



**NAYAGARH AUTONOMOUS COLLEGE
NAYAGARH**

**DESCRIPTIVE QUESTION BANK
ON
FINANCIAL ACCOUNTING
(Semester 1 – CC1)**

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UNIT 1 – BASICS OF ACCOUNTING

1. Define accounting. Discuss the objectives of accounting.
2. What are the various interested parties which use accounting information?
3. What is meant by book-keeping and accounting? Is accounting a science or art?
4. Briefly describe the various branches of accounting.
5. Distinguish between :
 - (a) Accounting and Accountancy
 - (b) Cash and Mercantile System of Accounting
6. What is meant by Journal ? Enumerate the steps in journalising.
7. Define ledger. Explain the procedure for balancing a ledger account.
8. What is meant by posting? How is posting made from the journal in the ledger? Explain with suitable examples.
9. Pass necessary Journal entries in the books of Narender for the month of March, 2006 :
 - i) An old machinery appearing in books exchanged for a new machinery of Rs. 5,000.
 - ii) Issued a cheque for Rs. 1,000 in favour of landlord for a rent for the month of March.
 - iii) Paid electricity bill of Rs. 450 by cheque.
 - iv) The goods destroyed by theft Rs. 3,000.
 - v) Paid wages for the installation of machinery Rs. 5,000.
 - vi) Accrued interest Rs. 1100.
 - vii) Goods worth Rs. 4,000 given away by way of charity.
 - viii) Goods taken by Proprietor worth Rs. 10,000 for personal use.
10. From the following transactions of Mr. Kamal Mahajan write up journal entries and post them into ledger.
 - Jan.1 Assets-Cash in hand Rs. 2,000, Cash at bank Rs. 5,000, Stock of goods Rs. 4,000, Machinery Rs. 9000, Furniture Rs. 2,000, Sham owes Rs. 500, Ram owes Rs. 3,500. Liabilities - Loan Rs. 4,000; sum owing to Y Rs. 3,000.
 - Jan.2 Sold goods to Pawan Rs. 3,000.
 - Jan. 5 Received Rs. 2,950 from Pawan in full settlement of his accounts.
 - Jan. 6 Payment made to Y Rs. 1,975 by cheque, he allowed discount of Rs. 25. Jan. 8 Old furniture sold for Rs. 200.
 - Jan. 10 Ram pays Rs. 3,400 by cheque and discount allowed to him Rs. 100, cheque deposited in bank.
 - Jan. 13 Paid for repairs to machinery Rs. 250

- Jan. 15 Bank intimates the cheque of Ram has been returned dishonoured. Jan. 18 Paid municipal taxes Rs. 200.
- Jan. 22 Bought goods from Sita & Co. Rs. 1,000.
- Jan. 25 Goods worth Rs. 600 given away as charity.
- Jan. 31 Returned goods to Sita & Co. Rs. 1,000.
- Jan. 31 An amount which was written off as bad debts in 1998 recovered Rs. 1,000.

11. What do you mean by a Trial Balance? Discuss the objectives and methods of preparing a Trial Balance.
12. Is the agreement of Trial Balance a conclusive proof of the accuracy of books of accounts? If not, what are the errors, which remain undetected by the Trial Balance?
13. In case of disagreement of the Trial Balance in what order you would follow to locate the errors?
14. The cashbook of Mr. Sheru shows Rs. 8,364 as bank balance on 31st December 2005. But you find that this does not agree with the balance as shown by passbook. On scrutiny you find the following discrepancies:
 - (a) On 15th Dec. 2005 the payment side of cashbook was undercast by Rs. 100.
 - (b) A cheque for Rs. 131 issued on 25th December 2005 was taken in cash column.
 - (c) One deposit of Rs. 150 was recorded in cash book as if there is not bank column therein.
 - (d) On 18th Dec. 2005 the debit balance of Rs. 1,526 as on the previous day was brought forward as credit balance.
 - (e) Of the total cheques amounting to Rs. 11,514 drawn in last week of December 2005, cheques aggregating Rs. 7,815 encashed in December.
 - (f) Dividends of Rs. 250 collected by bank and subscription of Rs. 200 paid by it were not recorded in cash book.
 - (g) One outgoing cheque of Rs. 350 was recorded twice in the cash book.
15. From the following Trial Balance (containing obvious errors) prepare a correct Trial Balance:

	Dr. (Rs.)	Cr. (Rs.)
Purchases	60,000	
Reverse fund	20,000	

Sales		1,00,000
Purchase returns	1,000	
Sales returns		2,000
Opening stock	30,000	
Closing stock		40,000
Expenses		20,000
Outstanding expenses	2,000	
Bank balance	5,000	
Assets	50,000	
Debtors		80,000
Creditors		30,000
Capital	94,000	
Suspense account (difference in books)	10,000	
	2,72,000	2,72,000

16. The following balances appear in various accounts on 31.12.2005. You are asked to prepare a Trial Balance:

	Rs.		Rs.
Capital	20,000	Apprentice premium	300
Machinery	8,000	Insurance premium	200
Building	9,000	Interest on investment	600
Rates and taxes	500	Investments	6,000
Debtors	6,000	Bank charges	100
Stationery	900	Printing	300
Bills payable	1,950	Creditors	3,000
Loan from Raju and Co.	8,000	Office expenses	650
Opening stock	500	Wages	1,200
Bank	1,500	Sales	9,000
Cash	500	Purchases	3,500
Drawings	2,000	Furniture	2,000

UNIT 2 – REPORTING STANDARDS & BUSINESS INCOME & DEPRECIATION

1. On 1.1.11 machinery was purchased for ₹ 80,000. On 1.7.12 additions were made to the amount of ₹ 40,000. On 31.3.2013, machinery purchased on 1.7.2012, costing ₹ 12,000 was sold for ₹ 11,000 and on 30.06.2013 machinery purchased on 1.1.2014 costing ₹ 32,000 was sold for ₹ 26,700. On 1.10.2013, additions were made to the amount of ₹ 20,000. Depreciation was provided at 10% p.a. on the Diminishing Balance Method. Show the Machinery Accounts for three years from 2011-2013. (year ended 31st December)
2. S & Co. purchased a machine for ₹ 1,00,000 on 1.1.2011. Another machine costing ₹ 1,50,000 was purchased on 1.7.2012. On 31.12.2013, the machine purchased on 1.1.2011 was sold for ₹ 50,000. The company provides depreciation at 15% on Straight Line Method. The company closes its accounts on 31st December every year. Prepare – (i) Machinery A/c, (ii) Machinery Disposal A/c and (iii) Provision for Depreciation A/c
3. Define Depreciation ? Discuss the objectives of providing depreciation?
4. Define Depreciation ? Discuss the factors to be considered while providing depreciation?
5. Define Depreciation ? Discuss any two methods of calculating depreciation?
6. Write a short note on Accounting standards in India ?
7. Discuss the objective & functions of Accounting standard board ?
8. What do you understand by IFRC? Explain the merits of IFRS?
9. What is Ind AS? How it is different from IFRS ?
10. Explain the silent features of AS 9 with respect to Revenue Recognition?

UNIT 3 - CAPITAL AND REVENUE EXPENDITURE AND RECEIPTS

1. State with reasons whether the following are Capital Expenditure or Revenue Expenditure:
 - (i) Expenses incurred in connection with obtaining a licence for starting the factory were ₹ 10,000.
 - (ii) ₹ 1,000 paid for removal of stock to a new site.
 - (iii) Rings and Pistons of an engine were changed at a cost of ₹ 5,000 to get full efficiency.
 - (iv) ₹ 2,000 spent as lawyer's fee to defend a suit claiming that the firm's factory site belonged to the Plaintiff. The suit was not successful.
 - (v) ₹ 10,000 were spent on advertising the introduction of a new product in the market, the benefit of which will be effective during four years.
 - (vi) A factory shed was constructed at a cost of ₹ 1,00,000. A sum of ₹ 5,000 had been incurred for the construction of the temporary huts for storing building materials.
 - (vii) The redecoration expenses ₹ 6,000.
 - (viii) The installation of a new Coffee-making Machine for ₹ 10,000.
 - (ix) The building of an extension of the club dressing room for ₹ 15,000.
 - (x) The purchase of snacks & food stuff ₹ 2,000. (v) The purchase of V.C.R. and T.V. for the use in the club lounge for ₹ 15,000.
2. Difference between Capital & Revenue Expenditure

UNIT 3 - FINANCIAL STATEMENTS (FINAL ACCOUNTS)

1. Distinguish between Trading Account and Profit & Loss Account. Give a specimen of Trading and Profit & Loss Account with imaginary figures.
2. What is a Balance Sheet? What do you understand by Marshalling used in the Balance Sheet? Illustrate the different forms of marshalling.
3. What are closing entries. Give the closing entries which are passed at the end of the accounting period.
4. What are adjustment entries? Why are these necessary for preparing final account.
5. From the following information, prepare the Trading Account for the year ending on 31 March 2002 :
Opening Stock Rs. 1,50,000, Cash Sales Rs. 60,000, Credit Sales Rs. 12,00,000, Returns Outwards Rs. 10,000, Wages Rs. 4,000, Carriage Inward Rs. 1,000, Freight Inward Rs. 3,000, Octroi Rs. 2,000, Cash Purchases Rs. 50,000, Credit Purchases Rs. 10,00,000, Returns Inward Rs. 20,000, Closing Stock as on 31.3.2002 Rs. 84,000.
6. From the following information, prepare a Manufacturing Account for the year ending on 31 March 2002 :

	Rs.		Rs.
Work-in-progress (1.4.2001)	4,000	Wages	20,000
Raw Material (31.3.2002)	90,000	Salary of Works Manager	8,000
	0		
Carriage Inwards	3,000	Power, Electricity & Water	6,000
Freight Inwards	2,000	Fuel	4,000
Return Outwards	2,700	Depreciation :	
Sales of Scrap	1,000	Plant & Machinery	8,000
Work-in-progress (31.3.2002)	5,000	Factory Building	4,000
Raw Materials (1.4.2001)	74,000	Repairs & Insurance :	
	0		
Raw Material Purchased	45,000	Plant & Machinery	6,000
	0		
General Expenses	2,000	Factory Building	2,000
		Factory Rent & Taxes	10,000

7. following balances are extracted from the books of Nikhil & Co. on 31st March, 2002. You are required to make the necessary closing entries and to prepare the Trading and Profit and Loss Account and a Balance Sheet as on that date :

Opening Stock	500	Commission (Cr.)	200
B/R	2,250	Returns Outwards	250

Purchases	19,500	Trade Expenses	100
Wages	1,400	Office Fixtures	500
Insurance	550	Cash in Hand	250
Sundry Debtors	15,000	Cash at Bank	2,375
Carriage Inwards	400	Rent & Taxes	550
Commission (Dr.)	400	Carriage Outwards	725
Interest on Capital	350	Sales	25,000
Stationary	225	Bills Payable	1,500
Returns Inwards	650	Creditors	9,825
		Capital	8,950

The closing Stock was valued at Rs. 12,500.

