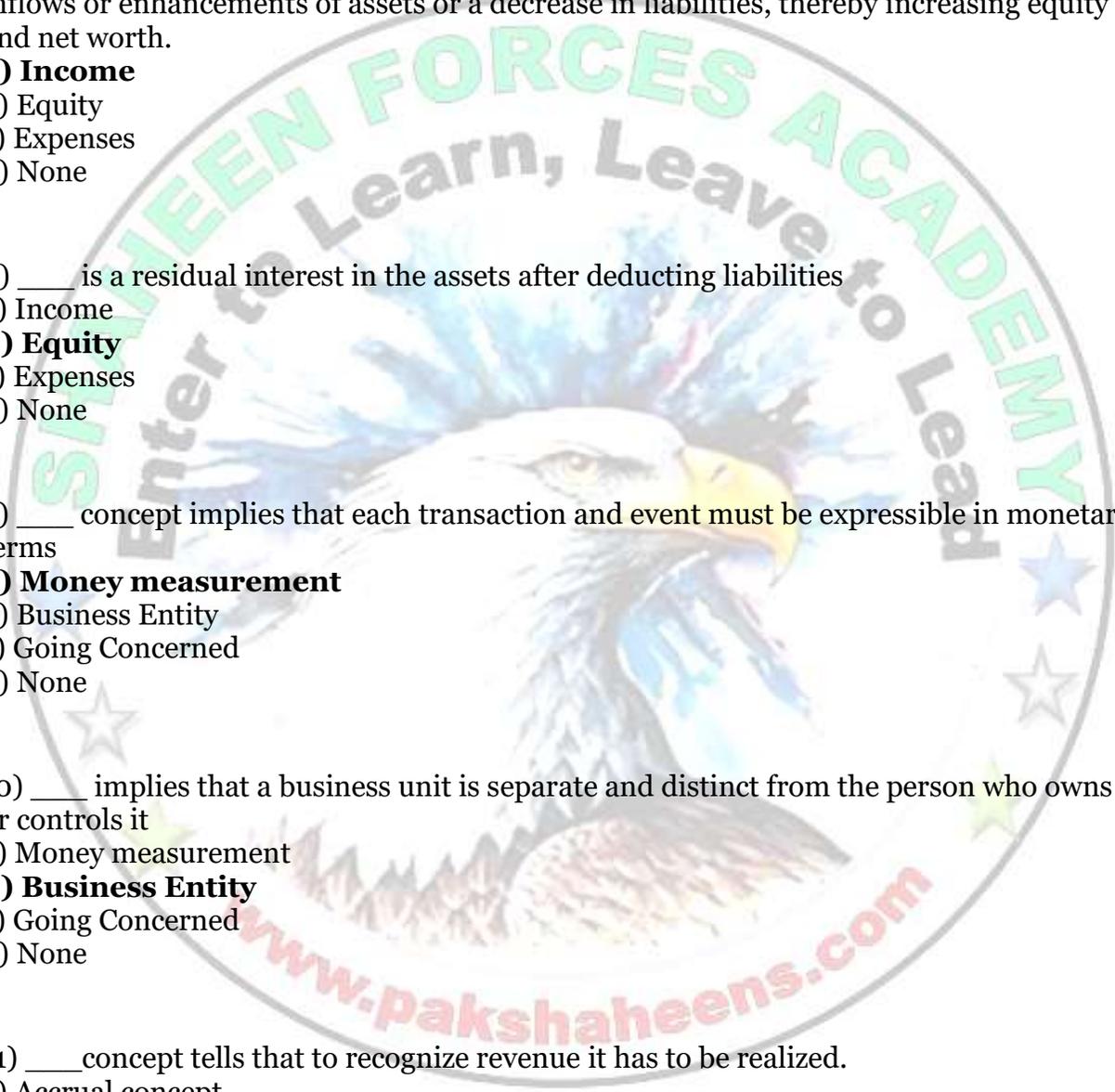
- a) Money measurement**
- b) Business Entity
- c) Going Concerned
- d) None

10) ___ implies that a business unit is separate and distinct from the person who owns or controls it

- a) Money measurement
- b) Business Entity**
- c) Going Concerned
- d) None

11) ___ concept tells that to recognize revenue it has to be realized.

- a) Accrual concept
- b) Matching concept
- c) Realization concept**
- d) None



12) The conventions, concepts, rules, and procedures that together make up accepted accounting practice at any given time are called ____

- a) AICPA
- b) GAAP**
- c) GAPA
- d) None of the above

13) ____ is the after-tax cash flow generated by a business minus the cost of the capital it has deployed to generate that cash flow.

