



GLOBAL CMA

ACCOUNTING INTERVIEW QUESTIONS

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Learning Platform for Cost Accountants (CMA)

1) Why did you select accounting as your profession?

Well, I was quite good in accounting throughout but in my masters, when I got distinction I decided to adopt this field as a profession.

2) Do you have any professional experience of this field?

Yes, I have worked as an accountant at two different places.

3) Did you use accounting applications at your previous companies or prefer working manually?

Yes, I have used Advanced Business Solutions and AME Accounting Software in my previous jobs.

4) Can you name any other accounting application?

Yes, I am familiar with CGram Software, Financial Force, Microsoft Accounting Professional, Microsoft Dynamics AX and Microsoft Small Business Financials.

5) Which accounting application you prefer most and why?

I think all are good though but Microsoft Accounting Professional is best because it offers reliable and fast processing of accounting transactions that saves time and increases proficiency.

6) What is the abbreviation for the accounting terms debit and credit?

Debit abbreviation is “dr” and credit abbreviation is “cr”.

7) How many types of business transactions are there in accounting?

There are two types of transactions in accounting i.e. revenue and capital.

8) What is balance sheet?

It is a statement that states all the liabilities and assets of the company at certain point.

9) Have you ever heard about TDS, what it is?

Yes, TDS abbreviates Tax Deduction at Source.

10) In balance sheet, where do you show TDS?

It is shown on the assets section, right after the head current asset.

11) Do you have any idea about Service Tax or Excise?

It is a kind of hidden tax that is included in the service provided by the service provider and paid by the service receiver.

12) Do you think there is any difference between inactive and dormant accounts?

Yes, both are different terms in accounting. Inactive accounts means that accounts have been closed and will not be used in future as well. While, dormant accounts are those that are not functional today but may be used in future.

13) What is tally accounting?

It is the software used for accounting in small business and shops for managing routine accounting transactions.

14) How can you define departmental accounting?

It is a type of accounting in which separate account is created for departments. It is managed separately as well as shown independently in the balance sheet.

15) Define fictitious assets?

These are the assets that cannot be shown or touch. Fictitious assets can only be felt such as good will, rights etc.

16) By saying, perpetual or periodic inventory system; what do we mean?

In the first one i.e. the perpetual inventory system, the accounts are adjusted on continual basis. In the periodic inventory system, the accounts are adjusted periodically.

17) In accounting, how do you define premises?

Premises refer to fixed assets that are shown in the balance sheet.

18) In accounting, VAT abbreviates what?

VAT means Value Added Tax.

21) How can you explain the basic accounting equation?

We know that accounting is all about assets, liabilities and capital. Therefore, the accounting equation is:

Assets = Liabilities + Owners Equity.

22) Define Executive accounting?

It is a type of accounting that is specifically designed for the business that offers services to users.

25) What do you think is bank reconciliation statement?

A reconciliation statement is prepared when the passbook balance differs from the cashbook balance.

26) Differentiate Public and Private Accounting?

Public accounting is a type of accounting that is done by one company for another company. Private accounting is done for your own company.

27) What is project implementation?

Project implementation involves six steps in total such as:

- Identify Need
- Generate and Screen Ideas
- Conduct Feasible Study
- Develop the Project
- Implement the Project
- Control the Project

28) Do you think Accounting Standards are mandatory and why?

Yes, I do believe that accounting standards play a very important role to prepare good quality and accurate financial reports. It ensures reliability and relevance in financial reports.

29) Can you name different branches of accounting?

There are three branches of accounting named as “Financial Accounting”, “Management Accounting” and “Cost Accounting”.

30) Differentiate Accounting and Auditing?

Accounting is all about recording daily business activities while auditing is the checking that whether all these events have been noted down correctly or not.

31) Define dual aspect term in accounting?

As the name implies, the dual aspect concept states that every transaction has two sides. For example, when you buy something, you give the cash and get the thing. Similarly, when you sale something, you lose the thing and gets the money. So this getting and losing is basically two aspects of every transaction.