8. From the following Trial Balance of Mr. Nitin, prepare Trading and Profit and Loss Account for the year ending 31st March, 2002 and Balance Sheet on that date :

Debit Balance	Rs.	Credit Balance	Rs.
Drawings	14,200	Capital	85,000
Plant and Machinery	19,000	Sales	2,38,120
Stock on 1st April, 2001	29,200	Discount Received	1,200
Purchases	2,07,240	Provision for Doubtful Debts	2,100
Bills Receivable	4,800	Returns outward	5,820
Returns Inwards	4,200	Apprenticeship premiums	2,400
Cash in hand	960	Bank Overdraft	4,000
Sundry Debtors	64,000	Sundry Creditors	20,000
Bad debts	3,440	Bills Payable	3,600
Sundry Expenses	8,800		
Rent	2,400		
Rates and Taxes	4,000		
	<hr/>		<hr/>
	3,62,240		3,62,240

1. Make a provision for DD on sundry debtors @ 5%.
 2. Depreciation is charged on Plant and Machinery @ 10% p.a.
 3. Outstanding Rent was Rs. 800
 4. There were prepaid taxes for Rs. 1,600.
 5. Apprenticeship Premium Rs. 400 was to be carried forward.
 6. The value of stock on 31st March 2001 was Rs. 34,000.
9. Prepare a Trading Account of a businessman for the year ending 31st December, 1998 from the following data

Stock on 1.1.1998	2,40,000
Cash purchases for the year	2,08,000
Credit purchases for the year	4,00,000

Cash sales for the year	3,50,000
Credit sales for the year	6,00,000
Purchases returns during the year	8,000
Sales returns during the year	10,000
Direct expenses incurred :	
Freight	10,000
Carriage	2,000
Import Duty	8,000
Clearing Charges	12,000
Cost of goods distributed as free samples during the year	5,000
Goods withdrawn by the trader for personal use	2,000
Stock damaged by fire during the year	13,000

The cost of unsold stock on 31st December, 1998 was Rs.1,20,000 but its market value was Rs.1,50,000.

10. On 31st March, 2002 the following Trial Balance was extracted from the books of Mr. Deepak Kumar :

Debit Balances	Rs.	Credit Balances	Rs.
Sundry Debtors	20,100	Capital	28,000
Drawings	3,000	Loan On Mortgage	9,500
Bills receivable	6,882	Rent Received	250
Interest on Loan	300	Bill Payable	2,614
Cash at Bank	3,555	Discount Received	540
Motor Van	10,000	Sales	1,10,243
Stock on 1st April, 2001	6,839	Sundry Creditor	10,401
Cash in hand	2,050	Bad debts Reserve	710
Land and Building	12,000	Return Inwards	1,346
General Expenses	3,489		
Advertising	3,264		
Rent, Rates, Taxes and Insurance	2,891		
Salaries	9,097		
Bad debts	525		
Purchases	66,458		
Returns Inwards	7,821		
Carriage Inwards	2,929		
Carriage Outwards	2,404		
	<u>1,63,604</u>		<u>1,63,604</u>

Preparing Trading and Profit and Loss Account for the year ending 31st March, 2002 and Balance Sheet as on that after making following adjustments :

- (i) Closing stock is valued at Rs. 6,250
- (ii) Depreciate Land and Building at 2%, Motor van at 20%
- (iii) Salaries Rs. 750 and rates Rs. 350 are outstanding.
- (iv) Goods costing Rs. 500 were sent to a customer on sale or return for Rs.600.
- (v) Goods costing Rs. 1,000 were taken by proprietor for private use, had been treated as credit sales.
- (vi) Prepaid insurance Rs. 150.
- (vii) Provision for Bad debts is to be maintained at 5% on Debtors.
- (viii) Provide interest on loan on mortgage 6% p.a. for 6 months.
- (ix) Provide for manager's commission at 10% on net profits after charging such commission.

11. On 31st March, 1997, Mr. Rohin's Debtors totalled Rs. 11,600, While making up final accounts of his business, he created a provision of 5% on debtors for doubtful debts. During the year ending on 31st March, 1998, actual bad debts were Rs. 480. Sundry Debtors on 31st March, 1998 amounted to Rs. 15,000 on which a provision of 5% was considered necessary.

- Show :**
- i) Adjusting entries for two years.
 - ii) Provision for Doubtful Debts Account for two years.

UNIT 3 - Accounting of Admission, Retirement and Death of partner and Dissolution of the Partnership Firm Including Insolvency of partners

1. Ranu & Mili are partners in a firm sharing profits and losses in the ratio of 2/3 and 1/3. The Balance Sheet of the firm on 31st December, 2007 was as follows :

Liabilities	\`	Assets	\`
Creditors	7,000	Goodwill	4,980
Investment provision	2,000	Investments	25,000
General Reserve	10,500	Stock	15,000
Workmen's Compensation Fund	6,000	Bill Receivable	12,500
Capital Accounts :		Debtors	
Ranu		20,000	
30,000	54,500	Less : Provision for DD	17,500
Mili		2,500	
24,500		Bank	5,020
	80,000		80,000

On the above date, Manisha is admitted for 2/5th share in the profit or losses of the firm. Following revaluations were made at the time of admission:

- a. Manisha is required to bring in Rs. 50,000 as capital.
- b. Her goodwill was calculated at Rs. 12,000.
- c. Ranu & Mili had purchased a machinery on hire purchase system for Rs. 15,000 of which only Rs. 500 are to be paid. Both machinery and unpaid liability did not appear in the balance sheet.
- d. There was a Joint Life policy on the lives of Ranu & Mili for Rs. 75,000. Surrender value of the policy on the date of admission amounted to Rs. 12,000.
- e. Accrued incomes not appearing in the books were Rs. 500.
- f. Market value of investments is Rs. 23,900.
- g. Sikha, an old customer whose account was written off as bad, has promised to pay Rs.1,750 in full settlement of her claim.
- h. Claim on account of compensation is estimated at Rs. 750.
- i. Provision for doubtful debts is required at Rs. 3,000.

Prepare Revaluation Account, Partners Capital Accounts and opening Balance Sheet after admission of Manisha.

2. Quick and Slow are partners in a firm sharing profits and losses in the ratio of 3 :2. The Balance Sheet of the firm as on 31st March, 2008 was as under:

Liabilities		Assets	
Capital Accounts:		Furniture & Fixture	60,000
Quick 1,20,000		Office Equipments	30,000
Slow 77,000	1,97,000	Motor Car	75,000
General Reserve	30,000	Stock	50,000
Sundry Creditors	96,000	Sundry Debtors	90,000
		Cash at Bank	18,000
	3,23,000		3,23,000

1. Smooth was admitted as a new partner with effect from 1st April, 2008 and it was agreed that he would bring some private furniture worth Rs. 10,000 and private stock costing Rs. 8,000 and in addition contribute Rs. 50,000 cash towards capital.
2. He would also bring proportionate share of goodwill which is to be valued at two years purchase of the average profits of the last three years. The Profits of the last three years were : 2007-08 Rs. 52,000; 2006-07 Rs. 32,000; 2005-06 Rs. 28,000.
However, on a checking of the past records, it was noticed that on 1.4.06 a new furniture costing Rs. 8,000 was purchased but wrongly debited to revenue, and in 2007-08 a purchase invoice for Rs. 4,000 dated 25.3.08 has been omitted from the books. The firm charges depreciation @ 10% p.a. under the diminishing balance method.
Your calculation of goodwill is to be made on the basis of correct profits.
3. On revaluation, value of stock is to be reduced by 5% and Motor Car is worth Rs. 85,000. Smooth duly paid the required amount of goodwill and cash towards capital.
4. It was decided that the future profits of the firm would be shared as Quick 50%, Slow 30% and Smooth 20%.

Assuming the above mentioned arrangements were duly carried out, show the Capital Accounts of the partners and the Balance Sheet of the firm after Smooth's admission.

[Ans : Profit on Rectification Rs. 2,480; Adjusted average profits Rs. 38,160; Goodwill Rs. 76,320; Profit on Revaluation Rs. 7,500; Balance sheet total Rs. 4,20,244]

3. Baisakhi and Srabani are partners sharing profits and losses in proportion to their capitals. Their Balance Sheet as on 31st March, 2008 is given below:

Liabilities		Assets	
Creditors	15,000	Freehold Premises	10,000
General Reserve	2,100	Machinery	3,500
Capitals :		Furniture	1,750
Baisakhi 20,000		Office Equipments	550
Srabani 15,000	35,000	Stock	14,100
		Bill Receivable	3,060
		Debtors	17,500
		Bank	1,590
		Cash	50
	52,100		52,100

On 1st April, 2008 they admit Poushali on the following conditions:

1. Poushali should bring in Rs. 10,000 as capital and to pay Rs. 3,500 for goodwill as she will get 1/4th share in profits.
2. A provision of 2% to be raised against debtors, stock to be reduced by 5%, Freehold Premises to be revalued at Rs. 12,650, Machinery at Rs. 2,800, Furniture at Rs. 1,540 and Office equipments at Rs. 495.

3. Partners agreed that the values of assets and liabilities should remain unaltered. Show the necessary accounts and prepare the opening Balance Sheet of the new firm.

Ans: R. Profit – 630, Capital Accounts- 22390, 16792, 9318, B/s Total 65600

4. Maruti and Ford are partners in a firm sharing profits and losses in the ratio of 3 :2. On 31st March, 2008 their Balance Sheet stood as under:

Liabilities		Assets	
Capital Accounts :		Freehold Premises	24,000
Maruti 40,000		Plant	4,000
Ford 20,000	60,000	Stock	33,000
General reserve	15,000	Debtors	12,000
Creditors	10,000	Bank	7,000
		Profit & Loss A/c	5,000
	85,000		85,000

On the same day, they admitted Suzuki as a partner and new profit sharing ratio became 7:3:3. Goodwill of the firm was valued at Rs. 20,800. Suzuki was to bring required premium and proportionate Capital. Capitals of Maruti and Ford as between themselves were also to be adjusted in their profit sharing ratios.

Pass Journal entries in the books of the new firm and prepare the Balance Sheet of the reconstituted firm.

[Ans : Total Capital Rs. 97,240; Suzuki's Capital contribution Rs. 22,440; Premium paid by him Rs. 4,800]

5. Marigold and Rose were in partnership sharing profits and losses as two-thirds and one-third. As from April 1, 2007 they agreed to take Jasmine as a new partner. The new partner will have 1/6th share, the old partners agreeing to share equally as between them in the new firm. Jasmine brings in Rs. 50,000 as capital and Rs. 4,000 as his share of goodwill to be retained in the business. The following is the Balance Sheet of the old firm as on 31st March, 2007:

Liabilities		Assets	
Capital Accounts :		Cash	7,000
Marigold 62,500		Stock	50,000
Rose 37,500	1,00,000	Debtors	30,000
Creditors	50,000	Plant	25,000
		Investment	38,000
	1,50,000		1,50,000

a) The following revaluation is agreed upon : Stock – Rs. 55,000; Plant – Rs. 20,000; Investment – Rs. 35,000; Reserve for Bad Debts – 5%. It was further agreed that Marigold alone is to be charged with any loss arising from the above.

b) The profits after depreciating plant @ 5% p.a. for the year ended 31st March, 2008 was Rs. 1,20,000 and the drawings of the partners were : Marigold – Rs. 40,000; Rose – Rs. 40,000; Jasmine – Rs. 10,000.

You are required to Journalise the opening adjustments and draw up the Balance Sheet as on 31.3.2008.

