

Semester: II

**A
Objective Type Questions and Answer
On
BUSINESSACCOUNTING**



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**CORE COURSE – III
BUSINESSACCOUNTING**

Objectives: To make the students to understand the Accounting principles and its application in Business.

(Theory& Problem)

UNIT – I

Branch accounts - (Excluding foreign branches) – Departmental accounts

UNIT – II

Hire Purchase accounts & Instalment purchase system .

UNIT – III

Self Balancing and Sectional Balancing ledgers – Royalty Account.

UNIT – IV

Fire Insurance claims for loss of stock and profits – Accounting for sale or return.

UNIT – V

Insolvency accounts – statement of affairs – insolvency of individual only.

Theory 20% Problem: 80%

Text and Reference Books (Latest revised edition only)

R.L. Gupta and Others: “**Advanced Accountancy**”, Sultan Chand Sons, New Delhi.

S.P. Jain and K.L. Narang: “**Advanced Accounting**”, KalyaniPublisherss, New Delhi.

R.S.N. Pillai, Bagavathi, S. Uma: “**Advanced Accounting**”, S.Chand& Co, New Delhi.

M.C. Shukla: “**Advanced Accounts**” S. Chand and Co., New Delhi.

Mukerjee and Haneef “**Modern Accountancy**”, Tata McGraw Hill, Delhi.

Arulanandam “**Advanced Accountancy**“, Himalaya Publications, Delhi

**Objective Type Questions and Answer
On
BUSINESS ACCOUNTING**

1. In final account system branch Trading & Profit & Loss A/c is prepared at _____.

- a) Invoice price
- b) Cost price
- c) Cost & Invoice price
- d) Market price

Answer: Option C

2. The system of keeping accounts generally adopted by small size branches are:

- a) Debtors system
- b) Stock & Debtors system
- c) Wholesale branch system
- d) Final account system

Answer: Option A

3. Goods are supplied by the head office to dependent branches are at:

- a) Cost price
- b) Invoice price
- c) Market price
- d) Cost or invoice price

Answer: Option D

4. Under debtors system which account is prepared by head office to calculate profit or loss of each branch:

- a) Capital account

- b) Debtors account
- c) Branch account
- d) Branch adjustment account

Answer: Option C

5. Under debtors system depreciation on fixed asset is _____

- a) Credited to branch A/c b) debited to branch A/c
- c) Not shown in branch A/c
- d) Shown in debtors A/c

Answer: Option C

6. Branch Trading & Profit & Loss A/c is only a _____ account not forming part of the full accounting system.

- a) Single
- b) Memorandum
- c) Capital
- d) Double

Answer: Option B

7. In final account system branch Trading & Profit & Loss A/c is prepared at _____.

- a) Invoice price
- b) Cost price
- c) Cost & invoice price
- d) Market price

Answer: Option C

8. Under Final A/c system, the profit or loss made by the branch is determined by preparing.

- a) Branch stock A/c
- b) Branch Debtors A/c
- c) Branch Adjustment A/c
- d) Branch Trading & Profit & Loss A/c

Answer: Option D

9. The Branch Account prepared under Final Account System is the nature of:

- a) Nominal Account
- b) Real Account
- c) Personal Account
- d) General Account

Answer: Option A

10. Branch which does not maintain its own set of books is_____.

- a) Dependent branch
- b) Independent branch
- c) Foreign branch
- d) Local branch

Answer: Option A

11. Dependent branch makes:

- a) Cash sales only
- b) Credit sales only
- c) Cash & Credit sales
- d) Instalment sales

Answer: Option C

12. All branch expenses such as rent, salary are paid by H.O in case of:

- a) Independent branch

- b) Local branch
- c) Dependent branch
- d) Foreign branch

Answer: Option C

13. Under Stock & Debtors system _____ account is prepared by H.O to ascertain the Gross Profit earned by the branch.

- a) Branch stock A/c
- b) Branch Adjustment A/c
- c) Branch expenses A/c
- d) Branch P&L A/c

