



**NABARD Grade A**  
**Main Exam Paper II Chartered Accountant** Practice Set

**1. Accounting is best described as:**

- A. The collection and use of financial and non-financial data
- B. The collection and use of financial data
- C. The use of financial data
- D. The collection of financial data

**Answer: A**

**2. Which of the following statements best describes a limited liability company?**

- A. It is normally owned and managed by the same persons
- B. In law it is regarded as having a separate existence from its owners
- C. It is normally owned by just one person
- D. It is normally a non-profit making organization

**Answer: B**

**3. Which of the following statements is true?**

- A. External auditors are responsible for preparing accounts
- B. External auditors are responsible for checking accounts
- C. An external audit is required for all types of entity

D. External auditors are appointed by an entity's management

**Answer: B**

**4. Which branch of accounting is most concerned with the collection of detailed financial data for use in planning and controlling an entity?**

- A. Taxation
- B. Financial accounting
- C. Auditing
- D. Management accounting

**Answer: D**

**5. Which branch of accounting is most closely associated with acquiring and deploying the short term and long term finance required by an entity?**

- A. Auditing
- B. Management accounting
- C. Financial management
- D. Financial accounting

**Answer: C**

**6. Which of the following is not one of the major professional accountancy bodies in the UK?**

- A. Institute of Financial Accountants
- B. Chartered Association of Certified Accountants
- C. Institute of Chartered Accountants in England and Wales
- D. Institute of Chartered Accountants of Scotland

**Answer: A**

**7. Which of the following activities is not an accounting function?**

- A. Auditing

- B. Management consultancy
- C. Costing
- D. Taxation

**Answer: B**

**8. Which economic sector in the UK has appeared to be in decline over the past few decades?**

- A. Services
- B. Health
- C. Manufacturing
- D. Education

**Answer: C**

**9. We can say that the business is in profit, when:**

- A. Assets exceed Expenditure
- B. Income exceeds Liabilities
- C. Income exceeds Expenditure
- D. Income exceeds Liabilities

**Answer: C**

**10. According to the double entry system of accounting, an account that obtains benefit is:**

- A. Credit
- B. Debit
- C. Income
- D. No need to show as accounting record

**Answer: A**

**11. Term "Credit" means \_\_\_\_\_ by the business.**

- A. Receiving of benefits
- B. It has no effect on business
- C. Providing of benefits
- D. It depends upon items

**Answer: A**

**12. When a Liability is reduced or decreased, it is recorded on the:**

- A. Left or credit side of the account
- B. Right or debit side of the account
- C. Right or credit side of the account
- D. Left or debit side of the account

**Answer: D**

**13. When Capital is increased by an amount, it is recorded on the:**

- A. Right or debit side of the account
- B. Left or credit side of the account
- C. Left or debit side of the account
- D. Right or credit side of the account

**Answer: D**

**14. Goods of \$1,000 purchased from Mr. "A" were recorded in sales book, the rectification of this error will:**

- A. Increase the gross profit
- B. Reduce the gross profit
- C. Have no effect on gross Profit
- D. None of the given options

**Answer: B**

**15. Which of the following account will be credited when a typewriter is sold that has been used in the office?**

- A. Purchase Account
- B. Sales Account
- C. Cash Account
- D. Office Equipment Account

**Answer: D**

**16. When one or both aspects of a transaction are recorded in the wrong class or category of account, this is called:**

- A. Error of principle
- B. Error of omission
- C. Error of commission
- D. Error of original entry

**Answer: A**

**17. Which of the following item must be recorded in the adjusted Cash Book in order to bring it in line with the entries in the Bank Statement?**

- A. Bank charges
- B. An error on the Bank Statement
- C. An uncredited deposit
- D. An unrepresented cheque

**Answer: A**

**18. It is supposed that on 31st December, 2007, the sundry debtors are amounted to \$40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are \$ 1600. What amount of new provision for doubtful debts will be credited in profit & loss account**

- A. \$4599
- B. \$3400
- C. \$2400
- D. \$1500

**Answer: C**

**19. Which of the following is an example of operating expense?**

- A. Purchasing operating equipment
- B. Purchasing a vehicle
- C. Purchasing cleaning services
- D. buying a computer

**Answer: C**

**20. Which of the following would NOT be considered as a component of 'cost' of stock?**

- A. Transportation inward costs
- B. Import duties
- C. Salaries of selling staff
- D. Purchase price

**Answer: C**

**21. Which of the following capital is taken up by the general public**

- A. Subscribed capital
- B. Issued capital
- C. Authorized capital
- D. Reserve capital

**Answer: B**

**22. Accounts Receivable & Inventory are the examples of:**

- A. Current assets
- B. Liquid assets
- C. Fixed assets
- D. Capital assets

**Answer: A**

**23. Which of the following account will be credited in the books of XYZ Co. Ltd, if the business purchased a vehicle though cheque?**

- A. Vehicle account
- B. Business account
- C. Bank account
- D. Debtors account

**Answer: C**

**24. The net income calculated in the income statement for the accounting period is reported on:**

- A. Bank Statement
- B. Statement of retained earnings
- C. Statement of cash flows
- D. None of the given options

**Answer: D**

**25. Economic resources owned by a business and expected to benefit for the future operations are called:**

- A. Expenses
- B. Assets RIGHT ANSWER!!!
- C. Capital
- D. Liabilities

Answer: B

SPLessons