Carpe Diem Financial Accounting I — Study Bank

ANSWER & EXPLANATION UNDER EVERY QUESTION · ACF 255 · FINANCIAL ACCOUNTING 1 — ACF 255 / DBA 239

304 questions · ACF 255 / DBA 239 · Lessons 1–5 · Devil 76 · Easy 76 · Hard 76 · Medium 76

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Totals: 304 questions — Devil 76 · Easy 76 · Hard 76 · Medium 76.

Module 1: Lesson 1 — Context, Purpose and Regulatory Framework of Financial Reporting — 72 questions

1. Set 1 · Q1–10

Sole trader · Devil

1. Which statement about a sole trader is FALSE?

A The owner provides the capital and manages the business

B The owner is personally liable for the business's debts

C The business has a legal identity separate from its owner, limiting liability

D Accounts are mainly needed for tax purposes

> **Answer 1: C**
> False: a sole trader has no separate legal identity, so liability is personal and unlimited.

Comparability · Hard

2. A company changes its method of valuing inventory every year to match its mood. Which enhancing characteristic is most damaged, and why?

A Timeliness, because changes delay the reporting

B Understandability, because inventory is a complex asset

C Comparability, because users cannot compare results across periods

D Verifiability, because inventory cannot be counted

> **Answer 2: C**
> Comparability allows users to identify similarities and differences over time; frequent policy changes destroy this.

Verifiability · Medium

3. Verifiability helps users be confident that information:

A faithfully represents what it purports to represent, as independent observers could agree

B is always identical to the previous year's information

C was published before every other entity's information

D is simple enough to need no explanation

> **Answer 3: A**
> Verifiability means different knowledgeable and independent observers could reach consensus that the depiction is faithful.

Partnership liability · Devil

4. A partnership of four partners sharing profits equally owes GH₵200,000 but has assets of GH₵120,000. Partner A can pay only GH₵5,000 personally. With personal liability, how much must each of the other three partners pay in total (equal initial share, then A's unpaid balance split among them)?

A GH₵20,000 each

B GH₵26,667 each

C GH₵25,000 each

D GH₵80,000 each

> **Answer 4: C**
>
> Shortfall 200,000 – 120,000 = 80,000; equal share 20,000 each. A pays 5,000, leaving 15,000 shared by B, C and D = 5,000 each; each pays 25,000 (check: 3×25,000 + 5,000 = 80,000).

Neutrality · Hard

5. Which action best demonstrates neutrality in preparing financial statements?

A Choosing policies that show the highest profit every year

B Showing only good news to maintain investors' confidence

C Using the lowest figure to be safe in every estimate

D Selecting and presenting information without bias to gain a favourable or unfavourable reaction

> **Answer 5: D**
>
> Neutral information is presented without slant, emphasis or de-emphasis; prudence supports neutrality by cautious judgement.

Standards gap · Medium

6. A Ghanaian company enters a transaction not addressed by any specific IFRS. What are preparers expected to do?

A Leave the transaction out of the financial statements

B Wait until the IASB issues a standard before reporting

C Use whichever treatment gives the highest profit

D Apply the general principles and concepts in the Conceptual Framework

> **Answer 6: D**
>
> Where no standard applies, the Conceptual Framework's principles and concepts guide the treatment. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 14

Definition · Easy

7. Financial accounting is best defined as the system by which economic information about an entity's activities is:

A identified, measured, recorded and summarised for communication to users

B estimated, forecast, budgeted and reported only to the entity's managers

C collected, taxed, audited and filed with the Registrar-General only

D identified, priced, sold and distributed to the entity's customers KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 4

Answer 7: A

This is the slide definition: information is identified, measured, recorded, summarised and then communicated to users for decision making.

Qualitative characteristics · Easy

8. The two fundamental qualitative characteristics of useful financial information are:

A relevance and faithful representation

B comparability and timeliness

C verifiability and understandability

D materiality and consistency

Answer 8: A

Relevance and faithful representation are the fundamental characteristics; the rest are enhancing.

Partnership · Medium

9. Why are partnership financial accounts primarily needed, according to the slides?

A To satisfy the public listing rules of an exchange

B For the benefit of the partners themselves

C Because auditing is a legal requirement for partnerships

D To allow the owner to claim limited liability

Answer 9: B

Partnership accounts mainly inform the partners about the business and their share of results.

Conceptual Framework · Medium

10. Which is one of the stated purposes of the Conceptual Framework?

A Helping preparers deal with issues not addressed by a standard

B Replacing every IFRS with a single rule

C Setting the tax rates companies must pay

D Appointing directors for listed companies

Answer 10: A

The framework assists preparers where standards are silent, among other purposes such as helping auditors and users.

2. Set 2 · Q11–20

Conceptual Framework · Devil

11. Which statement about the Conceptual Framework is FALSE?

A It helps keep standards consistent with each other

B It helps preparers with issues not covered by a standard

C It is used only by auditors and plays no role for preparers

D It helps users interpret financial statements

> **Answer 11: C**
> False: it also assists preparers, where standards are silent, as well as auditors and users.

Company · Devil

12. Which statement about companies is FALSE?

A Shareholders must personally manage the company's day-to-day operations

B Liability for debts may be limited

C Public companies can raise capital through an exchange

D Large companies are managed by professional managers

> **Answer 12: A**
> False: large companies are run by professional managers, so ownership and management are often separate.

Faithful representation · Hard

13. A company reports an inventory estimate that is later found to be GH₵3,000 off due to a reasonable estimation. How does this fit the concept of free from error?

A The statements are unfaithful because every single figure must be exact

B Estimates are forbidden in all financial statements by the framework

C Only estimates that have been audited can be considered faithful

D Free from error is not perfect accuracy; reasonable estimates can be faithful

> **Answer 13: D**
> Free from error means no errors in the description or process; an estimate disclosed as such can still be a faithful representation.

Understandability · Medium

14. Understandable information is achieved by:

A leaving out complex transactions so that everyone follows

B using technical jargon so that experts are impressed

C classifying, characterising and presenting information clearly and concisely

D presenting unrelated items together in a single line

> **Answer 14: C**
> Clear and concise classification and presentation makes information understandable to reasonably knowledgeable users.

Timeliness · Medium

15. Timeliness means that information is:

A reported only at the end of the entity's life

B available to decision-makers in time to influence their decisions

C prepared on the day the entity was formed

D restricted to the first month after year-end

Answer 15: B

Timeliness is about having information in time to be capable of influencing decisions.

Ghana law · Easy

16. Which Ghanaian Act is cited in the slides as a source of regulation for company financial reporting?

A Income Tax Act, 2015 (Act 896)

B Labour Act, 2003 (Act 651)

C Companies Act, 2019 (Act 992)

D Data Protection Act, 2012 (Act 843)

Answer 16: C

Act 992, the Companies Act 2019, is listed among the Acts of Parliament regulating financial reporting.

IFRS IC · Easy

17. The role of the IFRS Interpretations Committee is to:

A approve new International Financial Reporting Standards

B issue interpretations and guidance on accounting standards

C audit the financial statements of listed companies

D collect taxes on behalf of national governments

Answer 17: B

It provides interpretations and guidance when standards are unclear or applied inconsistently.

Scope · Devil

18. Which statement about general-purpose financial reporting is FALSE?

A It is primarily for external stakeholders

B It is designed mainly to meet the detailed needs of the entity's managers

C It aims to help investors, lenders and creditors with resource decisions

D Information has value only when it is used

Answer 18: B

False: managers get tailored information from management accounting; general-purpose reports target external users.

Limited liability · Hard

19. A shareholder holds 1,000 shares of GH₵5 each, on which GH₵2 per share has been paid. The company is liquidated with large debts. What is the shareholder's maximum further liability?

A GH₵5,000, the full nominal value of the shares

B GH₵2,000, the amount already paid in

C GH₵3,000, being the unpaid amount on the shares

D GH₵0, because shareholders never owe anything more

> **Answer 19: C**
>
> Unpaid = (5 − 2) × 1,000 = GH₵3,000; limited liability caps the shareholder's loss at what is unpaid on the shares.

Business organisations · Easy

20. A business is an organisation in which basic resources (inputs) are:

A purchased and stored indefinitely without any further processing

B assembled and processed to provide goods or services to customers

C donated to the public for no consideration or return of any kind

D held only as cash in the bank to earn interest for owners

> **Answer 20: B**
>
> The slide definition: inputs are assembled and processed into outputs (goods or services) that are provided to customers.

3. Set 3 · Q21–30

Users · Medium

21. Why would lenders such as a bank be interested in a borrower's financial statements?

A To judge whether loans and interest will be repaid when due

B To decide how much dividend each shareholder gets

C To set the selling prices of the borrower's goods

D To confirm the borrower's staff are well trained

> **Answer 21: A**
>
> Lenders want information on solvency and cash generation to assess repayment ability.

Standards gap · Hard

22. A Ghanaian company undertakes a novel transaction. No IFRS clearly covers it. Which approach is consistent with the lecture?

A Ignore the transaction until the IFRS IC rules on it

B Copy the treatment used by the largest competitor

C Record it at whatever amount the directors prefer

D Develop an accounting policy based on the Conceptual Framework concepts

> **Answer 22: D**
>
> Preparers must apply the general principles and concepts of the Conceptual Framework when no standard applies. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 16

Sole trader · Medium

23. Why does a sole trader typically need financial accounts?

A To comply with the IASB's mandatory audit rules

B To report to thousands of public shareholders

C Mainly for tax purposes, such as agreeing profit with the revenue authority

D To satisfy the Companies Act requirement for annual returns KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 6

> **Answer 23: C**
> The slide says that a sole trader needs accounts for tax purposes.

Purpose of IFRS · Easy

24. A key role of IFRSs is to encourage entities in all countries to:

A use the same accounting year-end regardless of local law

B apply similar principles so that financial statements are comparable

C report identical profits irrespective of their transactions

D avoid disclosing any information about their performance

> **Answer 24: B**
> IFRSs promote similar principles, concepts and methods so that statements of companies can be compared.

Users · Medium

25. The Ghana Revenue Authority, as a user of financial statements, primarily needs information to:

A decide whether to subscribe for new shares

B negotiate credit terms for supplies

C assess the taxable profit and tax payable by the entity

D plan the entity's marketing campaigns

> **Answer 25: C**
> Tax authorities use the accounts to determine taxable profits and the related tax due.

Cost constraint · Medium

26. Which statement best describes the cost constraint on useful financial reporting?

A Information must be free for all users

B Only the cheapest accounting software is permitted

C Costs of reporting must be borne by the investors

D The benefits of reporting information should justify the cost of providing it

> **Answer 26: D**
> Cost is a pervasive constraint; information should be provided only when its benefits justify the cost.

Faithful representation · Devil

27. Which is NOT a requirement for information to be a faithful representation?

A It must be favourable enough to encourage investors

B It should be complete, including necessary descriptions

C It should be neutral and without bias

D It should be free from error in the description

> **Answer 27: A**
>
> Favourable slant breaches neutrality; faithful information must be unbiased.

Companies · Medium

28. Which feature distinguishes a public company from a sole trader or partnership?

A It can raise capital from the public through an exchange

B Its owner is personally liable for every debt

C It needs no financial accounts at all

D It is managed only by its owner in every case

> **Answer 28: A**
>
> Public companies can raise capital from the public through a stock exchange.

Users · Medium

29. Which user would be most concerned with whether the entity can keep paying wages and offer job security?

A Suppliers of trade goods

B Employees

C Competitors in the same market

D Customers who bought once

> **Answer 29: B**
>
> Employees look at the stability and profitability of the employer and its ability to pay pay and benefits.

Materiality · Hard

30. An error of GH₵5,000 is found in the accounts. Which statement best reflects materiality?

A It may be material for a small firm but immaterial for a large one

B It is always immaterial because it is below GH₵10,000

C It is always material because every error matters

D Materiality is the same for all entities in all periods KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 7

> **Answer 30: A**
>
> Materiality is entity-specific: information is material if omitting or misstating it could influence users' decisions.

4. Set 4 · Q31–40

Companies and audit · Hard

31. Mensah Pharma Ltd, a private company in Kumasi, has 3 shareholders who also manage it, and a lender asks for audited accounts. Which reasoning best matches the lesson's features of business structures?

A Audit is needed only for tax purposes, as for a sole trader, so the lender should not expect audited statements

B Audit is needed only for the benefit of owners, as for a partnership, so the lender cannot demand audited statements

C Audit is voluntary for companies, because limited liability removes the need for any financial reporting regulation

D Companies face regulated reporting and a legal audit requirement, so the lender can rely on audited statements regardless of who manages the firm

> **Answer 31: D**
>
> For a company the lesson states that financial reporting is regulated and auditing is a legal requirement, which is why external users such as lenders can expect audited statements.

Ghana law · Easy

32. Which Act is listed in the slides as governing partnerships in Ghana?

A Banking Act, 2004 (Act 673)

B Companies Act, 2019 (Act 992)

C Securities Industry Act, 2016 (Act 929)

D Incorporated Private Partnership Act, 1963 (Act 152)

> **Answer 32: D**
>
> Act 152 is the partnership law named in the slides.

Standard setters · Devil

33. Which statement about the roles of the bodies under the IFRS Foundation is CORRECT?

A The Advisory Council approves standards and the IASB only advises

B The IFRS IC approves standards and the IASB interprets them

C The IASB approves standards, the IFRS IC interprets them and the Advisory Council advises the IASB

D The Foundation's members approve each standard by direct vote

> **Answer 33: C**
>
> Each body has a distinct role: IASB develops and approves, IFRS IC interprets, Advisory Council gives advice.

Conceptual Framework · Devil

34. Which of the following is NOT among the topics typically covered by the chapters of the IASB's Conceptual Framework?

A The objective of general-purpose financial reporting

B Tax rates applicable to companies in Ghana

C Qualitative characteristics of useful information

D Concepts of capital and capital maintenance

> **Answer 34: B**
>
> The chapters cover objective, qualitative characteristics, reporting entity, elements, recognition, measurement, presentation and capital concepts; tax rates are a matter of national tax law.

Limited liability · Devil

35. A company has 10,000 shares of GH₵1 each, with GH₵0.60 paid per share. On liquidation, creditors are owed GH₵15,000 more than the assets. What is the maximum that can be called and how much will creditors lose?

A GH₵10,000 can be called; creditors lose GH₵5,000

B GH₵6,000 can be called; creditors lose GH₵9,000

C GH₵15,000 can be called; creditors lose nothing

D GH₵4,000 can be called; creditors lose GH₵11,000

> **Answer 35: D**
>
> Unpaid = 0.40 × 10,000 = 4,000. The shortfall of 15,000 − 4,000 = GH₵11,000 is borne by creditors because shareholders' liability is limited.

Qualitative characteristics · Devil

36. Which statement about qualitative characteristics is FALSE?

A Fundamental characteristics are relevance and faithful representation

B Enhancing characteristics include comparability and timeliness

C Cost is a constraint on the information provided

D Enhancing characteristics can make irrelevant information useful

> **Answer 36: D**
>
> False: enhancing characteristics improve the usefulness of information that is already relevant and faithfully represented; they cannot rescue irrelevant information.

