UNIT-IV: Financial Accounting

Part A: Fill in the Blanks (10)

1. Accounting is the process of recording, classifying, and __________ business transactions.
   Answer: Summarizing
2. The basic accounting equation is **Assets = Liabilities + __________**.
   Answer: Capital (Owner's Equity)
3. The accounting system based on dual aspects is called the __________ Entry System.
   Answer: Double
4. The first book of original entry is called the __________.
   Answer: Journal
5. The process of transferring journal entries to ledger accounts is known as __________.
   Answer: Posting
6. A __________ is prepared to check the arithmetical accuracy of ledger accounts.
   Answer: Trial Balance
7. The statement showing the financial position of a business is called the __________ Sheet.
   Answer: Balance
8. The __________ Account is prepared to determine the net profit or net loss of a business.
   Answer: Profit and Loss
9. Cash, furniture, and machinery are examples of __________.
   Answer: Assets
10. The final accounts consist of the Trading Account, Profit and Loss Account, and __________.
    Answer: Balance Sheet

Part B: Multiple Choice Questions (10)

1. The accounting equation is:
   a) Assets = Capital − Liabilities
   b) Assets = Liabilities + Capital
   c) Capital = Assets + Liabilities
   d) Liabilities = Assets + Capital

   Answer: b) Assets = Liabilities + Capital

2. Which system is followed in modern accounting?
   a) Single Entry System

b) Double Entry System
c) Cash System
d) Cost System

Answer: b) Double Entry System

3. Which book is known as the book of original entry?
a) Ledger
b) Journal
c) Trial Balance
d) Cash Book

Answer: b) Journal

4. Posting means:
a) Recording transactions in the journal
b) Transferring journal entries to the ledger
c) Preparing final accounts
d) Calculating depreciation

Answer: b) Transferring journal entries to the ledger

5. A Trial Balance is prepared to:
a) Find profit
b) Check the arithmetical accuracy of accounts
c) Calculate tax
d) Prepare a cash budget

Answer: b) Check the arithmetical accuracy of accounts

6. Which of the following is an asset?
a) Creditors
b) Bank Loan
c) Machinery
d) Capital

Answer: c) Machinery

7. Which of the following is a liability?
a) Cash
b) Furniture
c) Creditors
d) Building

Answer: c) Creditors

8. The Balance Sheet shows:
a) Profit earned during the year
b) Financial position of the business

c) Sales made during the year
d) Production cost

Answer: b) Financial position of the business

9. Which account is prepared to determine net profit or net loss?
   a) Trading Account
   b) Profit and Loss Account
   c) Balance Sheet
   d) Cash Book

   Answer: b) Profit and Loss Account

10. Which of the following is **not** a component of final accounts?
    a) Trading Account
    b) Profit and Loss Account
    c) Balance Sheet
    d) Journal

Answer: d) Journal