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SCHOOL: STRONG TOWER ACADEMY
SUBJECT: FINANCIAL ACCOUNTING
CLASS: SS3

PRACTICE QUESTION 1

INSTRUCTION: Answer all questions. Each question is followed by four options lettered A to D. Find the correct option for each question. Give only one answer to each question.

1. What is the ledger entry for the sale of plant and machinery on credit to Dayo?

[a] credit sales account and debit cash account [b] credit plant and machinery account and debit Dayo's account [c] credit sales account and debit Dayo's account [d] credit plant and machinery account and debit cash account

2. Discount received account is a

[a] real account [b] personal account [c] nominal account [d] profit and loss account

3. Which of the following accounts has a credit balance?

[a] capital [b] cash [c] drawings [d] premises.

4. The accounting entry to correct sales day book overcast is

[a] debit sales account and credit debtors account [b] debit suspense account and credit sales account [c] debit debtors account and credit suspense account [d] debit sales account and credit suspense account.

5. Which of the following expresses the accounting equation?

[a] capital + Assets = liabilities [b] assets – liabilities = capital [c] liabilities + current assets = fixed assets [d] liabilities – capital = current assets

6. When the invoice of a customer is overcast, the supplier will send to him a

[a] cheque [b] payment voucher [c] debit note [d] credit note

7. Unpresented cheques are cheques

[a] that have been recorded in the cash book, but not by the bank [b] that have been received by the bank, but not recorded in the cash book [c] returned by the bank [d] written, but not handed over to customers.

Use the following information to answer question 8-10

Extract from the books of a Jonas at June 30, 2012 showed the following balances:

Dr

Cr

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Advertising	36,000	-
Electricity	60,000	-

Advertising was paid by cheque covering 12 monthly installments ending March 31, 2012.
Electricity was paid by cash covering 15 monthly installments from March 1, 2011.

8. Advertising owing in respect of the year ended June 30, 2012 is

[a] ₦12,000 [b] ₦9000 [c] ₦ 6000 [d] ₦3000

9. What was the amount charged to the profit and loss account in respect of advertising for the year ended June 30, 2012?

[a] ₦36,000 [b] ₦30,000 [c] ₦ 27,000 [d] ₦ 24,000

10. Electricity in arrears as at June 30, 2012 amounted to

[a] ₦ 12,000 [b] ₦ 10,000 [c] ₦ 8000 [d] ₦ 4000

11. The cost of putting goods into a saleable condition is charged to

[a] balance sheet [b] trial balance [c] profit and loss account [d] trading account

12. Which of the following is not a method of depreciating fixed assets.

[a] revaluation [b] straight line [c] diminishing balance [d] obsolescence

13. In preparing profit and loss account, a decrease in provision for doubtful debts account is treated as

[a] current liability [b] expenses [c] income [d] current asset

14. Which of the following items is found in the sales ledger control account?

[a] discount received [b] total credit purchases [c] discount allowed [d] returns outwards

15. The process of using sales ledger balances to cancel off purchases ledger balances is

[a] balancing [b] set off [c] reconciliation [d] cancelling

16. The total of the returns outwards journal is posted to the

[a] credit side of the returns outwards book [b] debit side of the returns outwards account [c] debit side of the purchases return book [d] credit side of the returns outwards account.

17. Which of the following is not revealed by a firm's accounting records?

[a] profit of a period [b] quality of labour force [c] credit worthiness [d] value of assets.

Use the following information to answer question 18 to 20

	1/1/10	30/6/11
	₦	₦
Stock	1460	4200
Motor van	3600	3200

Creditors 600 700
Drawing during the year amounted to ₦1500

18. Opening capital is

[a] ₦5660 [b] ₦ 5060 [c] ₦4460 [d] ₦2960

19. Closing capital is

[a] ₦8100 [b] ₦7400 [c] ₦6700 [d] ₦5200

20. Net profit for the year is

[a] ₦12260 [b] ₦3740 [c] ₦2440 [d] ₦2040

21. In the balance sheet of a social club, subscription owing is treated as a

[a] current liability [b] current asset [c] tangible asset [d] long-term liability

22. The accounting concept that allows the cost of kitchen cutlery to be expensed, though it will be used for more than one year is

[a] materiality [b] accrual [c] going concern [d] business entity

23. The accounting concept that assumes that a business will continue operating for an indefinite period is

[a] business entity [b] going concern [c] consistency [d] duality

24. The accounting concept that states that firm's financial affairs must be separated from that of the owner's private transactions is

[a] business entity [b] going concern [c] consistency [d] duality

25. Goodwill is recognized in partnership accounts when

[a] the business makes a huge profit [b] the business has good customer relationship [c] a partner is dormant [d] a new partner is admitted.