Ans : Balance Sheet Rs. 1,79,500; M's Capital Rs. 74,000; R's Capital Rs. 45,500; J's Capital Rs. 60,000]

6. Arun and Anand were partners sharing profits in the ratio of 3:2. Their position as on 31st March, 2013 was as under :

Liabilities		Assets	
Arun's Capital	12,000	Land and Buildings	8,000
Anand's Capital	10,000	Plant and Machinery	10,000
General Reserve	12,000	Sundry Debtors	11,000
Workmen's Compensation Fund	4,000	Stock	12,000
Sundry Creditors	12,000	Cash at Bank	9,000
	50,000		50,000

They decided to admit Ashok for a 20% profit on the following terms :

(a) The liability on Workmen's Compensation Fund is to be determined at ` 2,000

(b) Ashok to bring in ₹ 3,000 as premium out of his share of ₹ 3,600. He is also to bring in ₹ 20,000 as his capital

(c) General Reserve is to be maintained at its original value

(d) ₹ 2,000 out of creditors to be paid at 5% discount.

Pass the necessary journal entries to give effect to the above arrangement; to show the capital accounts and prepare the Balance Sheet of the new firm.

7. The Balance Sheet of Baichung, Tausif and Vijayan who shared profits and losses in the ratio 3:3:2 respectively was as follows on 31st December, 2012 :

Liabilities			Assets		
	Details	Amount		Details	Amount
Capital A/c:			Machinery		31600
Baichung	24000		Furniture		6400
Tausif	10000		Stock		8500
Vijayan	8000	42000	Debtors		4300
Reserve		4800	Cash at Bank		4700
Sundry Creditors		8700			
		55500			55500

Baichung retired from the business on 1st January, 2008. Revaluation of assets were made as : Machinery ₹ 34,000, Furniture ₹ 5,000, Stock ₹ 9,600, Debtors ₹ 4,000 and Goodwill ₹ 10,000. Baichung was paid ₹ 4,225 immediately and the balance was transferred to a Loan Account for payment in 4 equal half-yearly installments together with interest @ 6% p.a. Show the necessary accounts, the Balance Sheet of the firm immediately after Baichung's retirement and his Loan Account till finally paid off.

8. Compass, Cone and Circle are in partnership sharing profits and losses in the ratio of 3 : 2 : 1. The Balance Sheet of the firm as on 31st December, 2011 was as follows :

Liabilities			Assets		
	Details	Amount		Details	Amount
Capital A/c:			Machinery(at Cost)	50000	
Compass	40000		Less Provision for Dep.	8000	42000
Cone	60000		Furniture		1000
Circle	20000	120000	Debtors	80000	
Reserve		30000	Less Provision for DD	3000	77000
Sundry Creditors		60000	Stock		50000
			Cash at Bank		40000
		210000			210000

On 31st March 2012 Conre retired and Compass an Circle continued in partnership, sharing profits and losses in the ratio of 3 : 2. It was agreed that adjustments were to be made in the Balance Sheet as on 31st March, 2012, in respect of the following :

- The Machinery was to be revalued at ₹ 45,000;
- The Stock was to be reduced by 2%;
- The Furniture was to be reduced to ₹ 600;
- The Provision for Doubtful Debts would be ₹ 4,000;
- A provision of ₹ 300 was to be made for Outstanding Expenses.

The Partnership agreement provided that on the retirement of a partner, goodwill was to be valued at ₹ 24,000 and Cone's share of the same was to be adjusted into the accounts of Compass and Circle. The profit up to the date of retirement was estimated at ₹ 18,000.

Cone was to be paid off in full, Compass and Circle were to bring such an amount in cash so as to make their capital in proportion to the new profit sharing ratio. Subject to the condition that a cash balance of ₹ 20,000 was to be maintained as working capital. Pass the necessary journal entire to give effect to the above arrangements and prepare the partners' Capital Accounts on 31st March, 2012.

10. On 1.1.2010, A and B started a firm of Cost Accountants sharing profits and losses equally. Each of the partners contributed ₹ 2,000 towards his capital of the firm and was allowed to draw ₹ 400 p.m. in anticipation of profits.

On 1.1.2011, they admitted C as a third partners with equal share and he contributed ` 3,000 towards his capital and a further sum of ` 2,000 towards premium for goodwill. He too was entitled to draw ` 400 p.m.

From 1.1.2012, A got a part-time job of cost consultant elsewhere and considering that he would be unable to devote his full time towards the business of the firm agreed to leave half of his share in the profits to be apportioned equally between B and C and his drawings was reduced to ` 200 p.m. from 1st January, 2012.

On 1.1.2013, B got a full time job and in consequence A had to leave his part-time job and to devote full time in the firm. It was arranged that B will remain only a quarter of his earlier share in the firm and would be drawing nothing from 1.1.2013. A and C would be drawing @ ` 600 p.m. instead. The interest surrendered by B would be apportioned equally by A and C.

On 31st Dec. 2013, B decided to retire altogether from the firm.

You are required to ascertain the amount due to B by the firm from the following particulars :

a) Profits earned by the firm :

2010 — ` 17,000; 2011 — ` 18,000 2012 — ` 24,000; 2013 — ` 28,896

b) B's share of goodwill is to be taken at two years' purchase of the average of his share of profit of the previous two years.

c) The partners have drawn exactly what they could draw under the agreement.

11. A, B and C were in partnership sharing profits in the proportion of 5:4:3. The Balance Sheet of the firm as on 31st March, 2013 was as under :

Liabilities	Amount `	Assets	Amount `
Capital Accounts :		Goodwill	40,000
A	1,35,930	Fixtures	8,200
B	95,120	Stock	1,57,300
C	61,170	Sundry Debtors	93,500
Sundry Creditors	41,690	Cash	34,910
	33,910		33,910

A had been suffering from ill-health and gave notice that he wished to retire. An agreement was, therefore entered into as on 31st March, 2013, the terms of which were as follows:

a) The Profit & Loss Account for the year ended 31st March, 2013, which showed a net profit of ` 48,000 was to be reopened. B was to be credited with ` 4,000 as bonus, in consideration of the extra work which had devolved upon him during the year. The profit sharing ratio was to be revised as from 1st April, 2012 to 3:4:4.

b) Goodwill was to be valued at two years' purchase of the average profits of the preceding five years. The Fixtures were to be revalued by an independent valuer. A provision of 2% was to be made for doubtful debts and the remaining assets were to be taken at their book values. The valuations arising out of the above agreement were Goodwill ` 56,800 and Fixture ` 10,980.

c) B and C agreed, as between themselves, to continue the business, sharing profits in the ratio of 3:2 and decided to eliminate Goodwill from the Balance Sheet, to retain the Fixtures on the books at revised value, and to increase the provision for doubtful debts to 6%.

You are required to submit the Journal Entries necessary to give effect to the above arrangement and to draw up the Capital Accounts of the partners after carrying out all adjustment entries as stated above.

12. A, B and C were partners of a firm sharing profits and losses in the ratio of 3 : 4 : 3. The Balance Sheet of the firm, as at 31st March, 2010 was as under:

Liabilities	`	Assets	`
Capital Accounts:		Fixed Assets	1,00,000
A	48,000	Stock	30,000
B	64,000	Debtors	60,000
C	48,000	Cash and Bank	30,000
Reserve	20,000		
Creditors	40,000		
	2,20,000		2,20,000

Partner C died on 30th September, 2010. It was agreed between the surviving partners and the legal representatives of C that:

- a) Goodwill of the firm will be valued at ` 60,000.
- b) Fixed Assets will be written down by ` 20,000.
- c) In lieu of profits, C should be paid at the rate of 25% per annum on his capital as on 31st March, 2010.
- d) The profits for the year ended 31st March, 2011, after charging depreciation of ` 10,000 (depreciation upto 30th September was agreed to be ` 6,000) were ` 48,000.
- e) Partners' Drawings Accounts showed balances as under :

A	` 18,000 (drawn evenly over the year)
B	` 24,000 (drawn evenly over the year)
C (up-to-date of death)	` 20,000

On the basis of the above figures, please indicate the entitlement of the legal heirs of C as on 31st March, 2011.

13. The Balance Sheet of Amitabh, Abhishek and Amrish as at 31.12.2008 stood as follows:

Liabilities	`	Assets	`
Capital:		Land & Buildings	74,000
Amitabh	60,000	Investments	10,000
Abhishek	40,000	Life Policy (at surrender value):	
Amrish	40,000	Amitabh	2,500
		Abhishek	2,500
Creditors	25,800	Amrish	1,000
General Reserve	8,000	Stock	20,000
Investment Fluctuation Reserve	2,400	Debtors 20,000 Less: Provision for DD 1,600	18,400
		Cash & bank balance	10,000
		Advertisement suspense	37,800
	1,76,200		1,76,200

Amrish died on 31 March, 2009, due to this reason the following adjustments were agreed upon:

- a) Land and Buildings be appreciated by 50%.
- b) Investment be valued at 6% less than the cost.
- c) All debtors (except 20% which are considered as doubtful) were good.
- d) Stock to be reduced to 94%.
- e) Goodwill to be valued at 1 year's purchase of the average profits of the past five years.
- f) Amrish's share of profit to the date of death be calculated on the basis of average profits of the three completed years immediately preceding the year of death.

The profits of the last five years are as follows:

Year	`
2004	23,000
2005	28,000
2006	18,000
2007	16,000
2008	20,000

The life policies have been shown at their surrender values representing 10% of the sum assured in each case. The annual premium of ` 1,000 is payable every year on 1st August.

Give the necessary Journal Entries in the books of account and prepare the Balance Sheet of the reconstituted firm.

14. The following is the balance sheet of the firm ABC as on 31.12.2002, their profit sharing ratio is 3:2:1

Capital Accounts: A ₹16,000, B ₹12,000, C ₹10,000	38,000	Fixed Assets	40,000
Current account A ₹4,000, B ₹3,000, C ₹1,000	8,000	S. Debtors	32,000
Reserves	18,000	JLP	6,000
P/L Account: Op. Balance 6,000 Profit for the year 14,000	20,000	Stock	24,000
Creditor	20,000	Bank	9,000
Bank Overdraft	10,000	Cash	3,000
	1,14,000		1,14,000

B Died on 31.03.2003. His account has to be settled & paid. For the year 2003, proportionate profit of 2002 is to be taken into account. For 2002, a bad debt of ₹2,000 has to be adjusted. Goodwill is to be calculated 3 times of 4 years average profits. A policy is taken on the joint life of partners for ₹35,000 & a premium of ₹2,000 has to be paid on 1st February every year. The profit last 3 years is :

2001 ₹16,000
2000 ₹20,000
1999 ₹12,000

Goodwill a/c need not be kept in the accounts. Calculate the amount payable to B's heirs. Show necessary ledger accounts of all partners & balance sheet after settlement.

