Chapter 01: Financial Accounting - Meaning and Scope

Course Name: IC-46: General Insurance Accounts Preparation and Regulation of Investment

1) How many recording systems of transactions exist in Financial Accounting?
(a) One
(b) Two
(c) Three
(d) Four
Correct Options: (b)

2) In financial accounting, where are transactions first recorded?
(a) Cash Book
(b) Ledges
(c) Trial Balance
(d) Journal
Correct Options: (d)

3) Financial accounting is special in nature and type for which of the following?
(a) Only insurance companies
(b) Only banks
(c) Only non-financial institutions
(d) Banks and insurance companies
Correct Options: (d)

4) What is solvency?
(a) The capacity to pay liability and borrowings
(b) The inability to pay liability and borrowings
(c) The act of paying liability and borrowings
(d) The act of recording liability and borrowings

Correct Options: (a)

5) RSM (Required Solvency Margin) is determined with reference to...
(a) Net Worth being excess of assets over liabilities in both Policyholders’ funds
(b) Net Worth being excess of assets over liabilities in both Shareholders’ fund
(c) Nature and volume of business operations and the incurred claims on such business operations
(d) Nature and volume of both the Policyholders’ and Shareholders’ funds

Correct Options: (c)

6) Which of the following is NOT a function of financial accounting?
(a) Measuring performance
(b) Reporting
(c) Making decisions
(d) Providing information

Correct Options: (b)

7) Which of the following statements is true?
(a) Alternative treatment of the same transaction is not permitted
(b) Estimates while recording transactions are bound to be influenced by personal judgements
(c) Sophisticated software has made it possible for timely information to be readily available

(d) Management decisions cannot be taken without the application of Management Accounting

**Correct Options: (a)**

8) **What are books of account?**

(a) Books that provide the guidelines for accounting entries

(b) Books that teach how to make accounting entries

(c) Books in which plans of transactions are accounted

(d) Books in which accounting entries are recorded

**Correct Options: (d)**

9) **What is the primary book of account?**

(a) Journal

(b) Ledger

(c) Balance Sheet

(d) Cash Book

**Correct Options: (a)**

10) **What is the final book of account?**

(a) Journal

(b) Ledger

(c) Balance Sheet

(d) Cash Book

**Correct Options: (b)**
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