



BUDDHA SERIES

(Unit Wise Solved Question & Answers)

Course – B.Com 1stSem

College – Buddha Degree College

(DDU Code-859)

Department: Commerce

Subject- Basic Accounting

Faculty Name: Mr. Himanshu Shukla

UNIT-1

1. What is the primary objective of accounting?

- a) To record business transactions
- b) To interpret data
- c) To provide information for decision making
- d) To manage employees

Answer: c) To provide information for decision making

2. Who is considered an internal user of accounting information?

- a) Government
- b) Shareholders
- c) Manager
- d) Creditors

Answer: c) Manager

3. Accounting is often referred to as the:

- a) Language of society
- b) Language of economics
- c) Language of business
- d) Language of finance

Answer: c) Language of business

4. Which of the following is not a characteristic of accounting?

- a) Systematic recording
- b) Personal judgment
- c) Classification
- d) Summarization

Answer: b) Personal judgment

5. Who are the external users of accounting information?

- a) Employees
- b) Managers
- c) Investors
- d) Owners

Answer: c) Investors

6. Which of the following is not a function of accounting?

- a) Measurement
 - b) Forecasting
 - c) Decision making
 - d) Selling products
- Answer:** d) Selling products

7. Financial statements include all except:

- a) Profit and Loss Account
 - b) Balance Sheet
 - c) Trial Balance
 - d) Cash Flow Statement
- Answer:** c) Trial Balance

8. The scope of accounting includes:

- a) Only financial transactions
 - b) Non-financial information
 - c) Managerial and cost accounting
 - d) Only taxation
- Answer:** c) Managerial and cost accounting

9. Which user of accounting information needs it for tax assessment?

- a) Management
 - b) Employees
 - c) Government
 - d) Customers
- Answer:** c) Government

10. Accounting information is mainly used to:

- a) Increase sales
 - b) Take economic decisions
 - c) Promote employees
 - d) Attract customers
- Answer:** b) Take economic decisions

11. Which concept assumes that the business will continue to operate indefinitely?

- a) Matching Concept
 - b) Going Concern Concept
 - c) Accrual Concept
 - d) Consistency Concept
- Answer:** b) Going Concern Concept

12. The person who maintains accounting records is called a:

- a) Economist
- b) Manager
- c) Accountant
- d) Banker

Answer: c) Accountant

13. Basic accounting equation is:

- a) $\text{Assets} = \text{Liabilities} + \text{Revenue}$
- b) $\text{Assets} = \text{Liabilities} + \text{Capital}$
- c) $\text{Assets} = \text{Expenses} - \text{Liabilities}$
- d) $\text{Assets} = \text{Capital} - \text{Liabilities}$

Answer: b) $\text{Assets} = \text{Liabilities} + \text{Capital}$

14. Double entry system means:

- a) One-sided recording
- b) Two-sided recording
- c) Recording in cash
- d) Recording in journals only

Answer: b) Two-sided recording

15. Accounting provides information about:

- a) Financial position
- b) Technical skills
- c) Human resources
- d) Customer satisfaction

Answer: a) Financial position

16. One of the major limitations of accounting is:

- a) Provides exact data
- b) Records qualitative information
- c) Involves estimates and judgments
- d) Does not follow rules

Answer: c) Involves estimates and judgments

17. Bookkeeping is a part of:

- a) Auditing
- b) Budgeting
- c) Accounting

d) Taxation

Answer: c) Accounting

18. Which is the primary book of accounting?

a) Ledger

b) Journal

c) Balance Sheet

d) Trial Balance

Answer: b) Journal

19. Which accounting principle requires recording expenses when incurred?

a) Cost Concept

b) Matching Principle

c) Realization Concept

d) Accrual Concept

Answer: b) Matching Principle

20. Profit is calculated as:

a) Income - Sales

b) Income - Expenses

c) Revenue - Capital

d) Revenue - Assets

Answer: b) Income - Expenses

21. Financial accounting primarily deals with:

a) Internal reports

b) Strategic decisions

c) External reporting

d) Cost control

Answer: c) External reporting

22. Capital introduced by the owner is a:

a) Liability

b) Asset

c) Expense

d) Revenue

Answer: a) Liability

23. Which branch of accounting helps in decision making for future operations?

- a) Financial Accounting
- b) Cost Accounting
- c) Tax Accounting
- d) Auditing

Answer: b) Cost Accounting

24. In accounting, goods purchased for resale are classified as:

- a) Fixed Assets
- b) Current Liabilities
- c) Inventory
- d) Revenue

Answer: c) Inventory

25. Who is responsible for the preparation of financial statements?

- a) Auditor
- b) Banker
- c) Accountant
- d) Shareholder

Answer: c) Accountant

UNIT-2

1. Which of the following is a fundamental accounting concept?

- a) Profitability
 - b) Consistency
 - c) Marketing
 - d) Advertising
- Answer:** b) Consistency