15. Read, Write and Add give you the following Balance Sheet as on 31st March, 2011.

Liabilities	Rs.	Assets	Rs.
Read's Loan	15,000	Plant and Machinery at cost	30,000
Capital Accounts:		Fixtures and Fittings	2,000
Read 30,000		Stock	10,400
Write 11,000		Debtors 18,400	
Add 1,000	42,000	Less: Provision (400)	18,000
Sundry Creditors	17,800	Joint Life Policy	15,000
Loan on Hypothecation of Stock	6,200	Patents and Trademarks	10,000
Joint Life Policy Reserve	12,400	Cash at Bank	8,000
	93,400		93,400

The partners shared profits and losses in the ratio of Read 4/9, Write 2/9 and Add 1/3. Firm was dissolved on 31st March, 2011 and you are given the following information:

- Joint Life Policy was surrendered and Insurers paid a sum of Rs. 15,500.
- One of the creditors took some of the patents whose book value was Rs. 6,000 at a valuation of Rs. 4,500. The balance to that creditor was paid in cash.
- The firm had previously purchased some shares in a joint stock company and had written them off on finding them useless. The shares were now found to be worth Rs. 3,000 and the loan creditor agreed to accept the shares at this value.

d) The remaining assets realized the following amount:

Plant and Machinery	17,000
Fixtures and Fittings	1,000
Stock	9,000
Debtors	16,500
Patents 50% of their book value	

e) The liabilities were paid and a total discount of Rs. 500 was allowed by the creditors.

f) The expenses of realization amounted to Rs. 2,300.

Prepare the Realisation Account, Bank Account and Partners Capital Accounts in columnar form.

16. Ajay, Vijay, Ram and Shyam are partners in a firm sharing profits and losses in the ratio of 4: 1: 2: 3. Following is their Balance Sheet as on 31st March, 2016:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	2,00,000	Sundry Debtors	
Capital A/cs :		3,50,000	3,00,000
Ajay 7,00,000		Less : Doubtful Debts	1,40,000
Shyam 3,00,000		50,000	2,00,000
	10,00,000	Cash in hand	3,10,000
Reserve	1,00,000	Stocks	
		Other Assets	2,00,000
		Capital A/cs :	1,50,000
		Vijay	
		Ram	
	13,00,000		13,00,000

On 31st March, 2016 the firm is dissolved and the following points are agreed upon:

Ajay is to take over sundry debtors at 80% of book value.

Shyam is take over the stocks at 95% of book value and

Ram is to discharge sundry creditors.

Other assets realize Rs.3,00,000 and expenses of realization come to Rs.30,000.

Vijay is found insolvent and Rs.21,900 is realized from his estate.

Prepare Realisation Account and Capital Accounts of the partners. Show also Cash A/cs. The loss arising out of capital deficiency may be distributed following the decision in Garner vs. Murray.

17. The firm of Kapil and Dev has four partners and as of 31st March, 2011, its Balance Sheet stood as follows:

Balance Sheet as on 31st March, 2011

Liabilities	Rs.	Assets	Rs.
Capital A/cs:	2,00,000	Land	50,000
F. Kapil	2,00,000	Building	2,50,000
S. Kapil	1,00,000	Office equipment	1,25,000
R. Dev		Computers	70,000
		Debtors	4,00,000
Current A/cs:		Stock	3,00,000
F. Kapil	50,000	Cash in hand	75,000
S. Kapil	1,50,000	Other current assets	22,600
R. Dev	1,10,000	Current A/c B. Dev	87,400
Loan from NBFC	5,00,000		
Current Liabilities	70,000		
	13,80,000		13,80,000

The partners have been sharing profits and losses in the ratio of 4: 4: 1: 1. It has been agreed to dissolve the firm on 1.4.2011 on the basis of the following understanding:

(a) The following assets are to be realized to the extent indicated with respect to the book values:

Land 200%, Building 120%, Computers 70%, Debtors 95%, Stocks 90%

(b) In the case of the loan, the lenders are to be paid at their insistence a pre-payment premium of 1%.

(c) B. Dev is insolvent and no amount is recoverable from him. His father, R. Dev, however, agrees to bear 50% of his deficiency. The Balance of the deficiency is agreed to be appointment according to law.

Assuming that the realization of the assets and discharges of liabilities is carried out immediately, show the Cash A/c, Realisation Account and the Partner's Account.

18. Following is the balance sheet as on 31st March, 2016 of a firm having three partners, Alfa, Beta and Gama sharing profits and losses equally:

Liabilities	Rs.	Assets	Rs.
Sundry Creditors	20,000	Cash	3,120
Loan (Secured by furniture)	10,000	Stock	15,630
Capital Accounts :	8,000	Debtors	4,720
Alfa	6,000	Furniture	9,530
Beta	1,000	Profit and Loss Account	12,000
Gama			
	45,000		45,000

The firm was dissolved due to insolvency of all the partners. Stock was sold for Rs.9,900 while furniture fetched Rs.5,000. Rs.4,100 were received from debtors. Realisation expenses totaled Rs.220. Nothing could be recovered from Beta and Gama, but Rs.600 could be collected from Alfa's private estate.

UNIT 4 - Hire Purchase and Instalment Systems and Accounting for Branch & Department

On January 1, 2010 HP M/s acquired a Pick-up Van on hire purchase from FM M/s. The terms of the contract were as follows:

- The cash price of the van was ` 1,00,000.
- ` 40,000 were to be paid on signing of the contract.
- The balance was to be paid in annual instalments of ` 20,000 plus interest.
- Interest chargeable on the outstanding balance was 6% p.a.
- Depreciation at 10% p.a. is to be written-off using the straight-line method.

You are required to give Journal Entries and show the relevant accounts in the books of HP M/s from January 1, 2010 to December 31, 2012

- X purchased a truck for ` 2,80,000, payment to be made ` 91,000 down and 3 installments of ` 76,000 each at the end of each year. Rate of interest is charged at 10% p.a. Buyer depreciates assets at 15% p.a. on written down value method. Because of financial difficulties, X, after having paid down payment and first installment to the end of 1st year could not pay second installment and seller took possession of the truck. Seller, after spending ` 9,200 on repairs of the asset sold for ` 150,000. Show the relevant accounts in the books of the purchaser & the vendor.
- On 1.1.2011, A purchased 5 Machines from B. Payment was to be made — 20% down and the balance in four annual instalments of ` 2,80,000, ` 2,60,000, ` 2,40,000 and ` 2,20,000 commencing from 31.12.2011. The vendor charged interest @ 10% p.a. A, writes off depreciation @ 20% p.a. on the original cost. On A's failure to pay the instalment due on 31.12.2012, B repossessed all the machines on 01.01.2013 and valued them on the basis of 40% p.a. depreciation on W.D.V. basis. B after incurring ` 6,000 on repairs sold the machines for ` 2,66,000 on 30th June 2013. Prepare the relevant accounts in the books of A and B.
- X Ltd. purchased 3 milk vans from Super Motors costing ` 75,000 each on hire purchase system. Payment was to be made: ` 45,000 down and the remainder in 3 equal instalments together with interest @ 9%. X Ltd. writes off depreciation @ 20% on the diminishing balance. It paid the instalment at the end of the 1st year but could not pay the next. Super Motor agreed to leave one milk van with the purchaser, adjusting the value of the other two milk vans against the amount due. The milk vans were valued on the basis of 30% depreciation annually on written down value basis. X Ltd. settled the

seller's dues after three months. You are required to give necessary journal entries and the relevant accounts in the books of X Ltd.

5. Z Ltd. purchased seven trucks on hire purchase on 1st July, 2011. The cash purchase price of each truck was ₹ 1,00,000. The company has to pay 20% of the cash purchase price at the time of delivery and the balance in five half yearly instalment starting from 31st December, 2011 with interest at 5% per annum at half yearly rest. On the Company's failure to pay the instalment due on 30th June 2012, it was agreed that the Company would return 3 trucks to the vendor and the remaining four would be retained. The vendor agreed to allow him a credit for the amount paid against these 3 trucks less 25%. Show the relevant Accounts in the books of the purchaser and vendor assuming the books are closed in June every year and depreciation @ 20% p.a. is charged on Trucks. Vendor after spending ₹ 2,000 on repairs sold away all the three trucks for ₹ 80,000.
6. The Trading and Profit & Loss Account of Bindas Ltd. for the year ended 31st March is as under :

Particulars	Amount	Particulars	Amount
Purchases		Sales	
Transistors (A)	1,60,000	Transistors (A)	1,75,000
Tape Recorders (B)	1,25,000	Tape Recorders (B)	1,40,000
Spare parts for Servicing and Repair Job C)	80,000	Servicing and Repair Jobs (C)	35,000
	48,000	Stock on 31st March	
Salaries and wages	10,800	Transistors (A)	60,100
Rent	11,000	Tape Recorders (B)	20,300
Sundry Expenses	40,200	Spare parts for servicing & repair jobs (C)	44,600
Net Profit			
	4,75,000		4,75,000

Prepare Departmental Accounts for each of the three Departments A, B and C mentioned above after taking into consideration the following :

- Transistors and Tape Recorders are sold at the Showroom. Servicing and Repairs are carried out at the Workshop.
 - Salaries and wages comprise as follows: Showroom 3/4th and Workshop 1/4th It was decided to allocate the Showroom Salaries and Wages in ratio 1:2 between Departments A and B.
 - Workshop Rent is ₹ 500 per month. Showroom Rent is to be divided equally between Departments A and B.
 - Sundry Expenses are to be allocated on the basis of the turnover of each Department.
7. Snow White Ltd has two departments — Cloth and Readymade Clothes. Ready Made Clothes are made by the Firm itself out of cloth supplied by the Cloth Department at its usual selling price. From the following figures, prepare Departmental Trading and Profit and Loss Accounts for the year ended 31st March 2013.

Particulars	Cloth Department	Readymade Clothes (RM)
Opening Stock on 1st April, 2012	3,00,000	50,000
Purchases	20,00,000	15,000
Sales	22,00,000	4,50,000
Transfer to Readymade Clothes Department	3,00,000	—
Expenses - Manufacturing	—	60,000
Selling	20,000	6,000
Closing Stock on 31st March, 2013	2,00,000	60,000

The Stock in the Readymade Clothes Department may be considered as consisting of 75% Cloth and 25% other expenses. The Cloth Department earned Gross Profit at the rate of 15% during the year 2011-12.

General Expenses of the business as a whole came to ` 1,10,000.

8. From the following information, prepare Kolkata Branch Account in the books of head office for the year ending on 31st March 2017 :

Opening Stock (at cost)	17,800	Discount allowed to Customers	50 100
Opening Debtors	1,400	Bad Debts written off	72,940
Opening Petty Cash	25	Credit Sales	3,200
Furniture (in the beginning)	600	Cash Sales	800
Opening Creditors	600	Petty Expenses paid by Branch	
Goods sent to Branch (at Cost)	52,200	Cheques sent to Branch for exp	
Goods returned by Branch to H.O. (at cost)	780	Salaries	3,000
Goods returned by Customers to Branch	570	Rent and Insurance	1,200
Cash received from its Customers	61,100	Petty Cash	787

Goods are sold to customers at cost *plus* 50%. Depreciate the furniture @ 10% p.a.

9. Swapna Ltd has two branches, at Mumbai and at Delhi. Goods are invoiced to Branches at cost plus 50%. Goods are transferred by/to another branch at its cost. Following information is available of the transactions of Mumbai for the year ended on 31st March 2013.