- a) EVA**
- b) GAAP
- c) AICPA
- d) None of the above

14) Prepaid Insurance A/c is ____ A/c

- a) Real
- b) Personal
- c) Nominal**
- d) None

15) Outstanding wages A/c is ____ A/c

- a) Personal**
- b) Real
- c) Nominal
- d) None

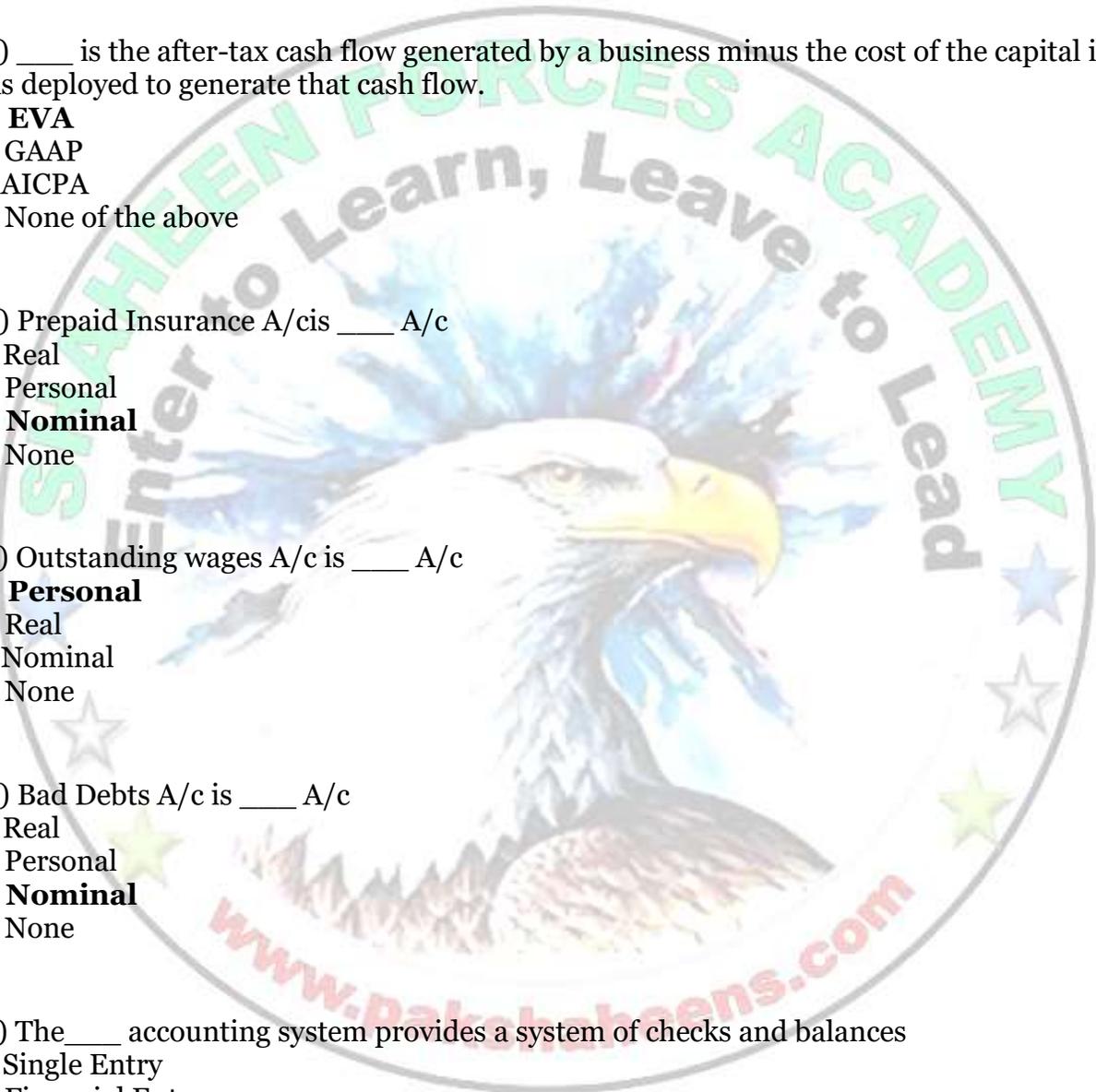
16) Bad Debts A/c is ____ A/c

- a) Real
- b) Personal
- c) Nominal**
- d) None

17) The ____ accounting system provides a system of checks and balances

- a) Single Entry
- b) Financial Entry
- c) Double Entry**
- d) Triple Entry

18) It means that cash is received by the business from the proprietor. It results in the immediate receipt of cash



a) Antony commenced business with Rs 10,000

- b) Bought goods for cash rs 2,000
- c) Charged commission to Chander rs 100
- d) Sold goods for cashrs1000

19) Debt may be of ____ types

- a) 3**
- b) 2
- c) 5
- d) None

20) Creditor may be ____ types

- a) 3
- b) 2
- c) 4**
- d) 5

21) ____ is a brief explanation to a journal entry, given below the journal entry, within brackets

- a) Narration**
- b) Ledger
- c) Credit
- d) Debit

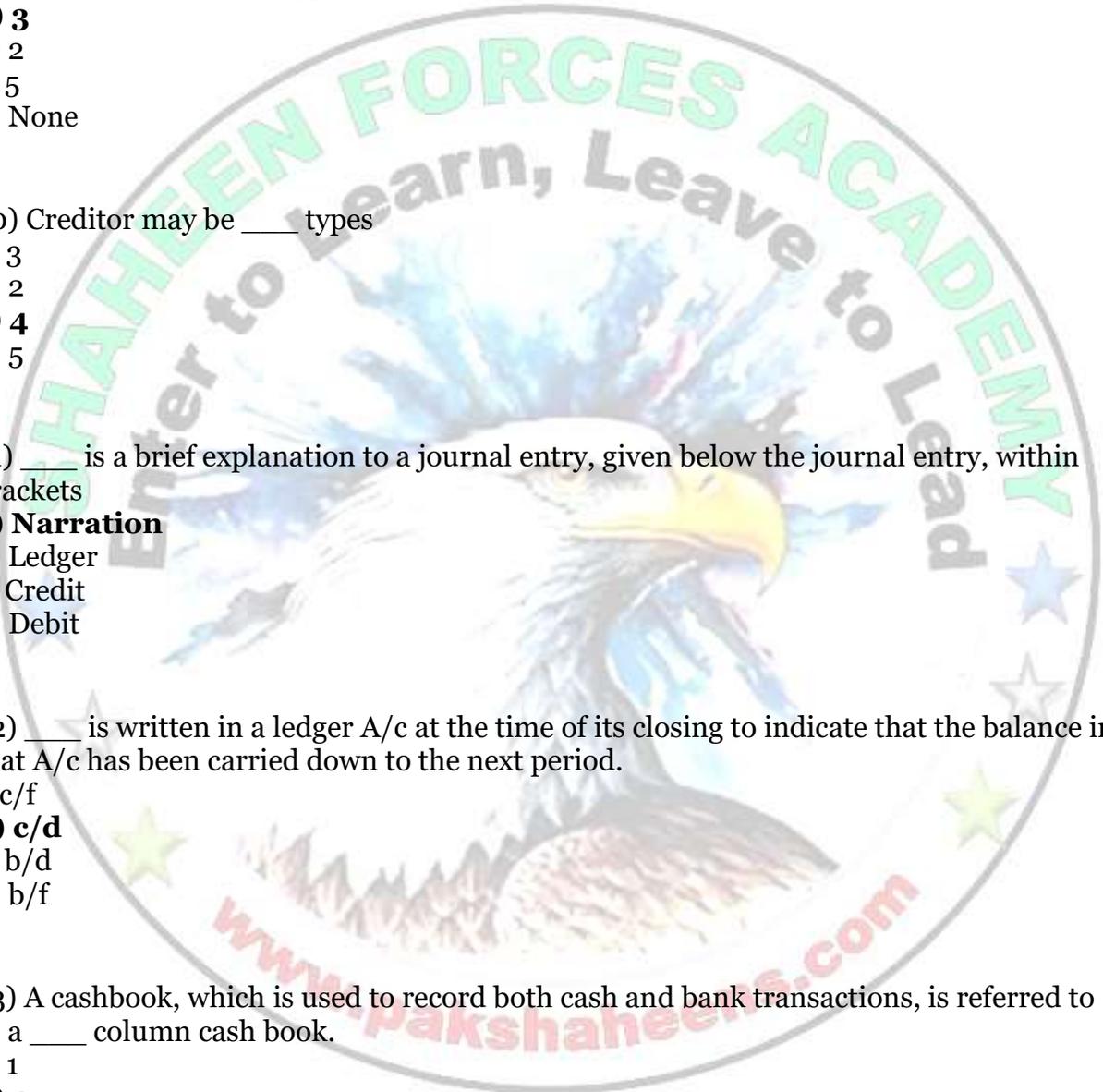
22) ____ is written in a ledger A/c at the time of its closing to indicate that the balance in that A/c has been carried down to the next period.

- a) c/f
- b) c/d**
- c) b/d
- d) b/f

23) A cashbook, which is used to record both cash and bank transactions, is referred to as a ____ column cash book.

- a) 1
- b) 2**
- c) 3
- d) 4

24) ____ provides internet technology to navigate the vast resources available in the market.



- a) WWW
- b) Internet
- c) Intranet
- d) None

25) ____ are devices that allow direct data entry into the computer without doing any manual data entry.

- a) Standard Programmes

- b) Scanner**
- c) Flow Charts
- d) None

26) ____ helps in conducting business electronically with the help of internet technology.

- a) Parity Bit
- b) E-Commerce**
- c) Computer Checks
- d) None

27) Mines quarries is the example of ____ assets

- a) Fictitious assets
- b) Liquid assets
- c) Intangible assets
- d) wasting assets

28) Which of the following accounts is prepared to find out the cost of production?