Management accounting · Medium

37. Why do managers generally rely on management accounting systems rather than only on published financial statements?

A Management accounts are legally audited while published ones are not

B Published financial statements are never useful to managers

C They obtain better and more detailed information on operations there

D Management accounting is regulated by the IASB's standards KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 8

Answer 37: C

Financial reporting is useful to managers, but management accounting systems provide more detailed information on operations.

Financial statements · Easy

38. Which of the following is NOT one of the components of a complete set of financial statements?

A Budget for the next reporting period

B Statement of cash flows

C Statement of changes in equity

D Statement of financial position

Answer 38: A

A budget is a forward-looking internal plan and is not part of a complete set of financial statements.

Partnership · Devil

39. Which statement about partnerships is FALSE?

A Capital is provided by the partners

B Partners are personally liable for the business's debts

C Accounts are needed for the benefit of the partners

D Auditing of partnership accounts is a legal requirement under company law

Answer 39: D

False: legal audit is a feature of companies; partnership accounts mainly serve the partners.

Trade-offs · Devil

40. A listed company delays its results by six months to eliminate every minor error. Which concept is most clearly sacrificed, and what is the key trade-off?

A Faithful representation is lost, as late data are biased

B Comparability is lost, since the data are for different entities

C Timeliness is lost, as information may no longer influence decisions

D Understandability is lost, as the results become more complex

Answer 40: C

Late information loses decision-usefulness, and the cost of extreme precision may outweigh its benefits.

5. Set 5 · Q41–50

Scope · Hard

41. A manager needs the cost per unit of each product to set selling prices. Where should she primarily look?

A The statement of financial position, which lists product costs

B Management accounting system, since general-purpose reports lack this detail

C The IFRS Foundation's annual report

D The auditor's opinion in the published accounts

> **Answer 41: B**
>
> General-purpose financial reports serve external users; managers obtain detailed operational information from management accounting.

Standard setters · Hard

42. A Ghanaian firm is unsure how the wording of an existing IFRS applies to its facts and wants authoritative clarification. Which body is the most appropriate?

A IFRS Advisory Council

B IFRS Interpretations Committee

C The IASB's board members directly

D The members of the IFRS Foundation

> **Answer 42: B**
>
> The IFRS IC issues interpretations and guidance on how standards apply.

Enhancing characteristics · Medium

43. Which list contains only enhancing qualitative characteristics?

A Relevance, comparability, timeliness and neutrality

B Comparability, verifiability, timeliness and understandability

C Faithful representation, verifiability and timeliness

D Materiality, relevance, completeness and neutrality

> **Answer 43: B**
>
> The four enhancing characteristics are comparability, verifiability, timeliness and understandability.

Audit · Devil

44. Which comparison of audit requirements is CORRECT?

A Auditing is a legal requirement for sole traders but optional for companies

B Auditing is a legal requirement for companies, whereas sole trader accounts mainly serve tax purposes

C Auditing is required for none of the structures in the slides

D Auditing is a legal requirement for partnerships and sole traders only

> **Answer 44: B**
>
> The slides link a legal audit to companies and tax purposes to sole traders.

Role of IFRS · Hard

45. IFRSs provide rules and guidelines, but which statement about their coverage is correct?

A They cover every possible business transaction in detail

B They apply only to sole trader businesses

C They replace all national laws entirely

D They do not cover every aspect or every type of transaction KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 9

> **Answer 45: D**
> The slides note that IFRSs do not cover everything, so the Conceptual Framework fills gaps.

IFRS Foundation · Devil

46. Which statement about the IFRS Foundation is FALSE?

A It oversees the IASB, the IFRS Advisory Council and the IFRS IC

B Its members are directly involved in setting individual accounting standards

C It was formerly called the IASC Foundation

D It has overall responsibility for international accounting

> **Answer 46: B**
> This is false: its members have no direct involvement in setting standards, only oversight of the three bodies that do.

Personal liability · Hard

47. A sole trader's business owes suppliers GH₵80,000 but its assets total only GH₵50,000. The owner has personal assets of GH₵100,000. How much of the shortfall can creditors recover from personal assets?

A GH₵0, because the business is a separate entity

B GH₵30,000, as personal liability covers the shortfall

C GH₵80,000, because creditors may take all debts from personal assets

D GH₵50,000, equal to the value of the business assets

> **Answer 47: B**
> Shortfall = 80,000 − 50,000 = GH₵30,000; the owner's personal liability allows creditors to reach personal assets to recover it.

Regulation sources · Hard

48. Which item is listed in the slides among the sources of regulation of financial reporting in Ghana, besides Acts of Parliament?

A The Conceptual Framework and accounting standards such as IFRS, IPSAS and ISA

B Only the rules of the entity's own board of directors

C Only the tax guidelines issued by the revenue authority

D Social media posts of professional accountants

> **Answer 48: A**
> The slides list the Conceptual Framework, accounting standards (IFRS, IPSAS, ISA) and Acts of Parliament.

Trade-offs · Hard

49. A manager proposes to omit a significant but uncertain liability so that profit looks better. Which characteristic is most directly violated?

A Faithful representation, as the information would not be complete or neutral

B Timeliness, as the statements were issued on time

C Comparability, as other entities use different accounts

D Understandability, because liabilities are too technical

> **Answer 49: A**
> Omitting a significant liability makes the depiction incomplete and biased, which breaches faithful representation.

IFRS AC · Easy

50. The IFRS Advisory Council is best described as:

A a court that punishes entities breaching standards

B an elected parliament that votes on each standard

C a forum through which the IASB gathers advice from different countries and industries

D a group of auditors who sign companies' accounts

> **Answer 50: C**
> The Council is made up of experts from various countries and sectors who offer advice to the IASB.

6. Set 6 · Q51–60

Financial statements · Devil

51. Which statement about the complete set of financial statements is CORRECT?

A It has five components, including statement of changes in equity and notes

B It has three components, excluding the notes and cash flows

C It has four components, excluding the statement of financial position

D It has two components, profit or loss and financial position only

> **Answer 51: A**
> The five components are: financial position, profit or loss and OCI, cash flows, changes in equity, and notes.

Business structure · Hard

52. Twenty-five friends in Kumasi want to run one business together and share the profits, and they want the owners' personal assets to be protected from business debts. Which structure suits them best?

A A company, because it can have more owners and limited liability

B A partnership, because it allows unlimited owners with limited liability

C A sole trader, with each friend as an employee

D A partnership, because it has no legal limit on members KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 10

> **Answer 52: A**
> The slides cap a partnership at 20 persons, and partners have personal liability; a company allows many shareholders with possible limited liability.

Financial statements · Hard

53. A complete set of financial statements includes notes. Which description of the notes is correct?

A Summary of significant accounting policies and explanatory information

B A forecast of next year's profit and cash flow only

C Only the signature page of the company directors

D A list of customers and their phone numbers only

> **Answer 53: A**
> Notes comprise the summary of significant accounting policies and other explanatory information.

Partnership · Easy

54. According to the slides, a partnership consists of:

A a single individual who owns and manages everything

B any number of shareholders without an upper limit

C exactly two shareholders appointed by the Registrar

D two or more individuals, up to 20, working together

> **Answer 54: D**
> The slide states that ownership is by several individuals working together, from two up to 20. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 20

Accounting regulation · Devil

55. Which statement about accounting regulation is FALSE?

A Only national laws regulate financial reporting; accounting standards do not apply

B Countries have their own laws and regulations on accounting

C Accounting standards are issued by the IASB

D Professional accountants must use standards when preparing statements

> **Answer 55: A**
>
> False: both national laws and professional standards regulate financial reporting.

Financial statements · Medium

56. Which component of the financial statements shows the entity's position at the end of the reporting period?

A Statement of cash flows

B Statement of changes in equity

C Statement of profit or loss

D Statement of financial position

> **Answer 56: D**
>
> The statement of financial position is prepared as at the end of the reporting period.

Business growth · Devil

57. Esi runs a chop bar as a sole trader. She takes in a friend as co-owner and later reorganises as a company with outside shareholders. Which of the following describes what changes as she moves from sole trader to company?

A Liability becomes personal and audit becomes optional

B Capital sources widen, liability may become limited, and audit becomes a legal requirement

C Capital can only come from the owner and audit stays optional

D Accounts are no longer needed, as tax is paid by shareholders

> **Answer 57: B**
>
> Moving to a company enables capital from shareholders, possible limited liability and legal audit with regulated reporting.

Conceptual Framework · Easy

58. The IASB's Conceptual Framework for financial reporting comprises how many chapters?

A Four chapters

B Six chapters

C Ten chapters

D Eight chapters

> **Answer 58: D**
>
> The slides state that the framework has 8 chapters.

Company · Easy

59. The owners of a company are called:

A shareholders

B partners

C proprietors

D debenture holders

> **Answer 59: A**
> Companies are owned by shareholders, who provide capital and may have limited liability.

Relevance · Medium

60. Information has predictive value when it can be used by users to:

A prove that the numbers are free from every error

B show that the entity pays no tax

C help forecast future outcomes

D guarantee future profits to lenders KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 11

> **Answer 60: C**
> Predictive value is about helping users form expectations about the future, and it is a component of relevance.

7. Set 7 · Q61–70

Users · Devil

61. Match the user to the main information need. Which pairing is INCORRECT?

A Lenders: to judge whether loans and interest will be repaid

B Employees: to assess the stability of the employer

C Tax authority: to assess taxable profit

D Competitors: to assess the entity's ability to repay its loans

> **Answer 61: D**
> Incorrect: competitors are not lenders; the repayment ability matters to lenders and creditors.

Auditing · Easy

62. Which business structure has auditing as a legal requirement, according to the slides?

A A sole trader, to satisfy tax officers

B A company, along with regulated financial reporting

C A partnership, to protect the partners

D Every unincorporated business in Ghana

> **Answer 62: B**
> For companies, financial reporting is regulated and auditing is a legal requirement.

Sole trader · Easy

63. In a sole trader business, liability for the unpaid debts of the business rests on:

A the Registrar-General, who guarantees all small business debts

B only the business assets, because the owner is protected by law

C the owner personally, with no legal separation from the business

D the customers who bought goods from the business on credit

Answer 63: C

A sole trader has personal liability: the owner and business are one legal person, so personal assets can be used to pay business debts.

Faithful representation · Medium

64. To be a faithful representation, information should be:

A short, simple and printed in colour

B fast, cheap and easy to obtain only

C rounded up, favourable and optimistic

D complete, neutral and free from error

Answer 64: D

Complete, neutral and free from error are the three attributes of a faithful depiction.

Objective · Easy

65. The objective of general-purpose financial reporting is to provide information useful to:

A existing shareholders only when they request the accounts

B only the entity's senior management and directors

C competitors who want to benchmark the entity's prices

D existing and potential investors, lenders and other creditors

Answer 65: D

The Conceptual Framework objective is usefulness to existing and potential investors, lenders and creditors in making resource decisions.

Applying characteristics · Hard

66. In applying the qualitative characteristics, what is the correct sequence?

A Apply timeliness first, then decide relevance afterwards

B Maximise comparability first, then drop faithful representation

C Identify relevant information, check faithful representation, then enhance within cost

D Consider cost first and then identify what is relevant

Answer 66: C

Fundamental characteristics come first; enhancing characteristics improve usefulness and cost constrains the whole exercise.

IFRS Foundation · Easy

67. The IFRS Foundation has oversight of how many bodies that directly set or support accounting standards?

A Three bodies

B Two bodies

C Five bodies

D Seven bodies

> **Answer 67: A**
> The IASB, IFRS Advisory Council and IFRS Interpretations Committee are the three bodies under its oversight.

IASB · Easy

68. Which body develops and approves International Financial Reporting Standards?

A The IFRS Advisory Council

B The International Accounting Standards Board (IASB)

C The IFRS Interpretations Committee

D The Institute of Chartered Accountants, Ghana KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 12

> **Answer 68: B**
> The IASB is the independent standard-setting board that develops and approves IFRSs.

Scope of reporting · Easy

69. According to the Conceptual Framework, general-purpose financial reporting is primarily for the benefit of:

A the managers running day-to-day operations

B only the Ghana Revenue Authority

C external stakeholders of the entity

D the auditors appointed by the board

> **Answer 69: C**
> The slides state that financial reporting is primarily for 'external' stakeholders such as investors and lenders.

Users · Hard

70. A potential investor reviewing a company's accounts wants to decide whether to buy, hold or sell shares. This is an example of:

A a management accounting report prepared for internal purposes

B a legal requirement for audit under the partnership law

C an economic decision supported by useful information from financial reporting

D an interpretation issued by the IFRS Interpretations Committee

> **Answer 70: C**
> The objective of reporting is information useful for decisions about providing resources, such as buying, holding or selling.

8. Set 8 · Q71–72

Value of information · Medium

71. Why do the slides say that information has no value unless it is used?

A Users must pay for information before it counts as accounting

B Information is valuable only if it is printed on paper

C Only audited information may ever be used in decisions

D Reports only matter if users act on them in their decisions

> **Answer 71: D**
>
> The point is that information earns its value through use in decision making by users.

Relevance · Hard

72. Last year, management predicted sales of GH₵2m. The actual sales were reported as GH₵2.1m. In what way is this actual figure relevant?

A It has no value because it concerns the past

B It has confirmatory value by confirming or changing prior evaluations

C It has predictive value only if sales rise in future

D It is relevant only because it was audited

> **Answer 72: B**
>
> Information that confirms or corrects earlier expectations has confirmatory value, a component of relevance.

Module 2: Lesson 2 — Accounting Concepts, Recognition and Measurement; the Accounting Equation — 72 questions

1. Set 1 · Q1–10

Equity · Devil

73. Which of the following statements about equity is FALSE?

A Equity is the residual interest after liabilities are deducted

B Equity is sometimes referred to as net assets

C Owner drawings increase equity because cash leaves the business

D Profit for the year is an addition to owner's equity

> **Answer 73: C**
> Correct (false statement): drawings are distributions to the owner and reduce equity.

Statement of changes in equity · Hard

74. A sole trader's net assets rose from GH₵30,000 to GH₵38,000 during the year. The owner drew GH₵4,000 and introduced no new capital. Profit for the year was:

A GH₵8,000

B GH₵16,000

C GH₵12,000

D GH₵4,000

> **Answer 74: C**
> Correct: change in equity 8,000 + drawings 4,000 = GH₵12,000 profit.

Assets · Medium

75. A company buys a trademark that will bring benefits for many years. It is classified as:

A A non-current intangible asset

B A current asset held for sale

C A current liability

D Part of owner's drawings

> **Answer 75: A**
> Correct: trademarks are intangibles that produce benefits for more than a year.

Recognition · Devil

76. Which statement about recognition is correct?

A Any item that meets the definition of an element must always be recognised

B An item is recognised once it has been measured at historical cost

C Meeting the definition of an element is not enough; relevance and faithful representation are also needed

D Recognition applies only to assets and liabilities, not income and expenses

Answer 76: C

Correct: recognition requires both relevant information and a faithful representation, in addition to meeting the definition.

