

## BCA203: Accounting and Programming in COBOL (Core)

1. Where would you find information on the amount of net income for the year?

- a. Factory production reports on units produced
- b. Auditor's report
- c. Income statement
- d. Internal Revenue Service

2. An investor wants to find the amount of cash and land that a company has. Where will the investor look?

- a. Statement of stockholders' equity
- b. Income statement
- c. Balance sheet
- d. Statement of cash flows

3. Retained earnings may be described as

- a. the total past profits retained in the business.
- b. a company's future growth.
- c. the amount invested in the firm by its owners.
- d. amounts retained for payments to vendors.

4. Liabilities may be described as

- a. amounts that will be used for future growth.
- b. the amounts owed that must be paid in the future.
- c. the total measured past growth of a firm less the amount distributed to the owners.
- d. amounts the company paid during the past year.

5. The board of directors

- a. provides money to a company with the expectation that it will be paid back with interest.
- b. makes corporate decisions such as hiring and firing management and setting company policy.
- c. is responsible for the future profits of a company.
- d. is in charge of accounting and human resources on a daily basis.

6. A bank that loans money to a company is called

- a. a supplier.
- b. a creditor.
- c. an equity investor.
- d. a shareholder.

7. Which one of the following is an equity investor?

- a. A supplier of inventory waiting for payment
- b. A person who purchases common stock of a corporation
- c. A bank that loans money to a firm
- d. A person who has a savings account in a bank
- e. An employee that plans on investing in the company 10 years from now

8. As used in accounting, SEC is an abbreviation for

- a. Securities and Exchange Commission.
- b. South Eccentric Commissioners.
- c. Stockholders' Equity Commission.
- d. Southeastern Conference.

9. Which one of the following equations represents retained earnings activity for a year?

- a. Beginning balance + expenses - dividends = ending balance
- b. Beginning balance + cash receipts - cash payments = ending balance
- c. Beginning balance + dividends - net income = ending balance
- d. Beginning balance + net income - dividends = ending balance

10. When an entrepreneur wishes to start a business, capital must be attracted in the form of

- a. net income.
- b. IOUs.
- c. operating activities.
- d. equity or debt financing.

11. If the beginning and ending balances in retained earnings are \$12,000 and \$10,000, respectively, and dividends during the year are \$10,000, then net income for the year is

- a. \$14,000.
- b. \$8,000.
- c. \$18,000.
- d. \$32,000.

12. The acquisition of equity and debt financing is considered

- a. a financing activity.
- b. net income.
- c. an investing activity.
- d. an operating activity.

13. Expensing the cost of a pencil holder that cost \$1.25 instead of capitalizing it as a plant asset and depreciating it over its estimated useful life of 10 years

- a. violates the economic entity assumption.
- b. violates GAAP since pencil holders are important assets.
- c. is justified because of materiality.
- d. is appropriate because of the stable dollar assumption.

14. The valuation basis used to measure long-term liabilities is

- a. present value.
- b. replacement cost.
- c. fair market value.
- d. historical cost.

15. The stockholders' equity section of the balance sheet is

- a. a residual interest based on the book value of the company.
- b. the amount for which the owner could sell the company.
- c. valued at the present value of the dividends paid to shareholders.
- d. the difference between the fair market value and the original cost of the company's assets.

16. Which one of the following statements best describes the concept of conservatism?

- a. Profits should be accelerated in all cases.
- b. The measurement of an event is verifiable and reliable.
- c. The value of goods and services provided is recognized when earned.
- d. When uncertainty exists, understating assets, overstating liabilities, accelerating recognition of losses, and delaying recognition of gains is preferred.

17. The fiscal period assumption states that the operating life of an economic entity

- a. is generally for a period of one year.
- b. can be any period management decides it to be.
- c. must be an entity separately distinct from its owners.
- d. can be divided into time periods over which measures can be developed and applied.