Answer: Option B

14. In branch Account , goods sent by branch P to branch Q will be debited to;

- a) Branch X
- b) Branch P
- c) Branch Q
- d) Branch Y

Answer: Option C

15. Under stock & debtors system _____ account is prepared by H.O to ascertain the Net Profit.

- a) Branch stock A/c
- b) Branch Adjustment A/c
- c) Branch expenses A/c
- d) Branch P&L A/c

Answer: Option D

16. Branch Trading & Profit & Loss A/c is prepared to incorporate all_____.

- a) Revenue items
- b) Capital items
- c) Asset items
- d) past items

Answer: Option A

17. Under Stock and Debtors system of branch Account branch adjustment account is opened when goods sent to branch is at:

- a) Cost price
- b) Invoice price
- c) Market price
- d) Normal price

Answer: Option B

18. Under debtors system ,the cash sales are

- a) Debited to branch account
- b) Credited to branch account
- c) Debited to debtors account
- d) Credited to creditors account

Answer: Option B

19. Under stock & debtors system of branch A/c the account prepared to record all the transactions relating to branch debtors is recorded in ____.

- a) Branch Account
- b) Branch adjustment account
- c) Branch debtors account**
- d) Branch expenses account

Answer: Option C

20. Under debtors system of branch account, both cash and credit sales are :

- a) Shown in debit side

- b) Shown in credit side
- c) Shown in asset side
- d) Not shown

Answer: Option C

20. The difference between goods sent by H.O and received by branch is known as _____

- a) Goods in transit
- b) Goods in warehouse
- c) Goods in production
- d) Goods in go down

Answer: Option A

21. Which account is used for recording transactions relating to H.O supplying resources to the branch?

- a) Capital account
- b) Branch account
- c) Current account
- d) Joint venture account

Answer: Option B

22. If a branch has purchased fixed asset on credit basis the liability from such purchase is _____ branch account

- a) Debited to
- b) Credited to
- c) Not shown in
- d) Decreased from fixed asset in

Answer: Option A

23. In case of H.O having many branches, transactions among the branches are called.

- a) Branch-H.O transaction

- b) H.O- Branch Transaction
- c) Inter-branch transaction
- d) Intra branch transaction

Answer: Option C

24. The stock reserve for unrealised profit will be _____ to the H.O profit & Loss A/C

- a) Debited
- b) Credited
- c) First credited then debited
- d) Not shown

Answer: Option C

25. When a bill is drawn by Branch X on Branch Y, then the books of Branch X is debited by:

- a) Bills receivable
- b) Head Office
- c) Bills Payable
- d) Branch Y

Answer: Option A

26. When goods are supplied by branch X to Branch Y, the Head Office books is debited by:

- a) Branch X
- b) Branch Y
- c) Goods supplied to other branches
- d) Goods received from other branches

Answer: Option B

27. When branch has paid some cash on behalf of the Head Office, for purchases made by H.O, the books of head office is debited by:

- a) Cash account
- b) Sales account
- c) Purchases account
- d) Branch account

Answer: Option D

28. When branch has collected some cash on behalf of H.O, the books of branch is credited by:

- a) Cash account
- b) H.O account
- c) Calls in arrear account
- d) Purchases account

Answer: Option B

29. In case of goods in transit the H.O will make an adjusting entry by debiting _____ at the end of the accounting period.

- a) Branch account
- b) Purchases account
- c) Goods in transit account
- d) Sales account

Answer: Option C

30. In case of cash in transit the books of branch _____ account is debited to reconcile the difference.

- a) Head office
- b) Cash in transit
- c) Bank
- d) Branch

Answer: Option B

31. When an asset is purchased if payment is made by branch the H.O books is debited by _____ account:

- a) Branch fixed asset
- b) Branch
- c) Cash
- d) P&L

Answer: Option A

32. _____ account is prepared to adjust the loads included in the value of opening stock and closing stock.

- a) Branch stock
- b) Branch adjustment
- c) Stock reserve
- d) Branch P&L

Answer: Option B

33. Departmental Accounts are prepared to ascertain

- a) Departmental efficiency
- b) Workers efficiency
- c) Sales income
- d) Share value

Answer: Option A

34. which of the following is a method of departmental accounting?

