

Accounting MCQs 51-100

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GAT Subject Management Sciences Accounting MCQs (51-100)

51. Preparation of companies' financial reports is governed in Pakistan under
(a) State Bank of Pakistan Act (b) **Companies Ordinance 1984**
(c) Partnership Act (d) Banking Companies Ordinance 1962
52. External Reporting is the Result of
(a) **Financial Accounting** (b) Management Accounting (c) Cost Accounting (d) Social Accounting
53. Special purpose financial statements are prepared by
(a) **Management Accountants** (b) Cost Accountants
(c) Financial Accountants (d) Both a and c
54. A large organization with separate legal status is known as
(a) Sole proprietorship (b) Partnership (c) **Joint stock company** (d) None
55. Which of these characteristics does not apply to partnership?
(a) Unlimited liabilities (b) **Unlimited life** (c) Mutual agency (d) Income tax
56. The output of financial accounting is
(a) The measurement of accounting income (b) The preparation of financial position
(c) The measurement of taxable income (d) **The preparation of financial reports**
57. The personnel, procedure, devices and records used by an organization to develop accounting information and communicate that information to decision maker are called which of the following?
(a) Audits (b) **Accounting information systems (AIS)**
(c) Personnel systems (d) Internal control structures
58. Which of the following groups use financial accounting?
(a) Management, employees, shareholders and lenders (b) Suppliers, customers and competitors
(c) Tax authorities, government and general public (d) **All of the above**
59. Which of the following business entity is known as firm?
(a) Sole trader-ship (b) **Partnership** (c) Co-operative society (d) Company
60. Prospectus for shares can be issued by
(a) **Public limited companies** (b) Private limited companies
(c) Both a and b (d) Non of Above
61. All economics costs that a business incur through its operation to earn revenues?
(a) Assets (b) Drawing (c) **Expense** (d) Revenue
62. Which of the following statements is false?
(a) If you increase an asset account, you could increase a liability account.
(b) **If you decrease an asset account, you could increase a shareholders' equity account**
(c) If you increase an asset account, you could decrease an asset account
(d) If you decrease an asset account, you could decrease a shareholders' equity account
63. All of following are Assets except
(a) Prepaid Rent (b) Goods (c) Unearned Income (d) **b and c**
64. Which One of the following is an example of Intangible asset?
(a) **Copy rights** (b) Discount on issue of debentures (c) Investments (d) Preliminary expenses

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65. To understand and use accounting information in making economic decisions, you must understand
- (a) The nature of economic activities that accounting information describes
 - (b) The assumptions and measurement techniques involved in developing accounting information
 - (c) Which information is relevant for a particular type of decision that is being made?
 - (d) All of Above**
66. How many approaches accounting has
- (a) One
 - (b) Two**
 - (c) Three
 - (d) None
67. The long-run objective of financial management is to
- (a) Maximize the value of the firm's common stock**
 - (b) Maximize return on investment
 - (c) Maximize earnings per share
 - (d) Maximize market share
68. Purpose of an accounting system include all of the following except
- (a) Interpret and record the effects of business transaction
 - (b) Classify the effects of transactions to facilitate the preparation of reports
 - (c) Summarize and communicate information to decision makers
 - (d) Dictate the specific type of business transaction that the enterprise may engage in**
69. In preparing a work sheet, a net loss would be computed and entered in the
- (a) Debit column of the income statement columns of the worksheet
 - (b) Credit column of the income statement in worksheet**
 - (c) In the debit column of the adjusted trial balance
 - (d) In the credit column of the balance sheet columns of the worksheet
70. An accrued revenue would be shown on the balance sheet as,
- (a) A receivable**
 - (b) A payable
 - (c) Prepaid revenue
 - (d) Unearned revenue
71. If the accountant forgets to adjust the prepaid expense account, there will be,
- (a) An understatement of net income
 - (b) An overstatement of net income
 - (c) An overstatement of expense
 - (d) a and c**
72. Which of the following is true for every adjusting entry,
- (a) They affect only income statement accounts
 - (b) They affect balance sheet account and an income statement account**
 - (c) They affect only balance sheet accounts
 - (d) They affect only accounts with normal debit balance
73. Earnings are the result of the difference between:
- (a) Revenue and assets
 - (b) Revenue and liabilities
 - (c) Revenue and expenses**
 - (d) Liabilities and expenses.
74. An examination of records of financial accounts to verify their accuracy is called
- (a) Inspection
 - (b) Audit**
 - (c) Reporting
 - (d) Budget
75. The accounts which have their existence after the close of accounting year is called
- (a) Nominal accounts
 - (b) Real accounts**
 - (c) final accounts
 - (d) None
76. The balance in the office supplies account on July 1 was \$3,200, supplies purchased during July were \$2,500, and the supplies on hand at July 31 were \$2,800. The amount to be used for the appropriate adjusting entry is:
- (a) \$3,500
 - (b) \$2,800
 - (c) \$3,200
 - (d) \$2,900**
77. Which of the following would be included in a cash budget?
- (a) Depreciation charges
 - (b) Dividends**
 - (c) Goodwill
 - (d) Patents