18. The stable dollar assumption assumes that

- a. the monetary unit is the functional currency of any country in which a company operates.
- b. inflationary effects should be recognized in the financial statements.
- c. economic wealth is not measurable.
- d. the monetary unit is stable across time.

19. The matching principle states that

- a. expenses should be recognized in the period that the related revenue is recognized.
- b. after expenses have been identified in a particular accounting period in which they were incurred, revenues can be recognized.
- c. each company should use the same accounting principles as other companies use.
- d. for every dollar of revenue recognized, the company should recognize a corresponding dollar of expenses.

20. The most common point of revenue recognition is

- a. when the cash is collected from the customer.
- b. when the customer elects to issue the check to pay for goods shipped.
- c. when the goods are delivered to the customer.
- d. as the goods are being produced.

**21** Sole traders differ from other types of trading organizations. Which of the following statements

correctly summarizes the key characteristics of a sole trader's business?

(a) Liability is limited to the providers of loan finance and only the trader takes an active part in managing the business.

(b) The trader has unlimited liability and runs the business in conjunction with the providers of loan finance.

(c) The trader has unlimited liability and must have the business accounts audited.

(d) The trader has unlimited liability, takes sole responsibility for management of the business and no audit is needed.

**22.** Which of the following statements best describes the purpose of financial accounting in a limited liability company?

(a) To assist in the day-to-day management of the company.

(b) To enable the business to pay the correct amount of tax.

(c) To ensure that the business pays the correct dividend.

(d) To help the directors discharge their obligations to the shareholders.

**23.** Which of the following statements is correct?

(a) Accounting profit is the difference between cash receipts and cash paid in a period.

(b) Accounting profit is the total of cash sales in the year less the expenses for the period.

(c) Accounting profit is the difference between revenue income and expenses for the period.

(d) Accounting profit is the difference between revenue income and cash payments for the period.

**24.** Which of the following statements is correct in relation to a trial balance?

(a) It shows the financial position of a business.

(b) All the balances in the trial balance will be summarized on the business balance sheet.

(c) It is a list of balances and forms the starting point for the preparation of the business accounts.

(d) It is part of the published accounts of a business.

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**27.** A business has the following items in its trial balance:

*£000*

Trade debtors 25

Prepayments 10

Bank overdraft 5

Trade creditors 8

Fixed assets 15

Closing stock 8

Which of the following is the correct figure for the working capital of the business?

(a) £42 000.

(b) £45 000.

(c) £50 000.

(d) £30 000.

**28.** A business has the following items extracted from its trial balance:

£000

Opening stock 10

Purchases 25

Sales 40

Expenses 10

In addition, its closing stock is valued at £15 000.

What is the correct figure for the business gross profit?

(a) £20 000.

(b) £10 000.

(c) £15 000.

(d) £nil.

Questions 5, 6 and 7 use the following summary balance sheet:

£000 £000

Fixed assets 22 Capital 20

Stocks 10 Retained profit of year 5

Debtors 20 Creditors 10

Bank 5 Long-term loan 22

57 57

**29.** Which is the correct figure for the net assets of the business?

(a) £12 000.

(b) £25 000.

(c) £47 000.

(d) £57 000.

**30.** Which is the correct figure for the capital employed in the business?

(a) £20 000.

(b) £25 000.

(c) £47 000.

(d) £57 000.

**31.** Which of the following statements regarding the retained profit of £5000 for the year is correct?

- (a) It is the net profit of the period.
- (b) It is the net profit kept in the business after owner's drawings.
- (c) It is the amount of surplus cash in the business.
- (d) It is the amount of profit the owner can take out of the business.

**32.** The following trial balance is incorrect:

*£000 £000*

Stock 10

Capital 15

Bank overdraft 15

Trade creditors 30

Fixed assets 25

Trade debtors 10

Cash 2

Trade investments 13

Sales 100

Purchases 50

Operating expenses 50

160 160

Which of the following groups of items, if moved to the correct side of the trial balance, will correct it?

