1. Accounting of Public Trusts is regulated under the provisions of _________

a) Companies Act 1956  
b) Indian Partnership Act 1932  

Answer: c) The Charitable and Religious Trust Act 1920. – Depending on the form of organization, the provisions of appropriate Act, are applicable. For Companies, Companies Act, for Cooperative societies, Cooperative Society Act, for partnership firms, Partnership Act. Likewise for Trusts there is a separate act by the name The Charitable and Religious Trust Act 1920.

2. Following books of accounts need to be maintained by Trusts.

a) Day Book, Journal, and Ledger  
b) Cash Book, Purchase Book, Purchase Return Book  
c) Sales Book, Sales Return Book and Members Book.

Answer – a) Day Book, Journal, and Ledger – Every Trust which is established, has its own objectives, to be fulfilled which is always public welfare and no profit motive. Books of Accounts will be the evidences of the transactions related to accomplishment of the main objectives of the Trust. To keep a track of every cash transaction, day book is a statutory requirement, all other transactions which are not purely cash transactions will have to be entered into journal book and finally all similar transactions need to be grouped together in the form of ledger accounts.

3. Books of Accounts need to be maintained at-----------------. 

a) All Individual Branches  
b) Head Office  
c) Both a and b

Answer – c) both a and b – Trust may have a single registered office and may also have a few branches spread over. Each such branch operates separately.
and enters into many transactions, which need to be recorded in separate sets of books of accounts to track the outcomes. Hence head office and all individual branches need to maintain separate book of accounts.

4. Trust is a ------------------ Organization.

   a) Non Profit
   b) Profit making
   c) Partnership

Answer – a) Non Profit making organization – Trust is formed out of money contributed by well-wishers for some public welfare activities, and the responsibility of management and smooth functioning of the trust is entrusted to the trustees. These organizations can be established, only for public welfare activities and not for any profit making activities.

5. For Charitable Trust maintaining accounts is ---------------.

   a) Optional
   b) Not necessary
   c) Statutory

Answer – c) Statutory – All Charitable Trusts though they do not have to ascertain the profit or loss earned in a financial year, need to prove that the financial transactions which were during the year were towards accomplishing the individual objectives of the Trust (Public Welfare Objectives Only) School has the objective to impart knowledge to the students and not make profits.

6. Charitable Trusts can be classified into-----------------

   a) Profit Making & Non Profit Making
   b) Sole Proprietorship & Partnership
   c) Public & Private

Answer – c) Public & Private – Public Trusts offer their services to anybody and everybody not restricting any individuals or entities for their services, but private trusts restrict the services to a selected group of beneficiaries as mentioned in the Trust Deed. For example Trade Union of Tata & Sons will offer services only to all the employees of Tata & Sons and not others.
7. Following Acts govern a Public Trust---------

a) The Charitable and Religious Trust Act, 1920
b) The Bombay Public Trust Act, 1950
c) Both a and b

Answer – c) both a and b – Public Trusts are governed by many Acts, both of the above Trust Acts along with two other acts in the 1963 and 1890 are part of Public Trust Acts.

8. Following can be registered under Charitable Trust --------

a) Public School
b) College
c) Both a and b

Answer – c) both a and b – A Charitable Trust is one which has been established with the main objective of making charity. Schools and Colleges which have been formed with the objective to offer knowledge and educational services at lower cost than the actual worth or free of cost can be registered as charitable trusts.

9. The organization which has been set up for the purpose of benefiting the public can be termed as----------------.

a) HUF
b) Public Limited Company
c) Charitable Trust

Answer – c) Charitable Trusts – These are always set up for public welfare and social welfare objectives.

10. The main objective of any Charitable Trust is----------

a) Earning Profits
b) Expanding Business
c) Benefit the general public at large.
Answer – c) Benefit the general public at large – Public Charitable Trust offer their services to all without any discrimination for the welfare of the society at large.