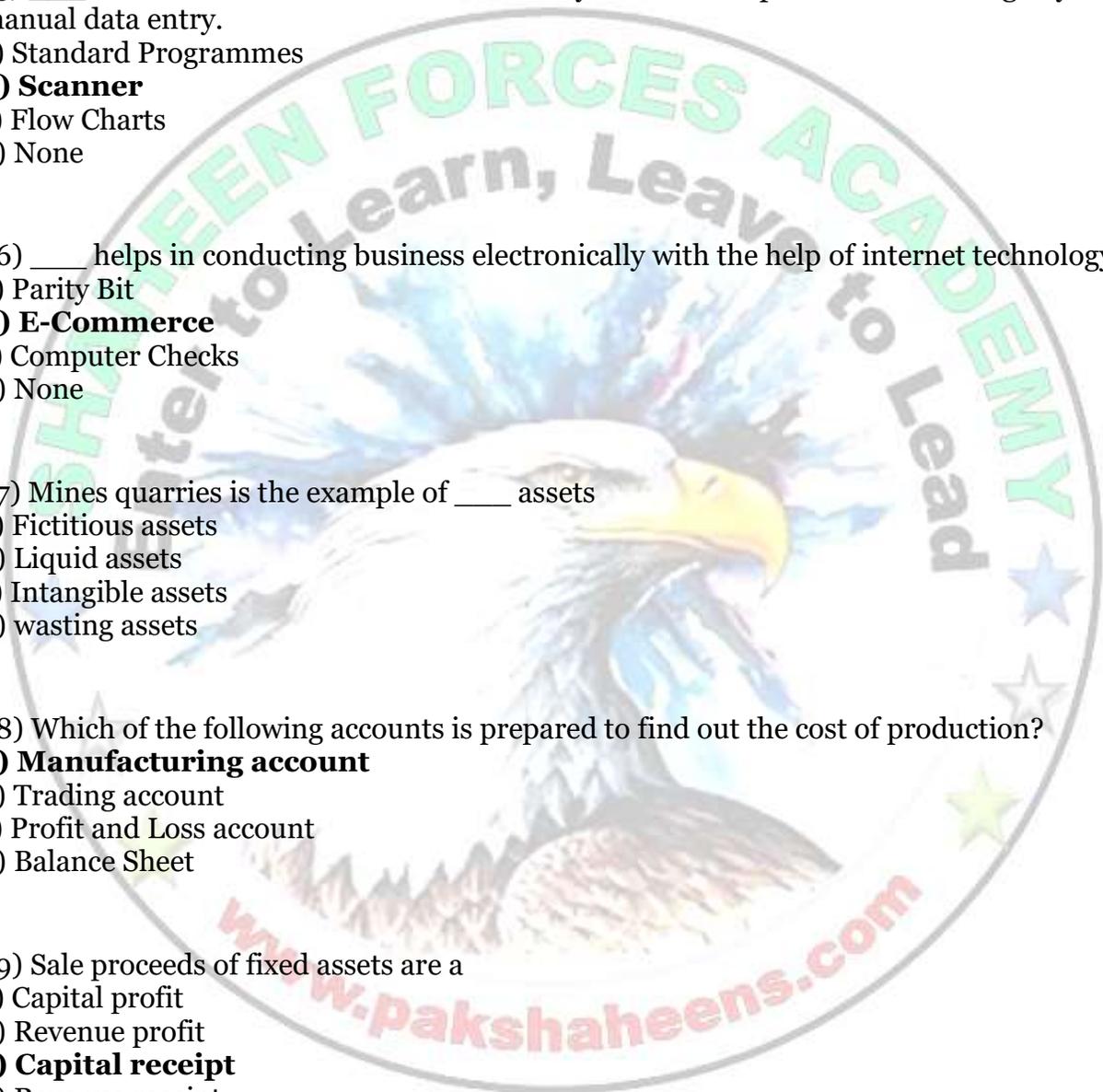
- a) Manufacturing account**
- b) Trading account
- c) Profit and Loss account
- d) Balance Sheet

29) Sale proceeds of fixed assets are a

- a) Capital profit
- b) Revenue profit
- c) Capital receipt**
- d) Revenue receipt

30) Preliminary expenses are an example of

- a) Capital expenditure
- b) Revenue expenditure
- c) Deferred Revenue expenditure**



d) Capital loss

- 31) Petty Cashbook is prepared to
- a) Meet the requirements of small business
 - b) Meet the small expenses paid in cash
 - c) Cover small and miscellaneous incomes
 - d) All of the above

32) Who draws B/E?

- a) Debtor**
- b) Bank
- c) Fixed asset
- d) Creditor

33) Commerce is _____

- a) Industry and trade
- b) Trade and aids to trade**
- c) Industry and business
- d) Industry and aids to trade

34) In the double-entry system, every business transaction affects

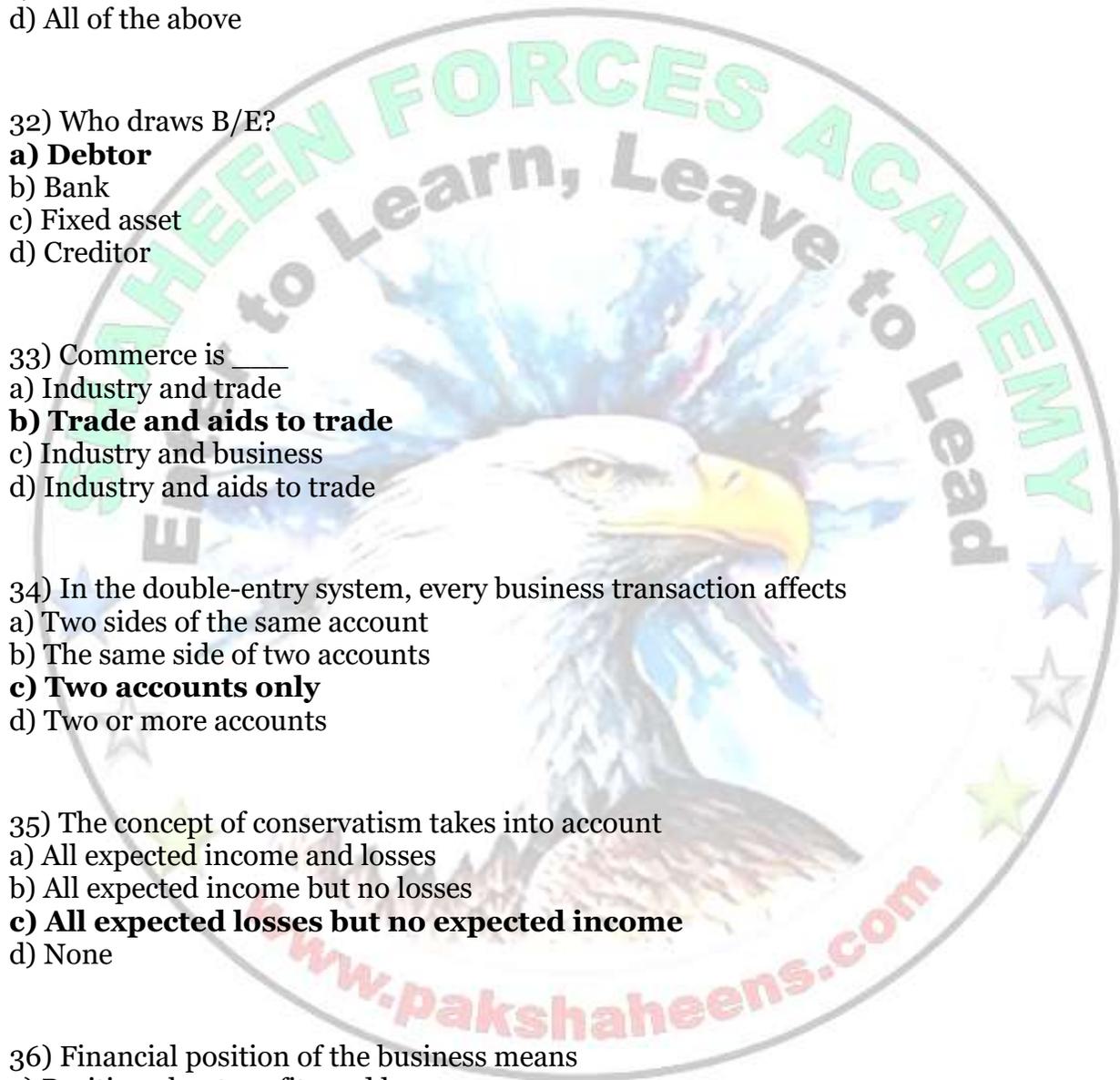
- a) Two sides of the same account
- b) The same side of two accounts
- c) Two accounts only**
- d) Two or more accounts