- (a) Capital, investments, cash, sales, purchases and operating expenses.
- (b) Capital, cash, investments.
- (c) Capital, bank overdraft.
- (d) Sales, purchases, operating expenses.

**33.** A limited company is under a legal duty to disclose information to parties external to the company.

To which of the following groups does this requirement mainly apply?

- (a) Banks.
- (b) Customers.
- (c) Shareholders.
- (d) Suppliers.



**33.** Which of the following best describes the measures which have been taken to stop the practice known as 'creative accounting'?

- (a) Creative accounting has been made a criminal offence.
- (b) The Companies Act forbids directors from engaging in creative accounting.
- (c) The Stock Exchange conditions of listing prohibit the practice.
- (d) The regulatory system has been altered and accounting standards have been changed to discourage the practice.

**34.** Directors of a limited company are under an obligation to?

- (a) Send financial statements to employees.
- (b) Send summary financial statements to all shareholders.
- (c) File copies of the financial statements with the registrar of companies.
- (d) Produce financial statements which are correct in all respects.

**35.** Which of the following statements regarding the Chairman's report in an annual report is correct?

- (a) The report is required by the Companies Act.
- (b) The report is subject to an audit by the external auditors of the company.
- (c) Accounting standards define the format of the Chairman's report.
- (d) There are no controls over the format or content of the Chairman's report and it is not subject to statutory audit.

**36.** Which of the following items is unlikely to be found in the directors' report for a limited company?

- (a) A description of the accounting policies of the company.
- (b) Details of corporate donations to charities.
- (c) Details of corporate donations to political parties.
- (d) Details of the company's health and safety policy.

**37.** An audit of most limited company financial statements is required because:

- (a) The Cadbury Report into corporate governance recommended that one should be undertaken.
- (b) The shareholders of a company usually request one.
- (c) It is required by the Companies Act.
- (d) Banks or other lenders usually request one to be carried out.

**38.** B Ltd is a subsidiary of A plc if?

- (a) A owns all of the shares in B.
- (b) A is in a position to exercise 'dominant influence' over the financial and operating policies of B.
- (c) A owns the assets of B.
- (d) A has given a substantial loan to B secured on B's assets by a debenture.

**39.** A group of companies must prepare consolidated accounts when which of the following situations exists?

- (a) A parent company has one or more subsidiary companies.
- (b) When a parent company has overseas subsidiaries.
- (c) When a parent company trades from the same address as its subsidiaries.
- (d) When a company has a participating interest in another associated company.

**40.** When a company's financial statements have been audited, an audit report will be prepared. If this is unqualified the auditors will report that the financial statements:

- (a) Are certified correct.
- (b) Contain no material errors.
- (c) Comply with the Companies Act.
- (d) Present a true and fair view and comply with the Companies Act.

**41.** Which of the following factors is not a defect of the traditional historical cost method of accounting under inflationary conditions?

- (a) Assets which have not been revalued are recorded at historic cost.
- (b) Debtors and other monetary assets lose value with inflation.
- (c) Asset values are objectively recorded at historic cost.
- (d) Depreciation charges tend to be understated if based on the historic cost of fixed assets.

**42.** FRS 10 deals with accounting for goodwill. Which of the following is an acceptable treatment of purchased goodwill?

- (a) Include under fixed assets, permanently, on the balance sheet.
- (b) Include under intangible assets, permanently, on the balance sheet.
- (c) Amortize on a systematic basis over the life of an asset.
- (d) Write off immediately following acquisition by deducting from share capital.

**43.** Which of the following factors is likely to be an area of difficulty in a large multinational group of companies?

- (a) Compliance with international accounting standards.
- (b) Foreign currency translation.
- (c) The preparation of the group financial statements.
- (d) All of the above.

**44.** The main purpose of a management accounting system is to:

- (a) Provide information for the financial accounting function.
- (b) Protect the senior staff from criticism.
- (c) Comply with the Companies Act 1985.
- (d) To supply data and information to management.

