

Financial Statements 2

Choose the correct answer

Question 1.

Rahul's trial balance provide you the following information :

Debtors – Rs. 80,000

Bad debts – Rs. 2,000

Provision for bad debts – Rs. 4,000

It is desired to maintain a provision for bad debts of Rs. 1,000. State the amount to be debited/credited in Profit & Loss A/c.

(a) Rs. 5,000 (Debit)

(b) Rs. 3,000 (Debit)

(c) Rs. 1,000 (Credit)

(d) None of these

▼ Answer

Answer: (c) Rs. 1,000 (Credit)

Question 2.

If the rent of one month is still to be paid the adjustment entry will be

(a) Debit outstanding rent account and Credit rent account.

(b) Debit profit and loss account and Credit rent account.

(c) Debit rent account and Credit profit and loss account.

(d) Debit rent account and Credit outstanding rent account.

▼ Answer

Answer: (d) Debit rent account and Credit outstanding rent account.

Question 3.

If the rent received in advance Rs. 2,000. The adjustment entry will be

(a) Debit profit and loss account and Credit rent account.

(b) Debit rent account Credit rent received in advance account.

(c) Debit rent received in advance account and Credit rent account.

(d) None of these

▼ Answer

Answer: (b) Debit rent account Credit rent received in advance account.

Question 4.

If the opening capital is Rs. 50,000 as on April 1, 2005 and additional capital introduced Rs.

10,000 on January 1, 2006. Interest charge on capital 10% p.a. The amount of interest on capital shown in profit and loss account as on March 31, 2006 will be:

(a) Rs. 5,250

(b) Rs. 6,000

(c) Rs. 4,000

(d) Rs. 3,000

▼ Answer

Answer: (a) Rs. 5,250



Question 5.

If the insurance premium paid Rs. 1,000 and prepaid insurance Rs. 300. The amount of insurance premium shown in profit and loss account will be

- (a) Rs. 1,300
- (b) Rs. 1,000
- (c) Rs. 300
- (d) Rs. 700

▼ [Answer](#)

Answer: (d) Rs. 700

[Fill in the blanks with suitable word/words](#)

Question 1.

Trading and Profit & Loss Account shows the or

▼ [Answer](#)

Answer: profit, loss

Question 2.

Adjustments are necessary to show the correct, and of a business concern.

▼ [Answer](#)

Answer: profit or loss, financial position

Question 3.

Items of income and expenditure which do not pertain to the accounting period should be

▼ [Answer](#)

Answer: excluded

Question 4.

Items of income and expenditure which relates to the accounting period but are left out should be

▼ [Answer](#)

Answer: accounted for

Question 5.

Expenses related to the current accounting period but have not been paid are known as

▼ [Answer](#)

Answer: outstanding expenses

Question 6.

Part of expenses paid if relates to the next accounting year, it is called

▼ [Answer](#)

Answer: prepaid expenses

Question 7.

Income earned but not received till the end of the accounting year is termed as

▼ [Answer](#)

Answer: accrued income

Question 8.

Income if received before it becomes due is called

▼ [Answer](#)

Answer: income received in advance

Question 9.

While making a provision for possible bad debts or for doubtful debts, we Reserves Debts Account.

▼ [Answer](#)

Answer: credit

Question 10.

An unexpired expenditure is shown on the side of the Balance Sheet.

▼ [Answer](#)

Answer: assets.

[Mention whether the following are true or false](#)

Question 1.

Income received in advance is written on the liabilities side of the balance sheet.

▼ [Answer](#)

Answer: True

Question 2.

Prepaid expenses appearing inside the trial balance will appear on the liabilities side of the balance sheet.

▼ [Answer](#)

Answer: False

Question 3.

Outstanding expenses appearing inside the trial balance are shown on the debit side of the profit & loss account.

▼ [Answer](#)

Answer: False

Question 4.

Assets are to be shown in the balance sheet at the values realisable on liquidation.

▼ [Answer](#)

Answer: True

Question 5.

Salary outstanding account is a personal account.

▼ [Answer](#)

Answer: True

Question 6.

The provision for discount on debtors is calculated after deducting the provisions for doubtful debts from debtors.

▼ [Answer](#)

Answer: True

Question 7.

Outstanding salaries appearing in the trial balance is shown in Profit & Loss Account.

▼ [Answer](#)

Answer: False

Question 8.

Goods sold on approval basis is treated as a complete sale.

▼ [Answer](#)

Answer: False

Question 9.

Deferred revenue expenditure is partly debited to Profit & Loss Account and the balance is shown in the Balance Sheet.

▼ [Answer](#)

Answer: True

Question 10.

Provision for bad debts is debited to sundry debtors accounts.

▼ [Answer](#)

Answer: False