- a) Debtors system
- b) Stock and debtors system
- c) Independent method
- d) Single entry system

Answer: Option C

35. In departmental accounting, Advertisement is apportioned on the basis of

- a) Sales
- b) Goods manufactured
- c) Purchases
- d) Value of plant
- c) Value of plant and machinery
- d) Time spent in each department

Answer: Option D

36. In departmental accounting, where separate books are kept for each Department, it is commonly referred to as

- a) Independent accounting
- b) Columnar accounting
- b) Consolidated accounting
- d) Single entry system

Answer: Option A

37. Selling expenses are apportioned on the basis of

- a) Sales
- b) Purchases
- c) No of customers
- d) No of employees

Answer: Option A

38. When an asset is acquired on hire purchase system, the asset account is debited with _____ of the assets in the books of the hire purchaser.

- a. Hire purchase price
- b. Cash price
- c. Instalment price
- d. None of these

Answer: Option B

39. If the firm stops making repayments and the goods or assets are taken away from them as a result, this is known as

- a. Cancellation
- b. Forfeiture
- c. Repossession
- d. Annulment

Answer: Option C

40. Which of the following would not make a distinction between a hire purchase and a 'normal' purchase?

- a. Trade discounts cannot be offered on hire purchase
- b. Purchaser pays for item by instalments over a period of time
- c. Cost to buyer is likely to be higher than it would be for a normal purchase
- d. Asset does not belong to purchaser when delivery is received from supplier.

Answer: Option A

41. On the balance sheet of a company, the value of the asset bought through hire purchase will appear as:

- a. Cost less depreciation to date less amount owing on hire purchase less interest owing
- b. Cost less amounts owing on hire purchase
- c. Cost less depreciation to date less amount owing on hire purchase
- d. Cost less depreciation to date

Answer: Option D

42. The depreciation on an asset purchased through hire purchase should be:

- a. Should be straight line only
- b. Based on the cost price of the asset only

- c. Based on the total cost including interest
- d. No depreciation should be provide until the final payment is made

Answer: Option B

43. Ownership of goods under hire purchase agreement is transferred at the time of:

- a. Payment of down payment
- b. Payment of first instalment
- c. Payment of last instalment
- d. None of the above

Answer: Option C

44. Which of the following does not give a difference between a hire purchase and a normal purchase?

- a. Timing of payment for asset.
- b. Legal ownership of asset.
- c. Quality of Asset purchased.
- d. Total cost of asset.

Answer: Option C

45. The act of buying an asset without having to make full payment in the immediate future is known as:

- a. Hire purchase
- b. Finance lease
- c. Operating lease
- d. Sale and leaseback

Answer: Option A

46. The amount of interest is credited by the buyer to.....

- a. Hire purchase Account
- b. Hire Vendor Account

- c. Interest Account
- d. Cash Account

Answer: Option B

47. The depreciation in the books of buyer is charged on.....

- a. Hire Purchase Price
- b. Market price
- c. Total Instalment amount
- d. Cash Price

Answer: Option D

48. Hirer charges depreciation on:

- a. Hire purchase price
- b. Cash price.
- c. Lower of the two
- d. None of these

Answer: Option B

49. What is transferred to Hirer under hire purchase system :

- a. Ownership of assets
- b. Possession of asset
- c. Ownership and possession of asset
- d. None of these

Answer: Option B

50. Hire Purchase Act is passed in the year

- a. 1932
- b. 1956
- c. 1972

d. 1872

Answer: Option C

51. The Sale of Goods Act is applicable in:

- a. Credit Purchases
- b. Cash Purchases
- c. Cash Sales
- d. None of these

Answer: Option A

52. Under which system, ownership is transferred on payment of final instalment

- a. Instalment system.
- b. Credit system.
- c. Hire purchase system.
- d. Cash system.

Answer: Option A

53. Under hire purchase system that has the right of sell _____.

- a. Buyer.
- b. Hirer
- c. Hire Vendor
- d. Debtor

Answer: Option C

54. Under hire purchase system, the agreement can be _____.

- a. Renewed.
- b. Registered.
- c. Terminated.

d. Endorsed.

Answer: Option C

55. Installment system is governed by _____

- a. Hire Purchase Act
- b. Sale of Goods Act
- c. Instalment Act.
- d. Properties Registration Act.