**45.** Which of the following is not a major function of management accounting?

- (a) Human resource management.
- (b) Budgeting.
- (c) Cost accounting.
- (d) Internal auditing.

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

- (a) A management accountant should instruct other staff what to do.
- (b) A management accountant provides a service for other managers.
- (c) A management accountant must remain aloof from other staff.
- (d) A management accountant's job is largely to crunch numbers.

**47.** Which of the following items is not an essential ingredient of a planning and control system?

- (a) A clear statement of the entity's objectives.
- (b) A detailed budget for each department.
- (c) Disciplinary action when actual costs exceed budgeted costs.
- (d) A formalized organizational managerial structure.

**48.** Which of the following is not an essential feature of a budget?

- (a) There is a clearly defined budget period.
- (b) It is a combination of financial and non-financial data set by reference to key budget assumptions.

(c) It permits managers flexibility in terms of the policies that should be pursued to meet corporate objectives.

(d) It has been formally approved and accepted as realistic by managers.

**49.** A master budget comprises:

(a) A budgeted balance sheet.

(b) A budgeted balance sheet and profit and loss account.

(c) A budgeted balance sheet, profit and loss account and cash flow statement.

(d) A budgeted balance sheet, profit and loss account, cash flow statement based upon coordinated departmental operating budgets.

**50.** A flexible budget is:

(a) One where departmental functional managers are given discretion over the application of spending limits.

(b) One where the budget is permitted to alter to reflect changes in activity levels.

(c) One where managers are given discretion as to the investigations which are carried out into variances revealed by budgetary control reports.

(d) One which allows departmental managers to design their own budgetary control reports.

**51.** In a manufacturing company, which of the budgets will normally be prepared first in the budget preparation cycle?

(a) The stock budget.

(b) The production budget.

(c) The cash flow forecast.

(d) The sales budget.

**52.** The administration of the budget process in a large organization is normally the responsibility of:

(a) The board of directors.

(b) The audit committee.

(c) The chief executive.

(d) A budget committee working in conjunction with the finance function.

53. Which of the following statements is valid?

(a) The Budget Committee should set the budgets for cost centre managers.

(b) Cost centre managers should prepare their own budgets.

(c) Management accountants should prepare budgets for cost centre managers.

(d) Senior management should prepare cost centre budgets.

54. A standard cost which will be most useful for control purposes is one which:

(a) Contains no allowances for normal losses or other forms of wastage.

(b) Is set in advance of the control period and which then remains unchanged.

(c) Contains a reasonable degree of allowances for operating inefficiencies.

(d) Managers are expected to achieve at all times.

55. Direct material total variances can be analyzed into:

(a) Efficiency and price variances.

(b) Price and productivity variances.

(c) Price and usage variances.

(d) Efficiency and usage variances.

56. XYZ Ltd uses standard costing. Variance analysis has revealed an adverse total direct material variance at the end of an operating period. Which of the following combinations of factors is the most likely reason for the adverse variance?

(a) Price reductions and lower wastage.

(b) Price increases and greater wastage.

(c) Employing less skilled workers to lower labour costs.

(d) Over estimation of the material cost built into the standard cost.

57. Which of the following statements would be a valid explanation of a favorable direct labour rate variance?

(a) The standard cost overestimated a national wage agreement settlement for the production operatives in the factory.

(b) The standard labour time per unit was overstated as it failed to incorporate production efficiencies made possible by new machinery.

(c) There was a cost saving as a result of a strike in the factory during the year.

(d) The standard cost did not take into account changes in the product specification which meant that in practice, less time per unit was needed for assembly.

