

## Specialized Accounting

### Unit 1

#### Multiple Choice Questions

1. **Which of the following is generally considered as a not-for-profit organization?**
  - a) Charitable organization
  - b) Corporation
  - c) Audit firms.
  - d) Insurance companies
2. **Not-for-profit organizations prepare all of the following accounts except the**
  - a) Receipts and payment accounts
  - b) Income and Expenditure accounts
  - c) Balance sheet
  - d) Income statement
3. **Expenditures greater than incomes of a not-for-profit organization give rise to a**
  - a) Loss
  - b) Profit
  - c) Surplus
  - d) Deficit
4. **Rent expense of a not-for-profit organization paid in advance. Which of the following is the correct classification of rent?**
  - a) Expense
  - b) Liability
  - c) Equity
  - d) Asset
5. **Advance receipt of subscription from a member of the not-for-profit organization is considered as**
  - a) Income
  - b) Liability
  - c) Equity
  - d) Asset
6. **Which of the following is to be recorded in an income and expenditure account?**
  - a) Purchase of a fixed asset
  - b) Capital expenditure incurred on a fixed asset.
  - c) Profit on the sale of a fixed asset.
  - d) Sale of a fixed asset.
7. **Honorarium paid by not-for-profit organization to non-employee is treated as:**
  - a) It's a revenue expenditure.
  - b) It's a Capital expenditure.
  - c) It is not recorded in the books of accounts.
  - d) None of the above
8. **The capital of a not-for-profit organization is generally known as:**
  - a) Equity
  - b) Accumulated fund
  - c) Cash fund.
  - d) Financial reserve
9. **When Cash is received for life membership, the entry is:**
  - a) Cash Debit and capital Credit.
  - b) Life membership Debit and cash Credit
  - c) Investment Debit and cash Credit
  - d) Cash Debit and life membership fund Credit.
10. **XYZ club runs a Bar that maintains a separate trading account for its trading activities. Profit & Loss of Bar for Trading activities is:**
  - a) Profit or loss is directly shown in the balance sheet.
  - b) Profit or loss is to be presented in income and expenditure account.
  - c) Profit and loss is credited in income statement
  - d) Profit or loss is added to accumulated fund.

- 11. Subscription received but not yet earned is considered as:**
- Asset
  - Liability
  - Income
  - Expenditure
- 12. Rs.10,000 received as the annual membership subscription. Out of this, Rs.2000 is pertaining to the previous accounting period whereas Rs.1000 is receivable at the end of the current accounting period. Calculate the amount of subscription that will be shown in the income and expenditure account for this accounting.**
- Rs.10,000
  - Rs.9000
  - Rs.12,000
  - Rs.8000
- 13. Balance Sheet of a not-for-profit organization (like charitable hospital) doesn't contain:**
- Assets
  - Building
  - Debts
  - Owner's equity
- 14. Income and expenditure accounts show:**
- Cash available to an organization.
  - Closing capital of an organization
  - Cash available in the bank account.
  - Surplus or deficit for the current accounting period
- 15. On what basis the receipts and payments account is prepared?**
- Cash basis.
  - Accrual basis
  - Both accrual and cash basis
  - None of the above
- 16. In not-for-profit accounting, the sale of old newspapers is treated as:**
- Expenses
  - Expenditure
  - Income
  - Capital receipt.
- 17. In the Income and Expenditure Account, all revenue receipts are entered on the \_\_\_\_\_.**
- Left-hand side.
  - Right-hand side.
  - Liability side.
  - Asset side.
- 18. In the Income and Expenditure Account, all revenues expenses are entered on the \_\_\_\_\_.**
- Left-hand side.
  - Liability side.
  - Right-hand side.
  - Asset side.
- 19. The task of preparing an Income and Expenditure Account and Balance Sheet begins after the preparation of \_\_\_\_\_.**
- Profit and Loss Account.
  - Trading Account.
  - Cash Account.
  - Trial balance.
- 20. In Receipts and Payments Account, cash in hand or at the bank is shown on the \_\_\_\_\_.**
- Left-hand side.
  - Right-hand side.
  - Credit side.
  - None of the options are correct.
- 21. Income and Expenditure Account, generally indicates \_\_\_\_\_.**
- Cash Balance.
  - Capital Fund.
  - Net Profit / Loss.
  - Surplus / Deficit.
- 22. Donation received for a special purpose:**
- Should be credited to a separate account and shown in the Balance Sheet.
  - Should be shown on the Assets side of the Balance Sheet.
  - Should be credited to Income and Expenditure A/c.