11. Reason for a Charitable Trust to maintain accounts----------------.

   a) Accountable to the employees for all its activities
   b) Accountable to the management for all its activities
   c) Accountable to the general public for all its activities

   Answer – c) Accountable to the general public for all its activities – They need to perform all activities as per their objectives only and therefore it is their responsibility and duty to disclose the transactions to the society, thereby proving the activities done towards achieving the prime objectives.

12. The Books of Accounts for every Trust needs to be maintained.

   a) Annually
   b) Monthly
   c) Daily

   Answer – a) Annually – Like all other organizations, Trusts also need to maintain separate books of accounts for every accounting year.

13. An ----------------, Can be started as a Charitable Trust.

   a) Hospital
   b) Multiplex
   c) Cineplex

   Answer – a) Hospital - Organizations which have the objective of social welfare can only be registered under charitable Trusts, not those which have a profit motive as their prime objective.

14. The services provided by a Public Trust are restricted to ------------.

   a) Women
   b) Public
c) Particular Caste

Answer – b) Public – Public refers to all the people without any discrimination based on gender, income status, marital status, caste, creed, religion or any other.

15. Trusts can avail -------------- from the Government.

a) Discounts
b) Freebees
c) Grants and Subsidies

Answer – c) Grants and Subsidies – Charitable Trust are set up for the welfare of the society and hence the Government may extend financial support to carry on such welfare activities in the form of giving subsidies and grants.

16. All nonprofit making organizations need to prepare.

a) Receipt and payment Account
b) Furniture Account Only
c) Machinery Account Only

Answer – a) Receipt and payment Account – Every non trading organization needs to prepare a consolidated summary of all the cash transactions it has incurred during an accounting year in the form of receipt and payment account.

17. Receipt and Payment Account is a -----------

a) Profit Summary
b) Loss Summary
c) Cash Summary.

Answer – c) Cash Summary - Every non trading organization needs to prepare a consolidated summary of all the cash transactions it has incurred during an accounting year in the form of receipt and payment account. It contains the total of all individual expenses and receipts during the accounting period.
18. Unique feature of Receipt and Payment Account is--------

   a) It has Opening and Closing Cash balance.
   b) It has opening bank balance
   c) None of the above

   Answer – a) It has opening and closing cash balance – Just like a Cash account or a day book it begins with opening cash and bank balance and closes with the closing cash and bank balance.

19. Receipt and Payment Account is --------type of Account

   a) Personal Account
   b) Nominal Account
   c) Real Account

   Answer – c) Real Account – It is similar to cash account and hence all the cash receipts need to be debited and cash payments need to be credited as per the real account rules.

20. Income and Expenditure Account is --------type of Account

   a) Real Account
   b) Nominal Account
   c) Personal Account

   Answer b) – Nominal Account – Income and Expenditure account is very similar to a profit and loss account. It is prepare to find the surplus or deficit and hence it is a Nominal Account concerned with expenses and losses and profits and gains.

21. The following is advantage Receipt and Payment Account.

   a) Can find profit or loss
   b) Can find the financial position
   c) Can identify total cash receipts and cash payments under different heads

   Answer: c) Can identify total cash receipts and cash payments under different heads- It helps in locating all different types of expenses and payments and the amount under each such head in an accounting period.
22. Income and Expenditure Account is prepared for the following purpose:

a) To find whether, the closing cash balance agrees with the actual cash balance
b) To find the closing cash and bank balance
c) To ascertain surplus or deficit

Answer c) – To ascertain surplus or deficit – The main objective to prepare income and expenditure account is to find whether the total expenses exceed the total incomes in the accounting period or the total incomes exceed the total expenditure in the accounting period.

23. The following is the true statement about a balance sheet.

a) It can be prepared on any particular date
b) It is prepared at the end of the financial year only
c) It is prepared at the end of every quarter.

Answer a) It can be prepared on any particular date. – A balance sheet can be prepared by any organization or an individual to find out the net worth on that particular date. (How much it actually owns and how much it owes to outsiders.)