



ÉCOLE GLOBALE

INTERNATIONAL GIRLS' SCHOOL

Dehradun

HOLIDAY HOMEWORK – CIE AS LEVEL Accounts

Chapter- MCQ on Accounting Basics, Principles and Depreciation

1. The resulting amount when total liabilities are subtracted from total assets is known as

- a. owner's equity or net assets
- b. net income or net loss
- c. total expenses
- d. total revenue

2. A broad rule adopted by the accounting profession as a guide in measuring, recording, and reporting the financial affairs and activities of a business is known as

- a. an accounting concept
- b. an accounting principle
- c. the basic accounting equation
- d. objectivity principle

3. Using a sales invoice as the basis for recording a sale of merchandise is an example of using which accounting principle or concept for recording transactions?

- a. Recognition principle
- b. Objectivity principle
- c. Realization principle
- d. Continuing-concern concept

4. Which of the following statements is true?

- a. a salary paid to a partner is an expense to the partnership
- b. a salary paid to a proprietor is an expense to the proprietorship
- c. a salary paid to a shareholder is an expense of the corporation
- d. the business entity principle does not apply to corporations

5. Keith Manich deposited \$5,000 in a bank account he established for a pet store that he is going to own and operate as KM's Pets. Recording the deposit will

- a. increase an asset, increase a liability
- b. decrease an asset, decrease a liability
- c. increase an asset, increase owner's equity
- d. decrease an asset, decrease owner's equity

6. Better-Cars Selection, a used car dealer, has total assets and liabilities of \$50,000 and \$18,000, respectively. The firm constructed a shelter for its automobiles by promising to pay the building contractor, upon completion of the building, \$500 per month for twenty-four months. Upon completion, owner's equity will:

- a. increase by \$12,000
- b. remain unchanged
- c. decrease by \$12,000
- d. increase by \$500, each month

7. The owner of a computer services business was able to acquire a new computer, valued at \$5,000, by establishing an account with the computer vendor, Com Pewters Unlimited. There was no down payment. Recording the transaction will

- a. increase an asset, increase a liability
- b. decrease an asset, decrease a liability
- c. increase an asset, increase owner's equity
- d. decrease an asset, decrease owner's equity

8. A sole proprietor recorded the payment of an account payable to an office supplies store. Recording the transaction will

- a. increase an asset, increase a liability
- b. decrease an asset, decrease a liability
- c. increase an asset, increase owner's equity
- d. decrease an asset, decrease owner's equity

9. If during the accounting period the assets increased by \$5,000, and the owner's equity increased by \$1,000, then the liabilities must have

- a. increased by \$6,000
- b. increased by \$4,000
- c. decreased by \$4,000
- d. decreased by \$6,000

10. If during the accounting period the assets increased by \$7,000, and the owner's equity decreased by \$3,000, then the liabilities must have

- a. increased by \$10,000
- b. increased by \$4,000
- c. decreased by \$4,000
- d. decreased by \$10,000

11. One of the local fast-food outlets hired a first-year accounting student to oversee the cash-collection procedures. When the firm pays the student her weekly wage, the transaction will

- a. increase an asset, increase a liability
- b. decrease an asset, decrease a liability
- c. increase an asset, increase owner's equity
- d. decrease an asset, decrease owner's equity

12) Which of the following is the practical implementation of the accounting equation?

A) Cash flow statement

B) Income statement

C) Statement of changes in equity

D) Statement of financial position

13) Which of the following accounting equation is correct?

A) Cash +Other assets=Capital-Liabilities

B) Capital+ Liabilities=Assets+Income

C) Assets-Liabilities=Capital

D) Assets+Capital=Liabilities

14) Fresh capital introduction will increase

A) Assets and liabilities

B) Assets and equity

C) Liabilities and equity and bank balance

D) Capital and liabilities

15) Cash received for services rendered will

A) Increase cash and liability

B) Increase equity and liability

C) Increase fixed assets and cash

D) Increase cash and equity

16) Which of following best describes the increase in equity expands_____

A) Business operations

B) cash outflows

C) Inflows of cash

D) Appropriation expenses

17) If Cash=\$1000 inventories=\$4000 Debtors=\$5000 fixed assets=? Capital+Liabilities=\$15000
What is the Amount of total assets?

A) \$5000

B) \$10,000

C) \$15,000

D) \$20,000

18) Depreciation decreases

A) Liabilities

B) Cash

C) Bank

D) Capital

Chapter- Journal, Ledger and Trial Balance.

Q1. Define the term `Accounting'. 1 mark.

Q2. ``Accounting information should be comparable''. Do you agree? Give two reasons. 1 mark

Q3. How will you define `Revenues'? 1 mark

Q4. Mention a point of main difference between accounting and book keeping. 1 mark

Q5. Patents and Copyrights are the examples of which type of Asset? 1 mark

Q6. How the users of accounting information can be classified? 1 mark

Q7. Would you agree that `` Reliability is an important qualitative characteristic of Accounting Information''. Justify your answer in short. 1 mark

Q8. Mention any two main objectives of Accounting? 1 mark

Q9. Journalise the following transactions, post them into ledger and prepare

Trial balance for Abhay Brothers:-

Jan.1. Commenced business with cash Rs. 5,80,000, Machine Rs. 1,20,000, furniture Rs. 28,000 and Land Rs. 2,00,000.

Jan.2. Opened a current account with State Bank Rs. 1,65,000.

Jan.3. Purchased goods worth Rs. 18,000 by cash.

