

## **MODEL QUESTION PAPER (revised)**

**SUBJECT CODE: MB0025**

**SUBJECT : FINANCIAL AND MANAGEMENT ACCOUNTING**

### **SECTION A**

1. Accounting was practiced through the means of cones, discs, spheres and pellets representing the token to measure commodities like sheep, clothing or bread. In which civilization this type of practice was prevalent?
  - a. Indian civilization
  - b. Babylonia
  - c. Rome
  - d. America
  
2. One of the ingredients responsible for the creation of double entry book keeping is Private property. What does this mean?
  - a. Power to transfer physical possession of goods
  - b. Right to modify the ownership of goods
  - c. Right to transfer ownership of goods from one person to another
  - d. Right to transfer public property from one person to another.
  
3. What new branch of accounting did emerge from industrial revolution?
  - a. Financial Accounting
  - b. Management Accounting
  - c. Government Accounting
  - d. Cost Accounting
  
4. A business unit is set up to exist for a long time. It is
  - a. Convention
  - b. Concept
  - c. Practice

d. Luck

5. Building is an asset, depreciated usually under fixed instalment method. Is it

- a. Unreasonable habit
- b. Concept
- c. Convention
- d. Necessity

6. Accounting Principles are based on

- a. Practicability
- b. Subjectivity
- c. Convenience
- d. Arbitrary practice

7. What do you understand by an 'Account'?

- a. It is an indicator of a head
- b. It is part and parcel of Accountancy
- c. It is a summary of transactions pertaining to a particular head
- d. It is commonly used accounting terminology

8. What is a personal account?

- a. Account relating to individuals and persons.
- b. It is a private account
- c. It is an individual transaction
- d. It is not real or nominal account.

9. What is a real Account?

- a. Account which is truthful
- b. Account which is existing
- c. Account which is tangible and can be felt
- d. Account which is not personal

10. What is a contra entry ?

- a. Affecting many accounts
- b. Affecting cash and discount a/c

- c. Affecting cash and bank account in reverse opposite direction
- d. Affecting bank and discount a/c

11. What is the objective of allowing discount ?

- a. To encourage customers
- b. To build image of the business
- c. To encourage prompt payment of cash by customer
- d. Routine convention

12. Bank columns in a third column cash book indicate

- a. Banks transaction
- b. Cash transactions
- c. Receipts payments of cash by proprietor
- d. Cash transactions with and from banker

13. What is balancing of ledger account?

- a. Keeping equal amount on both sides of an account
- b. Equating both sides of an account with lower amount
- c. Finding excess of debit over credit or vice versa in order to equate the amount on both sides of an account
- d. Finding excess of debit over credit and vice versa

14. What is the need for balancing an account?

- a. To prepare trial balance
- b. To know the net effect of an account
- c. To know how much an account is debited or credited with
- d. To fulfill double entry principle of accounting

15. If Rao's account shows debit balance in your books, what does it indicate?

- a. Rao has received benefit from you
- b. Rao is a liability to you.
- c. Rao has given benefit to you
- d. Rao is an item of expense to you.

16. If sales returns a/c is over cast by Rs 100, what is the rectification entry

- a. Sales returns a/c Dr  
    To suspense A/c
- b. Suspense a/c Dr  
    To S.R a/c

- c. Sales a/c Dr  
    To SR a/c
- d. Sales returns a/c Dr  
    To goods a/c

17. State the type of error involved in the following transaction, If a sale of goods to Kannan for Rs 960 is entered as Rs 690 in the sales book

- a. Error of omission
- b. Error of principle
- c. Error of commission
- d. Compensating error

18. A purchase of a computers for Rs 20,000 is entered in the purchase book what rectification entry should be made

- a. Purchases a/c Dr  
    To type writer a/c
- b. Type writer a/c Dr  
    To purchase a/c
- c. Type writer Dr  
    To cash a/c
- d. Suspense a/c Dr  
    To typewriter a/c

19. Final accounts are prepared recognizing the concept of

- a. Separate entity concept
- b. Income recognition concept
- c. Accrual Concept
- d. Money measurement concept

20. What is outstanding expense?

- a. Expense which is outstanding
- b. Expense yet to be incurred
- c. Expense incurred but not yet paid
- d. Expense incurred and paid

21. Which type of account is outstanding expense?

- a. Nominal account
- b. Real account

- c. Fictitious account
- d. Personal account

22. A budget is

- a. Qualitative expression
- b. Quantitative expression
- c. Verbal expression
- d. Written expression