32) What do we mean by purchase return in accounting?

It is the term introduced in the records for every defective or unsatisfactory good returned back to its supplier.

33) Define the term material facts in accounting?

Material facts are the bills or any document that becomes the base of every account book. It means that all those documents, on which account book is prepared, are called material facts.

34) Have you ever prepared MIS reports and what are these?

Yes, I have prepared few MIS reports during my previous jobs. MIS reports are created to identify the efficiency of any department of a company.

35) Define company's payable cycle?

It is the time required by the company to pay all its account payables.

36) Define retail banking?

It is a type of banking that involves a retail client. These clients are the normal people and not any organizational customers.

37) How much mathematics knowledge is necessary or required in accounting?

Not much knowledge but basic mathematical background is required in accounting for operations like addition, subtraction, multiplication and division.

38) Define bills receivable?

All types of exchange bills, bonds and other securities owned by a merchant that is payable to him are said as bills receivable.

39) Define depreciation and its types?

By depreciation we mean that a value of an asset is decreasing as it is in use. It has two types such as “Straight Line Method” and “Written Down Value Method”.

40) Differentiate between consignor and consignee?

Consigner is the owner of the goods or you can say he is the person who delivers the goods to the consignee. The consignee is the person who receives the goods.

41) Define balancing in accounting?

Balancing means to equate both sides of the T-account i.e. the debit and credit sides of a T-account must be equal/balanced.

42) How much statistics knowledge is necessary or required in accounting?

You must be very good at statistics if you want to do well in accounting. Otherwise, with minimum knowledge you cannot manage your day to day transactions effectively in accounting.

43) Define Scrap value in accounting?

It is the residual value of an asset. The residual value is the value that any asset holds after its estimated life time.

44) Define Marginal Cost?

Suppose you have to produce an additional unit of output. The estimated cost of additional inputs to produce that output is actually the marginal cost.

45) Define Partitioning in accounting?

It is a kind of groups made on the basis of same responses by a system.

46) Differentiate between provision and reserve?

Provisions are the liabilities or the anticipated items such as depreciation. You can say provisions are expenses. Reserves are the profits of any company and a part of that profit is placed back to the business to keep it sustainable in tough times of a company.

47) Define Offset accounting?

Offset accounting is one that decreases the net amount of another account to create a net balance.

48) Define overhead in terms of accounting?

It is the indirect expenditure of a company such as salaries, rent dues etc.

49) Define trade bills?

We know that all types of transactions need to be documented. The trade bills are the documents, generated against each transaction.

50) Define fair value accounting?

As per fair value accounting, a company has to show the value of all of its assets in terms of price on balance sheet on which that asset can be sold.

51) Explain what is compound journal entry?

A compound journal entry is just like other accounting entry where there is more than one debit, more than one credit, or more than one of both debits and credits. It is essentially a combination of several simple journal entries.

52) What are the accounting events that are frequently involved in compound entries?

The accounting events that are frequently involved in compound entries are;

- Record multiple line items in a supplier invoice that address to different expenses
- Record all bank deductions associated to a bank reconciliation
- Record all deduction and payments related to a payroll
- Record the account receivable and sales taxes related to a customer invoice

53) Mention the types of accounts involved in double entry book-keeping?

Double entry book-keeping involves five types of accounts,

- Income accounts
- Expense accounts
- Asset accounts
- Liability accounts
- Capital accounts

54) Mention what are the rules for debit and credit for different accounts to increase the amount in your business accounts?

The rules for debit and credit for different accounts,

- for a capital account, you credit to increase it and debit to decrease it
- for an asset account, you debit to increase it and credit to decrease it
- for a liability account, you credit to increase it and debit to decrease it
- for an expense account, you debit to increase it, and credit to decrease it
- for an income account, you credit to increase it and debit to decrease it

55) List out the Stages of Double Entry System?

- Recording of transactions in the journal
- Posting of journal entry in to the respective ledger accounts and then preparing a trial balance
- Preparing final accounts and closing of books of accounts

56) Mention what is the disadvantage of double entry system?