Accounting equation · Hard

77. Services worth GH₵6,000 had been paid for in advance by a client. When the services are delivered, the effect is:

A Assets up GH₵6,000; equity up GH₵6,000

B Assets down GH₵6,000; liabilities down GH₵6,000

C Liabilities up GH₵6,000; equity down GH₵6,000

D Liabilities down GH₵6,000; equity up GH₵6,000

Answer 77: D

Correct: the unearned revenue liability is discharged and revenue increases equity, with total assets unchanged.

Accounting equation · Medium

78. A business has total assets of GH₵28,800 and total liabilities of GH₵18,000. Its equity (net assets) is:

A GH₵46,800

B GH₵18,000

C GH₵28,800

D GH₵10,800

Answer 78: D

Correct: equity = assets − liabilities = 28,800 − 18,000 = GH₵10,800.

Accrual basis · Easy

79. Under the accrual basis, when are transactions and other events recognised?

A When they occur, regardless of when cash moves

B Only when cash is received or paid

C When the auditor approves them at year end

D When the invoice is eventually settled in full KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 24

Answer 79: A

Correct: accrual accounting records events in the period they occur, not when cash is received or paid.

Accounting equation · Easy

80. The accounting equation is:

A Assets = Liabilities + Equity

B Assets = Liabilities − Equity

C Assets + Liabilities = Equity

D Equity = Assets + Liabilities

> **Answer 80: A**
>
> Correct: resources of the business equal claims on them by outsiders and owners.

Accrual basis · Medium

81. A firm performs consultancy work in December and receives the cash in January. Under the accrual basis the revenue belongs to:

A January, the period in which cash arrived

B December, the period in which it was earned

C Both December and January, split equally

D The period in which the invoice is filed

> **Answer 81: B**
>
> Correct: accrual accounting recognises revenue when earned, regardless of cash timing.

Accounting equation · Medium

82. A business has total assets of GH₵28,800 and equity of GH₵10,800. Its total liabilities are:

A GH₵18,000

B GH₵10,800

C GH₵39,600

D GH₵28,800

> **Answer 82: A**
>
> Correct: liabilities = assets − equity = 28,800 − 10,800 = GH₵18,000.

2. Set 2 · Q11–20

Substance over form · Devil

83. Kwesi Ltd uses specialised equipment for its whole useful life and controls how it is used, though the supplier keeps legal title. Its accountant leaves it off the statement of financial position, citing legal ownership. This treatment is:

A Right, because only the legal owner may recognise an asset

B Right, because assets must be paid for in cash first

C Wrong, because the economic reality is that it controls an asset

D Wrong, because it should be treated as owner's capital

> **Answer 83: C**
>
> Correct: substance over form requires the equipment to be treated as Kwesi's asset.

Statement of changes in equity · Devil

84. A business begins the year with assets GH₵100,000 and liabilities GH₵40,000. For the year: revenue GH₵90,000, expenses GH₵55,000, drawings GH₵8,000, extra capital GH₵10,000. Closing liabilities are GH₵52,000. Closing total assets are:

A GH₵149,000

B GH₵157,000

C GH₵139,000

D GH₵165,000

> **Answer 84: A**
>
> Correct: closing equity 60,000 + 35,000 – 8,000 + 10,000 = 97,000; plus liabilities 52,000 = GH₵149,000.

Statement of financial position · Hard

85. A statement of financial position shows cash on hand GH₵4,000, cash in bank GH₵6,800, receivables GH₵3,200, inventory GH₵5,000, prepaid expenses GH₵1,000, equipment GH₵28,000 and accumulated depreciation GH₵10,000. Total assets are:

A GH₵48,000

B GH₵20,000

C GH₵58,000

D GH₵38,000

> **Answer 85: D**
>
> Correct: current assets 20,000 + net equipment 18,000 = GH₵38,000.

Relationship of statements · Medium

86. A sole trader has opening capital of GH₵20,000, earns profit of GH₵6,000 and takes no drawings. The closing capital is:

A GH₵14,000

B GH₵6,000

C GH₵26,000

D GH₵20,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 25

> **Answer 86: C**
>
> Correct: profit is added to owner's capital, 20,000 + 6,000 = GH₵26,000.

Income · Medium

87. A shop earns GH₵2,000 from selling goods and a one-off GH₵500 from disposing of an old van. In the statement of profit or loss:

A Both amounts are shown as one revenue figure

B Revenue and other income are reported as separate items

C The GH₵500 is shown as an owner contribution

D Both amounts are shown in equity directly

Answer 87: B

Correct: revenue arises from normal operations, while other income such as a disposal gain is reported separately.

Liabilities · Easy

88. Non-current liabilities are amounts that are:

A Payable within the next year

B Owed only to the owners of the business

C Not payable within the next year

D Payable only in cash on demand

Answer 88: C

Correct: they fall due beyond one year, such as long-term loans.

Expenses · Easy

89. Expenses are decreases in assets or increases in liabilities that decrease equity, other than:

A Wages paid to employees

B Distributions to holders of equity claims

C Cost of goods sold to customers

D Interest charged on bank loans

Answer 89: B

Correct: distributions such as drawings reduce equity but are not expenses.

Accounting equation · Devil

90. Capital GH₵30,000 is paid in cash. The business buys goods of GH₵12,000 on credit, sells goods costing GH₵7,000 for GH₵11,000 on credit, pays wages of GH₵2,500 cash and the owner draws GH₵1,000 cash. Closing equity is:

A GH₵31,500

B GH₵30,500

C GH₵33,000

D GH₵37,500

Answer 90: B

Correct: profit (11,000 − 7,000 − 2,500) = 1,500; equity 30,000 + 1,500 − 1,000 = GH₵30,500.

Accrual vs cash · Hard

91. In a year, a firm receives GH₵120,000 in cash, of which GH₵15,000 relates to services to be performed next year. Expenses incurred are GH₵80,000, of which GH₵70,000 has been paid. Profit on the accrual basis is:

A GH₵50,000

B GH₵40,000

C GH₵25,000

D GH₵35,000

> **Answer 91: C**
> Correct: revenue earned 105,000 less expenses incurred 80,000 = GH₵25,000.

Matching convention · Easy

92. The matching convention determines profit by:

A Matching cash receipts against cash payments in the period

B Matching revenue earned against expenses incurred in earning it

C Matching assets against liabilities at the year end

D Matching owner's drawings against capital contributed

> **Answer 92: B**
> Correct: profit is revenue earned less the expenses incurred to earn it in the same period.

3. Set 3 · Q21–30

Double entry · Medium

93. Wages of GH₵3,000 are paid in cash. The correct double entry is:

A Dr Wages expense GH₵3,000; Cr Cash GH₵3,000

B Dr Cash GH₵3,000; Cr Wages expense GH₵3,000

C Dr Wages expense GH₵3,000; Cr Capital GH₵3,000

D Dr Cash GH₵3,000; Cr Capital GH₵3,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 26

> **Answer 93: A**
> Correct: expenses increase by a debit and the asset cash decreases by a credit.

Accrued expense · Hard

94. A business has a GH₵100,000 bank loan at 12% a year. No interest has been paid for the last three months of the year. At the year end the correct treatment is to record:

A Interest expense and a liability of GH₵12,000

B A prepayment of GH₵3,000 as an asset

C No entry, because no cash has been paid

D Interest expense and a liability of GH₵3,000

> **Answer 94: D**
> Correct: 100,000 × 12% × 3/12 = GH₵3,000 is incurred, so the expense is recognised with an accrued liability.

Matching · Medium

95. In a year a business earned revenue of GH₵28,800 and incurred expenses of GH₵18,000 in earning it. Applying the matching convention, profit is:

A GH₵46,800
B GH₵18,000
C GH₵10,800
D GH₵28,800

> **Answer 95: C**
> Correct: 28,800 – 18,000 = GH₵10,800.

Double entry · Easy

96. Under double entry, an increase in a liability is recorded as a:

A Debit entry
B Credit entry
C Debit and credit in the same account
D Memorandum entry only

> **Answer 96: B**
> Correct: liabilities, equity and revenue increase on the credit side.

Double entry · Medium

97. A business repays GH₵5,000 of a long-term bank loan from its bank account. The correct double entry is:

A Dr Bank GH₵5,000; Cr Bank loan GH₵5,000
B Dr Loan interest GH₵5,000; Cr Bank GH₵5,000
C Dr Bank loan GH₵5,000; Cr Bank GH₵5,000
D Dr Bank loan GH₵5,000; Cr Capital GH₵5,000

> **Answer 97: C**
> Correct: a liability decreases by a debit and the asset bank decreases by a credit.

Recognition vs measurement · Medium

98. A laboratory identifies a new analyser that meets the asset definition and enters it in the books, then decides it is to be shown at its GH₵90,000 purchase price. Choosing GH₵90,000 is an example of:

A Recognition, capturing the item in the statements
B Classification into current and non-current items
C Substance over form, favouring legal title
D Measurement, putting a monetary amount on the element

> **Answer 98: D**
> Correct: assigning a monetary amount to an element is measurement.

Statement of changes in equity · Devil

99. Opening owner's capital is GH₵10,400. The year's profit is GH₵400 and drawings are GH₵1,000. Closing equity is:

A GH₵9,800
B GH₵10,800
C GH₵11,800
D GH₵9,000

> **Answer 99: A**
> Correct: 10,400 + 400 − 1,000 = GH₵9,800.

Business entity · Medium

100. The owner of a trading business withdraws GH₵2,000 cash for private use. The business should record this as:

A A reduction in cash and in equity, not an expense
B A reduction in cash and an increase in expenses
C An increase in cash and a reduction in liabilities
D A reduction in liabilities and in equity KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 27

> **Answer 100: A**
> Correct: drawings are a distribution to the owner under the entity concept, so cash and equity fall while profit is unaffected.

Double entry · Medium

101. A sale of GH₵8,000 is made to a customer on credit. The correct double entry is:

A Dr Cash GH₵8,000; Cr Revenue GH₵8,000
B Dr Receivables GH₵8,000; Cr Revenue GH₵8,000
C Dr Revenue GH₵8,000; Cr Receivables GH₵8,000
D Dr Receivables GH₵8,000; Cr Payables GH₵8,000

> **Answer 101: B**
> Correct: the asset receivables rises (debit) and revenue rises (credit) under accrual accounting.

Accrued expense · Hard

102. Electricity of GH₵2,400 for December is unpaid at the year end. The effect on the accounting equation is:

A Liabilities up GH₵2,400; equity down GH₵2,400
B Assets down GH₵2,400; equity down GH₵2,400
C Liabilities up GH₵2,400; equity up GH₵2,400
D No effect until the bill is paid

> **Answer 102: A**
>
> Correct: the expense is incurred, so equity falls and an accrued expense liability is created.

4. Set 4 · Q31–40

Accounting equation · Devil

103. A medical laboratory buys reagents for GH₵10,000 on credit and uses GH₵6,000 of them in the year. At the year end the effect is:

A Assets +10,000; liabilities +10,000; equity unchanged

B Assets +4,000; liabilities +4,000; equity unchanged

C Assets −6,000; liabilities +10,000; equity −6,000

D Assets +4,000; liabilities +10,000; equity −6,000

> **Answer 103: D**
>
> Correct: remaining inventory is an asset of 4,000, the supplier is owed 10,000 and the 6,000 used is an expense, so 4,000 = 10,000 − 6,000. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 37

Equity · Easy

104. Equity is the residual interest in the assets of the business after:

A Revenue has been deducted

B Income has been added to them

C Drawings have been added to them

D Liabilities have been deducted

> **Answer 104: D**
>
> Correct: equity equals assets minus liabilities, and is sometimes called net assets.

Accounting equation · Devil

105. Which single transaction decreases total assets and equity but leaves liabilities unchanged?

A Paying a supplier from the bank

B Buying equipment for cash

C Paying wages in cash

D Recording wages owed but unpaid

> **Answer 105: C**
>
> Correct: cash falls and an expense reduces equity.

Accounting equation · Devil

106. Net assets are GH₵10,800 when annual depreciation of GH₵2,000 is found to have been left out. After correcting for it, equity is:

A GH₵10,800

B GH₵8,800

C GH₵12,800

D GH₵9,200

> **Answer 106: B**
>
> Correct: depreciation is an expense that reduces profit and equity, so 10,800 – 2,000 = GH₵8,800.

Accounting equation · Devil

107. A business has share capital GH₵40,000, retained profits GH₵15,000, other reserves GH₵5,000 and total liabilities of GH₵22,000. Total assets are:

A GH₵60,000

B GH₵38,000

C GH₵62,000

D GH₵82,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 28

> **Answer 107: D**
>
> Correct: equity 60,000 + liabilities 22,000 = GH₵82,000.

Business entity · Devil

108. Ama, a sole trader, pays GH₵5,000 of her child's school fees from the business bank account, and pays GH₵1,200 of the business electricity bill from her personal funds. The effect on the business's profit is:

A A fall of GH₵6,200

B A fall of GH₵5,000 only

C A fall of GH₵3,800

D A fall of GH₵1,200 only

> **Answer 108: D**
>
> Correct: school fees are drawings, not an expense; only the business electricity of GH₵1,200 reduces profit (equity falls by 5,000 overall).

Substance over form · Medium

109. Adom Ltd controls the use of a laboratory centrifuge for its whole useful life under an arrangement with the supplier, who keeps legal title. How should Adom treat the centrifuge?

A Leave it out, because Adom does not hold legal title

B Recognise it as an expense when the arrangement starts

C Recognise it as an asset, because Adom controls its use

D Recognise it as equity contributed by the supplier

Answer 109: C

Correct: substance over form says economic reality (control of the item) outweighs the legal position, so it is an asset of Adom.

Assets · Easy

110. Which of the following is a non-current asset?

A A patent held by the business

B Inventory held for resale

C Prepaid expenses

D Trade receivables

Answer 110: A

Correct: patents are intangibles that yield benefits for more than a year.

Accrual basis · Devil

111. Which of the following statements about the accrual basis is FALSE?

A Expenses are recognised when incurred, not when paid

B Profit is found by matching revenue with the expenses of earning it

C Events are recorded in the periods to which they relate

D A credit sale is recognised only once the customer has paid

Answer 111: D

Correct (false statement): accrual accounting recognises a credit sale when earned, not when cash is received. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 38

Unearned revenue · Devil

112. On 1 October a clinic receives GH₵9,000 for 12 months of monthly screening services. At 31 December the unearned revenue liability is:

A GH₵2,250

B GH₵9,000

C GH₵6,750

D GH₵6,000

Answer 112: C

Correct: 9 months remain, 9,000 × 9/12 = GH₵6,750.

5. Set 5 · Q41–50

Liabilities classification · Hard

113. A GH₵60,000 bank loan is repayable at GH₵5,000 a year over 12 years. At the reporting date, the amount shown as non-current liability is:

A GH₵60,000

B GH₵55,000

C GH₵5,000

D GH₵0

> **Answer 113: B**
>
> Correct: GH₵5,000 payable within the next year is current, so GH₵55,000 is non-current.

