Certificate in Business and Accounting

Accounting: MCQ Self - Assessment Questions 2

1. The five fundamental principles outlined in the CPA Ethical Guide for members are:

   a) Integrity, Objectivity, Professional Competence & Due Care, Confidentiality, Professional Behaviour
   b) Accuracy, Objectivity, Professional Competence & Due Care, Comprehensiveness, Precision
   c) Integrity, Subjectivity, Privacy, Confidentiality, Professional Behaviour
   d) None of the above.

2. The term ‘Sole Trader’ refers to an entity that:

   a) Has only one member of staff
   b) Has only one owner, has not been incorporated and is not part of a business partnership
   c) Buys and sells goods for profit
   d) Does not operate from its own premises.

3. Which accounting concept requires an asset to be valued in an entity’s financial statements at its net book value?

   a) Historic Cost
   b) Materiality
   c) Faithful representation
   d) Money Measurement.

4. The stakeholders in a business:

   a) Must hold shares in it
   b) Are those with a legitimate interest in it
   c) Are essentially the Revenue Commissioners and other Government Agencies or Departments
   d) The people who first founded it.

5. The Money Measurement concept means that financial statements:

   a) Reflect the future value of money
   b) Contain mostly estimated monetary values
   c) Should be used to compare the value of one currency against another
   d) Contain only information that can be quantified and given a monetary value.

6. If the latest electricity bill, amounting to €360, paid by a sole trader covered the period July/August 20YY and her accounting year ended on 30 November and the business's usage of electricity was constant throughout the year, what provision, if any, for electricity should be made in the year-end accounts?

   a) An accrual of €360
   b) A prepayment of €540
   c) An accrual of €540
   d) None of the above.
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7. A Fixed Asset, rom an accountancy perspective, is an item purchased that:

   a) Cannot be moved without considerable expense
   b) Is intended to be utilised in the business over time
   c) Was purchased at a price fixed in advance
   d) Needs considerable repair before it can be sold.

8. A Current Asset is one which:

   a) Is valued at the current exchange rate
   b) Changes in value from day to day through normal business transaction
   c) Is only used by the company for a short time
   d) Never loses its value.

9. Capital Expenditure is expenditure on:

   a) Items paid for only out of the original capital put in by the owner
   b) The purchase of fixed assets
   c) Dividends paid to shareholders for the use of their capital
   d) Items that are really good value for money.

10. Arising from the Accounting equation:

   a) Assets + Income = Liabilities + Expenditure
   b) Assets + Expenditure = Liabilities + Income
   c) Income + Expenditure = Liabilities + Assets
   d) Assets +Liabilities = Expenditure - Income.

11. The proceeds from the sale of a fixed asset are debited back to:

   a) The asset account
   b) The Sale of Assets Account
   c) The Depreciation Account
   d) None of the above.

12. 'Debit the giver and credit the receiver':

   a) Applies only to credit transactions
   b) Follows from the accounting equation
   c) Is the golden rule of double-entry bookkeeping
   d) None of the above.

13. As a book of first entry, the Journal, sometimes referred to the General Journal:

    a) Records mileage and travel expenses
    b) Shows the balances on all the accounts as at the year end
    c) Accommodates transactions that do not fit into the other day books
    d) Records the comments from customers about the quality of service.

14. Expenditure incurred on repairs to premises automatically causes:

    a) An increase in assets or an increase in liabilities
    b) A decrease in liabilities or an increase in assets
    c) A decrease in assets or an increase in liabilities
    d) None of the above.

15. If the company's policy is to keep the provision for bad and doubtful debts at 3% of debtors and the debtors at the year-end amounted to €90,000 and the existing provision was €2,400, the entry in the P&L Account would be:

    a) 'Increase in Provision for Bad and Doubtful Debts' €300
    b) 'Decrease in Provision for Bad and Doubtful Debts' €300
    c) 'Bad Debts' €300
    d) 'Increase in Provision for Bad and Doubtful Debts' €2,700.