The disadvantage of double entry system,

- If there is any compensatory errors, it is difficult to find out by this system
- This system needs more clerical labour
- It is difficult to find the errors if the errors are in the transactions recorded in the books
- It is not preferable to disclose all the information of a transaction, which is not properly recorded in the journal

57) Mention what is General ledger account?

The General ledger account is an account where the company records all the information for its various expenses and income types into separate accounts. Such that all the debits and credits pertaining to that particular type of transaction can be entered in one place and kept balanced.

58) What is the general classification of accounts that usually ledger account involve?

The general classification of accounts that usually ledger account involves are

- Assets- Cash, Accounts Receivable
- Liabilities- Accounts Payable, Loans Payable
- Stockholders' equity- Common Stock
- Operating revenues- Revenues through Sales

- Operating expenses- Rent Expense, Salaries Expense
- Non-operating revenues and gains- Investment Income, gain on Disposal of Equipment
- Non-operating revenues and losses- Interest Expense, Loss on Disposal of Equipment

59) Mention what are things will not be included in bank reconciliation statement?

In a bank reconciliation statement, following thing can be excluded.

- Direct payments made by bank not entered in Cash book
- Cheques deposited but not cleared
- Cheques dishonoured not recorded in cash book
- Wrong debits given by bank
- Bank Charges or Interest debited by bank
- Banks direct payment not entered in Cash book

60) Under the accrual basis of accounting, when revenues are reported in the accounting period?

When service or goods have been delivered, then revenues are reported in the accounting period.

61) Under what type of account does the unearned revenues fall?

The unearned revenues falls under “Liability” account.

62) Mention whether the account “Cash” will be credited or debited, when a company pays a bill?

The account “Cash” will be credited when a company pays a bill.

63) Mention what is assets minus liabilities?

Assets minus liabilities is equal to owners’ equity or stockholders equity.

64) Entries to revenues accounts such as Service Revenues are usually?

Entries to revenues accounts such as Service Revenues usually goes into credit side.

65) Explain what is the difference between accumulated depreciation and depreciation expense?

The difference between accumulated depreciation and depreciation expense is that

- Accumulated depreciation: It is the total amount of depreciation that has been taken on a company's assets up to the date of the balance sheet
- Depreciation expense: It is the amount of depreciation that is reported on the income statement. Basically, it is the amount that corresponds only to the period of time indicated in the heading of the income statement.

66) List out some of the examples for liability accounts?

Some of the examples for liability accounts

- Accounts Payable
- Accrued Expenses
- Short-term Loans Payable
- Unearned or Deferred Revenues
- Installment Loans Payable
- Current Portion of Long-term Debt
- Mortgage Loans Payable

67) Explain how you can adjust entries into account?

To adjust entries into account, you can sort entries into five categories.

- Accrued expenses: Expenses have been incurred but the vendors invoices are not generated or processed yet
- Accrued revenues: Revenues have been earned but the sales invoices are not generated or processed yet
- Deferred revenues: Money was received in advance of having been paid or earned
- Deferred expenses: Money was paid for a future expense
- Depreciation expense: An asset purchased in one period must be allocated to expense in each of the accounting periods of the asset's useful life

68) Explain what a deferred asset is and give an example?

A deferred asset refers to a deferred debit or a deferred charge. An example of a deferred charge is bond issue costs. These costs involves all of the fees or charges that an organization incurs in order to register and issue bonds. This fees are paid in a near time when the bonds are issued but it will not be expensed at that time.

69) Mention what is Bank Reconciliation?

A bank reconciliation is a process done by a company to ensure that the company's records (check register, balance sheet, general ledger account, etc.) are correct and that the bank's records are also correct.

70) Mention what is “deposit in transit”?

A deposit in transit is a checks and cash that have been received and recorded by an entity, but which have not yet been entered in the records of the bank where the funds are deposited.

71) Explain what is an over accrual?

An over accrual is a condition where the estimate for an accrual journal entry is too high. This estimate may apply to an accrual of expense or revenue.