Recognition criteria · Hard

114. An item meets the definition of an asset, but recording it would not give a faithful representation because its amount cannot be measured reliably. Applying the recognition criteria:

A It must still be recognised at an estimate of zero

B Recognition is not appropriate

C It is recognised as owner's equity instead

D It is recognised as income in the period KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 29

> **Answer 114: B**
>
> Correct: recognition is appropriate only if both relevance and faithful representation are achieved.

Liabilities · Medium

115. Which of the following is classified as a current liability?

A A mortgage payable over 15 years

B A bank overdraft

C Bonds payable in 10 years

D A five-year bank loan

> **Answer 115: B**
>
> Correct: an overdraft is repayable on demand, so it is a current liability.

Ledger · Devil

116. A payables account opens with a credit balance of GH₵8,000. Credit purchases of GH₵12,000 are made and GH₵9,000 is paid to suppliers. The closing balance is:

A Debit GH₵11,000

B Credit GH₵11,000

C Credit GH₵29,000

D Credit GH₵5,000

Answer 116: B

Correct: 8,000 + 12,000 – 9,000 = GH₵11,000 credit, a liability.

Measurement bases · Hard

117. A machine was bought for GH₵50,000 and would now cost GH₵65,000 to replace. Ignoring depreciation, which statement is correct?

A Historical cost shows GH₵65,000 and current cost shows GH₵50,000

B Both historical cost and current cost show GH₵50,000

C Both historical cost and current cost show GH₵65,000

D Historical cost shows GH₵50,000 and current cost shows GH₵65,000

Answer 117: D

Correct: historical cost keeps the original price while current cost reflects the price now.

Accounting equation · Hard

118. The owner invests GH₵20,000 cash, the business buys equipment for GH₵8,000 cash, makes a credit sale of GH₵5,000 and pays wages of GH₵2,000 in cash. Profit for the period is:

A GH₵5,000

B GH₵3,000

C GH₵13,000

D GH₵7,000

Answer 118: B

Correct: revenue 5,000 – wages 2,000 = GH₵3,000; capital and equipment purchases do not affect profit.

Statement of changes in equity · Hard

119. A business starts the year with assets of GH₵60,000 and liabilities of GH₵25,000. During the year it makes a profit of GH₵18,000, the owner draws GH₵5,000 and introduces GH₵7,000 more capital. Closing equity is:

A GH₵60,000

B GH₵55,000

C GH₵48,000

D GH₵65,000

Answer 119: B

Correct: opening equity 35,000 + profit 18,000 – drawings 5,000 + capital 7,000 = GH₵55,000.

Statement of financial position · Hard

120. Using total assets of GH₵38,000, total liabilities of GH₵18,000 and capital introduced of GH₵14,000, the profit for the year is:

A GH₵6,000

B GH₵20,000

C GH₵14,000

D GH₵24,000

> **Answer 120: A**
>
> Correct: equity = 38,000 − 18,000 = 20,000, so profit is 20,000 − 14,000 = GH₵6,000.

Accounting equation · Hard

121. Which transaction leaves total assets unchanged and also leaves liabilities and equity unchanged?

A Collecting GH₵4,000 from a credit customer

B Buying a van for GH₵9,000 on credit

C Paying GH₵2,000 to a supplier in cash

D Owner investing GH₵5,000 in cash KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 30

> **Answer 121: A**
>
> Correct: cash rises and receivables fall by the same amount, so one asset is swapped for another.

Recognition criteria · Easy

122. The two fundamental recognition criteria for an element are:

A Materiality and prudence

B Timeliness and comparability

C Relevance and faithful representation

D Cost and convenience

> **Answer 122: C**
>
> Correct: an element is recognised if doing so gives relevant information and a faithful representation.

6. Set 6 · Q51–60

Double entry · Devil

123. Goods of GH₵6,000 are bought, GH₵4,000 paid in cash and the rest on credit. The correct entry is:

A Dr Inventory 6,000; Cr Cash 4,000; Cr Payables 2,000

B Dr Inventory 6,000; Cr Cash 6,000

C Dr Inventory 4,000; Dr Payables 2,000; Cr Cash 6,000

D Dr Cash 4,000; Dr Payables 2,000; Cr Inventory 6,000

Answer 123: A

Correct: the asset rises by the full cost, funded by a cash decrease and a new liability.

Accounting equation · Hard

124. An owner invests GH₵40,000 cash. The business then buys equipment for GH₵25,000 cash, buys inventory of GH₵8,000 on credit and pays GH₵3,000 of that amount owed. Total assets are:

A GH₵45,000

B GH₵48,000

C GH₵40,000

D GH₵37,000

Answer 124: A

Correct: cash 40,000 − 25,000 − 3,000 = 12,000, plus equipment 25,000 and inventory 8,000 = GH₵45,000; liabilities are 5,000 and equity 40,000.

Accounting equation · Hard

125. A business has equity of GH₵38,000 and liabilities of GH₵22,000. It buys a vehicle for GH₵15,000 financed entirely by a loan. Total assets afterwards are:

A GH₵75,000

B GH₵60,000

C GH₵90,000

D GH₵45,000

Answer 125: A

Correct: 38,000 + 22,000 = 60,000 before, plus 15,000 of new asset funded by debt = GH₵75,000.

Business entity concept · Easy

126. The equity capital of a business can be thought of as:

A An amount the owners owe to the business

B An amount the business owes to its bankers

C An amount the business owes to the tax authority

D An amount the business entity owes to its owners

Answer 126: D

Correct: because the entity is separate, capital invested by the owner is a claim the entity owes back to the owner.

Income · Devil

127. A business has sales of GH₵15,000, bank interest of GH₵800, a gain on disposal of equipment of GH₵2,000 and an owner's capital injection of GH₵20,000. Total income for the period is:

A GH₵17,800

B GH₵37,800

C GH₵15,000

D GH₵17,000

> **Answer 127: A**
>
> Correct: 15,000 + 800 + 2,000 = GH₵17,800; owner contributions are excluded.

Recognition criteria · Medium

128. An item meets the definition of an asset. According to the lecture, it should be recognised when doing so gives:

A Maximum profit for the reporting period

B A lower tax bill for the owners

C Information that agrees with the legal form only

D Relevant information and a faithful representation KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 31

> **Answer 128: D**
>
> Correct: recognition is appropriate when it gives relevant information and a faithful representation useful to investors, lenders and creditors.

Expenses · Devil

129. For the year, a business paid wages GH₵5,000, drawings GH₵3,000, interest GH₵600, depreciation GH₵1,400 and bought equipment for GH₵9,000. Total expenses are:

A GH₵10,000

B GH₵7,000

C GH₵16,000

D GH₵19,000

> **Answer 129: B**
>
> Correct: 5,000 + 600 + 1,400 = GH₵7,000; drawings are distributions and equipment is an asset.

Measurement · Easy

130. Measurement of an element means:

A Capturing an item for inclusion in the statements

B Checking the arithmetic accuracy of the ledger

C Grouping elements into current and non-current

D Putting a monetary amount on an element

> **Answer 130: D**
> Correct: measurement is assigning a monetary amount to the element.

Substance over form · Easy

131. Substance over form requires financial information to represent:

A The economic reality of transactions, even if the legal form differs

B The legal form of transactions, even if the economics differ

C Only transactions supported by a signed legal contract

D The cash effect of transactions, ignoring credit terms

> **Answer 131: A**
> Correct: economic reality takes priority over the legal position.

Double entry · Medium

132. The owner starts a business by paying GH₵50,000 cash into a business bank account. The correct entry is:

A Dr Capital GH₵50,000; Cr Bank GH₵50,000

B Dr Bank GH₵50,000; Cr Revenue GH₵50,000

C Dr Bank GH₵50,000; Cr Capital GH₵50,000

D Dr Drawings GH₵50,000; Cr Bank GH₵50,000

> **Answer 132: C**
> Correct: assets increase by a debit and equity increases by a credit.

7. Set 7 · Q61–70

Double entry principles · Devil

133. Which of the following statements about double entry is FALSE?

A An increase in a liability is recorded as a credit

B A decrease in equity is recorded as a debit

C An increase in an expense is recorded as a debit

D An increase in revenue is recorded as a debit

> **Answer 133: D**
> Correct (false statement): revenue increases are credits.

Financial statements · Easy

134. Which of the following is NOT part of a complete set of financial statements?

A Statement of cash flows for the period

B A trial balance listing all ledger balances

C Statement of changes in equity for the period

D Notes with significant accounting policies

> **Answer 134: B**
> Correct: a trial balance is an internal bookkeeping check, not a published financial statement.

Business entity concept · Easy

135. In financial reporting, the business entity is considered to be:

A The same as its owners

B An extension of the owner's private affairs

C Separate from its owners

D Liable for the owner's personal debts

> **Answer 135: C**
> Correct: the entity concept treats the business as separate from those who own it.

Accounting equation · Medium

136. A business buys equipment costing GH₵12,000 on credit. The effect on the accounting equation is:

A Assets up GH₵12,000; equity up GH₵12,000

B Assets down GH₵12,000; liabilities down GH₵12,000

C Assets unchanged; liabilities up GH₵12,000

D Assets up GH₵12,000; liabilities up GH₵12,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 32

> **Answer 136: D**
> Correct: equipment is a new asset and the unpaid supplier is a new liability, so both sides rise equally.

Assets · Easy

137. Current assets are best described as:

A Assets held for more than one year to produce benefits

B Any asset whose cost is below a fixed amount

C Only cash on hand and balances held at the bank

D Cash and assets to be converted to cash or used within one year

> **Answer 137: D**
> Correct: current assets are cash and items expected to be converted, sold or used up within one year.

Ledger · Hard

138. A cash account shows: capital introduced GH₵40,000 and cash sales GH₵6,000 received; wages paid GH₵12,000 and equipment bought GH₵9,000. The closing cash balance is:

A Credit balance GH₵25,000

B Debit balance GH₵67,000

C Debit balance GH₵25,000

D Debit balance GH₵19,000

Answer 138: C

Correct: debits 46,000 – credits 21,000 = GH₵25,000 debit, an asset balance.

Income · Easy

139. Income is an increase in assets or decrease in liabilities that increases equity, other than:

A Contributions from holders of equity claims

B Sales made to customers on credit

C Interest earned on bank deposits

D Fees earned from services rendered

Answer 139: A

Correct: owner contributions raise equity but are excluded from income.

Liabilities · Easy

140. Which of the following is normally a current liability?

A Mortgage payable

B Unearned revenue

C Bonds payable

D Long-term bank loan

Answer 140: B

Correct: unearned revenue is settled by delivery within the year, so it is current.

Elements · Easy

141. Financial statements are constructed from the elements, which are therefore described as the:

A Footnotes to the financial statements

B Audit opinions on the financial statements

C Building blocks of the financial statements

D Tax adjustments to the financial statements

Answer 141: C

Correct: assets, liabilities, equity, income and expenses are the building blocks.

Accrual basis · Hard

142. A GH₵10,000 credit sale is made in the year. Its effect on profit and on cash in that year is:

A Profit unchanged; cash up GH₵10,000

B Profit up GH₵10,000; cash up GH₵10,000

C Profit up GH₵10,000; cash unchanged

D Profit unchanged; cash unchanged

Answer 142: C

Correct: revenue is earned (accrual) but no cash has been received yet.

8. Set 8 · Q71–72

Liabilities · Medium

143. A Kumasi clinic receives GH₵6,000 from a client for tests it will perform next month. At the date of receipt, the GH₵6,000 is:

A Revenue earned in the current month

B A non-current asset held for the client

C An addition to the owner's equity capital

D A current liability called unearned revenue

Answer 143: D

Correct: cash is received but the service is not yet performed, so the clinic owes the service and records unearned revenue as a current liability. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 42

Double entry · Hard

144. The owner takes inventory that cost GH₵2,000 for personal use. The correct entry in the business books is:

A Dr Inventory GH₵2,000; Cr Drawings GH₵2,000

B Dr Drawings GH₵2,000; Cr Inventory GH₵2,000

C Dr Purchases expense GH₵2,000; Cr Inventory GH₵2,000

D Dr Drawings GH₵2,000; Cr Cash GH₵2,000

Answer 144: B

Correct: a distribution to the owner reduces equity (debit drawings) and the asset inventory falls (credit).

Module 3: Lesson 3 — Recording Transactions: Accounting Equation and Journal Entries — 100 questions

1. Set 1 · Q1–10

Journal entries · Medium

145. Which journal entry records the owner introducing GH₵5,000 cash to start a business?

A Dr Capital GH₵5,000; Cr Cash GH₵5,000

B Dr Cash GH₵5,000; Cr Capital GH₵5,000

C Dr Cash GH₵5,000; Cr Loan GH₵5,000

D Dr Drawings GH₵5,000; Cr Cash GH₵5,000

> **Answer 145: B**
>
> Asset debited, equity credited.

Equation effects · Medium

146. Mr Apino puts GH₵3,000 into the business bank account to start. What is the effect on the accounting equation?

A Assets +GH₵3,000; Liabilities +GH₵3,000

B Assets +GH₵3,000; Equity +GH₵3,000

C Assets +GH₵3,000; Equity –GH₵3,000

D Assets unchanged; Equity +GH₵3,000

> **Answer 146: B**
>
> Bank rises and the owner's capital rises by the same amount.

Petty cash book · Devil

147. A petty cashier has an imprest of GH₵1,000 and spends GH₵940 in the month. Management raises the imprest to GH₵1,200 for next month. How much must the chief cashier pay over at month end?

A GH₵940

B GH₵1,200

C GH₵260

D GH₵1,140

> **Answer 147: D**
>
> Reimbursement of 940 restores 1,000; a further 200 lifts the float to 1,200, giving 1,140.

Cash book · Devil

148. A cash deposit of GH₵3,000 is paid into the bank from the till and recorded in a three column cash book. What is the entry?

A Dr Bank column 3,000; Cr Cash column 3,000

B Dr Cash column 3,000; Cr Bank column 3,000

C Dr Bank column 3,000; Cr Discount column 3,000

D Dr Bank column 3,000 only

> **Answer 148: A**
> Both sides of the entry occur in the same book as a contra.

Equation effects · Devil

149. A business repays a GH₵5,000 loan plus GH₵500 interest in cash. What are the effects?

A Assets −5,500; Liabilities −5,500; Equity unchanged

B Assets −5,000; Liabilities −5,000; Equity −500

C Assets −5,500; Liabilities −5,000; Equity −500

D Assets −5,500; Liabilities −500; Equity −5,000

> **Answer 149: C**
> The interest is an expense that reduces equity.

Journal entries · Devil

150. A business gives goods costing GH₵300 as free samples. Which is correct?

A Dr Drawings 300; Cr Purchases 300; equity falls by 300

B Dr Advertising 300; Cr Purchases 300; equity falls by 300

C Dr Advertising 300; Cr Sales 300; equity unchanged

D Dr Purchases 300; Cr Advertising 300; equity rises by 300

> **Answer 150: B**
> Free samples are a promotion expense.