Opening Stock at its cost	26700
Goods sent to Branch (including goods invoiced at Rs. 1,500 to Branch on 31st March but not received by Branch before closing)	78300
Goods received from Delhi Branch	600
Goods transferred to Delhi Branch	5100
Goods returned by Branch to H.O.	1170
Goods returned by Credit Customers to Branch	570
Goods returned by Credit Customers directly to H.O.	120
Agreed allowance to Customers off the selling price (already taken into account while invoicing)	100
Normal loss due to wastage and deterioration of stock (at invoice price)	150
Cash Sales	3200
Credit Sales	72940
Branch Expenses (including Insurance charges)	5000
Bad Debts	100
Discount allowed to Customers	50

Loss-in transit (at invoice price) ` 660 against which a sum of ` 400 was recovered from the Insurance Company in full settlement of the claim.

Prepare Branch Stock Account, Branch Adjustment Account and Branch Profit and Loss Account in each of the following alternative cases :

Case I. - If the Closing Stock at Branch at its cost as per physical verification amounted to ` 20,000.

Case II. - If the Closing Stock at Branch at its cost as per physical verification amounted to ` 22,700.

OBJECTIVE MULTIPLE CHOICE QUESTIONS

UNIT 1 – BASICS OF ACCOUNTING

1. The term 'current assets' does not include
(a) Cash (b) Stock-in-trade (c) Furniture (d) Advance payments
2. The term 'fixed assets' includes
(a) Bank balance (b) Loose tools (c) Stock of finished goods (d) Goodwill
3. Current liabilities do not include
(a) Sundry creditors (b) Prepaid insurance (c) Bank overdraft (d) Unclaimed dividends
4. Secret reserves may result by
(a) Overvaluation of stocks (b) Undervaluation of liabilities
(c) Creating general reserve (d) Providing excessive depreciation
5. A reserve is a charge against
(a) Trading Account (b) Profit and Loss Account
(c) Profit and Loss Appropriation Account (d) None of the above
6. Stock-in-trade does not include
(a) Finished goods (b) Raw materials
(c) Goods in the process of manufacture (d) Items held as fixed assets
7. Bank account is a _____ account.
(a) Personal (b) Real (c) Nominal (d) Fictitious
8. According to the going concern concept, a business is viewed as having _____ life.
(a) A limited (b) An annual (c) An indefinite (d) A very long
9. According to the _____ concept, the proprietor is treated as a creditor to the extent of his capital.
(a) Cost (b) Entity (c) Money measurement (d) Dual aspect
10. Which concept mandates that in determining the net income from business, all costs that are applicable to the revenue of the period should be charged against that revenue ?
(a) The cost concept (b) The matching concept
(c) The dual aspect concept (d) The money measurement concept
11. According to the money measurement concept, which of the following will be recorded in the books of accounts?
(a) Extra profits made owing to a new system (b) Quality control in business
(c) Commission payable to a salesman (d) All the above

12. The comparison of net profit with the sales of the same year is termed ____ comparison
(a) Horizontal (b) Vertical (c) Elliptica (d) Multidimensional
13. The convention of conservatism will have the effect of
(a) Overstatement of assets (b) Understatement of assets
(c) Understatement of liabilities
(d) Understatement of provision for bad and doubtful debts
14. What sort of reserve is a provision?
(a) General reserve (b) Specific reserve (c) Capital reserve (d) None of these
15. Window dressing is prohibited by the
(a) Accrual concept (b) Convention of materiality
(c) Convention of disclosure (d) Convention of conservatism
16. Qualitative transactions are not recorded in the accounts due to
(a) Dual concept (b) Accrual concept
(c) Money measurement concept (d) Convention of materiality
17. The concept of realization would imply
(a) When cash is received from debtors (b) When order is received
(c) When goods are delivered to customer (d) Meeting the plan targets
18. Which of following is a current investment?
(a) Long-term investment (b) Bank loan for five years
(c) Account receivable (d) Debentures sinking fund investment
19. What does net working capital stand for?
(a) Fixed Assets *minus* current assets (b) Fixed assets *minus* current liabilities
(c) Current assets *minus* current liabilities (d) Noncurrent liabilities *minus* current assets
20. Which of the following is not a capital reserve?
(a) Premium on the issue of shares (b) Profits prior to incorporation
(c) Profits on the sale of fixed assets (d) Dividend equalization reserve
21. What does debiting the Profit and Loss Account create?
(a) Dividend equalization fund (b) Sinking fund for redemption of debentures
(c) Provision (d) All the above
22. A reserve that is not apparent on the face of the balance sheet is known as
(a) Secret reserve (b) Hidden reserve
(c) Inner reserve (d) Any of these
23. The debit balance of a personal account would show the
(a) Amount of credit sales (b) Amount receivable
(c) Amount payable (d) Cash in hand

24. Secret reserves serve the purpose of
(a) Tiding over unfavorable items (b) Increasing the working capital
(c) Meeting exceptional losses (d) All the above
25. Which of the following is not a current asset?
(a) Salary paid in advance (b) Inventory
(c) Preliminary expenses (d) Temporary investment
26. Mark out the current liability among the following.
(a) Share premium (b) Redeemable preference share
(c) Outstanding wages (d) Provision for depreciation
27. Convertible debentures are those on which
(a) Accumulated interest payable is converted into equity shares
(b) Interest is not paid when the company is running on a loss
(c) Interest is payable and if not paid, keeps on accumulating
(d) Equity shares may be exchanged at the option of the debenture holders
28. When the current ratio 4 : 1 and the amount of current liabilities is Rs. 15,000 what would be the amount of current assets ?
(a) Rs. 30,000 (b) Rs 375
(c) Rs. 7,500 (d) Rs 60,000
29. Which of the following is not a current liability ?
(a) Account payable (b) Bank over draft
(c) Redeemable debentures (d) Provision for doubtful debts
30. Heavy initial expenditure on advertising the launch of a new product should be classified as
(a) Capital expenditure (b) Revenue expenditure
(c) Loss (d) Deferred revenue expenditure
31. A chartered accountant rendering accounting services on a fee basis is a/an _____ accountant.
(a) Private (b) Internal (c) Government (d) Public
32. A credit may denote
(a) Decrease in assets (b) Increase in Liabilities
(c) Increase in capital account (d) All the above
33. A debit may signify
(a) Decrease in asset account (b) Increase in asset account
(c) Increase in liability account (d) Increase in Capital account
34. According to which concept is the market value of investments shown as a footnote to the balance sheet
(a) The consistency concept (b) The disclosure concept
(c) The materiality concept (d) The going concern concept

- 35 The purchase of government securities would
 (a) Reduce assets (b) Increase assets
 (c) Keep assets unchanged (d) Decrease liabilities
- 36 Provision for bad debts is made under the principle of
 (a) Consistency (b) Full disclosure (c) Industry practice (d) Conservatism
- 37 Identify the nominal account among the following.
 (a) Bills payable (b) Bills receivable (c) Stationery (d) Debtors
- 38 Which of the following is a real account?
 (a) Salaries (b) Shares and debentures of companies
 (c) Debtors account (d) Bank account
- 39 Mark out the item that would affect the operating profit or loss of a business.
 (a) Machinery sold for Rs. 500 less than its book value
 (b) Used vehicle sold for Rs. 10,000
 (c) Legal charges of Rs. 1000 paid for Acquisition of property
 (d) A sum of Rs. 1000 spend on painting a new factory.
- 40 Rent received by a trading company should be treated as
 (a) Operating income (b) Non-operating income
 (c) Operating expense (d) Non-operating expense
- 41 Insurance Unexpired account is a ___ account
 (a) Personal (b) Nominal (c) Real (d) Fictitious -
- 42 Provision for doubtful debts account is a _____ account.
 (a) Real (b) Personal (c) Nominal (d) None of these
- 43 _ Good will account is a _____ account.
 (a) Real (b) Personal (c) Nominal (d) None of these
- 44 A club's account would be a _____ account
 (a) Real (b) Personal (c) Nominal (d) None of these
- 45 Which of the following is an operating expense ?
 (a) Bad debts (b) Salary of general manager
 (c) Expired insurance (d) All the above
46. Mark out the operating expenses following?
 (a) Dividends received (b) sale of old machinery
 (c) state of merchandise (d) Dividends received
47. Which of the following is an operating expense
 (a) Freight on purchase (b) Purchase of raw material
 (c) freight on sales (d) All the above

48. Identify which is a non-operating income among the following .
 (a) Revenue from sales in a trading concern
 (b) Dividends received by an investment company
 (c) Profit on sale of used plant in a manufacturing concern
 (d) Premium received by an insurance company
49. Mark out the non operating expense among the following.
 (a) Miscellaneous office expenses (b) Depreciation of plant and machine
 (c) Interest on debenture (d) Non of the above
50. Patent Right Account is a _____ account
 (a) Real (b) Personal (c) Nominal (d) Fictions
51. Bills Receivable account is a _____ account
 (a) Real (b) Personal (c) nominal (d) Fictitious
52. A proprietor's Drawing Account is a _____ account
 (a) Real (b) Personal (c) Nominal (d) Fictitious
53. Bank Overdraft Account is a _____ account.
 (a) Real (b) Persona! (c) Nominal (d) Fictitious
54. The rule 'Debit what comes in and credit what goes out' is applicable to
 (a) Real accounts (b) Personal accounts (c) Nominal accounts (d) Fictitious accounts
55. Purchases Account is a _____ account
 (a) Real (b) Personal (c) Nominal (d) Fictitious
56. Salary Prepaid Account is a _____ account
 (a) Real (b) Personal (c) Nominal (d) Fictitious
57. The Return account is a _____ account
 (a) Real (b) Personal (c) Nominal (d) Fictitious
58. What type of account is a Trading Account?
 (a) Real (b) Personal (c) Nominal (d) Fictitious
59. Discount received in Advance Account is a _____ account.
 (a) Real (b) Personal (c) Nominal (d) Fictitious
60. If depreciation is not recorded to avoid reporting a net loss, name the accounting principle that is violated
 (a) Consistency (b) Cost principle (c) Full disclosure (d) Conservatism
61. If a company alternately uses the LIFO and FIFO inventory methods, which Accounting principle does it violate?
 (a) Materiality (b) Cost principle
 (c) Consistency (d) No principle of Accountancy

62 According to which concept may an owner not included his personal medical expenses in the company's income statement ?
 (a) Conservatism (b) Entity Concept (c) Cost Principle (d) Going Concern Concept

63 If increase in value of land is included in the income statement (as it is valued at selling price) which is substantially higher than its cost, which accounting principle is violated?
 (a) Conservatism (b) Entity concept (d) Cost principle (d) Going concern concept

64 If a company does not make a mention of a major law suit filed against it, indicate the accounting principle violated.
 (a) Cost Principle (b) Conservatism (c) Materiality (d) Full disclosure

65 If the cost of four small files, of Rs. 5 each, is charged to expenses, though they had a useful life of several years, this follows the _____ principle.
 (a) Cost (b) Conservatism (c) Full disclosure (d) Materiality

66 Match List I with List II and select the correct answer using the codes given below the lists.

	<i>List I</i>		<i>List II</i>	
	A.	Going concern Concept	1	Same accounting method used successive periods
	B.	Consistency	2.	Does not describe a firm nearing bankruptcy
	C.	Cost principle	3.	Relates to relative size or importance of an item or event
	D.	Materiality	4	Normal basis used to account for assets
		B	C	D
(a)		3	2	4
(b)		4	3	1
(c)		1	4	3
(d)		4	2	1