Jan.4. Paid for wages Rs. 1200 and for commission Rs. 3800.

Jan.5. Paid for news paper expenses Rs. 50.

Jan.6. Purchased goods at the list price of Rs. 1,00,000 from Rameshwar less 20% trade discount and 2% cash discount and paid 60% by cheque.

Jan.7. Sold goods to Manjeet for Rs.60,000 @ 5% trade discount and cash discount of 10%.
He paid 1/5th amount immediately in cash.

Jan.8. Rs. 20 received from sale of old news papers.

Jan. 9. Goods worth Rs. 5000 returned to Rameshwar.

Jan.10. Balance paid to Rameshwar on account.

Jan.11. Goods worth Rs. 2500 returned by Manjeet.

Jan.12. Sold furniture on credit to Rahim Rs. 5600.

Jan.13. Purchased a second hand machinery for Rs. 20,000 and spent Rs. 3000 on its installation, Rs. 2000 on its repairs and Rs. 1000 on its carriage.

Jan 14. Sold goods worth Rs. 10,000 to Yuvraj.

Jan.15. Paid life insurance premium Rs. 500 and insurance premium for goods Rs. 1000.

Jan.16. Yuvraj, who owed us Rs. 10,000, declared insolvent and only 25 paise in a rupee recovered from him as final dividend.

Jan.17. Cash Rs. 1500 and goods worth Rs. 3000 stolen by an employee.

Jan.18. Balance received from Manjeet on account.

Jan.19. Placed an order to Sunil Traders for supply of goods for 18,000. For this, advance
Rs. 2000 paid to him.

Jan.20. Goods worth Rs. 800 destroyed in fire and goods worth Rs. 600 given as free sample.

Jan.21. Purchased goods from Raj for Rs.2800 by cash. Rs. 200 cartage has been paid to collect it.

Jan.22. Rs.7500 withdrawn by proprietor for paying school fees of his daughter and goods
worth Rs. 400 withdrawn for domestic use.

Jan.23. Rs. 1800 recovered from Yuvraj, who was previously declared as insolvent.

Jan.24. Withdrawn from bank Rs. 7000 for office use.

Jan.25. Bank charges Rs. 200.

Jan.26. Paid for refreshment expenses Rs. 400.

Jan.27. Purchased a horse for Rs. 9500 for transport purpose in the business.

Jan.28. Received a cheque for Rent Rs. 12,000.

Jan.29. Received a cheque for Brokerage Rs. 18,000.

Jan.30. Cheque for Rent deposited in bank.

Jan.31. Timber of Rs. 31,900 and bricks of Rs. 9300 purchased for construction of Building,
Paid for labour charges for the same Rs. 1000.

Chapter- Accounting Equation, Journal, Subsidiary Books

Q1. Show the effects of following transactions on Assets, Liabilities and Capital with the help of Accounting Equation:-

- (a) Started business with Rs. 70,000 and with goods worth Rs. 10,000.
- (b) Purchased Furniture from R.K. Furnitures for Rs. 10,000.

(c) Accrued commission amounted to Rs. 3,000.

(d) Paid to R.K.Furnitures in full settlement Rs.9,700.

Q2. Bhargav Traders prepares a Cash Book, Purchase Book, Sales Book and Return Books separately. They request you to prepare a Journal Proper out of the following transactions, keeping in mind the books which they are already preparing.3 marks.

April 15: Interest on Capital is to be allowed @ 10% p.a. on the capital of Rs. 5,00,000.

April 17. Depreciation Rs. 2000 is to be provided on the Machine costing Rs. 5,00,000.

April 18. Paid to Kabir Rs.4,000 against credit purchases.

April 20. Outstanding Rent amounted to Rs. 1,000.

Q3 Prepare a Petty Cash Book for Sohan from the following transactions:- 4 marks.

July1. Received from Head Cashier Rs.500.

July2. Paid for Repairs Rs. 15.

July3. Paid for Commission Rs. 80.

July4. Paid for Stationary Rs. 35.

July5. Received from Head Cashier Rs.150.

July6. Paid for Rent Rs.70.

July7. Paid for Commission Rs. 60.

July8. Paid for Repairs Rs. 35.

Q4. Pass Journal entries and Prepare Ledger accounts for `Purchase` and `Cash`.

April 1. Started business with Cash Rs. 4,50,000 and with Furniture worth Rs. 7,000.

April 5. Purchased goods worth Rs. 10,000 @ 10% trade discount and paid immediately after 5% cash discount.

April 7. Goods for Rs. 400 withdrawn by proprietor for personal use.

April 10. Goods worth Rs. 800 given as charity and goods worth Rs. 200 given as free samples.

Q5. Prepare a Three column cash book from the following transactions for Amit Textiles:-

Jan 1. Commenced business with cash Rs.70,000.

Jan 2. Purchased goods worth Rs. 5,000 @ 10% cash discount and paid cash, receiving 5% discount.

Jan 3. Deposited into Bank Rs. 7,500.

Jan 4. Sold goods worth Rs. 6000 to Rajeev @ 5% Trade Discount and received cheque after allowing 10% Cash Discount.

Jan 5. Paid LIC premium Rs. 2000.

Jan 6. Sold goods worth Rs. 3000 to Ramesh and received form him immediately Rs. 2950 in full settlement.

Jan 7. Paid monthly household rent by cheque Rs. 2,500.

Jan 8. Withdrew from Bank Rs.500 for purchase of office furniture.