Business equation · Easy

151. What is the business equation given in the lecture?

A Opening net assets − Profit + Capital introduced − Drawings = Closing net assets

B Opening net assets + Profit + Capital introduced − Drawings = Closing net assets

C Opening net assets + Profit − Capital introduced + Drawings = Closing net assets

D Opening net assets + Profit + Capital introduced + Drawings = Closing net assets KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 44

> **Answer 151: B**
> Profit and new capital increase net assets while drawings reduce them.

Business equation · Hard

152. Closing net assets are GH₵150,000. During the year the business made a loss of GH₵5,000, the owner introduced GH₵20,000 and took drawings of GH₵14,000. What were the opening net assets?

A GH₵131,000

B GH₵149,000

C GH₵159,000

D GH₵169,000

> **Answer 152: B**
>
> Opening = 150,000 + 5,000 loss − 20,000 introduced + 14,000 drawings = 149,000.

Equation effects · Devil

153. An old van carried at GH₵8,000 is exchanged for a new van also valued at GH₵8,000. Which is correct?

A Sales day book; total assets rise by 8,000

B Cash book; total assets fall by 8,000

C General journal; total assets and equity unchanged

D General journal; equity increases by 8,000

> **Answer 153: C**
>
> One asset is swapped for another asset of equal value.

Business equation · Easy

154. Rearranging the accounting equation gives Assets − Liabilities = Equity. What is Assets − Liabilities called?

A Gross profit

B Net assets

C Working capital

D Total claims

> **Answer 154: B**
>
> Net assets (assets less liabilities) equal equity or capital.

2. Set 2 · Q11–20

Journal characteristics · Easy

155. When should a transaction be recorded in the journal?

A At the end of the month

B Only when the ledger is posted

C On the same day it takes place

D At the end of the financial year

Answer 155: C

The journal is the first step and entries are made on the day of the transaction.

Accounting equation · Easy

156. Which expression correctly states the accounting equation?

A Assets = Liabilities + Equity

B Assets = Liabilities − Equity

C Equity = Assets + Liabilities

D Liabilities = Assets + Equity

Answer 156: A

The equation says resources owned equal claims on them by outsiders and the owner.

Equation effects · Hard

157. Using the same data (assets 50,000, liabilities 20,000; credit inventory 5,000; creditors paid 3,000; capital introduced 10,000; drawings 4,000), what is the final equity?

A GH₵30,000

B GH₵36,000

C GH₵40,000

D GH₵34,000

Answer 157: B

Equity 30,000 + 10,000 − 4,000 = 36,000; liabilities 22,000.

Apino equation · Devil

158. After all nine of Apino's transactions, what is his cash and bank balance?

A GH₵6,050

B GH₵5,850

C GH₵5,600

D GH₵7,850

Answer 158: B

3,000 + 4,000 − 500 − 1,000 + 1,200 + 900 − 2,000 + 250 = 5,850.

Business equation · Easy

159. What does an owner do when introducing new capital into the business?

A Increases equity

B Increases liabilities

C Reduces net assets

D Increases drawings

Answer 159: A

New capital introduced adds to the owner's equity.

General journal · Medium

160. At year end, income and expense balances are transferred to the trading and profit and loss account. Which journal use is this?

A Opening entries

B Closing entries

C Adjusting entries

D Correction of errors

> **Answer 160: B**
>
> Closing entries prepare the books to produce final accounts.

Equation effects · Medium

161. Apino obtains a GH₵4,000 loan from his brother. Which describes the effect?

A Assets +GH₵4,000; Equity +GH₵4,000

B Liabilities +GH₵4,000; Equity –GH₵4,000

C Assets +GH₵4,000; Liabilities +GH₵4,000

D Assets +GH₵4,000; Liabilities –GH₵4,000

> **Answer 161: C**
>
> Cash increases and a loan liability is created.

Cash book · Medium

162. In a two column cash book, on which side is discount received entered?

A Credit side, discount column

B Debit side, discount column

C Credit side, bank column

D Debit side, cash column

> **Answer 162: A**
>
> Discounts received are shown on the payment side.

Business equation · Devil

163. In a year, assets rose by GH₵30,000 and liabilities by GH₵18,000. The owner introduced GH₵5,000 and drew GH₵4,000. What was profit?

A GH₵11,000

B GH₵12,000

C GH₵13,000

D GH₵21,000

> **Answer 163: A**
>
> Change in net assets 12,000 = profit + 5,000 − 4,000, so profit = 11,000.

Journal entries · Devil

164. A debt of GH₵400 is written off as bad. Which statement is correct?

A Sales day book: Dr Receivable 400; Cr Bad debts 400

B General journal: Dr Receivable 400; Cr Bad debts 400

C Cash book: Dr Cash 400; Cr Receivable 400

D General journal: Dr Bad debts 400; Cr Receivable 400; equity falls

> **Answer 164: D**
> It is a rare transaction written off to expense.

3. Set 3 · Q21–30

Journal entries · Medium

165. The owner takes goods costing GH₵500 for personal use. Which entry is correct?

A Dr Purchases GH₵500; Cr Drawings GH₵500

B Dr Drawings GH₵500; Cr Sales GH₵500

C Dr Capital GH₵500; Cr Cash GH₵500

D Dr Drawings GH₵500; Cr Purchases GH₵500

> **Answer 165: D**
> Drawings rise and the goods leave the business stock.

Business equation · Easy

166. According to the lecture, what effect does a profit have on the owner's capital?

A It reduces capital

B It has no effect

C It adds to capital

D It turns into a liability

> **Answer 166: C**
> Profit belongs to the owner and so increases equity.

Apino equation · Hard

167. After Apino's first five transactions, what are total liabilities?

A GH₵5,800

B GH₵4,000

C GH₵5,500

D GH₵4,800 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 46

> **Answer 167: D**
> Loan 4,000 + payables (1,800 – 1,000) 800 = 4,800.

General journal · Medium

168. Goods costing GH₵1,200 are stolen by an employee. Which entry goes in the general journal?

A Dr Purchases GH₵1,200; Cr Loss by theft GH₵1,200

B Dr Drawings GH₵1,200; Cr Purchases GH₵1,200

C Dr Loss by theft GH₵1,200; Cr Purchases GH₵1,200

D Dr Sales GH₵1,200; Cr Purchases GH₵1,200

> **Answer 168: C**
> The loss is an expense and the goods leave stock.

Cash book · Easy

169. A three column cash book has which three columns on each side?

A Cash, stock and discount

B Bank, debtors and creditors

C Cash, bank and discount

D Cash, capital and drawings

> **Answer 169: C**
> The three columns cover cash, bank and discount, showing balances at a glance.

Equation effects · Medium

170. A customer pays GH₵700 owed on account. What happens to the accounting equation?

A Cash +GH₵700; Receivables −GH₵700; totals unchanged

B Assets +GH₵700; Equity +GH₵700

C Assets +GH₵700; Liabilities +GH₵700

D Assets −GH₵700; Liabilities −GH₵700

> **Answer 170: A**
> One asset replaces another.

Cash book · Easy

171. What does the cash book record?

A Credit sales and purchases only

B Depreciation and accruals

C Receipts and payments of cash and cheques

D Goods returned by customers

> **Answer 171: C**
> It is the book of original entry for money received and paid.

Equation effects · Medium

172. Apino sells shirts that cost GH₵300 for GH₵250 cash because of their colour. What is the effect?

A Assets –GH₵50; Equity –GH₵50

B Assets +GH₵250; Equity +GH₵250

C Assets –GH₵300; Equity –GH₵300

D Assets +GH₵50; Equity +GH₵50

> **Answer 172: A**
> Cash rises by GH₵250 and inventory falls by GH₵300, a GH₵50 loss.

Petty cash book · Easy

173. At the end of the month, how much is the petty cashier reimbursed under the imprest system?

A The same amount that was spent

B The full imprest regardless of spending

C Half of the amount spent

D The amount left in the box

> **Answer 173: A**
> Reimbursement restores the float to its original imprest.

Petty cash book · Hard

174. Under the imprest system the float is GH₵800. The month's analysis shows postage 120, stationery 210, T&T 95, fuel 180 and sundry 65 (GH₵). What is the reimbursement and the cash left in hand?

A Reimburse GH₵800; GH₵130 in hand

B Reimburse GH₵130; GH₵670 in hand

C Reimburse GH₵670; GH₵130 in hand

D Reimburse GH₵605; GH₵195 in hand

> **Answer 174: C**
> Total spent 670 is refunded to restore the 800 imprest; 800 – 670 leaves 130 in hand.

4. Set 4 · Q31–40

Equation effects · Hard

175. A business buys equipment for GH₵9,000 cash. Which statement about its accounting equation is correct?

A Total assets fall by GH₵9,000

B Total assets and equity are both unchanged

C Equity falls by GH₵9,000

D Liabilities rise by GH₵9,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 47

> **Answer 175: B**
> Equipment replaces cash, so nothing else moves.

General journal · Hard

176. Year-end income is GH₵90,000 and expenses GH₵62,000. After closing entries, what happens to the owner's capital account?

A Debited with net loss of GH₵28,000
B Credited with net profit of GH₵28,000
C Credited with GH₵152,000
D Credited with GH₵90,000

> **Answer 176: B**
> Net profit adds to capital.

Petty cash book · Medium

177. A petty cash imprest is GH₵500 and the month's expenses total GH₵380. How much must the chief cashier reimburse?

A GH₵500
B GH₵120
C GH₵380
D GH₵880

> **Answer 177: C**
> Reimbursing the amount spent restores the imprest.

Business equation · Hard

178. Opening net assets GH₵50,000; profit GH₵20,000; drawings were GH₵8,000 cash plus goods worth GH₵2,000. No capital introduced. Closing net assets?

A GH₵62,000
B GH₵70,000
C GH₵58,000
D GH₵60,000

> **Answer 178: D**
> 50,000 + 20,000 − 10,000 = 60,000.

Cash book · Devil

179. Which statement about the cash book is FALSE?

A It is only a ledger account and not a book of original entry
B It is a book of original entry
C It also serves as the cash account of the ledger
D Payments are recorded on the credit side

> **Answer 179: A**
> The cash book is both a journal and the cash account.

Equation effects · Devil

180. Which transaction leaves the business's net assets (equity) completely unchanged?

A Paying rent of GH₵3,000 in cash
B Owner taking GH₵3,000 as drawings
C Buying goods on credit for GH₵3,000
D Selling goods costing 2,000 for GH₵3,000

> **Answer 180: C**
> Inventory and payables both rise by 3,000, so assets less liabilities is the same.

Equation effects · Hard

181. Goods costing GH₵4,000 are destroyed by fire and are uninsured. What is the effect?

A Assets –GH₵4,000; Liabilities –GH₵4,000
B Assets unchanged; Equity –GH₵4,000
C Assets –GH₵4,000; Equity –GH₵4,000
D Assets –GH₵4,000; Equity unchanged

> **Answer 181: C**
> The loss is expensed, reducing profit and equity.

Equation effects · Devil

182. The owner contributes a motor van valued at GH₵15,000 to the business. Which is correct?

A Dr Cash 15,000; Cr Capital 15,000; cash rises
B Dr Capital 15,000; Cr Motor van 15,000; equity falls
C Dr Motor van 15,000; Cr Loan 15,000; liability rises
D Dr Motor van 15,000; Cr Capital 15,000

> **Answer 182: D**
> Capital can be introduced in non-cash form.

Business equation · Hard

183. Closing net assets are GH₵120,000. During the year the business made a loss of GH₵8,000, the owner introduced GH₵20,000 and drew GH₵12,000. What were opening net assets?

A GH₵104,000
B GH₵120,000
C GH₵136,000
D GH₵96,000

> **Answer 183: B**
> Opening = 120,000 + 8,000 − 20,000 + 12,000 = 120,000.

Equation effects · Medium

184. Apino pays GH₵1,000 by cheque to suppliers for some of the shirts. What is the effect?

A Assets −GH₵1,000; Equity −GH₵1,000
B Assets −GH₵1,000; Liabilities −GH₵1,000
C Assets +GH₵1,000; Liabilities −GH₵1,000
D Assets unchanged; Liabilities −GH₵1,000

> **Answer 184: B**
> Bank and amount owed both fall, so the equation stays balanced.

5. Set 5 · Q41–50

General journal · Easy

185. Which of these is a use of the general journal?

A Correcting errors found in the books
B Recording daily credit sales
C Recording petty expenses
D Recording bank receipts

> **Answer 185: A**
> Errors are rectified through an entry in the journal proper.

Journal advantages · Devil

186. Which is NOT an advantage of the journal?

A It shows the complete story of a transaction
B It helps trace errors in the ledger
C It records transactions with narration
D It removes the need to post to the ledger

> **Answer 186: D**
> The journal is posted to ledgers; it does not replace them.

Journal entries · Medium

187. Goods costing GH₵2,400 are bought on credit from Kofi Ltd. Which is the correct entry?

A Dr Kofi Ltd GH₵2,400; Cr Purchases GH₵2,400
B Dr Purchases GH₵2,400; Cr Cash GH₵2,400
C Dr Purchases GH₵2,400; Cr Kofi Ltd GH₵2,400
D Dr Kofi Ltd GH₵2,400; Cr Cash GH₵2,400

Answer 187: C

Purchases are debited and the supplier is credited.

Equation effects · Hard

188. A business has assets GH₵50,000 and liabilities GH₵20,000. It buys inventory on credit GH₵5,000, pays creditors GH₵3,000 by bank, receives GH₵10,000 capital in cash and the owner draws GH₵4,000 cash. What are total assets afterwards?

A GH₵58,000

B GH₵62,000

C GH₵56,000

D GH₵68,000

Answer 188: A

50 + 5 − 3 + 10 − 4 = 58 thousand.

Equation effects · Medium

189. Apino withdraws GH₵2,000 cash and shirts valued at GH₵200 for personal use. What is the effect on equity?

A Equity −GH₵2,000

B Equity −GH₵200

C Liabilities +GH₵2,200

D Equity −GH₵2,200

Answer 189: D

Cash and inventory both leave the business as drawings.

Cash book · Easy

190. In a two column cash book, what does the discount column on the debit side record?

A Discounts received

B Discounts allowed

C Trade discounts on goods

D Bank charges

Answer 190: B

Discounts allowed to customers appear on the debit side; discounts received on the credit side.

Journal entries · Hard

191. A customer owing GH₵2,000 pays GH₵1,920 by cheque and is given GH₵80 discount. Which entry is correct?

A Dr Bank 1,920; Cr Customer 1,920

B Dr Bank 2,000; Cr Customer 1,920; Cr Discount allowed 80

C Dr Bank 1,920; Dr Discount received 80; Cr Customer 2,000

D Dr Bank 1,920; Dr Discount allowed 80; Cr Customer 2,000 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 49

> **Answer 191: D**
> The customer account is cleared in full; the discount is an expense.