2. The concept that assumes a business will continue to operate indefinitely is:

- a) Consistency
 - b) Accrual
 - c) Going Concern
 - d) Dual Aspect
- Answer:** c) Going Concern

3. GAAP stands for:

- a) General Accepted Accounting Principles
 - b) Generally Accepted Accounting Practices
 - c) Generally Accepted Accounting Principles
 - d) General Accounting and Auditing Practices
- Answer:** c) Generally Accepted Accounting Principles

4. Which concept states that revenue should be recognized when it is earned?

- a) Accrual Concept
 - b) Cost Concept
 - c) Matching Concept
 - d) Realization Concept
- Answer:** d) Realization Concept

5. In the double entry system, every transaction affects:

- a) One account
 - b) Two accounts
 - c) Three accounts
 - d) No account
- Answer:** b) Two accounts

6. Which accounting convention suggests that accountants should use the same accounting methods over time?

- a) Disclosure
- b) Prudence
- c) Consistency
- d) Cost

Answer: c) Consistency

7. Accounting conventions are:

- a) Legally binding
- b) Government policies
- c) Commonly accepted practices
- d) Computer programs

Answer: c) Commonly accepted practices

8. Which concept states that business and owner are two separate entities?

- a) Business Entity Concept
- b) Matching Concept
- c) Accrual Concept
- d) Dual Aspect Concept

Answer: a) Business Entity Concept

9. The accounting principle that matches expenses with revenues is:

- a) Cost Concept
- b) Matching Concept
- c) Realization Concept
- d) Conservatism

Answer: b) Matching Concept

10. Double entry system was introduced by:

- a) Adam Smith
- b) Luca Pacioli
- c) John Maynard Keynes
- d) Amartya Sen

Answer: b) Luca Pacioli

11. In the double entry system, if one account is debited, the other must be:

- a) Closed
- b) Balanced
- c) Debited
- d) Credited

Answer: d) Credited

12. Accounting Standards are issued in India by:

- a) ICAI
- b) SEBI
- c) RBI
- d) IRDA

Answer: a) ICAI

13. The convention of conservatism implies:

- a) Recording maximum profits
- b) Ignoring future losses
- c) Anticipating future profits
- d) Recording expected losses only

Answer: d) Recording expected losses only

14. The accounting principle that assets are recorded at purchase price is:

- a) Cost Concept
- b) Going Concern Concept
- c) Matching Concept
- d) Materiality Concept

Answer: a) Cost Concept

15. GAAP includes:

- a) Company rules
- b) Internal policies
- c) Accounting rules and guidelines
- d) HR policies

Answer: c) Accounting rules and guidelines

16. Which accounting convention ensures that significant information is disclosed?

- a) Conservatism
- b) Matching
- c) Disclosure
- d) Accrual

Answer: c) Disclosure

17. Which concept emphasizes that financial statements should reflect only measurable facts?

- a) Money Measurement Concept
- b) Matching Concept
- c) Realization Concept

d) Cost Concept

Answer: a) Money Measurement Concept

18. The convention of materiality refers to:

a) Ignoring small items

b) Recording every detail

c) Including all transactions

d) Forecasting business growth

Answer: a) Ignoring small items

19. The dual aspect concept forms the basis of:

a) Single entry system

b) Trial balance

c) Double entry system

d) Journalizing

Answer: c) Double entry system

20. If assets = ₹ 80,000 and liabilities = ₹ 50,000, then capital is:

a) ₹ 130,000

b) ₹ 30,000

c) ₹ 50,000

d) ₹ 80,000

Answer: b) ₹ 30,000

21. AS-1 deals with:

a) Depreciation

b) Valuation of inventory

c) Disclosure of accounting policies

d) Revenue recognition

Answer: c) Disclosure of accounting policies

22. AS-9 is related to:

a) Cash Flow Statements

b) Revenue Recognition

c) Fixed Assets

d) Consolidated Financial Statements

Answer: b) Revenue Recognition

23. The principle of *Full Disclosure* ensures:

- a) Tax compliance
 - b) Personal information is hidden
 - c) Important facts are disclosed
 - d) Only profits are reported
- Answer:** c) Important facts are disclosed

24. The double entry system ensures:

- a) Incomplete records
 - b) Errors in recording
 - c) Arithmetical accuracy
 - d) Cash only recording
- Answer:** c) Arithmetical accuracy

25. Accounting Standards are applicable to:

- a) Only government organizations
 - b) Only multinational companies
 - c) All entities preparing financial statements
 - d) NGOs only
- Answer:** c) All entities preparing financial statements