26. In which of the following accounts is interest on partner's capital found?

[a] profit and loss [b] trading [c] income surplus [d] profit and loss appropriation

27. Which of the following is not stated in the partnership agreement?

[a] profit sharing ratio [b] interest on capital [c] interest on fixed asset [d] purpose of partnership.

28. A person who has applied to purchase shares in a company is referred to as

[a] a promoter [b] a subscriber [c] an allottee [d] an underwriter

29. Which of the following describes a trial balance?

[a] it is a special account [b] it is a list of balances in the books [c] it reveals the financial position of a business [d] it shows all the entries in the books of a business

30. Which of the following is not a feature of accounting information?

[a] affordability [b] timeliness [c] accuracy [d] completeness

31. Which of the following is the equation for determining net profit or loss from the record of a firm?

[a] closing capital-drawing-capital [b] opening capital +drawings-closing capital [c] closing capital+ opening capital-drawing [d] closing capital + drawings – opening capital

32. Purchase invoice is first entered in the

[a] purchases account [b] cash book [c] sales journal [d] purchases journal

33.Assets acquired is recorded by debiting

[a] Assets Account ,crediting cash account [b] cash account , crediting asset account [c] purchase of business account, crediting sale of business account [d] asset account , crediting purchase of business account.

34. Goods returned to a supplier is

[a] debited to returns outwards account [b] credited to returns outwards account [c] debited to returns inwards account [d] credited to returns inwards account .

35. Which of the following is a real account?

[a] plant account [b] salaries account [c] creditor account [d] trading account

36. The accounting ledger for goods sold on credit are debit

[a] debtors account , credit sales account [b] creditors account , credit sales account [c]sales account , credit debtors account [d] sales account , credit creditors account.

37. Which of the following is not a book of original entry?

[a] sales journal [b] purchases account [c] cash account [d] return inward journal

38. A limitation to the use of accounting information is that it

[a] is expressed in monetary terms only [b] provides permanent records for all financial transaction [c] distinguishes assets from liabilities[d] determines the profitability of a business concern only

39.The accounting concept that demands that assets are recorded at their purchase price is

[a] matching concept [b]cost concept [c] consistency concept [d] money measurement concept

40. The accounting convention that states that insignificant expenditure are not to be taken into account is the

[a] realization concept [b] materiality convention [c] marching concept [d] consistency convention

41. The debenture is classified under which of the following headings?

[a] current asset [b] current liability [c] tangible asset [d] long term liability

42. The principle of double entry states that

[a] every debtor must have a creditor [b] every account debited must be immediately credited [c] for every debit entry there must be a corresponding credit entry [d] For every double debit, there must be a double credit

43. The term bad debts means debts

[a] owed by an employed [b] recorded in individual accounts [d] that cannot be collected

44. A bank purchased a computer and debited the amount to purchases account. This is an error of

[a] commission [b] principle [c] omission [d] original entry

Use the following information to answer questions 45 & 46

Cost of motor vehicle 1/1/12 ₦85,000

Residual value ₦5000

Estimated useful life span 10 years

The business makes use of the straight line method for providing depreciation

45. The annual depreciation is

[a] ₦9000 [b] ₦8500 [c] ₦8000 [d] ₦6500

46. The accumulated depreciation as at 31/12/13 is

[a] ₦18500 [b] ₦17,000 [c] ₦16,000 [d] ₦8000

47. An error of principle is made, if

[a] an entry has been made on the wrong class of account [b] a transaction has been completely omitted [c] an entry has been made on the wrong side of the two account concerned.

[d] a transaction is entered in both account for the wrong amount

48. The sum of direct cost in a manufacturing account is

[a] production cost [b] prime cost [c] total cost [d] finance cost

Use the following information to answer questions 49 to 50

₦

Raw materials:

Stock 1/1/2002	4,500
Purchases	30,000
Stock 31/12/2002	6000
Wages – direct	34,200
Indirect	10,800
Factory expenses: rent	18,000
Insurance	6750
Work- in - progress	
1/1/2002	3750
31/12/2002	3000

49. The prime cost was

[a] ~~₱68,700~~ [b] ~~₱65,700~~ [c] ~~₱62,700~~ [d] ~~₱48,700~~

50. The cost of goods manufactured was

[a] ~~₱101,250~~ [b] ~~₱98,250~~ [c] ~~₱94,500~~ [d] ~~₱99,000~~