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**PUNJAB PATWARI EXAMINATION**  
**ACCOUNTS**  
**LECTURE - 14**

**TEST - 2**

**MULTIPLE CHOICE QUESTIONS**

**Q.1 Suspense A/c is generally opened to rectify —**

- (a) Errors of principle**
- (b) One sided errors**
- (c) Compensating errors**
- (d) All types of errors**

**Q.2 Under which method of depreciation annual depreciation goes on decreasing**

- (a) Reducing balance method**
- (b) Straight line method**
- (c) Annuity method**
- (d) None**

**Q.3 Narrations are usually given at the end of**

- (a) Each journal entry**
- (b) Each page**
- (c) Each column**
- (d) Each account**

**Q.4 When Bills Receivable is returned dishonoured by the drawee, which of these A/c is debited by the drawee**

- (a) Drawer A/c**
- (b) Bank A/c**
- (c) BP A/c**
- (d) BR A/c**

**Q.5 Accounting is a/ an –**

- (a) Science**
- (b) Art**
- (c) Subject matter of sociology**
- (d) Subject matter of philosophy**

**Q.6 Trial Balance is prepared to....**

- (a) Check true and fair view of Balance Sheet**
- (b) To check arithmetic accuracy of A/cs**
- (c) To ensure legal compliance**
- (d) To ensure compliance to IFRS**

**Q.7 The term PBIT stands for:-**

- (a) Profit before Income Tax**
- (b) Profit before Interest and Tax**
- (c) Profit before Internal Transfers**
- (d) Profit by Income Tax**

**Q.8 Which of these is not a function of Financial Accounting**

- (a) To provide financial information to the users of the financial statements**
- (b) To portray gloomy picture of the business in order to evade tax liabilities**
- (c) To keep a systematic record of business transactions**
- (d) To depict a true and fair view of the financial position of the business**

**Q.9 Capital is shown under liabilities because of the**

- (a) Conservatism Concept**
- (b) Accrual Concept**
- (c) Entity Concept**
- (d) Revenue Recognition Concept**

**Q.10 Business expenses excludes...**

- (a) Fire insurance premium of office building
- (b) LIC premium on the life of proprietor
- (c) Interest on capital
- (d) Repair of office furniture

**Q.11** firm has a policy of changing depreciation on Plant and Machinery @ 10% under WDV

Method. If the book value of Plant and Machinery was ` 81,000 on 31.03.2013. Find the original cost of the plant if the same was purchased on 01.04.2011

- (a) ` 80,000
- (b) ` 1,00,000
- (c) ` 81,000
- (d) ` 1,20,000

**Q.12** Tick the correct statement

- (a) Petty cash is an expense
- (b) Balance Sheet is also known as a positional statement
- (c) Revaluation A/c is Real A/c
- (d) Depreciation is a process of valuation

**Q.13** Huge expenditure incurred at the time of launching of a new product in market is a/an —

- (a) Revenue Expenditure
- (b) Capital Expenditure
- (c) Loss
- (d) Deferred Revenue Expenditure

**Q.14** Research and Development Cost A/c appearing in Balance Sheet is a —

- (a) Real A/c
- (b) Intangible Asset A/c
- (c) Tangible Asset A/c
- (d) Personal A/c

**Q.15** Purposes of an Accounting System excludes —

- (a) Interpret and record the effects of transactions
- (b) Classifying the effect of transactions

(c) Summarize and communicate information to decision makers

(d) To help in tax evasion

**Q.16** Opening Stock ` 15,000, Closing Stock ` 6,000, Total Purchase during the year ` 30,000. Given that Opening Stock inadvertently includes postage stamps of ` 1,500. Find the cost of goods sold

(a) ` 40,000

(b) ` 39,000

(c) ` 37,500

(d) ` 36,000

**Q.17** X a debtor is declared insolvent and only 25 paise in a rupee is recovered from his estate. If X owes ` 5,000 to Y, Y would debit Cash A/c by —

