



# EPFO APFC & EO/AO 2025 BATCH

By


## Vyasa IAS

  
Exam  
Oriented  
Classes

  
Short &  
Crisp Notes

  
Personalised  
Mentorship

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## ACCOUNTING 100 MCQS BY VYASA IAS

### Multiple Choice Questions (MCQs)

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1. The Accounting Equation states that:

- A)  $\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$
  - B)  $\text{Liabilities} = \text{Assets} + \text{Owner's Equity}$
  - C)  $\text{Assets} = \text{Owner's Equity} - \text{Liabilities}$
  - D)  $\text{Owner's Equity} = \text{Assets} + \text{Liabilities}$
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2. What does "Accounts Payable" refer to?

- A) Long-term debt of a company
  - B) A liability incurred from purchasing inventory
  - C) The revenue generated from selling assets
  - D) The money owed by customers
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3. Which of the following is NOT a characteristic of an Asset?

- A) The company must control or own it
- B) It must provide value to the company
- C) Its value must be measurable
- D) It must always be a physical item

4. The Balance Sheet includes which of the following elements?

- A) Assets, Liabilities, and Owner's Equity
  - B) Revenues, Expenses, and Profits
  - C) Debtors, Creditors, and Bank Statements
  - D) Income, Expenditure, and Capital Gains
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5. What are "Creditors" in accounting?

- A) Individuals or companies who owe money to a business
  - B) Individuals or companies to whom a business owes money
  - C) Investors who provide equity capital
  - D) Bankers providing long-term loans
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6. What is another term for "Equity" in financial statements?

- A) Owner's Equity
- B) Liabilities
- C) Accounts Payable
- D) Retained Earnings

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7. "Historical Cost" in accounting refers to:

- A) The market value of an asset
- B) The cost of an asset at the time of purchase
- C) The depreciation cost of an asset
- D) The value of an asset after appreciation

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8. Which of the following is an example of an Intangible Asset?

- A) Land
- B) Patents
- C) Machinery
- D) Inventory

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9. Inventory in a company refers to:

- A) Fixed assets used in production
- B) Assets held for resale
- C) Cash reserves
- D) The value of owner's equity

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10. Liabilities can be classified as:

- A) Fixed and Variable
- B) Gross and Net
- C) Short-term and Long-term
- D) Direct and Indirect

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11. Short-term liabilities must be repaid within:

- A) 6 months
- B) 1 year
- C) 3 years
- D) 5 years

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12. Which of the following is an example of a Long-Term Asset?

- A) Accounts Receivable
- B) Inventory
- C) Cash in hand
- D) Land

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13. Owner's Equity represents:

- A) The debts owed by a company
- B) The original and additional investments by the owner
- C) The total revenue of a company
- D) The liability portion of the balance sheet

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**14. Retained Earnings are best described as:**

- A) The total profit earned by a company
- B) The amount of profit left after expenses and distributions
- C) The dividends paid to shareholders
- D) The sales revenue before tax

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**15. Which of the following is NOT a Short-Term Asset?**

- A) Cash
- B) Inventory
- C) Land
- D) Accounts Receivable

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**16. What is the main difference between Short-Term and Long-Term Assets?**

- A) Short-term assets are only cash, while long-term assets are tangible
- B) Short-term assets are converted into cash within a year, long-term assets take longer
- C) Short-term assets depreciate faster than long-term assets

D) Short-term assets are intangible, while long-term assets are tangible

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**17. A mortgage payable beyond one year is an example of:**

- A) A short-term liability
- B) A current asset
- C) A long-term liability
- D) An intangible asset

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**18. In the bicycle company example, which of the following is classified as an Inventory?**

- A) The land where bicycles are manufactured
- B) The cash reserves of the company
- C) The bicycles intended for resale
- D) The machinery used for production

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**19. Which financial statement shows the relationship between assets, liabilities, and owner's equity?**

- A) Profit and Loss Statement
- B) Cash Flow Statement

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- C) Balance Sheet
- D) Income Statement

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**20. The Owner's Equity is affected by:**

- A) Increase in liabilities
- B) Retained earnings and additional investments
- C) The historical cost of assets
- D) Depreciation of inventory

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### Answer Key

1. A) Assets = Liabilities + Owner's Equity
2. B) A liability incurred from purchasing inventory
3. D) It must always be a physical item
4. A) Assets, Liabilities, and Owner's Equity
5. B) Individuals or companies to whom a business owes money
6. A) Owner's Equity
7. B) The cost of an asset at the time of purchase
8. B) Patents
9. B) Assets held for resale
10. C) Short-term and Long-term
11. B) 1 year

