Chapter 05: Accounting Process

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

1) Which of the following statements is incorrect regarding accounting process?

(a) Journal entries from ‘Journal’ are posted to the individual ledger accounts maintained in the ‘Ledger’.

(b) Balancing is done for each and every ledger account periodically, specifically at the end of the accounting year.

(c) Trial balance is prepared taking balances from the ‘Journal’ and from the cash book of cash and bank balances.

(d) Some of the individual ledger balances from the trial balance are used for the preparation of income statement such as profit & loss a/c.

Correct Options: (c)

2) Which of the accounts relate to assets of the firm, but not the debt?

(a) Impersonal account

(b) Real account

(c) Personal account

(d) Nominal account

Correct Options: (b)
3) ___________are those transactions, where the benefit is exhausted within one accounting period.

(a) Capital transactions  
(b) Capital expenditure transactions  
(c) Capital receipt transactions  
(d) Revenue transactions

Correct Options: (d)

4) General ledger for premium account, claims paid account, commission account, bank account, etc. are types of which books of accounts?

(a) Subsidiary books in business firms  
(b) Principal books in business firms  
(c) Principal books in insurance firms  
(d) Subsidiary books in insurance firms

Correct Options: (c)

5) Which of the following is incorrect regarding the golden rules of accounting?

(a) Increases in assets are debits; decreases in assets are credits.  
(b) Increases in liabilities are credits, decreases in liabilities are debits.  
(c) Decreases in expenses are credits; decreases in expenses are debits.  
(d) Increases in revenue/incomes are credits; decreases in incomes are debits.

Correct Options: (c)
6) Records of individual ledger accounts are kept in a book called ‘Journal’.

(a) True
(b) False

Correct Options: (b)

7) Which type of account is classified as natural, artificial and representative accounts?

(a) Personal
(b) Real
(c) Nominal
(d) Impersonal

Correct Options: (a)

8) Individual and small shops or sole-proprietary business entity use_________ system of bookkeeping.

(a) Double entry system
(b) Single entry system
(c) Single and double entry system
(d) Dual entry system

Correct Options: (b)
9) An account is simply a record of financial inflows and outflows, in relation to the respective asset, liability, income or expense.

(a) True
(b) False

Correct Options: (a)

10) For which account do we follow the process of recording transactions as,’debit the receiver of the benefit of transaction; credit the giver of the benefit of transaction’?

(a) Real account
(b) Nominal account
(c) Personal account
(d) Representative account

Correct Options: (c)