72) Mention what is account receivable?

A short term amounts due from buyers to a seller, who have purchased goods or services from the seller on credit is referred as account receivable.

73) Explain what are the activities that includes in Cash Flow Statement?

The cash flow statement showcase the cash generated and used during the year or months. Various activities that are involved for the Cash Flow are

- Operating activities – business activities accounting to cash
- Investing activities – sale and purchase of equipment or property
- Financial activities- purchase of stock and own bonds
- Supplemental information- exchange of significant items that don't involve cash

74) Mention what happens to company's “Cash Account” if it borrows money from the bank by signing a note payable?

Due to double entry, the “cash account” will increase as such the liability account increases.

75) Mention which account is responsible for interest payable?

Account which is responsible or affected by the interest payable is “Current liability account”

76) Mention what is reversing journal entries?

Reversing journal entries are entries made at the beginning of an accounting period to cancel out the adjusting journal entries made at the end of the previous accounting period.

77) Mention where do generally accruals appear on the balance sheet?

Accrued expenses usually tend to be extremely short-term. So you would record them within the “current liabilities section” of the balance sheet.

78) List out some of the accrued expenses and the accounts in which you would record them?

- Wage accrual is entered with a credit to the “wages payable account”
- Interest accrual is entered with a credit to the “interest payable account”
- Payroll tax accrual is entered with a credit to the “payroll taxes payable account”

79) Deferred taxation is a part of which equity?

Deferred taxation is a part of owner’s equity.

80) Mention what does the investment of personal assets by the owner will do?

The investment of personal assets by the owner will increase total assets and increase owner’s equity.

81) What is the equation for Acid-Test Ratio in accounting?

The equation for Acid-Test Ratio in accounting

- Acid-Test Ratio = (Current assets – Inventory) / Current Liabilities

82) List out things that fall under intangible asset?

Things that fall under intangible asset are,

- Patents
- Copyrights
- Trademarks
- Brand names
- Domain names, and so on.

83) Mention what is trial balance in accounting?

In accounting, trial balance is an accounting report that lists the balances in each of an organization's general ledger accounts. This is done at the end of posting journal entry to ensure that there are no posting errors.

84) Where a cash discount should be recorded in journal entry?

A cash discount should be recorded in journal entry as a reduction of expense in "cash account".

85) Mention why some asset accounts have a credit balance?

Some asset accounts have a credit balance due to following reasons,

- Receiving and posting an amount that was higher than the recorded receivable
- Expenses occurred faster than the agreed upon prepayments
- An error caused by posting an amount to a wrong account
- The amount of checks written exceeded the positive amount in the Cash account
- Continuing to amortize or depreciate an asset after its balance has reached zero

86) Define what is Bad debt expense?

A Bad debt expense is the amount of an account receivable that is considered to NOT be collectible.

87) Explain what is the Master Account?

A Master Account has subsidiary accounts. A master account receivable could be anything, it could be account receivable for various individual receivable accounts.

88) Mention in which account does the unpresented cheque will get recorded?

The unpresented cheque will get recorded as a credit to the cash account in the company's General ledger.

89) What knowledge should financial accountant have?

A certified financial accountant should have knowledge about

- Accounting principles and practices
- Reporting and analysis of financial data
- Auditing practices and principles
- Account management

- Budgets
- Software knowledge dealing with Accounting
- Knowledge of relevant laws, codes and regulations

90) What are the three factors that can affect your cash flow and business profitability?

The three factors that can affect your cash flow and business profit includes

- Cash flows from investing activities: It includes shares, bonds, physical property, machineries, etc.
- Cash flows from operating activities: It does not include cash received from other sources like investments
- Cash flow from financing activities: It includes any activities that involves dividend payments that the company made to its shareholders, any money that includes stock to the public, any money borrowed from the lender etc. in other words, it is a report that tells the firm about the money borrowed and paid out in order to finance its activities.

91) Explain what is accrual accounting?