12. D) Land
13. B) The original and additional investments by the owner
14. B) The amount of profit left after expenses and distributions
15. C) Land
16. B) Short-term assets are converted into cash within a year, long-term assets take longer
17. C) A long-term liability
18. C) The bicycles intended for resale
19. C) Balance Sheet
20. B) Retained earnings and additional investments

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### Multiple Choice Questions (MCQs)

1. **Debtor Accounts record what is owed to the entity by:**
  - A) Suppliers
  - B) Employees
  - C) Customers
  - D) Creditors
2. **Discounts allowed are granted to:**
  - A) The entity's suppliers
  - B) The entity's employees
  - C) The entity's customers

- D) The government creditors
3. **Discounts received refer to discounts given by:**
- A) Customers
  - B) The entity's suppliers
  - C) The company's employees
  - D) Shareholders
4. **Which account records cash or goods withdrawn by the owner for personal use?**
- A) Petty Cash Account
  - B) Sales Account
  - C) Drawings Account
  - D) Stock Account
5. **Petty Cash Account is primarily used for:**
- A) Large business investments
  - B) Minor cash transactions
  - C) Long-term asset purchases
  - D) Stock purchases
6. **Which of the following is recorded in the Sales Account?**
- A) The value of goods sold during an accounting period
  - B) The sale of fixed assets
  - C) The purchase of inventory
  - D) Payments received from
7. **Stock refers to:**
- A) Cash kept in the bank
  - B) Goods unsold at the end of an accounting period
  - C) Money owed by customers
  - D) Discounts received from suppliers
8. **Closing stock at the end of an accounting period becomes:**
- A) Cash reserves for the business
  - B) Opening stock for the next period
  - C) A liability on the balance sheet
  - D) Owner's equity
9. **The term "inventory" is increasingly replacing which accounting term?**
- A) Assets
  - B) Stock
  - C) Sales
  - D) Purchases
10. **Purchases in accounting generally refer to goods that are:**
- A) Bought for business use only
  - B) Acquired primarily for

resale

- C) Not meant for resale
- D) Long-term assets

11. Which of the following would NOT usually be recorded in the Purchases Account?

- A) Goods bought for resale
- B) Machinery purchased for office use
- C) Raw materials for production
- D) Inventory items

12. If a business buys motor cars for internal use, how should it be recorded?

- A) Purchases Account
- B) Sales Account
- C) Fixed Assets Account
- D) Trade Creditors Account

13. Goods not intended for resale are recorded in:

- A) The Sales Account
- B) The Trade Creditors Account
- C) Separate accounts from purchases
- D) The Discounts Received Account

14. Trade Creditors are similar to Creditor Accounts but relate specifically to:

- A) Salaries and wages
- B) Long-term liabilities
- C) Trading items or purchases
- D) Fixed asset investments

15. Which of the following is NOT part of the definition of "Debtors"?

- A) Customers owing money to the business
- B) Goods sold on credit
- C) Suppliers providing inventory
- D) Credit sales recorded in the accounts

16. Discounts allowed reduce the total amount received from:

- A) Creditors
- B) Debtors
- C) Employees
- D) Shareholders

17. Which of the following accounts records minor office expenses like tea or coffee?

- A) Sales Account
- B) Drawings Account
- C) Petty Cash Account

D) Purchases Account

**18. Which of these transactions will NOT appear in the Sales Account?**

- A) Selling inventory items
- B) Selling a business vehicle
- C) Credit sales to customers
- D) Cash sales of goods

**19. If a business purchases goods that require further processing before being sold, these purchases:**

- A) Are recorded in a separate account
- B) Are immediately counted as sales
- C) Are considered owner's equity
- D) Are treated as expenses

**20. A supplier who provides goods on credit to a business is known as a:**

- A) Debtor
- B) Creditor
- C) Owner
- D) Employee

1. C) Customers
2. C) The entity's customers
3. B) The entity's suppliers
4. C) Drawings Account
5. B) Minor cash transactions
6. A) The value of goods sold during an accounting period
7. B) Goods unsold at the end of an accounting period
8. B) Opening stock for the next period
9. B) Stock
10. B) Acquired primarily for resale
11. B) Machinery purchased for office use
12. C) Fixed Assets Account
13. C) Separate accounts from purchases
14. C) Trading items or purchases
15. C) Suppliers providing inventory
16. B) Debtors
17. C) Petty Cash Account
18. B) Selling a business vehicle
19. A) Are recorded in a separate account
20. B) Creditor