67 Bank Loan Account is a _____ account.
 (a) Real (b) Personal (c) Nominal (d) Fictitious

68 The accounting convention which states that when in doubt, choose the solution least likely to overstate assets and income is
 (a) Materiality (b) Consistency (c) Continuity (d) Conservatism

69 'Debit all losses and expenses and credit all gains and incomes' is applicable to
 (a) Real accounts (b) Personal accounts (c) Nominal accounts (d) None of these

70 Debit the receiver and credit the giver' is applicable to
 (a) Real accounts (b) Personal accounts (c) Nominal accounts (d) All of these

71 Which of the following represents the accounting equation?
 (a) Capital = Assets + Liabilities (b) Capital = Assets - Liabilities
 (c) Assets = Liabilities - Capital (d) Liabilities = Assets - Capital

72. Which of the following represents the accounting equation-)
- (a) $\text{Capital} + \text{Liabilities} - \text{Assets} = \text{Zero}$
 - (b) $\text{Assets} - \text{Liabilities} - \text{Capital} = \text{Zero}$
 - (c) $\text{Liabilities} = \text{Assets} - \text{Capital}$
 - (d) All the above
73. Which of the following is the accounting equation?
- (a) $\text{Assets} = \text{Capital}$
 - (b) $\text{Assets} = \text{Capital} - \text{Liabilities}$
 - (c) $\text{Assets} = \text{Capital} + \text{Liabilities}$
 - (d) None of these
74. A business has assets of Rs. 20,000 and the owner equity is Rs. 8,000. What is the amount of liabilities?
- (a) Rs 12,000
 - (b) Rs. 28,000
 - (c) Rs. 14,000
 - (d) None of these
75. If the liabilities of a business are Rs. 12,000 and the owner's equity is Rs. 15,000, the business' assets will be
- (a) Rs. 3,000
 - (b) Rs. 27,000
 - (c) Rs. 12,000
 - (d) Rs.15,000
76. If the assets of a business are Rs. 80,000 and liabilities Rs. 60,000, what is the amount of owner's equity?
- (a) Rs. 20,000
 - (b) Rs. 1,40,000
 - (c) Rs. 60,000
 - (d) Rs .80,000
77. The system of recording transactions based on dual concept is called
- (a) Double account bookkeeping
 - (b) Single entry system
 - (c) Double entry system
 - (d) None of the above
78. Contingent liability is shown owing to the
- (a) Convention of conservatism
 - (b) Convention of materiality
 - (c) Convention of full disclosure
 - (d) Dual aspect concept
79. Which area of accounting has gained much practice in recent years?
- (a) Public accounting
 - (b) Auditing
 - (c) Tax services
 - (d) Management consultancy services
80. Necessary accounting assumptions upon which accounting based may be termed
- (a) Ideas
 - (b) Rules
 - (c) Concepts
 - (d) Conventions
81. Every business transaction involving two aspects refers to the _____ concept. (a) Money measurements (b) Dual aspect (c) Going concern (d) Matching
82. Anticipate no profits and provide for all possible losses would indicate the accounting convention of
- (a) Consistency
 - (b) Conservatism
 - (c) Materiality
 - (d) Uniformity
83. Strictly speaking the profession of accounting would be denoted by the word
- (a) Accounting
 - (b) Chartered accounting
 - (c) Accountancy
 - (d) Cost accounting

- 84 Accounting performs the important functions of
(a) Recording (b) Communicating (c) Meeting legal requirement (d) All the above
- 85 Which of the following may be called 'the language of the business' ?
(a) Economics (b) Statistics (c) Accountancy (d) English
- 86 Accounting principles are generally based on
(a) Practicability (b) Acceptability to management (c) Subjectivity (d) Convenience
- 87 Contingent liability being shown in the Balance Sheet adheres to the convention of
(a) Disclosure (b) Conservatism (c) Consistency (d) Materiality
- 88 The denoting of market value of investments in brackets (or as a footnote) is in keeping with the convention of
(a) Conservatism (b) Materiality (c) Disclosure (d) Consistency
- 89 _____ transactions are not recorded in accounts owing to the money measurement concept
(a) Quantitative (b) Fictitious (c) Illegal (d) Qualitative
- 90 Freight and dock dues paid while acquiring a new machine will be debited to
(a) Profit & Loss A/c (b) Freight A/c (c) Transportation A/c (d) Machinery A/c
- 91 The accounting equation is in accord with the fundamental _____ concept of accounting.
(a) Money measurement (b) Going concern (c) Realization (d) Dual Aspect
- 92 The convention of conservatism is likely to lead to an _____ in the balance sheet.
(a) Understatement of liabilities (b) Overstatement of assets
(c) Overstatement of capital (d) Understatement of assets
- 93 The convention of conservatism would require the stock in trade to be valued at
(a) Cost price (b) Market price
(c) The higher of the cost price or market price (d) The lower the cost price or market price
94. Wages paid for installation of machinery affect
(a) Only Machinery A/c (b) Only Wages A/c
(c) Profit & loss A/c (d) Both Machinery A/c and Wages A/c
- 95 The cost concept would envisage the recording of the following in the books of account
(a) Skill built up in the business
(b) Asset at the price paid to acquire it
(c) Dispute between two staff members
(d) Importance of shifting the location of the office
- 96 The system of recording cash based on the dual concept of business transactions is called the _____ system.
(a) Single entry (b) Two-tier entry (c) Double account (d) Double entry

- 97 Revenue is generally recognized as being earned at the point of time when
 (a) Production is completed (b) Sale is effected
 (c) Cash is received (d) unproductive Assets are sold off
- 98 If a business assets are Rs. 20.000 and liabilities are Rs. 4.000, find the owner's equity.
 (a) Rs. 1,000 (b) Rs. 24.000 (c) Rs. 16.000 (d) Rs. 20.000
99. Which of the following is an accounting equation
 (a) Assets = Equities (b) Assets = Equities + Liabilities
 (c) Assets = Liabilities - Equities (d) None of the above
- 100 Bank Overdraft A/c is a _____ is a
 (a) Real (b) Personal (c) Nominal (d) Personal or nominal
- 102 The rule for real account is to debit what _____ and credit what _____
 (a) Goes out, comes in (b) Comes in, goes out
 (c) Is a gain, is a expense (d) Is an expense, is a gain
- 103 The payment of a liability results in _____ total assets.
 (a) An increase in (b) A decrease in (c) No change in (d) A manifold decrease in
- 104 Treating the proprietor of a business as a creditor for the capital introduced by him is
 in accordance with the _____ concept.
 (a) Cost (b) Money measurement (c) Business entity (d) Dual aspect
- 105 Accounting principles represent
 (a) Inviolable laws fixed by legal boards (b) Laws fixed by respective governments
 (c) Distorted mind-frame or accountants (d) A consensus at a particular time
- 106 Goodwill A/c is a _____ A/c (a) Real (b) Personal (c) Nominal (d) Real or personal
- 107 Trading A/c is a _____ A/c (a) Real (b) Nominal (c) Personal (c) Real or personal
- 108 The double entry principle means
 (a) A debit for every credit and vice versa (b) Writing an entry twice
 (c) Writing all entries twice (d) Maintaining two sets of accounting records
- 109 Which one of the following statements is correct ?
 (a) Capital of the firm is reduced by borrowing
 (b) When there is no change in proprietor's capital it is an indication of loss in business
 (c) Nominal accounts refer to false transaction
 (d) Real accounts relate to the assets of a business
- 110 Consistency with reference to application of accounting principles refers to the fact that
 (a) Companies in the same industry use identical accounting procedures and methods,
 and are consistent

- (b) Incomes and assets have not been overstated
 (c) Accounting methods and procedures used have been consistently applied from year to year
 (d) All methods and procedures have been utilized
- 111 X started business with a capital of Rs. 20,000 and purchased goods worth Rs. 2000 on credit. These transactions may be expressed in the form of 'Accounting Equation' such as
 (a) $\text{Rs. } 22,000 = \text{Rs. } 20,000 + \text{Rs. } 2,000$ (b) $\text{Rs. } 20,000 = \text{Rs. } 22,000 - \text{Rs. } 2,000$
 (c) $\text{Rs. } 22,000 = \text{Rs. } 22,000 + 0$ (d) $\text{Rs. } 22,000 = 0 + \text{Rs. } 22,000$
- 112 Long-term liabilities are
 (a) Fixed assets *minus* current assets (b) Fixed assets *minus* current liabilities
 (c) Current assets *plus* current liabilities (d) Total liabilities *minus* current liabilities
- 113 A business entity has assets of Rs. 26,000 and liabilities of Rs. 6,000. Owner's equity in this case is
 (a) Rs. 32,000 (b) Rs.26,000 (c) Rs.20,000 (d) Rs.6,000
- 114 Accounting record transactions in terms of
 (a) Commodity units (b) Monetary units (c) Production units (d) None of these
- 115 Match List I with List II and select the correct answer using the codes given below the lists.
- | <i>List I</i>
(Types of Accounts) | <i>List II</i>
(Principles) |
|--------------------------------------|---|
| A. Real account | I. Debit the receiver credit the giver |
| B. Nominal Account | 2. Debit what comes in credit what goes out |
| C. Personal Account | 3. Debit all expenses credit all gains |
- Codes:
- | A | B | C |
|-------|---|---|
| (a) 3 | 2 | 1 |
| (b) 1 | 3 | 2 |
| (c) 2 | 3 | 1 |
| (d) 1 | 2 | 3 |
- 116 An obligation of the owners to the business entity is treated as a liability in the balance sheet according to the _____ concept.
 (a) Dual aspect (b) Going concern (c) Business entity (d) Realization
- 117 The proprietor is regarded as a creditor to the extent of his capital according to the concept.
 (a) Cost (b) Money measurement (c) Realization (d) Business entity
- 118 In general, accounting principles may be said to be based on
 (a) Convenience in recording (b) Practicability
 (c) Subjectivity (d) The acceptability to proprietor
119. The convention of conservatism is applicable
 a) In providing for discount of creditors

- (b) In providing depreciation on straight-line method
(c) In showing joint life policy at surrender value as against the amount paid
(d) In considering all prospective profits and ignoring all like 1y losses
- 120 Making provisions for doubtful debts is based on the convention of
(a) Consistency (b) Disclosure (c) Materiality (d) Conservatism
- 121 Contingent liability is shown in the balance sheet according to the convention of
(a) Disclosure (b) Materiality (c) Consistency (d) Conservatism
- 122 To provide for all possible losses and not to anticipate any profit is based on the convention of
(a) Disclosure (b) Conservatism (c) Consistency (d) Materiality
- 123 The market value of investments being shown in brackets would indicate adherence to the convention of
(a) Materiality (b) Disclosure (c) Consistency (d) Conservatism
- 124 On which of the following concepts is the accounting equation based?
(a) Dual aspect (b) Money measurement (c) Realization (d) Going concern
- 125 The result of the convention of conservatism in the balance sheet would be
(a) Understatement of assets (b) Overstatement of assets
(c) Understatement of liabilities and provision (d) Overstatement of capital
- 126 ____ consistency calls for financial statements for a number of years to be reviewed and analyzed.
(a) Horizontal (b) Vertical (c) Internal (d) External
- 127 Revenue is generally deemed to have been earned at the point of time
(a) When cash is received (b) When sale is effected
(c) When production is completed (d) When unproductive assets are sold
- 128 The ____ system denotes the system of recording transactions based on the dual concept
(a) Single entry (b) Double entry (c) Double Account (d) Two-tier entry
- 129 the cost concept envisages the recording of the following
(a) assets as its cost (b) Knowledge acquired with time
(c) Intra - office disputes (d) Importance of another location
- 130 The Money measurement concept would have which one of the following recorded in the books of account?
(a) Changes in value of money (b) Sales policy pursued by company
(c) Bank balance of Rs. 50.000 (d) Quality control in business
- 131 The verifiable objective evidence concept envisages the recording of all accounting transactions
(a) Supported by verification by auditors
(b) Supported by object perception