**1) The following statement WRITE OUT-REC.**

**Which one of the following modes of operating the Sequential file is not true**

- (a) OPEN INPUT
- (b) OPEN INPUT-OUTPUT
- (c) OPEN EXTEND
- (d) OPEN OUTPUT

**2) The same file name can be specified in the USING and GIVING phrase of a SORT statement.**

- (1) True
- (2) False
- (3) Maybe
- (4) None of the Above

**3) If USING is specified in the SORT verb, then GIVING must also be specified.**

- (1) True
- (2) False

**4) In SORT statement, all keys must be specified as ascending or descending but not as combination of the two**

- (1) True
- (2) False

**5) SORT RAFFLES\_FILE ON ASCENDING KEY IBM-MAIN Y2K-MAIN USING INPUT-FILE GIVING OUTPUT-FILE. Which one the following is true.**

- (1) The sorted file will contain all Raffles records in ascending order of Y2K-MAIN.
- (2) IBM-MAIN is the major key and Y2K-MAIN is the minor key
- (3) The statement is wrong as there should be only one key since the clause ascending key appears only once.
- (4) Both INPUT-FILE and OUTPUT-FILE must be described in the DATA DIVISION with SD entries.

**6) SORT STUDENT-FILE  
ON ASCENDING KEY CLASS-NUMBER STUDENT-NAME  
USING INPUT-FILE GIVING OUTPUT-FILE.**

**Which one of the following is false.**

- (1) All records with same CLASS-NUMBER will appear together in the consecutive positions of the sorted file.
- (2) The data-names CLASS-NUMBER and STUDENT-NAME must appear in the record description of STUDENT-FILE.
- (3) The files INPUT-FILE and OUTPUT-FILE should be opened by an OPEN statement before the SORT statement.
- (4) The sizes of the records described for STUDENT-FILE , INPUT-FILE and OUTPUT-FILE must be equal.

**7) About the MERGE verb, which one of the following is true.**

- (1) Can merge a maximum of three files.
- (2) Does not require that the input file to be merged be sorted on the merge keys.
- (3) Requires that all files mentioned in the statement must have records of same size
- (4) Does not require that the position of the merge keys within the records descriptions of each of the files must be same.

**8) Indicate which one the following is not a valid combination of a SORT verb**

- (1) USING ..... GIVING
- (2) USING ..... INPUT PROCEDURE
- (3) USING ..... OUTPUT PROCEDURE
- (4) INPUT PROCEDURE ..... OUTPUT PROCEDURE

**9) Indicate which one of the following will not have the INVALID KEY Phrase when used in connection with sequentially accessed relative file in a PROCEDURE DIVISION with out any declarative section.**

- (1) REWRITE STATEMENT
- (2) WRITE STATEMENT
- (3) START STATEMENT

**10) WRITE MASTER-REC INVALID KEY GO TO PARA-ERROR.**

**Indicate which of the following are not valid modes of opening the INDEXED file of which MASTER-REC is a record.**

(a) OPEN INPUT (b) OPEN OUTPUT (c) OPEN INPUT-OUTPUT (d) OPEN INDEXED.

- (1) a and b
- (2) a and c
- (3) c and d
- (4) a and d

**11) which of the following is true about the file which is referenced in a DELETE statement**

- (1) It must be opened in INPUT mode
- (2) It must be opened in OUTPUT mode
- (3) It must be opened in I-O mode
- (4) As in the case of SORT statement, the file must be closed before the use of this statement

**12) Indicate which of the following is not a PROCEDURE DIVISION verb**

- (1) REWRITE
- (2) INSERT
- (3) DELETE
- (4) START

**13) In case of a disk file, the ACCESS MODE clause must always be specified.**

- (1) True
- (2) False

**14) A READ statement can have AT END clause and INVALID KEY clause, but both must not appear simultaneously.**

- (1) True
- (2) False

**15) With a READ statement either AT END clause or INVALID KEY clause must be specified**

- (1) Yes
- (2) No



**19) Relative key clause must be mentioned in case of a Relative file organisation.**

- (1) Yes
- (2) No

**20) The START statement enables the programmers to start processing from any record position.**

- (1) True
- (2) False

**21) Both the RECORD KEY and ALTERNATIVE KEY clause can be specified for and INDEXED file.**

- (1) True
- (2) False

**22) 77 A PIC X(10) VALUE IS "AABBCCDDEE".In PROCEDURE DIVISION contains the statement EXAMINE A REPLACING ALL "ABC" BY "XYZ" .Indicate which one of the following is true**