### Multiple Choice Questions (MCQs)

1. Which of the following is considered a current asset?
  - A) Property
  - B) Goodwill
  - C) Inventory

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**Answer Key**



- D) Long-term debt
2. Which of the following is NOT a current asset?
- A) Accounts receivable
  - B) Short-term marketable securities
  - C) Cash and cash equivalents
  - D) Property
3. Which asset category does "Goodwill" fall under?
- A) Current asset
  - B) Non-current asset
  - C) Liability
  - D) Revenue
4. Non-current assets typically include which of the following?
- A) Short-term marketable securities
  - B) Cash and cash equivalents
  - C) Property
  - D) Accounts payable
5. Accounts payable is classified as:
- A) Current liability
  - B) Non-current liability
  - C) Current asset
  - D) Non-current asset
6. Which of the following is an example of a non-current liability?
- A) Accrued expenses
  - B) Deferred revenue (non-current)
  - C) Accounts payable
  - D) Short-term marketable securities
7. Which of these is NOT a liability?
- A) Long-term lease obligations
  - B) Accrued expenses
  - C) Treasury stock
  - D) Deferred revenue
8. The section of the balance sheet that includes common stock and preferred stock is:
- A) Assets
  - B) Liabilities
  - C) Shareholders' Equity
  - D) Non-current liabilities
9. Retained earnings appear under which section of the balance sheet?
- A) Current liabilities
  - B) Shareholders' equity
  - C) Non-current liabilities
  - D) Non-current assets

10. To balance the balance sheet, total assets should be compared with:
- A) Only shareholders' equity
  - B) Only total liabilities
  - C) Total liabilities plus shareholders' equity
  - D) Only non-current liabilities
11. Which of the following is NOT included in Shareholders' Equity?
- A) Common stock
  - B) Preferred stock
  - C) Accounts payable
  - D) Retained earnings
12. Which of the following is a long-term liability?
- A) Accrued expenses
  - B) Accounts payable
  - C) Long-term debt
  - D) Cash and cash equivalents
13. What is the purpose of classifying liabilities as current and non-current?
- A) To separate assets from liabilities
  - B) To differentiate between debts payable within a year and those payable later
  - C) To adjust tax calculations
  - D) To increase shareholder value
14. Which of the following is NOT a component of current liabilities?
- A) Deferred revenue
  - B) Current portion of long-term debt
  - C) Accounts payable
  - D) Goodwill
15. Why is deferred revenue classified as a liability?
- A) It represents future cash flow
  - B) It is revenue that has been earned but not received
  - C) It is cash received for goods or services yet to be delivered
  - D) It increases net profit
16. Which of these is NOT an asset category?
- A) Current assets
  - B) Non-current assets
  - C) Long-term assets
  - D) Current liabilities
17. Treasury stock represents:
- A) Cash reserves for future expenses

- B) Shares repurchased by the company
- C) Long-term debt obligations
- D) Investments in government securities

- Shareholders' Equity
- C) Liabilities = Assets + Shareholders' Equity
- D) Shareholders' Equity = Assets + Liabilities

**18. Which of the following is a characteristic of non-current assets?**

- A) Easily convertible into cash within a year
- B) Held for long-term use
- C) Recorded under current liabilities
- D) Used only for paying short-term debts

**19. Current and non-current assets should be:**

- A) Listed separately but totaled together
- B) Combined into a single asset total
- C) Ignored in balance sheet calculations
- D) Deducted from total liabilities

**20. The balance sheet equation states that:**

- A) Assets = Liabilities + Shareholders' Equity
- B) Assets = Liabilities -

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### Answer Key

1. C) Inventory
2. D) Property
3. B) Non-current asset
4. C) Property
5. A) Current liability
6. B) Deferred revenue (non-current)
7. C) Treasury stock
8. C) Shareholders' Equity
9. B) Shareholders' equity
10. C) Total liabilities plus shareholders' equity
11. C) Accounts payable
12. C) Long-term debt
13. B) To differentiate between debts payable within a year and those payable later
14. D) Goodwill
15. C) It is cash received for goods or services yet to be delivered
16. D) Current liabilities
17. B) Shares repurchased by the company

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18. B) Held for long-term use