(a) ` 5,000

(b) ` 25

(c) ` 1,250

(d) ` 2,500

**Q.18** ——— Principle specifies that cost or expenses should be recorded at the same time as the revenue to which they correspond

(a) Going run concern

(b) Matching

(c) Historical Cost

(d) Prudence

**Q.19** Which of these Accounts are not closed in a Trading A/c

(a) Sales A/c

(b) Purchase A/c

(c) Wages A/c

(d) Depreciation A/c

**Q.20** Expenses A/c will always have —

(a) Debit balance

(b) Credit balance

(c) Either (a) or (b)

(d) No balance at all

**Q.21** Current Liabilities mean —

(a) Liabilities which are payable within 12 months

(b) Liabilities which are payable immediately

(c) Liabilities which payable after one accounting year

**(d) Liabilities which are readable within 3 months**

**Q.22 IASB stands for —**

- (a) International Accounting Standard Board**
- (b) Indian Accounting Standard Board**
- (c) Institution of Accounting School Board**
- (d) None**

**Q.23 When a B/R is discounted, what entry is passed by the Drawee—**

- (a) Bank A/c Dr. to B/R Cr.**
- (b) Drawer A/c Dr. to B/R A/c Cr.**
- (c) B/R A/c Dr. to B/P A/c Cr.**
- (d) No entry**

**Q.24 Noting charges are ultimately borne by—**

- (a) Drawee**
- (b) Drawer**
- (c) Payee**
- (d) None**

**Q.25 How many parties are generally found in a Bill of Exchange**

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

**Q.26 Under which of the following situations, is journal entry not passed in the books of the drawer?**

- (a) When a discounted bill is honoured by the drawee on the due date**
- (b) When a bill is sent to the bank for collection**
- (c) When a bill is renewed at the request of the drawee**
- (d) When a debtor accepts a bill drawn by the drawer**

**Q.27 In the books of the drawer, the accounting treatment involved on receipt of a bill of exchange duly accepted by the drawee is**

- i. Debit Bills Receivable Account**
  - ii. Debit Drawee's Account**
  - iii. Credit Drawee's Account**
  - iv. Credit Sales Account**
- (a) Only (i) above**

- (b) Both (ii) and (iv) above
- (c) Both (i) and (iii) above
- (d) Both (i) and (iv) above

**Q.28 Which of the following is an example of Capital Expenditure?**

- (a) Insurance Premium
- (b) Taxes and Legal expenses
- (c) Discount allowed
- (d) Customs duty on Import of Machinery

**Q.29 Which of the following concepts assumes that a business will last indefinitely?**

- (a) Business Entity
- (b) Going Concern
- (c) Periodicity
- (d) Consistency

**Q.30 Which of the following is an example of Personal Account?**

- (a) Machinery
- (b) Rent
- (c) Cash
- (d) Creditor

**Q.31 Purchase of goods on credit from A is recorded as**

- (a) Debit Purchases A/c; Credit Cash A/c
- (b) Debit A A/c; Credit Purchases A/c
- (c) Debit Purchases A/c; Credit A A/c
- (d) Debit A A/c; Credit Stock A/c

**Q. 32 Withdrawal of goods from stock by the owner of the business for personal use should be recorded by**

- (a) Debiting Stock Account and crediting Capital Account
- (b) Debiting Capital Account and crediting Drawings Account
- (c) Debiting Drawings Account and Crediting Stock Account
- (d) Debiting Stock Account and Crediting Drawings Account

**Q.33 Which of the following statements is/are true?**

- (i) Cash Book records all cash receipts and cash payments**
- (ii) Cash Book records all sale and purchase transactions of goods both in cash and on credit**
- (iii) Cash Book records discount on Cash Payments**
- (a) Only (i) above**
- (b) Only (ii) above**
- (c) Only (iii) above**
- (d) Both (i) and (iii) above**

**Q.34 Trade discount allowed at the time of Sale of goods.**

- (a) Is recorded in Sales Book**
- (b) Is recorded in Cash Book**
- (c) Is recorded in Journal**
- (d) Is not recorded in Books of Accounts**