Answer: Option B

56. Under hire purchase system, the retail price of the articles is called _____.

- a. MRP.
- b. Wholesale Price
- c. Retail Price.
- d. Cash Price.

Answer: Option C

57. Cash price plus interest is _____.

- a. Instalment Price.
- b. Hire Purchase Price
- c. Maximum Retail Price.
- d. Retail Price.

Answer: Option B

58. The advance amount under hire purchase system is called _____.

- a. Cash Price.
- b. Retail Price.
- c. Interest
- d. Down Payment

Answer: Option D

59. Under hire purchase system, interest is calculated on _____.

- a. Cash Price.
- b. Hire Purchase Price
- c. MRP.
- d. Outstanding Balance.

Answer: Option D

60. If the hire purchaser fails to make payment of any instalment, it is called _____.

- a. Default.
- b. Repossession.
- c. Sale.
- d. Purchase.

Answer: Option A

61. If the hire vendor may take away all the goods on which there is default of instalment it is called _____.

- a. Repossession.
- b. Partial Repossession.
- c. Complete Repossession.
- d. Purchase.

Answer: Option C

62. In case of Hire-Purchase the total sum payable by the hire-purchase as per terms in order to complete the transactions is

- a. Net Cash Price
- b. Net Hire-Purchase Charges
- c. Hire-Purchase Price
- d. Cash Price Instalment

Answer: Option C

63. Under _____ system the buyer does not get ownership of goods immediately

- a. Instalment
- b. HP
- c. Instalment and HP
- d. None of these

Answer: Option B

64. _____ means the price at which the goods can be purchased by the hirer for ready cash.

- a. HP price
- b. Instalment price
- c. Cash price
- d. Down payment

Answer: Option C

65. _____ is the initial payment made at the time of signing the hire purchase agreement

- a. HP price
- b. Instalment price
- c. Cash price
- d. Down payment

Answer: Option D

66. The difference between hire purchase price and the cash price is called _____

- a. Hire charges
- b. Cost of the asset
- c. Instalment price
- d. Cash price

Answer: Option A

67. The Basis of risk is
- a. Liability
 - b. Uncertainty
 - c. Possibility of loss
 - d. Insurance

Answer: Option C

68. Offshore insurance companies like Full Coverage are called
- a. Risk managers.
 - b. Captives.
 - c. Reserves.
 - d. Employer's liability

Answer: Option B

69. Which of the following is an example of a hazard?
- a. Fire
 - b. Vandalism
 - c. Slippery floor
 - d. Flood

Answer: Option C

70. A debtor may make an application for a fresh start for discharge of
- a. All debts.
 - b. Bankruptcy debts.
 - c. Qualifying debts.
 - d. Operational debts

Answer: Option C

71. 1. -----is also called as Sales ledger.
- a. Personal ledger
 - b. impersonal ledger
 - c. Debtors ledger
 - d. Creditors ledger

Answer: Option C

72. 2. General ledger also known as _____
- a) Impersonal Ledger
 - b) Purchase ledger
 - c) Sold ledger
 - d) Bought ledger

Answer: Option A

73. -----is also called as Purchase ledger

- a) Personal Ledger
- b) Nominal Ledger
- c) Debtors ledger
- d) Creditors ledger

Answer: Option D

74. Bought ledger account is opened in-----

- a. Creditors ledger
- b. Debtors ledger
- c. General ledger
- d. Sales ledger

Answer: Option C

75. General ledger adjustment a/c are opened in _____

- a. Debtors ledger
- b. Creditors ledger
- c. Debtors and Creditors ledger
- d. Bills receivable ledger

Answer: Option C

76. In departmental accounts expenses like director fees, interest is transferred to _____

- a. Balance Sheet
- b. account
- c. General P & L account
- d. P & L Appropriation account

Answer: Option C

77. Under stock and debtor's system of branch account, branch adjustment account is Opened when goods sent to branch is at _____

- a. Cost price
- b. Invoice price
- c. Market price
- d. Normal price

Answer: Option B

78. Royalty is a _____ to lessee

- a. Income
- b. Expenses

- c. Both income and expenses
- d. None of the above

Answer: Option B

79. Excess of Minimum rent over royalties is called

- a. Short workings
- b. Dead rent
- c. Royalties
- d. None of the above

Answer: Option B

80. All the royalties and short workings irrecoverable should be transferred to

- a. Trading account
- b. Balance sheet
- c. Profit & Loss Account
- d. None of the above