23. Budgetary control is

- a. Planning in advance
- b. Action in advance
- c. Reaction in advance
- d. No action in advance

24. Functions of Management Accounting include.

- a. Principles
- b. Decisions
- c. Postulates
- d. Preparing and reporting the financial data to management

25. Debts refer to

- a. outside borrowings
- b. inside borrowings
- c. outside investment
- d. inside investment

26. High debt ratio indicates

- a. Too much of debt
- b. Too much of equity
- c. Too much of cash
- d. Too much of risk

27. Short term financing is

- a. Limited
- b. Unlimited
- c. Unwanted

d. Wanted

28. Fund flow analysis is a \_\_\_\_\_ technique

- a. Traditional
- b. modern
- c. obsolete
- d. useless

29. Fund flow analyses the movement of

- a. Funds
- b. Persons
- c. Debtors
- d. Creditors

30. Fund flow shows the movement of funds between

- a. Two balance sheet dates
- b. Profit and loss dates
- c. Income & expenditure dates
- d. Trading dates

31. CFS explain reasons for low balance of

- a. Asset
- b. Profit
- c. Cash
- d. Overdraft

32. CFS is prepared with the help of

- a. Cash book
- b. Pass book
- c. Petty cash book
- d. Balance sheet

33. CFS is measured based on

- a. Income
- b. Expenses
- c. Statement
- d. Both (a) & (b)

34. Cost accounting is a branch of financial accounting

- a. False
- b. True
- c. May be
- d. None

35. Prime cost is the total of direct and indirect cost

- a. Disagree
- b. Agree
- c. May be
- d. None

36. Costing information has to be given to shareholder

- a. Yes
- b. No
- c. None
- d. May be

37. Cost can be classified as

- a. Fixed
- b. Variable
- c. Semi- variable, semi-fixed
- d. All of the above

38. Sales mix will remain

- a. Constant
- b. Variable
- c. both (a) and (b)
- d. All the three

39. State of technology :

- a. undergoes change
- b. remains constant
- c. change randomly
- d. None

40. In budgeting, planning refers to budget

- a. preparation
- b. calculation

- c. manipulation
- d. valuation

## SECTION B

1. Can Accounting exist without book keeping?
  - a. It can exist because accounting books can be kept independently.
  - b. It can exist because accounting includes the function of book keeping.
  - c. Accounting cannot exist without book keeping.
  - d. Accounting and book keeping are one and the same.
  
2. What is a fictitious asset?
  - a. An asset that does not exist physically
  - b. The asset that appears only when the business is closed or sold.
  - c. Asset in the form of capital expenses not written off.
  - d. Asset which is false in nature.
  
3. The convention of conservatism is applicable
  - a. In providing discounts on creditors
  - b. In making provision for bad and doubtful debts
  - c. Providing for a known loss
  - d. Making a provision for reserve fund
  
4. The conservatism principle, when applied to the Balance Sheet, results in
  - a. Understatement of assets.
  - b. Understatement of liabilities
  - c. Overstatement of Capital
  - d. Overstatement of liabilities
  
5. Rent Paid to Land lord be credited to
  - a. Landlord's A/c
  - b. Cash A/c
  - c. Rent A/c
  - d. Capital A/c



6. In case a debt becomes irrecoverable, the amount of such bad debt should be credited to...

- a. Debtor's account
- b. Creditor's account
- c. Cash account
- d. Bad Debts account

7. If a bill draw an Sept 3, 2005 for 3 months, its maturity date is

- a. Dec,3,2005
- b. Dec 6<sup>th</sup>, 2005
- c. Dec 8<sup>th</sup> 2005
- d. Dec 10, 2005

8. Identify which transaction involves a contra entry

- a. Cheque received from customers
- b. Cheques issued to creditors
- c. Cash deposited in bank
- d. Cash with drawn for personal purposes from bank

9. Sold goods to Rahim Rs.60,000 who gave us a cheque for Rs.20,000 and for the balance accepted a bill.  
Draw journal entry.