16. The correct entries to record the profit/loss on the disposal of a fixed asset are to open a 'Disposal Account' and:

    a) Credit it with the Cost of the Fixed Asset, debit it with the Depreciation to date and credit it with the proceeds of the sale
    b) Debit it with the Cost of the Fixed Asset, credit it with the Depreciation to date and credit it with the proceeds of the sale
    c) Debit it with the Cost of the Fixed Asset, credit it with the Depreciation to date and debit it with the proceeds of the sale
    d) Credit it with the Cost of the Fixed Asset, debit it with the Depreciation to date and debit it with the proceeds of the sale

17. An example of transposing a figure would mean treating:

    a) 31 as 310
    b) 13 as 31
    c) 27 as 7
    d) None of the above.

18. Which of the following is a correct rule of double entry bookkeeping?

    a) 'Debit the giver and credit the receiver'
    b) 'Credit the giver and debit the receiver'
    c) 'Credit the giver and debit profit'
    d) 'For every credit entry made, there must be an equivalent credit entry made elsewhere.'

19. Overlooking an item of stock costing €100 (selling price €150) during the year-end stocktaking would result in:

    a) Overstating Gross Profit by €150
    b) Overstating Current Assets by €150
    c) Understating Gross Profit by €100
    d) Overstating Gross Profit by €100.

20. Reducing the Provision for Bad and Doubtful Debts by €400 would result in:

    a) A charge of €400 to the P&L Account
    b) A credit of €400 to the P&L Account
    c) A charge of €400 to the Balance Sheet
    d) None of the above.

21. In the Balance Sheet, Net Current Assets means:

    a) Current Assets (less stock) deducted from Current Liabilities
    b) Current Assets deducted from Current Liabilities
    c) Current Liabilities deducted from Current Assets
    d) Current Assets (less stock) deducted from Fixed Assets.

22. In the Balance Sheet, fixed assets at Net Book Value (NBV) means:

    a) All assets, less all depreciation to date
    b) Fixed assets at cost, less depreciation to date
    c) Fixed assets at cost, less depreciation for the year
    d) Re-valued assets, less original cost.

23. In the Balance Sheet, Reserves are:

    a) Provisions for doubtful debts
    b) Undistributed profits set aside for future use
    c) Figures restricted for directors' use only
    d) An indication that the auditors cannot verify the stock valuation.

24. In year-end accounts, Carriage In is always:

    a) Included in the Distribution Expenses
    b) Included in the Cost of Goods Sold
    c) Deducted from Purchases
    d) Added to Drawings.

25. If the Gross Profit was €10,000, the Cost of Goods Sold was €70,000 and Carriage In was €2,000, Sales amounted to:

    a) €90,000
    b) €100,000
    c) €50,000
    d) €80,000.

26. The main purpose of the Balance Sheet is to:

    a) Show the profit/loss for the year
    b) Show all cash movements during the year
    c) Show the financial position as at the year end
    d) List all the accounts in the ledger in order of magnitude.

27. Treating motor expenses of €5,000 as the purchase of a new car would:

    a) Overstate the Current Assets
    b) Overstate the Gross Profit
    c) Overstate the Net Profit
    d) Overstate the Cost of Goods Sold.

28. If a fixed asset was purchased for €50,000 on 1 January 20Y4 and depreciated using the reducing balance method at a rate of 30%, the written down value as at the end of 20Y6 would be:

    a) €24,500
    b) €25,500
    c) €5,000
    d) €17,150.

29. In the year-end accounts for a sole trader, if Drawings exceeded Net Profit for the year by €3,000 this would:

    a) Increase Fixed Assets by €3,000
    b) Reduce Owner's Capital by €3,000
    c) Increase Bad Debts by €3,000
    d) Be illegal.

30. Current Liabilities are:

    a) Liabilities due within the foreseeable future
    b) Liabilities due within one year
    c) Liabilities paid before that audit has been completed
    d) The present day value of last year's liabilities.

31. If an entity made a profit of €150,000 for 20Y4 (giving a ROCE of 5%) and retained this in the business, and its profit for 20Y5 was also €150,000, this would result in:

    a) A reduced Return on Capital Employed (ROCE) for 20Y5
    b) An increased Return on Capital Employed (ROCE) for 20Y5
    c) The same Return on Capital Employed (ROCE) for 20Y5
    d) None of the above.