35) The concept of conservatism takes into account

- a) All expected income and losses
- b) All expected income but no losses
- c) All expected losses but no expected income**
- d) None

36) Financial position of the business means

- a) Position about profits and losses
- b) Position about incomes and expenses
- c) Position about liquid funds
- d) What the business owes to others and what it owns at a given point in time



37) A Bank Reconciliation Statement is a

- a) Part of Pass Book
- b) Part of Cash Book
- c) Statement prepared by the bank
- d) Statement prepared by the customer

38) Income from the sale of scrap is usually shown in

- a) Profit and Loss account**
- b) Trading account
- c) Manufacturing account
- d) All of the above

39) Sales to Ram Rs. 450 posted to his account as Rs. 550 would affect

- a) Sales account
- b) Ram's account**
- c) Cash account
- d) None

40) Trial Balance contains the balances of

- a) All real and personal accounts**
- b) All personal and nominal accounts
- c) All nominal and real accounts
- d) All accounts

41) The book value of old furniture was Rs. 1,500. It was sold for Rs. 500. The difference is a ____.

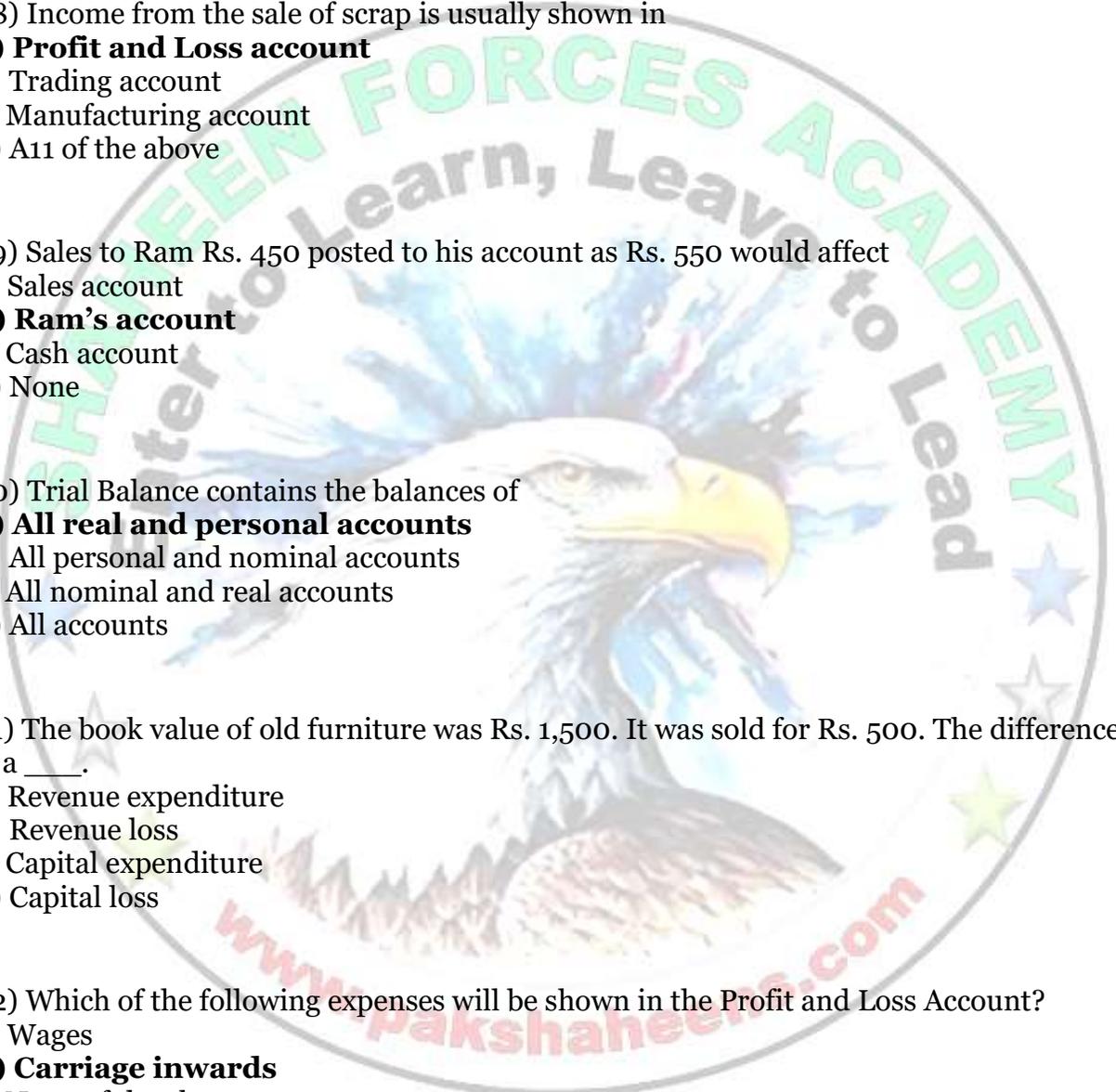
- a) Revenue expenditure
- b) Revenue loss
- c) Capital expenditure
- d) Capital loss

42) Which of the following expenses will be shown in the Profit and Loss Account?

- a) Wages
- b) Carriage inwards**
- c) None of the above
- d) Both (a) and (b) above

43) Overcasting of Purchases Journal would affect

- a) Sales Account only
- b) Purchases Account only



c) Supplier's Account and Purchases Account

d) Sales Account and Purchases Account

44) Salary paid to Rehman was recorded in the Cashbook as payment to Rehman. This is an error of

- a) Omission
- b) Commission
- c) Compensating error
- d) Principle

45) According to the money measurement concept, which transaction will be recorded in the books of the account?

