20 True or False

Decide, then check the answer and reason below each statement.

Question 1

Carriage inward is recorded on the debit side of the Trading Account.

TRUE

Carriage inward is a direct expense on purchased goods and is debited to the Trading Account.

Question 2

Carriage outward is recorded on the debit side of the Profit and Loss Account.

TRUE

Carriage outward is a selling expense and is debited to the Profit and Loss Account.

Question 3

Carriage inward is classified as a direct expense.

TRUE

It is incurred to bring purchased goods to the business, making it part of the cost of goods.

Question 4

Carriage outward is classified as an indirect selling expense.

TRUE

It arises after goods are ready for sale and relates purely to selling and distribution.

Question 5

Carriage inward reduces the gross profit of a business.

TRUE

As a Trading Account debit, it raises cost of goods sold and lowers gross profit.

Question 6

Carriage outward reduces net profit rather than gross profit.

TRUE

As a Profit and Loss Account item, it is deducted after gross profit is already determined.

Question 7

Carriage inward can be capitalised if it relates to purchasing a fixed asset.

TRUE

Freight on a fixed asset purchase is added to that asset's cost rather than expensed as routine carriage inward.

Question 8

Carriage outward can never be capitalised because it is a pure revenue expense.

TRUE

It is a selling cost with no link to acquiring or improving an asset, so it stays a revenue expense.

Question 9

Carriage inward is also known as freight inward.

TRUE

Freight inward and transportation inward are alternate names used across accounting textbooks.

Question 10

The IIBF JAIIB and CAIIB accounting syllabus covers the distinction between carriage inward and carriage outward.

TRUE

The topic tests whether candidates can correctly separate procurement costs from selling costs.

Question 11

Carriage outward is recorded in the Trading Account along with purchases.

FALSE

Carriage outward is debited to the Profit and Loss Account, not the Trading Account.

Question 12

Carriage inward is always paid by the seller of the goods.

FALSE

Carriage inward is usually borne by the buyer, since it is the cost of bringing purchased goods in.

Question 13

Carriage outward is treated as a direct expense in accounting.

FALSE

Carriage outward is an indirect selling and distribution expense, not a direct expense.

Question 14

Carriage inward has no impact on the gross profit figure.

FALSE

Carriage inward is debited to the Trading Account, so it directly affects gross profit.

Question 15

Carriage outward increases gross profit when goods are dispatched to customers.

FALSE

Carriage outward is a Profit and Loss Account expense and affects net profit, not gross profit.

Question 16

Carriage inward can never be capitalised under any circumstances.

FALSE

Carriage inward can be capitalised when it relates to acquiring a fixed asset.

Question 17

Carriage inward and carriage outward are recorded in the same account in final accounts.

FALSE

Carriage inward goes to the Trading Account while carriage outward goes to the Profit and Loss Account.

Question 18

Carriage outward is the cost incurred to bring purchased goods into the business.

FALSE

That description matches carriage inward; carriage outward relates to delivering sold goods to customers.

Question 19

Carriage inward is classified as an indirect selling expense.

FALSE

Carriage inward is a direct expense tied to procuring goods, not a selling expense.

Question 20

The party bearing carriage cost can never shift between buyer and seller regardless of agreed terms.

FALSE

The burden of carriage cost can shift between buyer and seller depending on the terms agreed.