32. If long term liabilities amounted to €150,000, current liabilities to €15,000 and capital employed was €600,000, the Gearing Ratio was:

    a) 27.5%
    b) 25%
    c) 22.5%
    d) 26%.

33. The Fixed Asset Turnover Ratio indicates:

    a) How frequently fixed assets are replaced
    b) The depreciation policy of a company
    c) The extent to which past investment in fixed assets has been worthwhile
    d) How much of the investment in fixed assets is financed by debt.

34. The formula for the Debtors Days Ratio is:

    a) Sales divided by debtors multiplied by 365
    b) Sales divided by creditors multiplied by 365
    c) Debtors divided by sales multiplied by 365
    d) Debtors divided by credit sales multiplied by 365.

35. When interpreting year-end financial statements, the horizontal analysis technique entails:

    a) A comparison of the key figures with industry averages
    b) An expression of each expense item as a percentage of sales
    c) Taking a wider view of overall financial performance
    d) A line-by-line comparison of an entity's accounts with previous year(s).

36. Indirect production costs are also called:

    a) Sunk Costs
    b) Production Overheads
    c) Selling & Distribution Expenses
    d) Petty Cash.

37. In Marginal Costing, a limiting factor is one which:

    a) Has little effect on the cost of production
    b) Limits the liability of shareholders
    c) Limits the liability of directors
    d) Most limits the level of activity.

38. The 'first-in, first-out' method of charging materials to production:

    a) Uses the earliest price at which these materials have been purchased
    b) Uses the latest price at which these materials have been purchased
    c) Uses the average price at which materials have been purchased
    d) Insists that the oldest stock must always be used up first.

39. In a bakery, an example of a direct materials cost would be:

a) Overtime paid to staff
b) Flour
c) Spare part for baking equipment
d) Electric power used in production.

40. The process of spreading service cost centre costs over production cost centres is called:

a) Apportionment
b) Absorption
c) Attribution
d) Contribution

41. A flexible budget is one that:

a) Has not yet been approved by the Board
b) Consists mostly of estimates
c) Can be amended according to the actual level of activity
d) Is adjusted in line with currency fluctuations.

42. When producing a Cash Flow Forecast, credit sales are converted to cash receipt as follows:

a) Credit Sales + Opening Debtors – Closing Debtors = Cash Receipts
b) Cash Sales + Opening Debtors – Closing Debtors = Cash Receipts
c) Credit Sales - Opening Debtors + Closing Debtors = Cash Receipts
d) Credit Sales - Opening Debtors – Closing Debtors = Cash Receipts.

43. If service cost centre overheads amount to €120,000 direct materials cost €700,000, direct labour cost €500,000, there are no other direct costs and overheads are absorbed based on prime cost, the overhead absorption rate is:

a) 10%
b) 1%
c) 17%
d) 14%.

44. In Standard Costing, the selling price variance is:

a) (Actual selling price per unit – standard selling price per unit) x actual sales quantity
b) (Actual selling price per unit + standard selling price per unit) x actual sales quantity
c) (Actual selling price per unit x standard selling price per unit) - actual sales quantity
d) None of the above.

45. In Marginal Costing, the Contribution is the difference between:

a) Break-even point and sales
b) Variable costs and sales
c) Fixed costs and sales
d) Sales and fixed costs

46. The higher the proportion of total costs that are fixed:

a) The greater the Margin of Safety
b) The narrower the Margin of Safety
c) The lower the Break-Even Point
d) The greater the Limiting Factor

47. Absorption Costing addresses the dilemma of how to treat:
a) Direct costs
b) Production overheads
c) Customers
d) Fixed costs.

48. Fixed casts amount to €36,000. The selling price of a product is €21 and the variable costs associated with it are €17. How many units of this product must be sold to reach break-even point?

a) 3,000 units
b) 12,000 units
c) 9,000 units
d) 6,000 units.

49. Which of the following is not a production overhead?

a) Depreciation on manufacturing machinery
b) A bonus paid to the factory manager
c) Carriage in paid for raw materials
d) The cost of heating the factory.

50. The document that anticipates cash movements arising from the budget of an organisation is called:

a) The Cash Flow Statement
b) A cash flow projection
c) A Receipts & Payments Account
d) A budget profile.