- a) Health of manager
- b) Quality of goods
- c) **Value of building**
- d) Qualifications of employees

46) Revenue is said to be realized when

- a) The sale is made
- b) Goods are manufactured
- c) **Cash is received**
- d) Sale is made and cash is received

47) Discount allowed on the issue of shares is an example of

- a) Capital loss
- b) **Capital expenditure**
- c) Revenue expenditure
- d) Deferred revenue expenditure

48) Repair incurred for using a second-hand car purchased recently

- a) **Capital expenditure**
- b) Revenue expenditure
- c) Capital loss
- d) Deferred revenue expenditure

49) Sales are equal to

- a) **Cost of Goods Sold + Gross Profit**
- b) Cost of Goods Sold – Gross Profit
- c) Gross Profit – Cost of Goods Sold
- d) Cost of Goods Sold – Stock

50) Interest in drawings is regarded as

- a) Expenditure for the business
- b) Loss for the business
- c) Gain for the business**
- d) Liability for the business

51) Which of the following is a debit entry to a partner's current account?

(A) Salary

(B) Drawings

(C) Share of profit

(D) Interest on capital

52) Salaries paid to partners is an:

(A) Appropriation of profit among partners

(B) Income of the partnership firm

(C) Expense to partnership firm

(D) None of the above

53) Which of the following business entity is considered as a "legal person" in the eye of law?

(A) Sole trader

(B) Partnership

(C) Company

(D) All of the above

54) The main source(s) of Generally Accepted Accounting Principles (GAAP) is/are:

(A) Company Law

(B) Accounting standards

(C) Both A and B

(D) None of these

55) What standards are used to prepare financial statements by most of the countries and companies



(A) International Financial Reporting Standards

(B) International Financial Accounting Standards

(C) International Accounting & Auditing Standards

(D) International Risk Reporting Standards

56) The correct form of Accounting equation is

(A) Assets + Liabilities = Equity

(B) Assets – Liabilities = Equity

(C) Assets – Receivable = Equity

(D) Assets + Receivable = Equity

57) A company sold goods worth \$5,000 on 5 June and \$10,000 on 28 June. The company received the first payment on 25 June and second on 7 July. The company prepared the financial statement on 30 June. What would be the total sale on the financial statement?

(A) \$0

(B) \$5,000

(C) \$10,000

(D) \$15,000

58) Advance payments are recognized as

(A) receivable

(B) payable

(C) bad debt

(D) none of these

59) What from the following is NOT a current asset?

(A) Patent rights

(B) Inventory

(C) Cash

(D) Trade receivables

60) What from the following is NOT a non-current asset?

(A) Capital

(B) Property

(C) Patent rights

(D) Inventory

61) What from the following is/are NOT tangible asset(s)?

I. Patent rights

II. Goodwill

III. Land

(A) I only

(B) II only

(C) I and II only

(D) I, II and III

62) A machine price was \$1,000 and was carried through a truck. The truck's fares were \$500. The engineers charged \$500 for the installation. The cost of the machine is?

(A) \$1,000

(B) \$1,500

(C) \$2,000

(D) \$2,500

63) Depreciable amount =

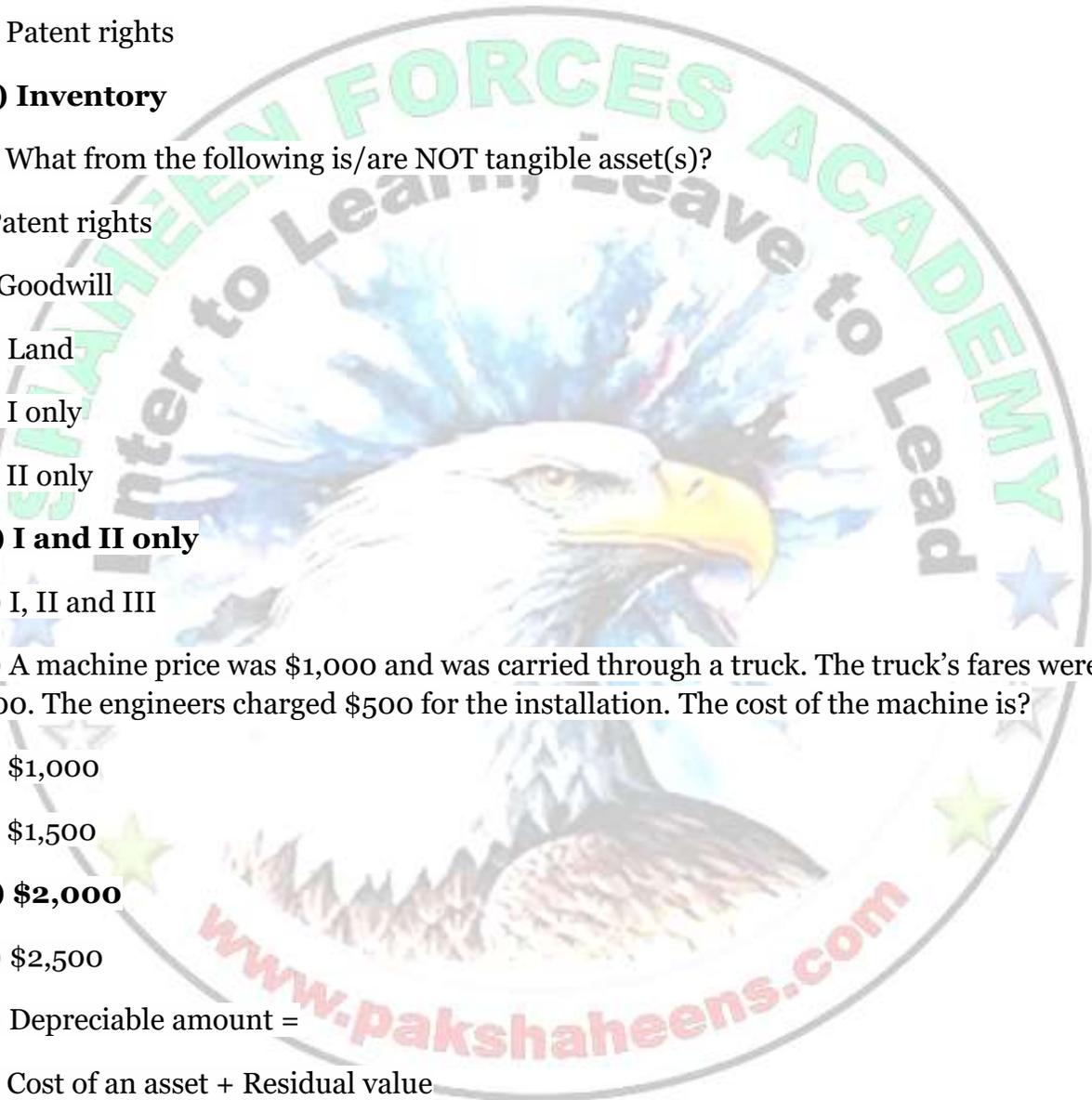
(A) Cost of an asset + Residual value

(B) Cost of an asset – Residual value

(C) Residual value – Cost of an asset

(D) None of these

64) The accounting process of allocation cost of intangible assets is called



(A) Amortization

(B) Depletion

(C) Going Concern

(D) Residual Value

65) The process of recording consumption of natural resources (or wasting assets) is called

(A) Amortization

(B) Depletion

(C) Going Concern

(D) Residual Value

66) The concept that the enterprise will continue in a foreseeable future is known as

(A) Amortization

(B) Depletion

(C) Going Concern

(D) Residual Value

67) What from the following is NOT a capital expense?