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78. A business pays weekly salaries of \$15,000 on Friday for a five-day week ending on that day. The adjusting entry necessary at the end of the fiscal period ending on Thursday is:
- (a) Debit Salaries Payable, \$12,000; credit Cash, \$12,000
 - (b) Debit Salary Expense, \$12,000; credit Drawing, \$12,000
 - (c) **Debit Salary Expense, \$12,000; credit Salaries Payable, \$12,000**
 - (d) Debit Salary Expense, \$18,000; credit Salaries Payable, \$18,000
79. A balance sheet is designed to show:
- (a) **The financial position of an enterprise under accounting conventions**
 - (b) What the enterprise could be sold for
 - (c) The performance of the enterprise for the year
 - (d) What it would cost to set up a similar enterprise
80. Gross profit is the difference between
- (a) Liabilities & assets
 - (b) Purchase and sale
 - (c) Net sales and operating expenses
 - (d) **Net sales and cost of goods sold**
81. Calculate the gross profit if; Sales Rs. 6,000; cost of sales Rs. 5,000; opening stock Rs. 1,000; purchases Rs. 4,000; wages Rs. 2,000 and office rent Rs. 1,000.
- (a) Loss Rs. 2,500
 - (b) Loss Rs. 1,500
 - (c) Profit Rs. 2,500
 - (d) **Profit Rs. 1,000**
82. Marketable securities are primarily
- (a) Short-term equity securities
 - (b) **Short-term debt instruments**
 - (c) Long-term equity securities
 - (d) Long-term debt instruments
83. In 2005 work in process inventories of Park Inc., totaled \$20,000 on January 1 and \$15,000 on December 31. If total manufacturing cost was 90% of cost of goods sold, how much was cost of goods sold?
- (a) **Cannot be determined from the information presented**
 - (b) 110% of total manufacturing cost
 - (c) $(\$20,000 - \$15,000)/0.90$
 - (d) $(\$20,000 - \$15,000) + 110\%$ of total manufacturing cost
84. The largest expense of most manufacturing firms is?
- (a) Salaries Expense
 - (b) Amortization Expense
 - (c) Rent Expense
 - (d) **Cost of goods sold**
85. Residual interest in the net asset of an entity that remain after deducting its liabilities is
- (a) **Owner Equity**
 - (b) Liabilities
 - (c) Asset
 - (d) Expense
86. Which of the following is an expense
- (a) Purchasing operating equipment
 - (b) **Purchasing cleaning service**
 - (c) Purchasing an investment of another company
 - (d) Purchasing a computer for the accounting
87. All of following are Expenses except
- (a) Wages
 - (b) **Rent Payable**
 - (c) Salaries
 - (d) Carriage
88. Dealing between two persons including money or a valuable thing is called
- (a) **Economic activities**
 - (b) Personal activities
 - (c) Social activities
 - (d) None of these
89. Which of the following item of revenue nature?
- (a) Dividends payable
 - (b) Rent incur
 - (c) **Fee earned**
 - (d) Payment for building improvement
90. Which of the following is not an asset?
- (a) Debtors
 - (b) Buildings
 - (c) Cash balance
 - (d) **Loan from Ali**
91. Goodwill is an example of
- (a) A current assets
 - (b) Fixed asset
 - (c) Tangible Assets
 - (d) **Intangible Assets**

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92. Finance has been described as
- (a) The lifebuoy of the business (b) The lifeboat of the business
(c) The lifeline of the business (d) **The lifeblood of the business**
93. The extended balance sheet equation, which is the basis of double-entry bookkeeping is
- (a) Assets + Expenses = Liabilities + Income - Capital
(b) Assets - Expenses = Liabilities - Income - Capital
(c) Assets - Expenses = Liabilities + Income + Capital
(d) **Assets + Expenses = Liabilities + Income + Capital**
94. Find out the value of liabilities from the following of cash Rs. 50,600; account receivable Rs. 12,400; office supplies Rs. 1,350 and capital Rs. 50,000
- (a) Rs. 15,850 (b) **Rs. 14,350** (c) Rs. 5,500 (d) Rs. 26,300
95. Which of the following is correct?
- (a) Profit does not alter equity (b) Profit reduces equity
(c) Equity can only come from profit (d) **Profit increases equity**
96. Which of the following statement/s are true?
- (i) Accounting can be described as the recording, classifying and summarizing of transactions
(ii) End result of financial accounting is balance sheet only
- (a) **(i) Only** (b) (ii) Only (c) Neither (i) nor (ii) (d) Both (i) & (ii)
97. Which of the following statements is incorrect?
- (a) Assets - Liabilities = Capital (b) **Liabilities + Assets = Capital**
(c) Liabilities + Capital = Assets (d) Assets - Capital = Liabilities
98. Which of the following statement is true about purpose of accounting
- (a) The purpose of accounting provide information to manager
(b) Accounting purpose gives quantitative information to economic decision makers
(c) Provision of base for decision making is purpose of accounting
(d) **All of above statement are true regarding purpose of accounting**
99. Which of the following statement is true?
- (a) The directors of a company are liable for any losses of the company
(b) A sole trader business is owned by shareholders and operated by the proprietor
(c) Partners are liable for losses in a partnership in proportion to their profit share ratio
(d) **A company is run by directors on behalf of its stockholders**
100. XYZ (Pvt.) Ltd. provided the following information about its balance sheet
- | | | | |
|----------------------|--------|---------------------|--------|
| Cash | \$ 100 | Accounts receivable | \$ 500 |
| Stockholders' equity | 700 | Outstanding bills | 200 |
| Bank loans | 1,000 | Prepaid insurance | 350 |
- Based on the information provided, how much are XYZ (Pvt.) Ltd. liabilities?
- (a) \$ 900 (b) \$ 1,050 (c) **\$ 1,200** (d) \$ 1,700