- d) None of the options are correct.
- 23. Surplus or profits of Non-Profit Organisations are \_\_\_\_\_.**
- It is not distributed among members.
  - Maybe or may not be distributed among members.
  - It is debited to the general fund.
  - Distributed among members.
- 24. An Income and Expenditure Account is based on \_\_\_\_\_.**
- Accrual Basis of Accounting.
  - Mixed Basis of Accounting.
  - Management Accounting.
  - Cash Basis of Accounting.
- 25. Joint venture is a:**
- Personal account
  - Nominal account
  - Real account
  - Memorandum account
- 26. Joint venture with another co-venturer A/c is a:**
- Personal a/c
  - Nominal a/c
  - Real a/c
  - Dummy a/c
- 27. Which of the account is opened when separate joint venture account is opened?**
- Joint venture a/c
  - Joint bank a/c
  - Coventurer a/c
  - All of the above
- 28. What does the balance in Memorandum Joint Venture a/c shows:**
- Profit or loss.
  - Closing stock
  - Balance due from other co-venturer
  - Difference in trial balance
- 29. The partners to joint venture are called:**
- Bailor or bailee
  - Partners
  - Co-venturers
  - Principal and agent
- 30. Loss on joint venture is:**
- Credited to profit & loss a/c
  - Debited to co-venturers' capital a/c
  - Credited to capital fund a/c
  - Debited to suspense a/c
- 31. Stock left overtaken by a co-venturer is:**
- Debited to joint venture a/c
  - Credited to co-venture a/c
  - Credited to joint venture a/c
  - Credit to joint bank a/c
- 32. Which of these accounts is not opened in a joint venture?**
- Stock reserve
  - Joint bank account
  - Joint venture account
  - Co-venturer account
- 33. Which of these is NOT a feature of joint venture?**
- Continuing business
  - No firm name
  - Partners are called co-venturers
  - Partnership for limited purpose
- 34. Which of the following activities are appropriate for joint venture business?**
- Construction of a river bridge
  - Cloth shop
  - Medical shop
  - BCC cement agency.
- 35. The relationship between consignor and consignee is that of:**
- Employer and employee
  - Business partners
  - Owner and servant
  - Principal and agent
- 36. Consignee becomes consignor's debtor when the goods are:**
- Shipped by the consignor.
  - Received by consignee.
  - Sold by consignee.
  - Returned by consignee.

- 37. If no agreement regarding the responsibility of loss exists between consignor and consignee, the loss of goods resulting from accident, fire or theft etc. would be borne by the:**
- Both consignor and consignee in the ratio of 1:1
  - Consignor only
  - Consignee only
  - Carrier of goods only
- 38. According to traditional classification of accounts, the type of consignment account is:**
- Nominal
  - Real
  - Personal
  - Valuation
- 39. Del credere commission is calculated on:**
- Cash sales only.
  - Credit sales only.
  - Total of both cash and credit sales
  - Cost price of goods sold.
- 40. Del credere commission is allowed to cover:**
- Bad debt loss
  - Normal loss
  - Abnormal loss
  - Both normal and abnormal loss
- 41. According to traditional classification, the nature of consignee account is:**
- Real
  - Valuation
  - Nominal
  - Personal
- 42. Proforma invoice is a document which is prepared by:**
- The consignor and is sent to the consignee.
  - The consignee and is sent to the consignor.
  - Both the consignor and consignee and is sent to each other.
  - The carrier and is sent to both consignor and consignee.
- 43. Overriding commission is granted to consignee for:**
- Achieving a specific sales volume or promoting an item in a specific area
  - Selling goods in the ordinary course of business
  - Covering bad debt losses
  - Selling all the goods for cash only
- 44. A consignee is entitled to a 10% ordinary and a 5% del credere commission. If cash sales are ₹50,000 and credit sales are ₹25,000, the total commission would be:**
- ₹8,750
  - ₹6,250
  - ₹7,500
  - ₹11,250
- 45. The profit generated or loss incurred by a consignment is shown by the:**
- Goods sent on consignment account
  - Consignee account
  - Consignment account
  - Stock reserve account.
- 46. Goods costing ₹50,000 are consigned at a proforma invoice of cost plus 20%. The consignment account will be debited by:**
- ₹50,000
  - ₹60,000
  - ₹10,000
  - ₹40,000
- 47. Which one of the following is not credited to consignment account?**
- Closing stock
  - Abnormal loss
  - Consignee's commission
  - Stock in transit.

- 48. Which one of the following is not a non-recurring expense in consignment?**
- Godown rent paid by consignee.
  - Loading charges paid by consignor.
  - Freight and insurance paid by consignor.
  - Carriage to godown paid by consignee.
- 49. A loss which occurs due to natural causes, and which is not avoidable is known as:**
- Abnormal loss
  - Controllable loss
  - Additional loss
  - Normal loss
- 50. Which of the following expenses should NOT be considered while calculating the value of stock on consignment?**
- Freight paid by consignor.
  - Insurance paid by consignor.
  - Carriage to godown paid by consignee.
  - Selling and marketing expenses paid by consignee.
- 51. In consignment, the ownership to goods:**
- Rests with the consignor
  - Is transferred to consignee.
  - Is transferred to carrier.
  - Is transferred to insurance company.
- 52. A loss that is highly controllable or avoidable is referred to as:**
- Insured loss
  - Intentional loss
  - Normal loss
  - Abnormal loss
- 53. Which of the following is a correct statement about stock on consignment?**
- It is shown on the credit side of consignment account.
  - It is shown as an asset in the balance sheet in consignor's books.
  - It is not recorded in consignee's books.
  - All of the above statements are correct.
- 54. The nature of goods sent on consignment account is:**
- Real
  - Nominal
  - Personal
  - Valuation