Drawings · Easy

192. Drawings made by a sole trader will do what to capital?

A Increase it

B Leave it unchanged

C Convert it into a loan

D Reduce it

> **Answer 192: D**
> Drawings are withdrawals of business assets by the owner for personal use, so equity falls. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 62

Business equation · Hard

193. A sole trader's opening net assets were GH₵52,000. Profit was GH₵18,500, capital introduced GH₵6,000 and drawings GH₵14,000. What are closing net assets?

A GH₵62,500

B GH₵70,500

C GH₵56,500

D GH₵68,500

> **Answer 193: A**
> 52,000 + 18,500 + 6,000 − 14,000 = 62,500.

Journal entries · Devil

194. Goods of GH₵200 are returned to a supplier. What is the journal entry and effect on liabilities?

A Dr Returns outwards 200; Cr Supplier 200; liabilities rise 200

B Dr Supplier 200; Cr Sales returns 200; liabilities fall 200

C Dr Supplier 200; Cr Returns outwards 200; liabilities fall 200

D Dr Cash 200; Cr Returns outwards 200; liabilities unchanged

> **Answer 194: C**
> The amount owed to the supplier decreases.

6. Set 6 · Q51–60

General journal · Medium

195. A business gives goods as a free sample. Where is this transaction first recorded?

A Sales day book

B General journal

C Purchases day book

D Cash book

> **Answer 195: B**
> There is no special journal for free samples.

Equation effects · Hard

196. A trader buys shirts for GH₵2,000 and sells 60% of them for GH₵1,700. What is the profit?

A GH₵1,700
B GH₵900
C GH₵500
D GH₵300

> **Answer 196: C**
> Cost of 60% is 1,200; profit = 1,700 − 1,200 = 500.

Business equation · Hard

197. Opening net assets GH₵60,000, closing net assets GH₵85,000, capital introduced GH₵10,000 and drawings GH₵18,000. What profit was made?

A GH₵15,000
B GH₵25,000
C GH₵33,000
D GH₵51,000

> **Answer 197: C**
> Profit = 85,000 − 60,000 − 10,000 + 18,000 = 33,000.

Accounting data · Easy

198. What is the purpose of the data recorded in an accounting system?

A To replace source documents
B To calculate employees' tax directly
C To avoid using the ledgers
D To prepare financial statements at period end

> **Answer 198: D**
> The recorded data is the input for the financial statements.

Journal entries · Devil

199. Which transaction would be recorded in the sales day book?

A Selling goods to Yaw on credit
B Receiving cash from Yaw
C Yaw returning goods
D Selling an old van on credit

Answer 199: A

Credit sales of goods are recorded in the sales day book.

Business equation · Medium

200. Closing net assets are GH₵90,000, opening net assets were GH₵70,000, drawings were GH₵10,000 and no capital was introduced. What was the profit?

A GH₵30,000

B GH₵10,000

C GH₵20,000

D GH₵50,000

Answer 200: A

Profit = 90,000 − 70,000 + 10,000 = 30,000.

Journal entries · Medium

201. A customer returns goods worth GH₵150 originally sold on credit. Which is correct?

A Dr Sales returns GH₵150; Cr customer GH₵150; returns inwards book

B Dr Customer GH₵150; Cr Sales returns GH₵150; returns inwards book

C Dr Sales returns GH₵150; Cr customer GH₵150; returns outwards book

D Dr Purchases returns GH₵150; Cr customer GH₵150; sales day book

Answer 201: A

Returns inwards reduce sales and what the customer owes.

Drawings · Hard

202. The owner withdraws GH₵1,000 from the business bank for personal use. Which statement is correct?

A Profit falls by GH₵1,000

B Both profit and equity are unchanged

C Liabilities rise by GH₵1,000

D Profit is unchanged but equity falls by GH₵1,000

Answer 202: D

Drawings reduce equity directly, not through the profit calculation.

Journal entries · Hard

203. Goods costing GH₵600 are sold on credit for GH₵900. What is the effect on total assets and equity?

A Both increase by GH₵900

B Assets increase by GH₵300; liabilities by GH₵300

C Assets increase by GH₵900; equity by GH₵300

D Assets and equity both rise by GH₵300

> **Answer 203: D**
> Receivables +900 and inventory −600 gives +300 in assets and profit.

Correction of errors · Devil

204. A motor van costing GH₵12,000 was wrongly debited to Purchases. Which correcting journal is right, and what is the effect on profit?

A Dr Motor van 12,000; Cr Purchases 12,000; profit rises by 12,000

B Dr Purchases 12,000; Cr Motor van 12,000; profit falls by 12,000

C Dr Motor van 12,000; Cr Purchases 12,000; profit unchanged

D Dr Motor van 12,000; Cr Cash 12,000; profit rises by 12,000

> **Answer 204: A**
> Purchases were overstated, so costs were too high.

7. Set 7 · Q61–70

Cash book · Medium

205. A business pays a supplier GH₵700 by cheque. On which side of the cash book, and in which column, is this entered?

A Debit side, bank column

B Credit side, cash column

C Debit side, discount column

D Credit side, bank column

> **Answer 205: D**
> Payments are credits to the bank.

Apino equation · Hard

206. After Apino's first seven transactions, what is the equity?

A GH₵3,700

B GH₵3,000

C GH₵4,100

D GH₵8,500 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 51

> **Answer 206: A**
> Capital 3,000 + profits 300 + 400 = 3,700.

Journal entries · Medium

207. Goods are sold on credit to Ama for GH₵800. Which entry is correct and in which book is it first recorded?

A Dr Sales GH₵800; Cr Ama GH₵800; sales day book

B Dr Ama GH₵800; Cr Sales GH₵800; cash book

C Dr Cash GH₵800; Cr Sales GH₵800; sales day book

D Dr Ama GH₵800; Cr Sales GH₵800; sales day book

> **Answer 207: D**
> Credit sales are first listed in the sales day book.

Business equation · Medium

208. A trader had opening net assets of GH₵40,000, made a profit of GH₵12,000 and took drawings of GH₵5,000. No new capital was introduced. What are closing net assets?

A GH₵57,000
B GH₵52,000
C GH₵33,000
D GH₵47,000

> **Answer 208: D**
> 40,000 + 12,000 − 5,000 = 47,000. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 64

Business equation · Devil

209. A trader's profit equals 25% of opening net assets. Drawings are GH₵12,000, no capital introduced, closing net assets GH₵78,000. What were opening net assets?

A GH₵62,400
B GH₵90,000
C GH₵75,000
D GH₵72,000

> **Answer 209: D**
> 1.25 × O − 12,000 = 78,000, so O = 72,000.

Journal advantages · Easy

210. Why does the journal keep the ledger tidy and brief?

A It deletes old ledger accounts
B It records only the totals
C It holds the full details and narration of each entry
D It is prepared after the ledger

> **Answer 210: C**
> Detail and narration sit in the journal so ledgers only need short postings.

Business equation · Devil

211. Opening net assets were GH₵80,000. In the year the business made a profit of GH₵30,000, the owner introduced a van worth GH₵15,000, withdrew GH₵8,000 cash and took goods costing GH₵2,000 for home use. What are the closing net assets?

A GH₵115,000
B GH₵117,000
C GH₵100,000
D GH₵113,000

> **Answer 211: A**
> 80,000 + 30,000 + 15,000 − (8,000 + 2,000) = 115,000; the van and goods count as capital and drawings.

General journal · Medium

212. A business buys a motor van for GH₵30,000 on credit from Auto Gh. Why use the general journal?

A All credit purchases go to the general journal

B Purchase of non-current assets is a rare transaction

C It is a cash transaction

D Vans are inventory held for resale

> **Answer 212: B**
> Non-current asset purchases are not goods for resale and have no special journal.

Journal advantages · Easy

213. Which is an advantage of recording transactions in a journal?

A Ledger accounts become unnecessary

B Omission of transactions is minimised

C Errors can never occur

D Cash is no longer needed KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 52

> **Answer 213: B**
> Recording each transaction as it happens lowers the chance of it being left out.

Journal characteristics · Easy

214. In what order does a journal record transactions?

A Alphabetically by account

B Chronologically, by date

C By size of amount

D By account type only

> **Answer 214: B**
> The journal is a day book that records transactions in order of occurrence.

8. Set 8 · Q71–80

Apino equation · Devil

215. Which statement about Apino's sale of shirts costing GH₵300 for GH₵250 is FALSE?

A It reduces equity by GH₵50

B Cash increases by GH₵250

C It raises equity as cash was received

D Inventory decreases by GH₵300

> **Answer 215: C**
>
> Equity falls by 50 because cost exceeds proceeds.

Cash book · Hard

216. A three column cash book opens with bank GH₵8,000 and cash GH₵1,200. A customer pays GH₵2,000 by cheque (GH₵100 discount allowed), a supplier is paid GH₵1,500 by cheque (GH₵50 discount received) and GH₵300 cash is banked. What are the closing bank and cash balances?

A Bank GH₵8,550; cash GH₵900

B Bank GH₵8,500; cash GH₵1,200

C Bank GH₵9,100; cash GH₵900

D Bank GH₵8,800; cash GH₵900

> **Answer 216: D**
>
> Bank = 8,000 + 2,000 − 1,500 + 300; cash = 1,200 − 300. Discounts are not cash or bank items. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 65

Equation effects · Devil

217. A business has assets GH₵100,000 and liabilities GH₵40,000. It buys inventory GH₵10,000 on credit, sells goods costing GH₵6,000 for GH₵9,000 on credit, the owner draws GH₵2,000 cash and GH₵4,000 is paid to creditors. What is the closing equity?

A GH₵63,000

B GH₵61,000

C GH₵64,000

D GH₵57,000

> **Answer 217: B**
>
> Equity = 60,000 + 3,000 profit − 2,000 drawings = 61,000; assets 107,000 less liabilities 46,000 agrees.

Business equation · Devil

218. Opening assets GH₵200,000 and liabilities GH₵80,000. Profit GH₵40,000, drawings GH₵25,000, capital introduced GH₵10,000. Closing liabilities GH₵95,000. What are closing assets?

A GH₵145,000

B GH₵240,000

C GH₵225,000

D GH₵255,000

> **Answer 218: B**
>
> Closing NA 145,000 + liabilities 95,000 = 240,000.

Equation effects · Medium

219. Apino buys football shirts for GH₵1,800 on credit. Which effect is correct?

A Inventory +GH₵1,800; Payables +GH₵1,800

B Inventory +GH₵1,800; Bank –GH₵1,800

C Inventory +GH₵1,800; Equity +GH₵1,800

D Inventory +GH₵1,800; Receivables +GH₵1,800

> **Answer 219: A**
>
> The asset and the amount owed to the supplier both rise.

Petty cash book · Easy

220. Under the imprest system, what is given to the petty cashier?

A An unlimited amount as required

B Only cheques signed in advance

C A new amount each week

D A fixed sum of money for the month KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 53

> **Answer 220: D**
>
> The imprest is a fixed float to meet petty expenses.

Apino equation · Devil

221. Apino bought only GH₵1,800 of shirts, yet he disposed of shirts costing 900, 500, 200 (drawings) and 300. What is the resulting inventory and what does it indicate?

A –GH₵100, so an opening stock or error exists

B GH₵0, since every shirt was sold off

C GH₵100 positive, a normal stock balance

D –GH₵100, a valid permanent drop in assets

> **Answer 221: A**
>
> 1,800 – 1,900 = –100; inventory cannot be negative.

Drawings · Devil

222. The owner pays a personal car loan of GH₵1,500 from the business bank account. Which entry is correct?

A Dr Loan 1,500; Cr Bank 1,500

B Dr Drawings 1,500; Cr Bank 1,500

C Dr Bank 1,500; Cr Drawings 1,500

D Dr Expenses 1,500; Cr Bank 1,500

> **Answer 222: B**
>
> The business paid for the owner's personal liability.

Apino equation · Hard

223. What total profit did Apino make on the two sales of 1,200 (cost 900) and 900 (cost 500)?

A GH₵2,100
B GH₵1,400
C GH₵700
D GH₵400

> **Answer 223: C**
> (1,200 − 900) + (900 − 500) = 300 + 400 = 700.

Journal entries · Hard

224. Which transaction would increase both assets and liabilities?

A Selling inventory for cash at a profit
B Paying a supplier by cheque
C Buying inventory on credit
D Owner introducing cash

> **Answer 224: C**
> Inventory and payables both rise.

9. Set 9 · Q81–90

Cash book · Devil

225. A customer owing GH₵5,000 settles with GH₵4,900 cheque in full. What is the effect on profit and the customer account?

A Profit rises by GH₵100; account is cleared
B Profit falls by GH₵100; the account is cleared
C Profit unchanged; GH₵100 remains owing
D Profit falls by GH₵4,900; account cleared

> **Answer 225: B**
> Discount allowed is an expense and the account is settled.

Equation effects · Medium

226. Apino sells shirts costing GH₵900 for GH₵1,200 cash. What is the effect on equity?

A Equity +GH₵1,200
B Equity +GH₵900
C Equity +GH₵300
D No effect on equity

> **Answer 226: C**
> Cash up GH₵1,200, inventory down GH₵900, so profit GH₵300 adds to capital.

Types of journals · Easy

227. Sales returns are also known as returns inwards. Which journal records them?

A Returns inwards day book

B Returns outwards day book

C Sales day book

D Petty cash book

> **Answer 227: A**
>
> Goods coming back from customers are entered in the returns inwards day book.

Apino equation · Hard

228. After Apino's drawings of GH₵2,000 cash and GH₵200 shirts (following seven transactions), what are total assets and equity?

A Assets GH₵6,500; Equity GH₵1,700

B Assets GH₵6,300; Equity GH₵1,500

C Assets GH₵8,500; Equity GH₵1,500

D Assets GH₵6,300; Equity GH₵3,700 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 54

> **Answer 228: B**
>
> Assets 8,500 − 2,200 = 6,300; equity 3,700 − 2,200 = 1,500.

Apino equation · Hard

229. Counting all three sales (profits 300, 400 and a loss on the colour-faded shirts at 250 for cost 300), what is Apino's net profit on shirt sales?

A GH₵750

B GH₵700

C GH₵1,350

D GH₵650

> **Answer 229: D**
>
> 300 + 400 − 50 = 650.

General journal · Easy

230. The general journal is used for which type of transactions?

A Credit sales only

B Cash receipts only

C Petty expenses only

D All other items and unusual transactions

> **Answer 230: D**
>
> Anything that has no special journal goes in the general journal.

Books of original entry · Easy

231. Which is another name for the books of original entry?

A Prime books or journals

B General ledger

C Trial balance

D Final accounts

> **Answer 231: A**
>
> Transactions are recorded first in prime books, also called journals.

Equation effects · Medium

232. Apino buys a market stall and pays GH₵500 by cheque. What happens to total assets?

A Increase by GH₵500

B Decrease by GH₵500

C Increase by GH₵500 with liabilities +GH₵500

D Unchanged: stall +GH₵500, bank –GH₵500

> **Answer 232: D**
>
> One asset replaces another of equal value. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 67

Cash book · Hard

233. A supplier is owed GH₵3,000 and is paid GH₵2,850 cash, allowing GH₵150 discount. What is the effect on equity?

A Equity increases by GH₵150

B Equity decreases by GH₵150

C Equity decreases by GH₵2,850

D No effect on equity

> **Answer 233: A**
>
> Settling 3,000 of payables for 2,850 gives a GH₵150 gain.