(A) Purchase of property

(B) Purchase of office equipment

(C) Replacement of a vehicle,

(D) Repair of a vehicle



68) An item of equipment cost \$300,000 and has a residual value of \$50,000 at the end of its expected useful life of four years. What is the depreciable amount?

- (A) \$50,000
- (B) \$250,000**
- (C) \$300,000
- (D) \$350,000

69) The expected disposal value of the asset (after deducting disposal costs) at the end of its expected useful life is called

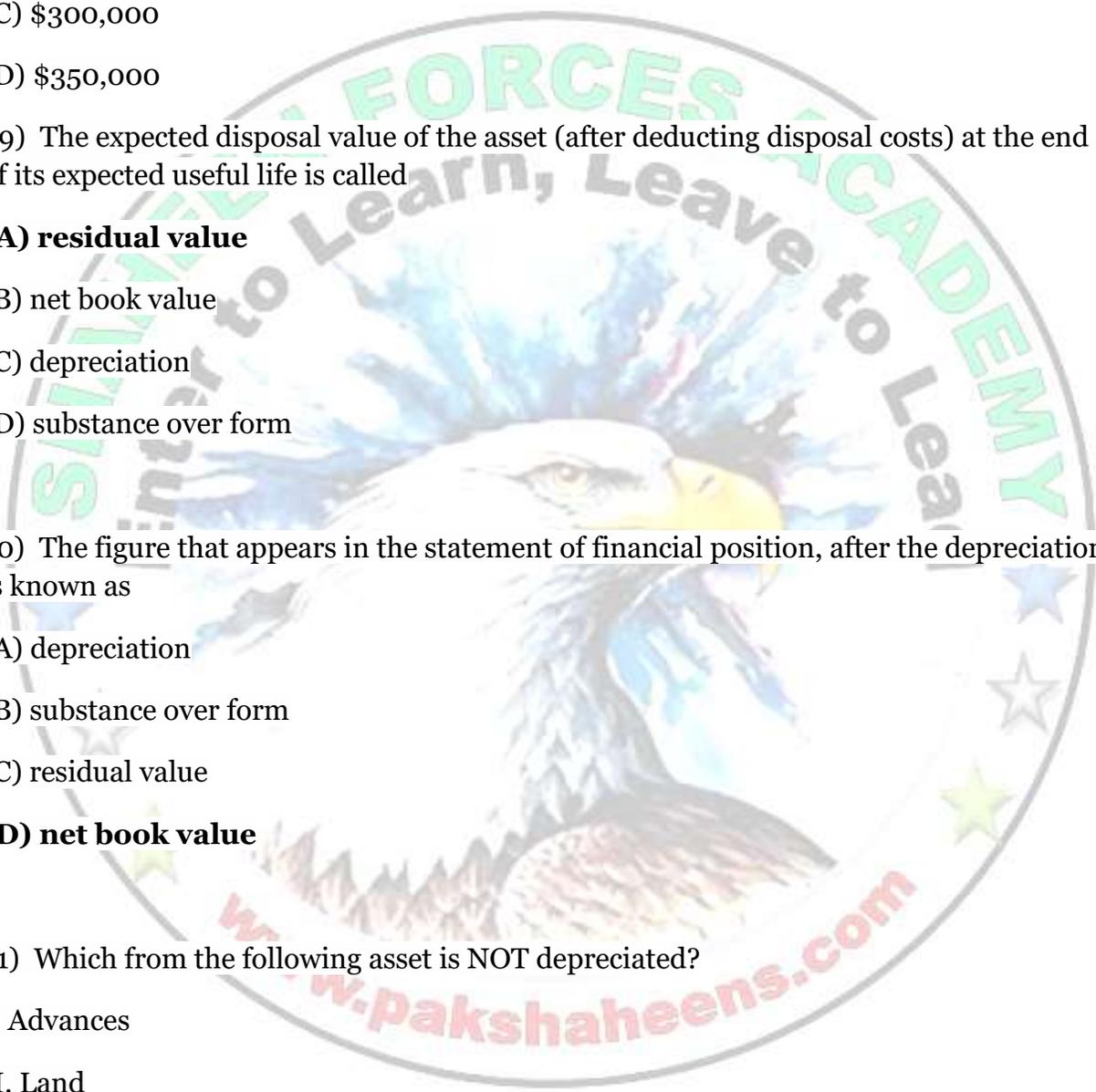
- (A) residual value**
- (B) net book value
- (C) depreciation
- (D) substance over form

70) The figure that appears in the statement of financial position, after the depreciation, is known as

- (A) depreciation
- (B) substance over form
- (C) residual value
- (D) net book value**

71) Which from the following asset is NOT depreciated?

- I. Advances
 - II. Land
 - III. Machinery
- (A) I only
 - (B) II only



(C) I and II

(D) II and III

72) Depreciation is normally charged as

(A) payable

(B) receivable

(C) expenses

(D) advances

73) A company purchases a non-current asset in Year 1 for \$90,000. The depreciation charge is \$15,000. What net book value would be recorded in financial position statement (or balance sheet) at the end of Year-2?

(A) \$75,000

(B) \$60,000

(C) \$30,000

(D) \$15,000

74) Raw materials that are remaining at the end of the reporting period are treated as

(A) liabilities

(B) expenses

(C) fixed assets

(D) current assets

75) The goods that have been sold to the customers are treated as _____ in the financial statements.

- (A) inventories
- (B) expenses**
- (C) income
- (D) debt

76) The goods that have not been sold to the customers till the end of the reporting period are considered as

- (A) inventories**
- (B) expenses
- (C) sales
- (D) purchases

77) The selling price of some goods is \$1500 and cost to sell the goods is \$200. What is the Net Realizable Value (NRV)?

- (A) \$1000
- (B) \$1200
- (C) \$1300**
- (D) \$1500

78) The selling price of some under-process goods is \$1500, cost to finally produce the goods is \$300, and cost to sell the goods is \$200. What is the Net Realizable Value (NRV)?

- (A) \$1000**
- (B) \$1200
- (C) \$1300

(D) \$1500

79) A bank overdraft is shown as a/an _____ balance in the bank statement.

(A) debit

(B) credit

(C) credit – debit

(D) none of these

80) Which from the following is included in the cost of purchases?

(A) Abnormal loss

(B) Freight in

(C) Rent of store

(D) Administrative Salaries

81) Cheques issued but not presented, cause the bank statement balance to be _____ the cash book balance.