19. A) Listed separately but totaled together

20. A) Assets = Liabilities + Shareholders' Equity

B) Intellectual property or creative work

C) Business profits

D) Real estate investments

### Multiple Choice Questions (MCQs)

1. Which of the following is classified as an item of income?

A) Rent/Mortgage Payment

B) Salary/Wages

C) Taxes

D) Depreciation

2. Income from renting out a property is known as:

A) Business Profits

B) Investment Income

C) Rental Income

D) Royalties

3. Income earned from investments such as dividends, interest, and capital gains is called:

A) Salary Income

B) Rental Income

C) Business Profit

D) Investment Income

4. Royalties are earned from:

A) Physical labor

5. Which of the following is NOT an item of expenditure?

A) Rent/Mortgage Payment

B) Business Profits

C) Loan Repayments

D) Utility Bills

6. Taxes paid to the government are classified under:

A) Investment Income

B) Depreciation

C) Items of Expenditure

D) Royalties

7. Which of these is an example of an operating expense?

A) Utility Bills

B) Rental Income

C) Investment Income

D) Common Stock

8. Money paid regularly to repay loans and interest is called:

A) Investment Income

B) Loan Repayments

C) Rental Income

D) Treasury Stock

9. What does "Depreciation" refer to in accounting?
- A) Increase in the value of an asset over time
  - B) Interest earned on bank deposits
  - C) The decrease in value of an asset over time
  - D) Revenue earned from business operations
10. The Income and Expenditure Account is prepared to:
- A) Determine net assets
  - B) Find surplus or deficit for the accounting year
  - C) Calculate tax liability
  - D) Record capital investments
11. The Income and Expenditure Account follows which basis of accounting?
- A) Cash basis
  - B) Accrual basis
  - C) Hybrid basis
  - D) Modified cash basis
12. Where is income recorded in the Income and Expenditure Account?
- A) Debit side
  - B) Credit side
  - C) Liability section
  - D) Assets section
13. Where is expenditure recorded in the Income and Expenditure Account?
- A) Debit side
  - B) Credit side
  - C) Capital section
  - D) Revenue section
14. The Income and Expenditure Account is similar to which financial statement?
- A) Balance Sheet
  - B) Trading and Profit & Loss Account
  - C) Cash Flow Statement
  - D) Statement of Retained Earnings
15. A nominal account follows which rule in accounting?
- A) Debit all incomes and credit all expenses
  - B) Debit all expenses and losses, credit all incomes and gains
  - C) Debit all assets and credit all liabilities
  - D) Debit and credit both income and expenses equally

16. Which of the following is included in the Income and Expenditure Account?

- A) Only capital items
- B) Only revenue items
- C) Both revenue and capital items
- D) None of the above

17. If the credit side of the Income and Expenditure Account exceeds the debit side, it indicates:

- A) A deficit
- B) A surplus
- C) A loss
- D) A liability

18. If the debit side exceeds the credit side in the Income and Expenditure Account, it results in:

- A) A surplus
- B) A deficit
- C) An increase in assets
- D) A gain in investments

19. How is the surplus in the Income and Expenditure Account treated?

- A) Deducted from the capital fund
- B) Added to the capital fund

- C) Treated as an asset
- D) Ignored in accounting

20. Which of the following is a fundamental principle of the Income and Expenditure Account?

- A) It records both capital and revenue income
- B) It records revenue income and expenses only
- C) It records only non-cash transactions
- D) It includes all capital transactions of the business

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### Answer Key

1. B) Salary/Wages
2. C) Rental Income
3. D) Investment Income
4. B) Intellectual property or creative work
5. B) Business Profits
6. C) Items of Expenditure
7. A) Utility Bills
8. B) Loan Repayments
9. C) The decrease in value of an asset over time
10. B) Find surplus or deficit for the accounting year

11. B) Accrual basis
12. B) Credit side
13. A) Debit side
14. B) Trading and Profit & Loss Account
15. B) Debit all expenses and losses, credit all incomes and gains
16. B) Only revenue items
17. B) A surplus
18. B) A deficit
19. B) Added to the capital fund
20. B) It records revenue income and expenses only

### Multiple Choice Questions (MCQs)

1. **Which of the following preference shares accumulate unpaid dividends to be paid in future years?**
  - A) Non-Cumulative Preference Shares
  - B) Convertible Preference Shares
  - C) Redeemable Preference Shares
  - D) Cumulative Preference Shares
2. **In which type of preference shares do unpaid dividends lapse if not paid in a particular year?**
  - A) Cumulative Preference Shares
  - B) Non-Cumulative Preference Shares
  - C) Redeemable Preference Shares
  - D) Convertible Preference Shares
3. **What distinguishes redeemable preference shares from other preference shares?**
  - A) They can be converted into equity shares
  - B) They accumulate unpaid dividends
  - C) They must be repurchased by the company after a set period
  - D) They do not have a fixed dividend
4. **Which type of preference shares can be converted into equity shares after a specific period?**
  - A) Cumulative Preference Shares
  - B) Convertible Preference Shares
  - C) Non-Cumulative Preference Shares
  - D) Redeemable Preference Shares