Accrual Accounting is a method for measuring the performance and position of the company by identifying economic events regardless of when cash transaction happened. In this method, revenue is compared with the expenditures, at the time in which the transaction happens rather than when the payment is made.

92) Explain the term account payable?

Account payable is referred as the amount company owes to its suppliers, its employees, and its partners. In other words, it is the basic cost levied on the company to run business process that is outstanding. Account payable for one company may be account receivable for another firm or company.

93) Explain the meaning of long-term notes payable is or long term liabilities?

Long-term notes payable or liabilities are referred for that loan that are not supposed to due for more than a year. These are the loans from banks or financial institution that are secured against various assets on the balance sheet, such as inventories.

94) Mention what is the difference between depreciation and amortization?

Capital expenses are either depreciated or amortized based upon the type of asset.

Depreciation

Amortization

- Depreciate means to lose value of an asset due to their usage, wear and tear, outdated, etc.

- Depreciation cost is calculated in terms of tangible assets like furniture, plant & machinery, building, etc.
- The purpose of calculating depreciation costs recovery
- The easiest way to calculate depreciation is to know the loss of value of an asset over its life.
- For example, a car worth \$30,000 has estimated the lifetime of 10 years after that it will have no value in the market. The cost or loss in value throughout this 10 years is known as depreciation
- Various method for depreciation includes straight line depreciation, declining balance method, group depreciation method, unit of time/production depreciation method, etc.
- Amortize means to write off or pay the debt over a period of time. Amortization can be for loans, or it can be for Intangible assets
- Amortization cost is calculated in terms of intangible assets like goodwill, trademark, loans, patents, etc.
- The purpose of calculating amortization is also for cost recovery
- Amortization calculates the amount spent after the intangible assets throughout the life for that asset
- For example, Pharmaceutical Company spent \$20 million dollars on a drug patent with a useful life of 20 years. The amortization value for that company will be \$1 million each year
- Various method for amortization is negative amortization, zoning amortization, business amortization, etc.

95) Mention what does financial statement of the company includes?

Financial statement of the company includes various information like

- Balance Sheet (Assets, liabilities, and equity)
- Income statement (Profit or Loss statement)
- Equity statement
- Cash flow statement

96) Explain what is working capital?

Working capital is a financial metric that calculates the resources available to the company to finance its day-to-day operations. It is typically calculated by deducting current liabilities from current assets.

97) Explain what is ledger?

A ledger can be referred as an accounting book that keeps the record of journal entries in a chronological order to individual accounts. The process of recording this journal entries is known as posting.

98) Mention the types of ledger?

There are three types of ledger

- General ledger
- Debtors ledger
- Creditors ledger

99) Explain what is GAAP?

GAAP means Generally Accepted Accounting Principle; it is a framework of accounting, standards, procedures & rules determined by the professional accounting industry and practiced by publicly traded U.S companies all over the U.S.A.

100) Explain what is double-entry accounting? Explain with an example?

Double entry accounting is an accounting system that requires recording business transaction or event in at least two accounts. It is the same concept of accounting, where every debit account should be matched with a credit account.

For example, if a company takes a loan from a bank, it receives cash as an asset but at the same time it creates a liability on a company. This single entry will affect both accounts, the asset accounts, and the liabilities accounts, such entry is referred as double entry accounting.

101) Explain what does the standard journal entry includes?

A standard journal entry includes, date of business transaction, name of the accounts affected, amounts to be debited or credited and a brief description of the event.

102) Explain what is liabilities and what all does include in current liabilities?

Liability can be defined as an obligation towards another company or party. It may consist of delivering goods, rendering services or paying money. They are the opposite of assets, and it may include

- Account payable
- Interest and dividend payable
- Bonds payable
- Consumer deposits
- Reserves for federal taxes
- Short term loans

103) Mention in simple terms what is the difference between Asset, equity, and liabilities?

- Asset: What financial institute (bank) or people owe you
- Liabilities: It is something you owe people or organization
- Equity: It is something you own, for example, the amount of your house loan you paid off

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