(A) greater than

(B) less than

(C) equal to

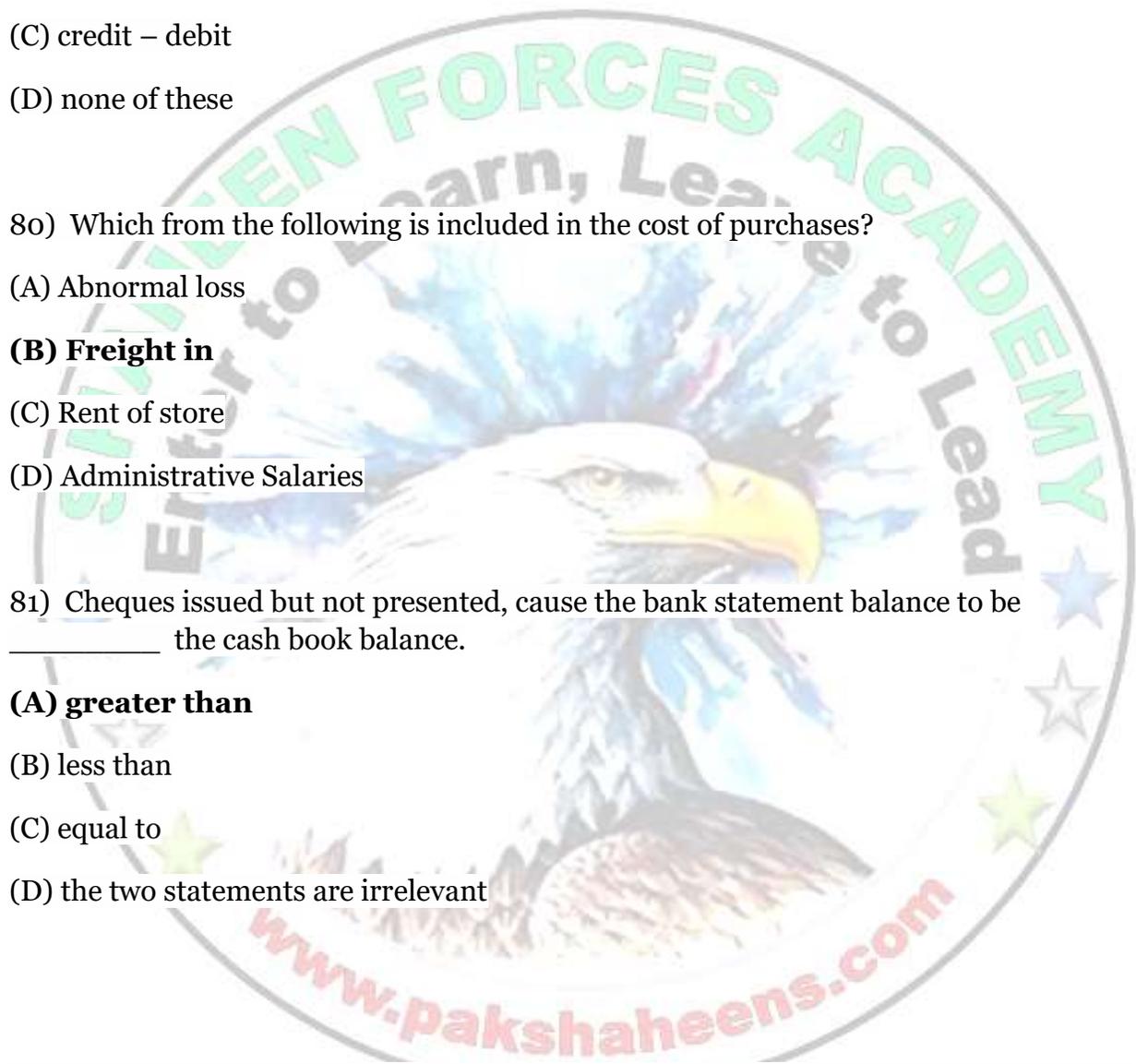
(D) the two statements are irrelevant

82) The capital of a business is \$100,000 and the liabilities are \$40,000. What are the total assets?

(A) \$40,000

(B) \$60,000

(C) \$100,000



(D) \$140,000

83) Any transaction which cannot be recorded in any book of prime entry is recorded in

(A) Cash book

(B) Petty cash book

(C) General journal

(D) Day books

84) The withdrawal of inventory by the owner for personal use should appear in the trading account as a deduction from

(A) sales

(B) purchases

(C) overdrafts

(D) none of these

85) A company had opening inventory of \$200,000. Sales and purchases during the period were of \$400,000 and \$80,000 respectively. What is the gross profit for the period if the closing inventory was worth \$100,000?

(A) \$20,000

(B) \$120,000

(C) \$220,000

(D) \$320,000

86) Which from the following costs are included in conversion costs?

(A) Carriage in

- (B) Carriage outwards
- (C) Commission of selling staff
- (D) Supervisor's wages**

87) Goods which originally cost \$800 were sold for \$1,000. In the accounting equation Net Assets will?

- (A) Rise by \$1,000
- (B) Rise by \$200**
- (C) Fall by \$1,000
- (D) Fall by \$200

88) A debit entry usually represents

- (A) Assets and Expenses**
- (B) Assets and Income
- (C) Liabilities and Income
- (D) Liabilities and Expenses

89) Financial accounting statements are subject to _____

- A. Cost audit
- B. Forensic audit
- C. Statutory audit**
- D. Nonstatutory audit

90) The annual reports are to be prepared and published for circulation among the external end-users such as _____

- A. Company, competitors, contributors and colleagues
- B. Customers, creators, collaborators and contractors



C. Government, competitors, owners and top management

D. shareholders, investors, bankers, debenture holders and creditors

91) _____ is a structured representation of the financial performance and financial position of a business and changes over a period of time.

A. Profit and loss account

B. Financial statement

C. Balance sheet

D. Internal audit

92) _____ are the components of financial statements.

A. profit and loss account and balance sheet

B. cash flow and fund flow statement

C. notes and schedules

D. All of the above

93) _____ explain the financial position of the reporting entity at the end of the accounting period.

A. Balance sheet

B. Income statement

C. ledger

D. Notes & schedules

94) _____ helps to find out the profit made on the loss sustained in a particular accounting period through transactions and events.