Answer: Option C

81. Royalty account is in the nature of

- a. Real account
- b. Nominal account
- c. Personal account
- d. Revenue account

Answer: Option B

82. Irrecoverable short workings are transfer to

- a. Trading account
- b. P&L account
- c. Balance sheet
- d. P&L Appropriation account

Answer: Option B

83. When royalty is paid, in the books of lessee, it is debited to

- a. Royalty account
- b. P&L account
- c. Land lord account
- d. Lessee account

Answer: Option C

84. When short workings are to be recovered the account to be debited is

- a. Land lord account
- b. Short workings account
- c. P&L account
- d. Lessee account

Answer: Option A

85. Short working means
- a. Excess of minimum rent over royalty
 - b. Excess of royalty over minimum rent
 - c. Surplus of royalty
 - d. Actual minimum rent

Answer: Option A

86. Royalty are connected with the following type of business
- a. Manufacturing industry
 - b. Mining industry
 - c. Construction business
 - d. Trading business

Answer: Option B

87. Lesser is the-----
- a. Owner
 - b. User
 - c. A & B Both
 - d. None of these

Answer: Option A

88. Short workings = ----- less Royalty payable
- a. Minimum Rent
 - b. Capital
 - c. Cash paid
 - d. None of the above

Answer: Option A

89. The minimum rent can be-----Proportionately, if there is a stoppage due to strike.
- a. Increase
 - b. Decrease
 - c. A & B both
 - d. None of the above

Answer: Option B

90. Copyright Royalties based on-----
- a. Sales
 - b. Production
 - c. Purchases
 - d. A & B Bot

Answer: Option A

91. When can a bank initiate a corporate insolvency resolution process in relation to a corporate debtor?

- a. On determination of default by National Company Law Tribunal.
- b. Occurrence of default.
- c. On net-worth of the debtor becoming negative.
- d. On the bank classified the account as Non-Performing Asset.

Answer: Option B

92. The Adjudicating Authority shall appoint an Interim Resolution Professional within days of the insolvency commencement date.

- a. 07
- b. 14
- c. 21
- d. 28

Answer: Option B

93. Who cannot initiate a fast track corporate insolvency resolution process?

- a. Financial creditor
- b. Operational creditor
- c. Corporate debtor
- d. Insolvency professional

Answer: Option D

94. An application against the decision of the liquidator rejecting the claim of a creditor may be made to –

- a. The Insolvency and Bankruptcy Board of India.
- b. The National Company Law Tribunal.
- c. The committee of creditors.
- d. The Debt Recovery Tribunal.

Answer: Option B

95. A debtor may make an application for a fresh start for discharge of

- a. All debts.
- b. Bankruptcy debts.
- c. Qualifying debts.
- d. Operational debts

Answer: Option C

96. Repayment plan has to be approved by

- a. A majority of creditors.
- b. 3/4th in value of the creditors present in person or by proxy.
- c. 3/4th in value of the creditors.
- d. 3/4th of the creditors present in person or by proxy

Answer: Option B

97. Which of the following Acts have not been amended by the Insolvency and Bankruptcy Code, 2016?

- a. The Transfer of Property Act, 1882
- b. The Companies Act, 2013
- c. The Limited Liability Partnership Act, 2008
- d. The Income Tax Act, 1961

Answer: Option A

98. Government of India may borrow upon the security of the

- a. Consolidated Fund of India
- b. Public Account of India
- c. Contingency Fund of India
- d. Fiscal Fund of India

Answer: Option A

99. A debtor is eligible to apply for insolvency resolution process if he

- a. Is undergoing a fresh start process.
- b. Is undergoing a bankruptcy process.
- c. Is an un discharged bankrupt.
- d. Has not faced a previous insolvency resolution process during the period of twelve Months preceding the date of submission of the application.

Answer: Option D

100. A committee of creditors comprises of

- Financial and operational creditors.
- Secured creditors only.
- All financial creditors.
- Independent financial creditors only

Answer: Option D