D) Redeemable Preference Shares

5. **What does "Authorized Share Capital" refer to?**

- A) The number of shares actually issued to shareholders
- B) The total value of shares that have been paid for
- C) The maximum number of shares a company is allowed to issue
- D) The number of shares bought back by the company

6. **Which of the following represents the portion of issued share capital that has been subscribed by shareholders?**

- A) Paid-up Share Capital
- B) Subscribed Share Capital
- C) Issued Share Capital
- D) Share Premium

7. **Which capital component consists of shares that have been both subscribed and paid for by shareholders?**

- A) Authorized Share Capital
- B) Paid-up Share Capital
- C) Share Premium

D) Issued Share Capital

8. **What is the "Share Premium" in the context of share capital?**

- A) The total amount received from issued shares
- B) The excess amount received above the face value of issued shares
- C) The portion of shares that remain unsubscribed
- D) The discount given on preference shares

9. **What is a key requirement under the disclosure of share capital regulations?**

- A) Companies must keep shareholder information confidential
- B) Companies must disclose changes in share capital structure
- C) Companies must limit the number of shares issued annually
- D) Companies must restrict convertible securities to preference shareholders only

10. **Which of the following information is NOT typically**



included in share capital disclosure?

- A) Details of share buybacks
- B) Outstanding convertible securities
- C) Company dividend policy
- D) Changes in share capital structure

11. Convertible preference shares provide shareholders with:

- A) A fixed dividend but no conversion rights
- B) The right to convert their shares into equity after a specified period
- C) The ability to redeem shares at any time
- D) The benefit of accumulating unpaid dividends indefinitely

12. Which term best describes a company's obligation to provide share capital information in financial statements?

- A) Voluntary disclosure
- B) Legal requirement
- C) Investor preference
- D) Shareholder's discretion

13. A company wants to buy back its own shares from

shareholders. This activity falls under:

- A) Share issuance
- B) Share premium adjustments
- C) Share buybacks
- D) Convertible securities

14. If a company issues new shares, buys back existing shares, or converts securities, these are classified as:

- A) Shareholder privileges
- B) Equity restructuring activities
- C) Non-capital transactions
- D) Dividend reinvestments

15. What is the key difference between issued share capital and subscribed share capital?

- A) Issued share capital includes only fully paid shares
- B) Subscribed share capital represents only a portion of issued shares that shareholders have agreed to purchase
- C) Issued share capital is always higher than subscribed share capital
- D) Subscribed share capital

includes unissued shares

16. Which of the following is NOT a reason for share capital disclosure?

- A) To help investors assess company ownership structure
- B) To provide regulatory authorities with necessary financial data
- C) To maintain confidentiality of shareholder details
- D) To inform stakeholders about share-related changes

17. What happens to surplus or deficit in the Income and Expenditure Account?

- A) It is added or deducted from the Capital Fund
- B) It is recorded as a liability
- C) It is distributed as dividends
- D) It is classified as revenue expenditure

18. Which statement about preference shares is TRUE?

- A) All preference shares accumulate unpaid dividends
- B) Preference shares always convert to equity
- C) Some preference shares can

be redeemed by the company after a set period

D) Preference shares do not receive fixed dividends

19. Which of the following shares provide voting rights similar to equity shares after conversion?

- A) Non-Cumulative Preference Shares
- B) Convertible Preference Shares
- C) Redeemable Preference Shares
- D) Deferred Preference Shares

20. What does the term "share capital restructuring" primarily refer to?

- A) The process of issuing new shares or altering existing share classifications
- B) The adjustment of share prices in the stock market
- C) The consolidation of retained earnings into capital reserves
- D) The regulation of stock market trading activities

### Answer Key

1. D) Cumulative Preference Shares
2. B) Non-Cumulative Preference Shares
3. C) They must be repurchased by the company after a set period
4. B) Convertible Preference Shares
5. C) The maximum number of shares a company is allowed to issue
6. B) Subscribed Share Capital
7. B) Paid-up Share Capital
8. B) The excess amount received above the face value of issued shares
9. B) Companies must disclose changes in share capital structure
10. C) Company dividend policy
11. B) The right to convert their shares into equity after a specified period
12. B) Legal requirement
13. C) Share buybacks
14. B) Equity restructuring activities
15. B) Subscribed share capital represents only a portion of issued shares that shareholders have agreed to purchase
16. C) To maintain confidentiality of shareholder details
17. A) It is added or deducted from the Capital Fund
18. C) Some preference shares can be redeemed by the company after a set period
19. B) Convertible Preference Shares
20. A) The process of issuing new shares or altering existing share classifications