Types of journals · Easy

234. Which book of original entry records credit purchases?

A Sales day book

B Returns outwards day book

C General journal

D Purchases day book

> **Answer 234: D**
>
> Credit purchases are first recorded in the purchases day book.

10. Set 10 · Q91–100

Apino equation · Devil

235. Using all nine of Apino's transactions as given, what is his equity?

A GH₵1,500

B GH₵3,650

C GH₵1,450

D GH₵1,550

> **Answer 235: C**
>
> 3,000 + 300 + 400 − 2,200 − 50 = 1,450.

Equation effects · Medium

236. The business pays rent of GH₵600 in cash. How is the equation affected?

A Assets −GH₵600; Liabilities −GH₵600

B Assets unchanged; Equity −GH₵600

C Assets −GH₵600; Equity −GH₵600

D Assets +GH₵600; Equity +GH₵600 KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 55

> **Answer 236: C**
>
> Cash falls and the rent expense reduces profit and so equity.

Cash book · Easy

237. On which side of the cash book is cash received entered?

A The debit (left hand) side

B The credit (right hand) side

C Either side, as convenient

D In a separate memo column

> **Answer 237: A**
>
> Cash received is a debit to cash, so it is shown on the left.

General journal · Hard

238. Opening position: cash GH₵5,000, inventory GH₵8,000, van GH₵20,000, loan GH₵6,000. What is the capital credited in the opening journal entry?

A GH₵27,000

B GH₵33,000

C GH₵39,000

D GH₵21,000

> **Answer 238: A**
>
> Assets 33,000 − loan 6,000 = 27,000.

Types of journals · Easy

239. Purchase returns (returns outwards) are recorded in which book?

A Returns inwards day book

B Returns outwards day book

C Purchases day book

D Three column cash book

> **Answer 239: B**
>
> Goods returned to suppliers go to the returns outwards day book.

Types of journals · Easy

240. Which book of original entry records credit sales?

A Purchases day book

B Cash book

C Sales day book

D Returns inwards day book

> **Answer 240: C**
>
> The sales day book is the journal for credit sales.

Petty cash book · Devil

241. Which statement about the imprest system is FALSE?

A It restores the float to a fixed amount

B It limits unnecessary accumulation of cash

C It acts as a check on the petty cashier

D Reimbursement may exceed the amount spent in the month

> **Answer 241: D**
>
> Reimbursement equals the amount spent; any more breaks the imprest principle. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 68

Apino equation · Hard

242. Using Apino's first seven transactions (capital 3,000; loan 4,000; stall 500 by cheque; shirts 1,800 on credit; 1,000 paid; sales 1,200 cash cost 900; sales 900 cash cost 500), what are total assets?

A GH₵9,500

B GH₵7,800

C GH₵8,500

D GH₵8,000

> **Answer 242: C**
>
> Cash 7,600 + stall 500 + inventory 400 = 8,500.

General journal · Easy

243. A business opening books for a new year first journalises its assets and liabilities. Which journal use is this?

A Closing entries

B Adjusting entries

C Correction of errors

D Opening entries

> **Answer 243: D**
>
> Opening entries record assets and liabilities before ledger accounts are opened.

Business equation · Medium

244. Assets of GH₵120,000 and liabilities of GH₵45,000. What is the owner's equity?

A GH₵165,000

B GH₵75,000

C GH₵45,000

D GH₵120,000

> **Answer 244: B**
>
> Equity = 120,000 − 45,000 = 75,000.

Module 4: Lessons 4 & 5 — Recording Transactions in Ledger Accounts — 60 questions

1. Set 1 · Q1–10

Balancing accounts · Easy

245. When balancing off an account, on which side is the balancing figure inserted?

A The side with the smaller sum, so both sides are equal

B The side with the larger sum, to widen the gap

C Always the credit side, whatever the sums

D Always the debit side, whatever the sums

> **Answer 245: A**
>
> The balance c/d is inserted on the side with the smallest total so that the two sides agree.

Trial balance limits · Devil

246. Which statement about the trial balance is FALSE?

A It can reveal that a debit had no corresponding credit entry

B Agreeing totals prove that every transaction was posted to the correct account

C It can reveal that the debit and credit entries were wrongly cast

D It links the ledger accounts to the financial statements

> **Answer 246: B**
>
> Agreement tests arithmetic accuracy only; errors of commission or omission of both sides can remain.

Credit purchases · Easy

247. In posting credit purchases, which entry goes to the supplier's account in the purchases ledger?

A A debit for each purchase, posted separately

B A credit for the total only

C A credit for each purchase, posted separately

D A debit for the total only

> **Answer 247: C**
>
> Each purchase is posted separately to the credit of the supplier's account because the business now owes the supplier.

Trial balance errors · Hard

248. Receivables of GH₵12,000 (a debit balance) is mistakenly listed in the credit column of the trial balance. By how much do the columns differ?

A GH₵24,000, with credits higher

B GH₵12,000, with credits higher

C GH₵24,000, with debits higher

D No difference, since the amount is unchanged

Answer 248: A

Debits are understated by GH₵12,000 and credits overstated by GH₵12,000, a swing of GH₵24,000.

Trial balance · Devil

249. Customer Ama has overpaid and her account shows a credit balance of GH₵1,900. Other customer balances are debit GH₵4,200 and GH₵3,100. How is the receivable position correctly shown in the trial balance?

A Debit GH₵5,400 as the net of all three balances

B Debit GH₵9,200 for all three customers

C Debit GH₵7,300 for the two debtors, and credit GH₵1,900 for Ama

D Credit GH₵1,900 only, because debtors are excluded

Answer 249: C

Each account balance is shown on its own side, so Ama's overpayment is a credit balance.

Balancing accounts · Devil

250. Supplier account at 31 March 2026: credit purchases GH₵8,000; debit payments GH₵9,000 and returns GH₵1,000. How should the account be balanced?

A Balance c/d GH₵2,000 on the debit side; b/d GH₵2,000 credit on 1 April 2026

B Balance c/d GH₵2,000 on the credit side; b/d GH₵2,000 debit on 1 April 2026

C Balance c/d GH₵1,000 on the credit side; b/d on 1 April 2026

D No balance, because payments plus returns equal purchases

Answer 250: B

Debits 10,000 exceed credits 8,000, so the balancing figure is on the credit side and the b/d on the debit, showing an overpayment.

Balancing accounts · Hard

251. The Equipment Repairs account shows debit entries of GH₵4,200, GH₵3,100 and GH₵1,700, and credit entries of GH₵2,500 and GH₵1,200. What is the balance b/d?

A GH₵5,300 credit

B GH₵12,700 debit

C GH₵5,300 debit

D GH₵3,700 debit

Answer 251: C

Debits total GH₵9,000 and credits GH₵3,700; the difference of GH₵5,300 is inserted on the credit side as c/d and brought down on the debit side.

Double entry rules · Medium

252. A customer returns goods, which reduces sales revenue through Returns Inwards. How does the slide's rule treat a decrease in revenue?

A It is debited, since revenue increases are credited

B It is credited, since revenue is an income account

C It is credited, since the customer is a debtor

D It is not recorded until the year end

> **Answer 252: A**
> The rule summary says revenue increases are credited and decreases are debited.

Ledger · Easy

253. Which description of the ledger is given in Lesson 4 & 5?

A The king of all books, to which journal entries are posted

B The first book in which each transaction is originally noted

C A list of balances prepared only to test arithmetic accuracy

D A narrative record kept only for unusual, non-routine items

> **Answer 253: A**
> The slides call the ledger the king of all books because every entry from the journals must be posted to the various accounts in it.

Posting returns · Medium

254. The firm sends goods worth GH₵1,800 back to supplier Yaw Owusu and issues a debit note. Where is the debit note posted individually?

A Credit side of Yaw Owusu's account in the purchases ledger

B Debit side of Yaw Owusu's account in the sales ledger

C Credit side of the Returns Outwards account for each note

D Debit side of Yaw Owusu's account in the purchases ledger

> **Answer 254: D**
> The returns outwards day book posts each debit note to the debit of the supplier's account, reducing the amount owed.

2. Set 2 · Q11–20

Credit sales · Medium

255. The business sells goods on credit worth GH₵2,500 to Abena Asante. What is posted from the sales day book to her personal account?

A A debit of GH₵2,500 in the sales ledger

B A credit of GH₵2,500 in the sales ledger

C A debit of GH₵2,500 in the purchases ledger

D A credit of GH₵2,500 in the main ledger

Answer 255: A

The customer now owes the business, so her account is debited individually.

Returns · Easy

256. Which book of original entry is used for credit notes issued to customers for goods returned?

A The returns outwards day book

B The sales day book

C The purchases day book

D The returns inwards day book

Answer 256: D

The slide shows the Returns Inwards Day Book as the original entry book for credit notes.

Account format · Easy

257. In the ledger account format, on which side does 'Dr' appear in the heading?

A The left side, with Cr on the right

B The right side, with Cr on the left

C Both sides, shown above the Amount columns

D Neither side, since the slide leaves headings blank

Answer 257: A

The format is headed Dr on the left and Cr on the right, with the account name in the middle.

Posting returns · Medium

258. Customer Abena Asante returns goods worth GH₵900 and a credit note is issued. How is the credit note posted individually from the returns inwards day book?

A Debit side of Abena Asante's account in the sales ledger

B Credit side of Abena Asante's account in the sales ledger

C Credit side of the Returns Inwards account in the general ledger

D Debit side of the Sales account in the general ledger

Answer 258: B

Her debt to the business falls, so her personal account is credited, while the day book total is debited to Returns Inwards.

Double entry rules · Devil

259. A bank loan of GH₵20,000 is received into Cash, and GH₵5,000 is later repaid from Cash. What is the loan account's balance b/d and how does it appear in the trial balance?

A GH₵15,000 debit balance, shown in the debit column

B GH₵25,000 credit balance, shown in the credit column

C GH₵20,000 credit balance, shown in the credit column

D GH₵15,000 credit balance, shown in the credit column KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 71

Answer 259: D

The loan is a liability: credited 20,000, debited 5,000 on repayment, leaving 15,000 credit.

Balancing accounts · Devil

260. A clerk balances an account with debits of GH₵7,000 and credits of GH₵4,000 but inserts the GH₵3,000 balance c/d on the debit side and brings down b/d on the credit side. What is the trial balance effect?

A Credits exceed debits by GH₵3,000

B Debits exceed credits by GH₵6,000

C No effect, since the account totals are equal

D Credits exceed debits by GH₵6,000

Answer 260: D

The balance should be a GH₵3,000 debit; showing it as a credit reduces debits by 3,000 and raises credits by 3,000.

Balancing accounts · Medium

261. An account has debit entries totalling GH₵8,000 and credit entries totalling GH₵5,000. How is it balanced?

A Insert GH₵3,000 balance c/d on the debit side, then b/d on the credit side

B Insert GH₵3,000 balance c/d on the credit side, then b/d on the debit side

C Insert GH₵13,000 balance c/d on the credit side

D Insert GH₵5,000 balance c/d on the credit side

Answer 261: B

The credit side is smaller, so the balancing figure goes there; both totals become GH₵8,000, and the balance b/d is brought down below the debit totals.

Balancing accounts · Hard

262. Cash account: debits GH₵50,000 (capital), GH₵12,000 (cash sales) and GH₵8,000 (from debtors). Credits: GH₵20,000 (purchases), GH₵5,000 (rent), GH₵6,500 (salaries), GH₵3,000 (drawings). What is the balance b/d?

A GH₵35,500 credit

B GH₵38,500 debit

C GH₵104,500 debit

D GH₵35,500 debit

Answer 262: D

Debits total GH₵70,000 and credits GH₵34,500; the difference GH₵35,500 is a debit balance.

Balancing accounts · Medium

263. After balancing an account, the balance b/d appears on the credit side. What is this balance called?

A A debit balance

B A nil balance

C A credit balance

D A contra balance

> **Answer 263: C**
> The side where balance b/d sits names the account balance.

Trial balance errors · Devil

264. Errors found: (1) Purchases account debit side overcast by GH₵1,000; (2) a Sales credit of GH₵2,000 omitted from the Sales account; (3) Rent GH₵600 debited as GH₵900. What is the trial balance difference?

A Credits exceed debits by GH₵3,300

B Debits exceed credits by GH₵700

C Debits exceed credits by GH₵2,000

D Debits exceed credits by GH₵3,300

> **Answer 264: D**
> Debits are overstated by 1,000 + 300 = 1,300 and credits understated by 2,000, which totals GH₵3,300.

3. Set 3 · Q21–30

Double entry rules · Medium

265. The owner introduces additional capital of GH₵15,000 in cash. Which pair of entries is correct?

A Dr Capital GH₵15,000; Cr Cash GH₵15,000

B Dr Cash GH₵15,000; Dr Capital GH₵15,000

C Dr Cash GH₵15,000; Cr Capital GH₵15,000

D Cr Cash GH₵15,000; Cr Capital GH₵15,000

> **Answer 265: C**
> An asset increase is debited and an equity increase is credited.

Customer account · Hard

266. Esi's account in the sales ledger: balance b/d GH₵6,000 (Dr); credit sales GH₵4,500; credit note issued GH₵800; cash received GH₵5,200. What is the closing balance?

A GH₵4,500 credit

B GH₵5,300 debit

C GH₵6,000 debit

D GH₵4,500 debit KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 72

Answer 266: D

Debits are 6,000 + 4,500 = 10,500; credits are 800 + 5,200 = 6,000, so the balance is GH₵4,500 owed by Esi.

Credit purchases · Medium

267. Goods costing GH₵6,000 are bought on credit from Kofi Boateng. How is the total of the purchases day book posted?

A Debit the Purchases account in the general ledger

B Credit the Purchases account in the general ledger

C Debit the supplier's account for the full amount

D Credit the Cash account in the general ledger

Answer 267: A

The slide shows the total only going to the Purchases account, which is debited because expenses/purchases increase by debit.

Trial balance · Hard

268. Capital GH₵30,000 is paid into the bank. Goods of GH₵8,000 are bought on credit; goods are sold on credit for GH₵9,000; GH₵4,000 is received from the customer. What is the total of each column of the trial balance (Purchases, Sales, Capital, Payables, Receivables, Cash)?

A GH₵43,000

B GH₵51,000

C GH₵47,000

D GH₵34,000

Answer 268: C

Debits: Cash 34,000 + Receivables 5,000 + Purchases 8,000 = 47,000; Credits: Capital 30,000 + Payables 8,000 + Sales 9,000 = 47,000.

Trial balance limits · Devil

269. A GH₵3,000 credit sale to Kofi Mensah is debited to Kwesi Mensah's account by mistake, and the Sales account is credited correctly. Which statement is correct?

