## 20 True or False

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

### Question 1

**The golden rules of accounting are three principles used to decide which account to debit and which to credit.**

**TRUE**

The three rules cover Real, Nominal and Personal accounts respectively.

### Question 2

**Real accounts include Cash A/c and Building A/c.**

**TRUE**

Real accounts are balance-sheet accounts covering assets like cash and buildings.

### Question 3

**Nominal accounts are closed to the profit and loss account at the end of the accounting period.**

**TRUE**

Nominal accounts are temporary and do not carry balances forward.

## Question 4

**Under the personal account rule, the receiver is debited and the giver is credited.**

**TRUE**

This is the core rule for accounts of individuals, firms and institutions.

## Question 5

**In double-entry bookkeeping, every transaction must have equal debit and credit amounts.**

**TRUE**

Unequal debits and credits mean the journal entry is incorrect.

## Question 6

**Purchases A/c and Sales A/c are classified as nominal accounts.**

**TRUE**

They record trading income and expense, not assets, so they are nominal accounts.

## Question 7

**Capital A/c and Drawings A/c are personal accounts.**

**TRUE**

These accounts represent the owner's dealings with the business.

## Question 8

**Accounting and Financial Management for Bankers, AFM, is one of the JAIIB exam papers.**

TRUE

AFM tests accounting fundamentals including the golden rules and journal entries.

## Question 9

**The modern approach to accounting uses five account heads: assets, liabilities, capital, revenue and expenses.**

TRUE

This American approach is an alternative classification to the three traditional rules.

## Question 10

**Real accounts are not closed at the end of the year; their balances carry forward.**

TRUE

Real account balances roll forward on the balance sheet into the next period.

## Question 11

**There are five golden rules of accounting under the traditional approach.**

**FALSE**

There are only three golden rules, one each for Real, Nominal and Personal accounts.

## Question 12

**The golden rules of accounting are also known as the modern American approach.**

**FALSE**

The golden rules are the traditional or British approach, distinct from the modern approach.

## Question 13

**Under the real account rule, you debit what goes out and credit what comes in.**

**FALSE**

The rule is reversed: debit what comes in, credit what goes out.

### Question 14

**Under the nominal account rule, all incomes and gains are debited while expenses and losses are credited.**

**FALSE**

The rule is reversed: debit expenses and losses, credit incomes and gains.

### Question 15

**Salaries A/c and Rent A/c are examples of real accounts.**

**FALSE**

Salaries and Rent are expense accounts, so they are nominal accounts.

### Question 16

**Nominal accounts record a business's assets and liabilities.**

**FALSE**

Assets and liabilities are recorded in real accounts; nominal accounts record income and expense.

## Question 17

**Personal accounts are permanently closed at the end of every financial year.**

FALSE

Personal accounts, like real accounts, carry balances forward rather than closing each year.

## Question 18

**In double-entry bookkeeping, a transaction can affect just one account.**

FALSE

Every transaction must affect at least two accounts, one debited and one credited.

## Question 19

**The modern and traditional approaches to accounting always lead to different final journal entries.**

FALSE

Both approaches lead to identical debits and credits for the same transaction.

## Question 20

**Identifying the type of account is unnecessary before applying a golden rule.**

**FALSE**

Classifying the account as Real, Nominal or Personal is required before the correct rule can be applied.