- (c) Supported by the objective clause in the memorandum of association
(d) Supported by invoices, correspondence, vouchers and business documents
132. If a company uses the LIFO inventory method in Year I, FIFO method in Year II and Weighted Average method in Year III, which accounting principle would it violate?
(a) Materiality (b) Consistency (c) Cost (d) None
133. According to the going concern concept, a business has a / an
(a) Limited life (b) Very long life (c) Indefinite life
(d) Life not Accounting in the foreseeable future
134. The convention of conservatism would require the stock-in-trade to be valued at
(a) Cost price (b) Market price
(c) Cost price or market price, whichever is higher
(d) Cost price or market price, whichever is lower
135. The concept of realization would imply the time when
(a) An order is received (b) Cash is received from a debtor
(c) Goods delivered to customers
(d) Goods sold to a customer are returned by him
136. Qualitative transactions are not recorded in accounts due to the _____ concept.
(a) Realization (b) Accrual (c) Dual (d) Money measurement
137. If the proprietor of a concern includes the monthly drawings from business for his personal use in the income statement. which accounting principle would he violate?
(a) Cost (b) Business entity (c) Going concern (d) Conservatism
138. Window dressing is prohibited owing to
(a) Convention of disclosure (b) Convention of materiality
(c) Convention of conservatism (d) Accrual concept
139. The realization concept envisages
(a) Analytical records of past transactions and future predictions .
(b) Sales that are likely to occur
(c) Sales that have been made on a legal obligation by the customer to pay for them or for which money has been received
(d) None of the above
140. If a firm purchases a building for Rs. 10,00,000 but regards it as worth Rs. 15,00,000, what would be the cost concept require the building to be recorded at?
(a) Rs. 10 lakh (b) Rs. 15lakh (c) Rs. 12.5 lakh
(d) Rs. 10 lakh initially and less depreciation subsequently
141. While determining the net income from business, all costs applicable to the revenue of a period should be charged against the revenue according to the _____ concept
(a) Cost (b) Dual aspect (c) Matching (d) Money measurement

142. Secret reserves would violate the principle of
(a) Conservatism (b) Disclosure (c) Consistency (d) Materiality
143. The use of an accelerated method of depreciation would be based on the convention of
(a) Disclosure (b) Conservatism (c) Consistency (d) Materiality
144. If a company fails to make mention of a major law suit filed against it. which it might well lose, the accounting principle violated is that of
(a) Conservatism (b) Cost principle (c) Materiality (d) Full disclosure
145. If the cost of 10 boxes costing Rs. 5 each is charged to expenses. though each box has a decade-long life. this would accord with the principle of
(a) Full disclosure (b) Conservatism (c) Materiality (d) Cost concept.
146. All loss and expenses_____ (reduce/increase) the owner's equity, whereas all gains and incomes_____ (increase/reduce) it through the P & L A/c.
147. Management accounting is also known as_____ (Cost/Decision) accounting.
148. Management accounting and cost accounting may be regarded as being_____ (complementary, contradictory) in nature.
149. The convention of conservatism considers all prospective_____ (losses, profits) but ignores all likely_____ (profits, losses).
150. The convention of conservatism generally makes for a_____ (lower, higher) net income. than would otherwise be the case.
151. Accounting language is used as mode of communicating financial data only in public enterprises. (True/False).
152. Accounting and book-keeping are two words with the same meaning. (True/False)
153. Provision for discount on creditor is not generally made in view of the prudence concept. (True/False)
154. Assets of a business entity will always equal the difference between total liabilities and owners equity. (True/False)
155. All financial transactions can be analyzed in terms of the basic accounting equation. (True! False)
156. Accounting records the qualitative aspects of business. (True/False)
157. The accounting entity is considered to be separate and apart from the owners. (True/False)

158. A transaction involving a very small amount does not need to be recorded because of materiality concept. (True/False)
159. Revenue should be recognized as early as possible and expenses as late as possible. (True/ False)
160. Financial statements show the historical cost of assets. (True/False)
161. Accounting information is useful to the owner only. (True/False)
162. The main aim of financial accounting is to prepare financial statements. (True/False)
163. Accounting is useful only for large business undertakings. (True/False)
164. The entity concept is not applicable to sole trading concerns. (True/False)
165. Accrual concept implies accounting on cash basis. (True/False)
166. Convention of conservatism leads to understatement of income (Tre/False)
167. Consistency principal requires that accounting methods may be changed from one accounting periods to the next (True/False)
168. Adherence to the accounting concepts discourages innovations (True/False)

UNIT 2 – REPORTING STANDARDS & BUSINESS INCOME

169. What does GAAP represent
 (a) General Agreement on Accounting Principle,
 (b) Generally Accepted Audit Procedures
 (c) Generally Accepted Accounting Principles (d) None of these
170. Which of the following is not a fundamental accounting assumption?
 (a) Going concern (b) Prudence (c) Consistency (d) Accrual
171. Name of the board set up by the council of the ICAI to formulate accounting standards Board
 (a) Financial Accounting Standards Board (FASB)
 (b) Accounting Standards Board (ASB)
 (c) Indian Accounting Standards Board(ASB)
 (d) None of the above
172. The apex body laying down accounting standards globally is
 (a) IASB (b) ASB (c) IASC (d) ICAI
173. Market price or actual cost whichever is less is the generally accepted accounting principal for the valuation of
 (a) Stock-in-trade (b) Fixed assets (e) Current assets (d) All assets

174. Accounting Standard 9 deals with
(a) Depreciation accounting (b) Inventory valuation
(c) Disclosure of accounting Policies (d) Revenue recognition
175. Accounting for fixed assets is the subject matter of
(a) AS-9 (b) AS-3 (c) AS-10 (d) AS-11
176. Standard on Statement of Changes in financial position
(a) Is mandatory (b) Is not mandatory
(c) Is partly mandatory (d) Depends on the choice of the company
177. Accounting Standard - 19 deals with
(a) Accounting for leases (b) Government grants
(c) Earning per share (d) Revenue recognition
178. AS 16 deals with _____ while AS - 17 deals with _____
(a) Borrowing cost earning per share (b) Segmental reporting revenue recognition
(c) Earning per share borrowing cost (d) Borrowing cost, segmental reporting
179. Accounting for government grant is the subject matter of
(a) AS-12 (b) AS 10 (c) AS-11 (d) AS 7
180. Accounting Standards - 6 States about
(a) Depreciation account (b) Valuation of inventories
(c) Accounting for construction contracts (d) None of the above
181. Revenue Recognition is explained in
(a) Accounting Standard 11 (b) Accounting Standard 9
(c) Both of the above (d) None of the above
182. According to Accounting Standards - 9 interest should be recognized
(a) On time basis (b) On accrual basis
(c) On receipt basis (d) None of these
183. Revenue should be recorded
(a) When there is no certainty about receipt (b) When they have received
(c) When they have not received (d) When there is no uncertainty about receipt
184. All accounting policies followed by companies should be disclosed except
(a) Accrual, consistency materiality
(b) Dual, going concern, consistency
(c) Materiality, actual cost concept
(d) Going concern, consistency, accrual
185. Latest Accounting Standard issued by the ICAI is
(a) Accounting Standard for earning per share
(b) Standard for Depreciation Accounting

- (c) Standard for segmental reporting
(d) Standard of accounting for investments in associates in consolidated financial statements
186. Accounting Standards. The statements prescribed by
(a) Law (b) Government Regulatory Bodies
(c) Bodies of Shareholders (d) Professional accounting bodies
187. Accounting Standard 4 details with
(a) Accounting principles (b) Financial statements
(c) Accounting policies (d) None of the above
188. What does ICAI represent ?
(a) Institute of Chartered Accountants of India
(b) Institute of Cost Accountants of India
(c) Institute of Company Accountants of India
(d) None of the above
189. Goodwill is recorded in the books when
(a) Super profit is earned by the enterprise
(b) Money profit is earned by the enterprise
(c) Management of the enterprise decide to record goodwill
(d) Any of the above
190. Revenue from service transactions, is usually recognized by a method known as
(a) Accrual method
(b) Proportionate Completion method
(c) Consistency method
(d) Completed service contract method
191. Which of the following is a 'revenue' for the purpose of AS-9?
(a) Appreciation in the value of fixed asset
(b) Gain something from changes in foreign exchange rates
(c) Royalty receivable
(d) Realized gain resulting from the discharge of an obligation at less than its carrying amount.
192. Revenue in the form of admission fees for artistic performance, banquets etc. should be recognized when
(a) Admission tickets are sold (b) Event takes place
(c) Either (a) or (b) (d) None of these
193. The Institute of Chartered Accountants of India issues at least one Accounting Standard every year. (True/False)
194. All Indian Accounting Standards are mandatory from the very beginning. (True/False)

195. AS-2 stipulates that inventories should be valued at historical cost or net realizable value whichever is less. (True/False)
196. AS-6 requires that depreciation should be estimated on the basis of replacement cost of fixed asset. (True/False)
197. AS-2 deals with the depreciation accounting. (True/False)
198. AS-9 deals with the bases for recognition of revenue in the income statement. (True/False)
199. Globalization of economy requires harmonization of accounting standards. (True/False)
200. Indian Accounting Standards are issued by ASB. (True/False)
201. Accounting Standards are the uniform rules for financial reporting to ensure consistency and comparability. (True/False)

UNIT 3 - CAPITAL AND REVENUE EXPENDITURE AND RECEIPTS

202. Outstanding wages are classified as
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
203. Amount invested to raise the seating capacity in a theatre is a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
204. Immediately after the purchase of a new truck by a transport company. Rs. 250 spent to have company's name on the truck would be named
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
205. Mark out which is not 3 capital expenditure.
(a) Cost of issuing shares and debentures
(b) Wages paid for construction of a new office
(c) Purchase of a new spark plug for Rs. 9.75
(d) Repair of a second hand vehicle newly purchased
206. Which of the following is a capital expenditure
(a) Purchasing a pencil eraser for Rs. 2 (b) Installing an escalator fur Rs. 8.000
(c) Painting of a truck in use for Rs. 200 (d) All the above
207. Expenditure incurred by a publisher for acquiring copyright is a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above