- a. Rahim account   Dr 60,000  
    To Sales account       60,000
- b. Bank account     Dr 20,000  
    B/R account       Dr 40,000  
    To Sales account       60,000
- c. Cash account     Dr 20,000  
    B/R account       Dr 40,000  
    To Sales account       60,000
- d. Cash account     Dr 20,000  
    B/R account       Dr 40,000  
    To Rahim's account     60,000

## SECTION C

1. Match the following.

	<u>Book-Keeping</u>	<u>Accounting</u>
1.Process	a. Final accounts	e.Book keeping
2.Purpose	b. Transactions	f.Analytical
3.Basis	c. Repetitive	g.Reporting
4. Nature		h.Interpreting &
Of work	d. Recording	presenting the
		final accounts

a. 1 - a, h; 2 - b, f; 3 - c, e; 4 - d, g

b. 1 - d, h ; 2 - a, g ; 3 - b, e ; 4 - c, f

c. 1 - c, g ; 2 - b, f ; 3 - a, h; 4 - d, e

d. 1 - b, f ; 2 - c ; h; 3 - d, g; 4 - a, e

2 Indicate what concept of accounting is violated in each of the following situations

i) Plant was depreciated in the first two years under fixed installment method and later the management switched over to diminishing balance method and again when new p

ii) Shares of a Company were purchased at par value of Rs. 25 each. In the current accounting year the shares are valued at Rs.300 per share in the market and the value shown in the balance sheet is at market value.

iii) The management of Trust worthy Co., Ltd., is terribly indecisive on several issues and hence losses have accrued during the current year and this weakness is not depicted in records.

iv) A company published a prospectus, in which a mention is made about the assets of the company and no mention was made regarding the liabilities. A entered into an agreement to purchases shares of that company believing that the company is very sound.

A..i) Consistency; ii) conservancy; iii) Money measurement iv) Full disclosure

B. i) Conservancy ii) Money measurement iii) Consistency iv) Full Disclosure

C. i) Full disclosure ii) Consistency iii) Money measurement iv) Conservancy

D. i) Money measurement ii) Full disclosure iii) Conservancy iv) Consistency

3. Show the effect of the following transactions on 'cash' balance and find out the closing balance.

a. Mehta deposited Rs.75,000 into business account as capital

b. Purchased Motor accessories Rs.30,000.

c. Received service charges Rs.10,000

d. Paid rent of work shop Rs. 5,000

e. Purchased spare parts on credit for Rs.20,000

f. Sold spare parts on credit for Rs.15,000

g. Paid to spare parts supplier Rs.20,000

h. Paid wages to workers of work shop Rs. 5,000

a..Rs. 35,000

b. Rs. 25,000

c. Rs. 20,000

d. Rs. 40,000

#### 4. Match the following

Subsidiary Book

Transaction

1. Purchases

a. Raghavendra purchased goods from us as credit

2. Purchase Returns

b. Bought goods from ration and Co

3. Sales

c. Gupta returned goods to us

4. Sales Returns

d. Padmanabh received goods returned by us

a.1-a,2-b,3-c,4-d

b. 1-d,2-c,3-b,4-a

c. 1-c, 2-d,3-a,4-b

d.1-b,2-d,3-a,4-c

5. On 1-1-2004 Debtor's account showed a debit balance of Rs.45000 in the books of Subramanyam.

During the month of January, 2004, an amount of Rs20,000 was received from debtors. A further sale ofRs.30,000 Rs.30,000 was made to the debtors. Some debtors accepted bills for Rs.20000 and they were allowed a discount

discount of Rs.1,000, Prepare debtor's account and show the closing balance.

- a. Rs. 40,000
- b. Rs. 35,000
- c. Rs. 34,000
- d. Rs. 46,000

6. Prepare journal entries, post them to ledger and show the total of trial balance for the following transactions

- a) Shankar started his business with capital of Rs.30,000 brought in cash and brings furniture worth of Rs.20,000 into the business as part of capital
- b) He purchased goods worth Rs.50,000 on credit from Mohan and soon paid Rs. 15,000 cash
- c) Sold goods for cash Rs. 20,000 and on credit to Gopal Rs. 20,000
- d) Paid business expenses Rs.5,000
- e) Received cash from Gopal Rs. 10,000 and allowed him a discount of Rs. 500
- f) Paid cash to Mohan Rs. 20,000 and received discount of Rs.1,000

- a. Rs. 1,00,000
- b. Rs. 1,20,000
- c. Rs. 1,06,000
- d. Rs. 1,25,000

7. Shobha Company had the following data for the year 2005. Gross credit sales at catalogue price Rs. 85,000; trade discount allowed Rs.13,500; cash received from customers on account Rs. 65,000; sales returns and allowances amounted to Rs.4,600; sales discounts Rs. 6,000 and cash sales , Rs.14,000. Find out sales that would appear on the trading account for the year.

- a. Rs. 74,900
- b. Rs. 80,000
- c. Rs. 79,800
- d. Rs. 80,900