A The trial balance will not agree, with debits short by GH₵3,000

B The trial balance will not agree, with credits short by GH₵3,000

C The trial balance still agrees, but two customer balances are wrong

D The error is detected because the total of the sales day book changes

Answer 269: C

The debit of GH₵3,000 is still a debit, so totals agree even though the wrong customer is charged.

Trial balance · Devil

270. Balances: Purchases GH₵30,000; Returns Inwards GH₵1,200; Receivables GH₵8,000; Sales GH₵45,000; Returns Outwards GH₵900; Payables GH₵6,000. What do the debit-balance accounts total in the trial balance?

A GH₵38,000

B GH₵40,100

C GH₵39,200

D GH₵51,900

> **Answer 270: C**
> Purchases, Returns Inwards and Receivables are debit balances: 30,000 + 1,200 + 8,000.

Trial balance errors · Devil

271. A credit purchase of GH₵3,000 from a supplier is posted as a debit to the Purchases account and also as a debit to the supplier's account. What is the effect on the trial balance?

A Debits exceed credits by GH₵6,000

B Debits exceed credits by GH₵3,000

C Credits exceed debits by GH₵6,000

D The trial balance agrees

> **Answer 271: A**
> The supplier should have been credited GH₵3,000, so debits are overstated by 3,000 and credits understated by 3,000.

Posting returns · Devil

272. The firm returns goods worth GH₵1,800 to supplier Yaw and receives a debit note. Which statement is correct about the posting?

A Credit Yaw's account GH₵1,800; debit Returns Outwards with the total

B Debit Yaw's account GH₵1,800 individually; the day book total is credited to Returns Outwards

C Debit Yaw's account and credit Purchases account

D Credit Yaw's account; credit Returns Inwards with the total

> **Answer 272: B**
> The purchases ledger entry is a debit, while the general ledger entry is a credit of the total.

Double entry rules · Medium

273. A refund reduces an expense previously charged. Per the double entry summary, how is a decrease in an expense recorded?

A Debit the expense account

B Credit the expense account concerned

C Credit the expense and debit capital directly

D Debit the expense and credit an asset account KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 73

> **Answer 273: B**
> Expenses increase by debit and decrease by credit.

Ledger types · Easy

274. According to the slides, which ledger holds the personal accounts of customers?

A The purchases ledger
B The sales ledger
C The general ledger
D The cash ledger

> **Answer 274: B**
> The sales ledger is a subsidiary ledger for the personal accounts of customers (debtors).

4. Set 4 · Q31–40

Supplier account · Hard

275. On credit, the firm buys goods from Asante GH₵4,000, Boateng GH₵3,600 and Owusu GH₵2,000. It later returns goods worth GH₵1,400 to Boateng. With no payments made, what is the balance on Boateng's account?

A GH₵5,000 credit
B GH₵2,200 debit
C GH₵2,200 credit
D GH₵8,200 credit

> **Answer 275: C**
> Purchases credited 3,600 less debit note 1,400 leaves GH₵2,200 owed.

Balancing accounts · Hard

276. An account's debit entries are GH₵10,000, GH₵5,400 and GH₵3,000; its credit entries are GH₵7,650 and GH₵4,000. After balancing, what are the totals and where is the balance c/d?

A Totals GH₵18,400 each; GH₵6,750 balance c/d on the debit side
B Totals GH₵18,400 each; GH₵6,750 balance c/d on the credit side
C Totals GH₵11,650 each; GH₵6,750 balance c/d on the debit side
D Totals GH₵30,050 each; GH₵6,750 balance c/d on the credit side

> **Answer 276: B**
> Debits 18,400 exceed credits 11,650, so GH₵6,750 is inserted on the credit side, making both totals 18,400.

Credit sales · Devil

277. The sales day book total is under-added by GH₵400, but each sale is correctly posted to customers' accounts. What happens in the trial balance?

A Credits exceed debits by GH₵400 in total

B Debits exceed credits by GH₵400 in total

C The trial balance agrees as the day book is the source

D Debits exceed credits by GH₵800 in total

> **Answer 277: B**
> The Sales account is credited with a total that is GH₵400 too low, while customers' debits are right.

Trial balance errors · Hard

278. A debit of GH₵5,000 to Equipment is posted twice, but the corresponding credit to Bank is posted once. What is the effect on the trial balance?

A Debit column exceeds credit column by GH₵5,000

B Credit column exceeds debit column by GH₵5,000

C Debit column exceeds credit column by GH₵10,000

D No difference, since both sides were posted

> **Answer 278: A**
> Debits are overstated by one extra posting of GH₵5,000, and credits are unaffected.

Trial balance · Easy

279. What is a trial balance according to the slides?

A A statement of profit for the whole year of trading

B A list of only the debit balances of expense accounts

C A list of all debit and credit balances at a point in time

D A book recording transactions in date order with narration

> **Answer 279: C**
> It is usually shown in debit and credit columns, and the totals should agree.

Account format · Easy

280. Which four columns appear on each side of the ledger account format shown in the slides?

A Date, Narration, Rate and Quantity

B Account, Journal, Balance and Total

C Day, Month, Year and Narration

D Date, Detail, Folio and Amount KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 74

> **Answer 280: D**
> The standard two-sided account has Date, Detail, Folio and Amount on both the debit and credit sides. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 83

Trial balance errors · Devil

281. The Sales account is overcast by GH₵500 and the Purchases account is also overcast by GH₵500. A Salaries debit of GH₵700 is entered as GH₵500 only. What is the net trial balance difference?

A Credits exceed debits by GH₵200

B Debits exceed credits by GH₵200

C The trial balance agrees

D Credits exceed debits by GH₵700

> **Answer 281: A**
>
> Overcast Sales adds 500 to credits, overcast Purchases adds 500 to debits, and the Salaries slip lowers debits by 200.

Supplier ledger · Hard

282. Opening payables GH₵3,000. Purchases day book total GH₵15,000, returns outwards day book total GH₵2,000, payments to suppliers GH₵8,000. What is the closing total owed to suppliers?

A GH₵12,000

B GH₵10,000

C GH₵28,000

D GH₵8,000

> **Answer 282: D**
>
> 3,000 + 15,000 − 2,000 − 8,000 = GH₵8,000, a credit balance.

Posting returns · Hard

283. The sales day book for July shows sales of GH₵2,400, GH₵3,150 and GH₵1,950. The returns inwards day book shows one credit note of GH₵450. What is the net sales figure from the two account totals?

A GH₵7,950

B GH₵7,500

C GH₵450

D GH₵7,050

> **Answer 283: D**
>
> Sales account credit total GH₵7,500 less Returns Inwards debit total GH₵450.

Balancing accounts · Hard

284. Capital account: credit entries of GH₵50,000 (opening) and GH₵10,000 (added during the year); debit entry GH₵7,500 for drawings transferred. What is the balance b/d for the next period?

A GH₵52,500 credit

B GH₵52,500 debit

C GH₵67,500 credit

D GH₵57,500 credit

> **Answer 284: A**
> Credits GH₵60,000 less debits GH₵7,500 leaves a credit balance of GH₵52,500, which is also owner's equity.

5. Set 5 · Q41–50

Double entry rules · Medium

285. Aunt Efua's business borrows GH₵10,000 from a bank. How is the increase in the loan liability recorded in the loan account?

A Debit, because the business receives money

B Debit, because liabilities are on the left side

C No entry, because loans are not accounts

D Credit, because an increase in a liability is credited

> **Answer 285: D**
> Liabilities increase on the credit side, which pairs with a debit to Cash.

Double entry rules · Devil

286. Which statement about the double entry summary is FALSE?

A An increase in a liability is recorded by a credit

B A decrease in equity is recorded by a debit

C A decrease in an expense is recorded by a debit

D An increase in revenue is recorded by a credit

> **Answer 286: C**
> The slide says expenses increase by debit and decrease by credit, so this is false.

Balancing accounts · Medium

287. A business balances its ledger at the end of 31 December 2025. How should the balances be dated?

A Balance c/d 1 Jan 2026, then balance b/d 31 Dec 2025

B Both dated 31 December 2025 itself

C Balance c/d 31 Dec 2025, then balance b/d 1 Jan 2026

D Both dated 1 January 2026 itself KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 75

> **Answer 287: C**
> Balance c/d takes the last day of the period and b/d the first day of the next.

Trial balance · Medium

288. In a trial balance, which group of accounts normally has debit balances?

A Liabilities and revenue

B Equity and revenue

C Liabilities and equity

D Assets and expenses

> **Answer 288: D**
>
> These increase by debit, so their balances are normally on the debit side. KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 84

Types of accounts · Easy

289. Real accounts are used for which kind of items?

A Expenses, income and capital of the business

B Possessions of all kinds, such as cash and equipment

C Persons who owe money to the business

D Persons to whom the business owes money

> **Answer 289: B**
>
> Real accounts record the possessions of the business of all kinds.

Ledger types · Easy

290. Which ledger is used for the personal accounts of suppliers?

A The sales ledger

B The main ledger

C The purchases ledger

D The returns ledger

> **Answer 290: C**
>
> The purchases ledger is a subsidiary ledger for the personal accounts of suppliers.

Balancing accounts · Easy

291. What date should the balance b/d carry?

A The last day of the old period

B The first day of the new period

C The date of the first transaction in the account

D The date on which the trial balance is typed

> **Answer 291: B**
>
> Balance b/d is dated the day beginning the period, while balance c/d is dated the last day of the period.

Supplier account · Hard

292. Supplier Owusu's account in the purchases ledger: balance b/d GH₵12,000 (Cr); credit purchases GH₵7,500; goods returned (debit note) GH₵1,200; payment made GH₵9,000. What is the closing balance?

A GH₵9,300 credit

B GH₵9,300 debit

C GH₵11,100 credit

D GH₵29,700 credit

> **Answer 292: A**
>
> Credits total 12,000 + 7,500 = 19,500 and debits 1,200 + 9,000 = 10,200; the business still owes GH₵9,300.

Trial balance · Devil

293. Trial balance debits: Inventory GH₵20,000; Receivables GH₵14,000; Bank GH₵9,000; Rent GH₵6,000; Wages GH₵11,000; Drawings GH₵4,000; Equipment GH₵30,000. Credits: Payables GH₵13,000; Sales GH₵41,000; Capital unknown. What is Capital?

A GH₵36,000

B GH₵44,000

C GH₵54,000

D GH₵40,000

> **Answer 293: D**
>
> Debits total GH₵94,000 including Drawings; credits excluding Capital total GH₵54,000, leaving GH₵40,000.

Trial balance errors · Hard

294. Rent of GH₵2,700 is paid in cash. Cash is credited GH₵2,700 but Rent is debited with GH₵2,070. What is the trial balance effect?

A Debit column exceeds credit column by GH₵630

B Credit column exceeds debit column by GH₵630

C Credit column exceeds debit column by GH₵2,070

D The trial balance still agrees KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 76

> **Answer 294: B**
>
> Debits are understated by 2,700 − 2,070 = GH₵630 while credits are correct.

6. Set 6 · Q51–60

Types of accounts · Medium

295. Which classification of the following three accounts is correct: Kwabena Mensah (a supplier), Motor Vehicles, Salaries?

A Personal (debtor), real, nominal

B Nominal, personal, real

C Personal (creditor), nominal, real

D Personal (creditor), real, nominal

> **Answer 295: D**
>
> A supplier is a personal creditor account, vehicles are possessions (real), and salaries are expenses (nominal).

Types of accounts · Easy

296. Nominal accounts are kept for which items?

A Possessions of all kinds

B Customers and suppliers only

C Expenses, income and capital

D Balances brought down only

> **Answer 296: C**
>
> The slide states that nominal accounts are for expenses, income and capital.

Trial balance · Hard

297. Trial balance debits: Cash GH₵8,500; Receivables GH₵12,000; Inventory GH₵15,000; Equipment GH₵30,000; Rent GH₵3,000; Salaries GH₵9,000. Credits: Payables GH₵10,000; Capital GH₵50,000; Sales unknown. What sales figure makes it balance?

A GH₵27,500

B GH₵7,500

C GH₵17,500

D GH₵77,500

> **Answer 297: C**
>
> Debits total GH₵77,500; known credits GH₵60,000; the balancing credit for Sales is GH₵17,500.

Trial balance · Devil

298. Owner invests GH₵25,000 cash. Pays GH₵10,000 cash for goods (Purchases) and GH₵8,000 cash for Equipment, then makes cash sales of GH₵6,000. What is each trial balance column total?

A GH₵31,000

B GH₵44,000

C GH₵18,000

D GH₵49,000

Answer 298: A

Debits: Cash 13,000 + Purchases 10,000 + Equipment 8,000 = 31,000; Credits: Capital 25,000 + Sales 6,000 = 31,000.

Types of accounts · Easy

299. Personal accounts are subdivided into which two groups?

A Debtors' accounts and creditors' accounts

B Real accounts and nominal accounts

C Asset accounts and liability accounts

D Revenue accounts and expense accounts

Answer 299: A

Personal accounts relate to people or firms, either those who owe the business (debtors) or those the business owes (creditors).

Ledger types · Easy

300. What is the main (general) ledger used for?

A Only the personal accounts of customers who buy on credit

B Only the personal accounts of suppliers who sell on credit

C Only the nominal accounts of expenses and income of the firm

D All other double entry accounts apart from personal accounts of customers and suppliers

Answer 300: D

The main ledger holds every double entry account not kept in the sales or purchases subsidiary ledgers, such as Cash, Sales and Rent.

Trial balance errors · Hard

301. A trial balance has debits of GH₵94,300 and credits of GH₵91,800. Which error would fully explain the difference?

A A debit of GH₵2,500 was omitted from the ledger

B A credit of GH₵2,500 was omitted from the ledger

C A GH₵2,500 sale was omitted from both day book and ledger

D A GH₵2,500 expense was debited to the wrong expense account

Answer 301: B

The credit total is GH₵2,500 short when the credit side of an entry is left out.

Trial balance · Medium

302. Which of the following errors would be detected by the trial balance totals not agreeing?

A Both sides of a transaction were left out of the ledger

B A debit was posted but no corresponding credit was made

C A sale was credited to the wrong revenue account

D A purchase was debited to the wrong supplier KNUST · ACF 255 / DBA 239 Financial Accounting 1 · Practice Question Bank 77

> **Answer 302: B**
> The slide states a trial balance helps check whether each debit had a corresponding credit.

Credit sales · Easy

303. In posting credit sales from the sales day book, what is posted to the Sales account in the general ledger?

A Each sale separately, as a debit

B The total only, as a credit

C Each sale separately, as a credit

D The total only, as a debit

> **Answer 303: B**
> Each sale is posted separately to the customer's account, while only the total goes to the Sales account.

Posting returns · Medium

304. The returns outwards day book totals GH₵3,400 for the month. How is this total posted in the general ledger?

A Credit the Returns Outwards account with GH₵3,400

B Debit the Returns Outwards account with GH₵3,400

C Credit each supplier's account in the general ledger

D Debit the Returns Inwards account with GH₵3,400

> **Answer 304: A**
> The slide shows the total only going to the Returns Outwards account, on the credit side.