**Q.35 Purchase of Raw Material for Cash**

- (a) Increases total Assets**
- (b) Leaves total Assets unchanged**
- (c) Increases total Fixed Assets**
- (d) Increases total Current Assets**

**Q.36 Which of the following is not an Asset?**

- (a) Stock of stationery**
- (b) Goodwill**
- (c) Profit and Loss Account (Credit Balance)**
- (d) Accounts Receivable**

**Q.37 Which of the following statements is false?**

- (a) Wages paid on installation of machinery should be credited to Cash Account**
- (b) A sale of computer that has been used in the business should be debited to Cash Account**
- (c) Repairs of a machinery, purchased second hand, should be debited to machinery Account**
- (d) Withdrawal of goods by the proprietor of the business should be credited to Capital Account**

**Q.38 Which of the following statements is/are true?**

- (i) Drawings Account is a Nominal Account**
- (ii) Capital Account is a Real Account**
- (iii) Sales Account is a Nominal Account**

**(iv) Outstanding salaries account is a Nominal Account**

**(v) Patents Account is a Personal Account**

**(a) Only (i) above**

**(b) Only (iii) above**

**(c) Both (ii) and (iii) above**

**(d) Both (ii) ,(iv) and (v)above**

**Q.39 The entry to record the collection of cash from Sundry Debtors would involve a**

**(i) Debit to Sundry Debtors**

**(ii) Debit to Cash Account**

**(iii) Credit to Sundry Debtors**

**(iv) Credit to Cash Account**

**(a) Only (i) above**

**(b) Only (iii) above**

**(c) Both (ii) and (iii) above**

**(d) Both (i) and (iv) above**

**Q.40 Purchase of Fixed Assets on credit is originally recorded in**

**(a) Purchases Book**

**(b) Ledger**

**(c) Cash Book**

**(d) Journal Proper**

**Q.41 Which of the following is/are fixed assets ?**

**(a) Closing inventory**

**(b) Fixed Deposits in a bank**

**(c) Patents**

**(d) Prepaid expenses**

**Q.42 Goods worth ` 5,000 purchased from A on credit will be recorded on-**

**(a) Debit side of Cash Book**

**(b) Credit side of Cash Book**

**(c) Nowhere in the Cash Book**

**(d) Either (a) or (b)**

**Q.43 Prepaid rent is a –**

**(a) Nominal A/c**

**(b) Representative Personal A/c**

**(c) Tangible Assets A/c**



(d) None

**Q.44 SBI A/c is a –**

- (a) Nominal A/c
- (b) Artificial Personal A/c
- (c) Representative Personal A/c
- (d) None

**Q.45 Which of these is not a process of Accounting-**

- (a) Printing
- (b) Summarizing
- (c) Classifying
- (d) Journals

**Q.46 The type of A/c with a named credit balance is-**

- (a) Expenses A/c
- (b) Assets A/c
- (c) Revenue A/c
- (d) Suspense A/c

**Q.47 Cash sales of trading goods is initially journalized in-**

- (a) Sales A/c
- (b) Cash Journal
- (c) Trading A/c
- (d) Suspense A/c

**Q.48 Goods returned by customers is entered by**

- (a) Debiting Purchases Account and Crediting Customers Account
- (b) Debiting Customers Account and Crediting Sales Account
- (c) Debiting Sales Returns Account and Crediting Customers Account
- (d) Debiting Purchases Account and Crediting Sales Account

**Q.49 Which of the following statements is/are true ?**

- (a) A sale of an asset is recorded in the Sales Book
- (b) Total of Return Outward Book is debited to Return Outward Account
- (c) The balance of Petty Cash Book is a liability
- (d) Cash Book is a subsidiary book as well as a ledger

**Q.50 Closing stock is generally valued at**

- (a) Cost Price**
- (b) Market Price**
- (c) Cost price or Market price whichever is higher**
- (d) Cost price or Market price whichever is lower**