A. Income statement

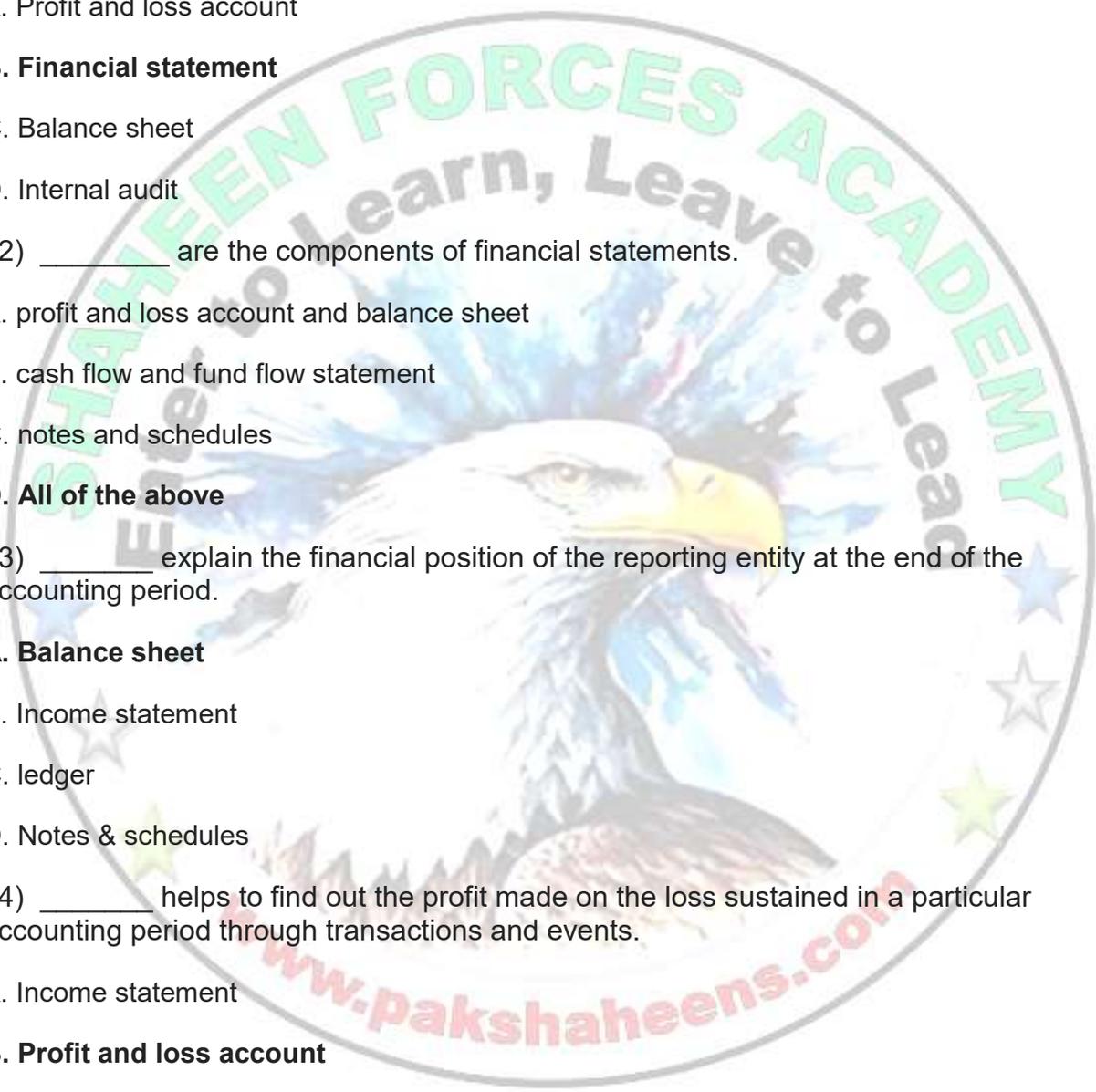
B. Profit and loss account

C. Trading account

D. None of the above

95) _____ is not a primary source of long-term debt financing.

A. Accounts payable



B. notes payable

C. Leases

D. Bonds

96) Cash flow is also known as _____

A. balance sheet flow

B. profit and loss account

C. fund flow statement

D. notes and schedules

97) _____ is used to analyze the pattern of movement or activity during the period to identify the way the enterprise has generated cash and the way they have been used in an accounting period.

A. Balance sheet

B. Cash flow

C. Profit & Loss a/c

D. income statement

98) Notes and schedules are used to present supplementary information explaining different items of financial statements.

A. balance sheet flow

B. profit and loss account

C. fund flow statement

D. notes and schedules

99) _____ is written evidence in support of a business transaction.

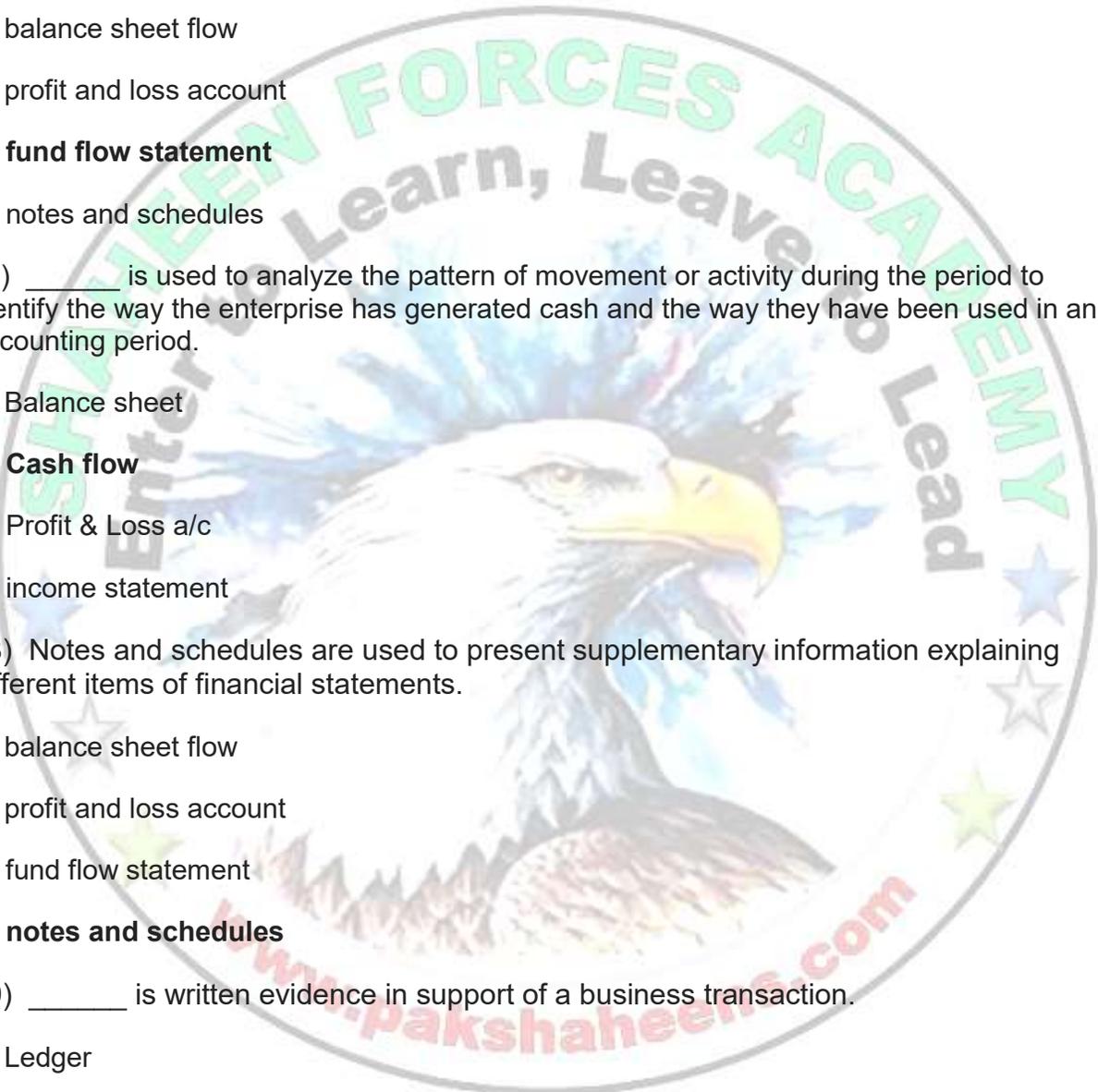
A. Ledger

B. Voucher

C. Ledger Posting

D. Journal

Answer: Voucher



12. Notes and schedules include disclosures about the risk and uncertainties affecting the enterprise and such items as disclosure of _____

- A. accounting policies segment reports
- B. report of operations in the process of discontinuation
- C. Both A & B
- D. None of the above

Answer: Both A & B

100) Trademark, Copyrights & Patents are _____ assets.

- A. Intangible
- B. Fixed
- C. Current
- D. Tangible**