- (1) The EXAMINE statement is incorrect because A does not contain the character "ABC" in a continuous sequence
- (2) The EXAMINE statement is incorrect as it can be used to replace a numeric literal by another numeric literal.
- (3) The EXAMINE statement is incorrect as it is used to replace a single character by another single character but not a group of characters.
- (4) The EXAMINE statement is incorrect as TALLYING OPTION is missing.

**23) The UNSTRING verb is used to transfer data from several sources to one receiving field.**

- (1) Yes
- (2) No

**24) The STRING verb can be used to transfer characters from one alphanumeric field to another alphanumeric field starting at some particular position in receiving field**

- (1) False
- (2) True

**25) If the DELIMITED BY SIZE phrase is used with STRING verb, the transfer of characters in to the receiving field stops as soon as a blank is encountered in the sending field.**

- (1) Yes
- (2) No

**26) The INSPECT statement can be used to check whether the value in a data name is numeric**

- (1) True
- (2) False

**27) In an UNSTRING statement a receiving field receives the characters of the sending field including the delimiter.**

- (1) True
- (2) False

**28) If the OVER FLOW option is not used in a STRING statement and the overflow condition occurs, the STRING operation is terminated.**

- (1) True
- (2) False

**29) In an UNSTRING statement if a receiving field with PICTURE X(06) receives only two characters from the sending field the remaining four positions will retain their original characters**

- (1) True
- (2) False

**30) UNSTRING "ABC" INTO FIELD-1.**

**Indicate which one of the following is correct.**

- (1) There will be a syntax error, as the statement does not contain any DELIMITED BY phrase.
- (2) There will be a syntax error, as the sending string must be identifier and not a literal.

(3) The statement is correct and after the execution of the statement field-1 will contain the three characters "ABC" from the left-most position and the remaining positions of field-1 will remain unchanged

(4) The statement is correct and after the execution of the statement field-1 will contain the three characters "ABC" from the left-most position and the remaining positions of field-1 will get filled with spaces.

**31) Indicate in which of the following, the REPORT NAME does not appear**

- (1) RD entry
- (2) INITIATE statement
- (3) SELECT clause
- (4) TERMINATE statement

**32) Which of the following Report groups must have a data name for its identification.**

- (1) REPORT HEADING
- (2) REPORT FOOTING
- (3) DETAIL
- (4) PAGE HEADING
- (48) CONTROL FOOTING

**33) Indicate which of the following clause is not allowed in a RD entry**

- (1) FIRST DETAIL
- (2) LAST DETAIL
- (3) CONTROLS
- (4) LINE NUMBER

**34) Indicate which of the following, performs the initialization of the sum controls, LINE-COUNTER and PAGE-COUNTER to their initial values.**

- (1) RESET
- (2) INITIATE
- (3) VALUE
- (4) GENERATE

**35) Which of the following is not allowed to assign a value to a data name in a REPORT SECTION.**

- (1) MOVE
- (2) TOTAL

- ( 3 ) SUM
- ( 4 ) SOURCE

**36) A formal parameter name can appear more than once in the USING phrase of the PROCEDURE DIVISION header of the subroutine**

- ( 1 ) True
- ( 2 ) False

**38) Identify the incorrect statement**

- ( 1 ) CALL RAF-SUB.
- ( 2 ) CALL RAF-SUB ON OVER FLOW GO TO MIS-SUB.
- ( 3 ) CALL RAF-SUB USING PARAM-1.
- ( 4 ) CALL RAF-SUB USING PARAM-1 UNTIL PARAM-1 >10