208. Research and development expenses are an example of
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
209. Rs. 2,000 spent on painting the factory building should be treated as a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
210. If furniture of the book value of Rs. 2,000 is sold for Rs. 800 and a new fixture of Rs. 1,000 purchased, with cartage of Rs. 25 being paid, what is the amount of capital expenditure?
(a) Rs. 1200 (b) Rs. 1000 (c) Rs. 1025 (d) Rs. 2225
211. A sum of Rs. 5,000 being paid to two employees being retrenched would be a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
212. If Rs. 15,000 is spent on the repair of a second hand machinery and Rs. 2,500 on freight in connection with its acquisition, what is the amount of capital expenditure
(a) Rs. 15,000 (b) Rs. 17,500 (c) Rs. 12,500 (d) Rs. 2,500
213. Municipal taxes paid on a property constitute a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
214. Loss caused by theft of cash by the cashier during business hours is a loss of
(a) Capital nature (b) Revenue nature
(c) Deferred revenue nature (d) None of the above
215. Loss of cash by the cashier committing a theft after office hours would be
(a) Capital loss (b) Revenue loss
(c) Deferred revenue loss (d) None of the above
216. The cost of supplying uniform to employees is a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
217. If the office were to supply uniforms to its employees once in four years, this would be termed as
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
218. An expenditure is termed a capital expenditure when
(a) The amount is large (b) It figures in the balance sheet
(c) Its benefits extend over a number of years (d) Its benefits only the current year

219. Identify the capital transaction among the following.
(a) Purchase of a truck by a company (b) Replacement of old tyres and tubes
(c) Annual insurance premium for the truck (d) All the above
220. Which of the following is of a revenue nature?
(a) Cost of acquiring land (b) Cost of painting an old building
(c) Purchase of freehold land (d) Cost of extension of factory building
221. Share premium is a (a) Capital receipt
(b) Revenue receipt (c) Both (1) and (b) (d) None of the above
222. Cartage paid on acquisition of a new machine is debited to
(a) Cartage Account (b) Profit and Loss Account
(c) Machine Account (d) None of the above
223. The Cost of air-conditioning the manager's office would be a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
224. Making more exit doors in a cinema hall is a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
225. Mark out the capital receipt among the following.
(a) Amount received from a debtor whose account was written off as bad
(b) Amount realized from sale of old furniture
(c) Interest amount received from bank on a fixed deposit
(d) Amount realized from debtors against their debts
226. Mark out the revenue receipt from among the following.
(a) Amount borrowed from a bank
(b) Amount realized from sale of investments
(c) Dividend received on investments
(d) Compensation received for acquisition of land by the municipal corporation
227. Amount spent on unsuccessful patent rights is a
(a) Capital expenditure
(b) Deferred revenue expenditure (if the amount is large)
(c) Revenue expenditure (though the amount may be large)
(d) None of the above
228. Charging of capital expenditure to revenue results in
(a) Capital reserve (b) Revenue reserve
(c) Secret reserve (d) None of these
229. Mark the revenue expenditure among the following.
(a) Preliminary expenses
(b) Legal expenses incurred to acquire new assets

- (c) Cost of issuing shares and debentures
(d) None of the above
230. The cost of pulling down a building to raise a new one is a
(a) Revenue expenditure (b) Capital expenditure
(c) Deferred revenue expenditure (d) None of the above
231. Damages paid on account of breach of contract to supply certain goods is a
(a) Capital expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) None of the above
232. Mark of the usual item(s) of deferred revenue expenditure among the following.
(a) Preliminary expenses (b) Heavy advertisement campaigns
(c) Exceptional repairs (d) All the above
233. Failure to clearly distinguish between capital and revenue items will result in
(a) Overtrading (b) Under trading
(c) A misleading Receipts and Payment A/c
(d) The final accounts being false and misleading
234. Expenses involved in a change of office the organizational and starting costs would
Constitute a _____ charge.
(a) Capital (b) Revenue (c) Deferred revenue (d) Special
235. Capital expenditure refers to that expenditure incurred
(a) As adds nothing to the value of fixed assets
(b) In acquiring assets
(c) In meeting routine expenses
(d) In the purchase of fixed assets or adding value to the fixed assets
236. Work on a factory building that is part repair and part improvement illustrates
(a) Capital expenditure
(b) Revenue expenditure
(c) Both capital and revenue expenditure
(d) Partly capital and partly revenue expenditure
237. The effect of inadvertently treating capital expenditure as revenue expenditure would be
(a) Overstatement in net profit
(b) Partial overstatement and partial under statement of net profit
(c) Understatement of net profit
(d) Not apparent as the total expenditure remains the same
238. Wages paid in the installation or new machinery constitute _____ expenditure.
(a) Capital (b) Revenue
(c) Partly capital and partly revenue (d) Deferred revenue
239. Obsolescence cost should be treated as a _____ charge.
(a) Special (b) Deferred revenue (c) Revenue (d) Capital

- 240 Brokerage on the issue of shares and debentures is a _____ expenditure.
 (a) Capital (b) Revenue
 (c) Partly capital and partly revenue (d) Deferred revenue
- 241 Any expenditure incurred in acquiring the right to carry on a business is a charge.
 (a) Special (b) Deferred revenue (c) Revenue (d) Capital
- 242 Recurring incomes that a business gets refer _____ receipts.
 (a) Capital (b) Revenue (c) Deferred (d) Accrued
- 243 Any expenditure incurred in order to lower the operating cost or expenses denotes
 (a) Capital Expenditure (b) Revenue Expenditure
 (c) Deferred Revenue Expenditure (d) None of the above
- 244 A huge amount spent on an advertising campaign the results of which are likely to spin off for a decade, should be treated as a expenditure.
 (a) Capital (b) Revenue
 (c) Partly capital and partly revenue (d) Deferred revenue .
245. Which item of the following Illustrates deferred revenue expenditure?
 (a) Purchase of a fixed asset
 (b) Wages to labour
 (c) Managerial remuneration
 (d) Discount on issue of shares and debentures
246. Major repair work of plant and machinery is considered _____ expenditure.
 (a) Capital (b) Revenue
 (c) Deferred revenue (d) Partly capital and partly revenue
247. Charging of capital expenditure to revenue results in _____ revenue.
 (a) Capital (b) General (c) Revenue (d) Secret
248. Expenditure incurred by a publisher for acquiring copyright is a _____ expenditure.
 (a) Revenue (b) Capital (c) Deferred revenue (d) Strategic
249. Immediately after the purchase of a new truck, the transport company spends Rs. 800 to have its name painted on it. This constitutes _____ expenditure.
 (a) Capital (b) Deferred revenue (c) Revenue (d) Egoistic
250. Renewal fee for patents is a
 (a) Capital expenditure (b) Deferred revenue expenditure
 (c) Revenue expenditure (d) Development expenditure
- 251 A manufacturing company spent the following amounts on the import and installation of a machine.
 Rs. 50,000 : Price of the machine
 Rs.5,000 : Freight

- Rs.1,050 : Insurance Premium
Rs.6,000 : Replacement of part damaged in transit. not covered under the insurance policy. Based On the above data, capital expenditure would be
(a) Rs. 61.000 (b) Rs. 56,050 (c) Rs. 62,050 (d) Rs. 51,050
252. Amount spent on an advertisement campaign, the benefit of which is likely to last for three years is a
(a) Capital revenue expenditure (b) Revenue expenditure
(c) Deferred revenue expenditure (d) Contingent expenditure
- 253 Expenditure incurred on research is an example of
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred revenue expenditure
(d) Partly capital expenditure and partly revenue expenditure
- 254 Income is the excess of_____over _____
(a) Revenue, Expenses (b) Expenses, Revenue (c) Assets, Liabilities (d) Profit, Loss
- 255 Goods sold for cash Rs. 20,000 is the example of
(a) Revenue (b) Expenses (c) Profit (d) Loss
- 256 Goods sold on credit is Rs. 50.000 is the example of_____.
(a) Profit (b) Revenue (c) Loss (d) Expenses
- 257 Expenses are matched with_____generated during a period
(a) Revenue (b) Liabilities (c) Current assets (d) Fixed assets
258. Which of the following is revenue expenditure?
(a) Loss of stock due to fire
(b) Loss of patent right
(c) Interest paid on money borrowed during construction period
(d) Retirement gratuity paid to an employee
- 259 Money spent to reduce working expenses is_____expenditure. (Revenue/Capital)
- 260 Legal fees to acquire property is_____expenditure. (Revenue/Capital)
- 261 Heavy advertising to introduce a new product or to explore a new market is _____ expenditure. (Capital/Deferred Revenue)
- 262 Expenses in connection with obtaining a license for running the cinema is_____expenditure. (Capital/Revenue)
- 263 Capital expenditure is any expenditure benefiting a future period. (True/False)

- 264 Amount received from sale of fixed asset is an example of revenue receipt. (True/False)
- 265 Revenue expenditure is not intended to benefit future period. (True/False)
- 266 Premium received on issue of shares is a revenue receipt. (True/False)
- 267 All capital expenditure associated with a particular asset are added to the cost of the asset. (True/False)
- 268 Large amounts spent on an item purchased is a capital expenditure. (True/False)
- 268 The building of an extension to club portion is a capital expenditure. (True/False)
- 269 Repairs to a second hand motor car before it is put to use are capital expenditure. (True/ False)
- 270 All expenditure incurred to maintain the efficiency of the asset are a capital expenditure. (True/False)
- 271 All expenditure which increases the earning capacity of a business enterprise are capital expenditure. (True/False)
- 272 Embezzlement of cash by an employee is a capital loss. (True/False)
- 273 Compensation received by a widow on the death of her husband is a capital receipt. (True/ False)
- 274 Compensation paid to a retrenched employee for the loss of his employment is a revenue receipt. (True/False)
- 276 Sale of stock in trade is a capital receipt. (True/False)
277. A sale of goods to Vishal for cash should be debited to
(a) Sales A/c (b) Vishal A/c (c) Cash A/c (d) None of these
278. Income received to advance by a business unit would constitute a/an
(a) Asset (b) Loss (c) Liability (d) Gain
279. The Cash Book is an example of
(a) General journal (b) Special journal
(c) Both journal and ledger (d) Not a journal

280. The double entry system of bookkeeping refers to a system where
(a) The number of accounts with debit balances equals the number of accounts with credit balances
(b) Each transaction is recorded twice, once in the Journal and later in the Ledger
(c) Equal debit and credit entries are made for each transaction
(d) Each transaction occurs in two sets of account books
281. A Sales book records
(a) Only credit sales of goods or services (b) All types of credit sales
(c) Both cash and credit sales (d) All types of sales
282. Cash account will show
(a) A debit balance (b) A credit balance
(c) A debit or credit balance (d) A debit and a credit balance
283. Commission received in advance is in the nature of a
(a) Personal account (b) Real account
(c) Nominal account (d) Nominal account or personal account
284. Which of the following accounts will invariably have a debit balance?
(a) Bank account (b) Current account of a partner
(c) Account receivable (d) Account payable
285. Cash account is a
(a) Personal A/c (b) Real A/c (c) Nominal A/c (d) Real A/c or personal A/c
286. If stock worth Rs. 10,000 (that has not been insured) is destroyed by fire, the accounting entry is
(a) Dr Profit & Loss A/c 10,000 Cr Trading A/c 10,000
(b) Dr Stock A/c 10,000 Cr Trading A/c 10,000
(c) Dr Trading A/c 10,000 Cr Stock A/c 10,000
(d) None of the above
287. Patent Rights Account is in the nature of a
(a) Real A/c (b) Personal A/c (c) Nominal A/c (d) Representative personal A/c
288. Prepaid Expense Account is a
(a) Real A/c (b) Personal A/c (c) Nominal A/c (d) Personal or nominal A/c
289. The ledger refers to an accounting book in which
(a) All real accounts are opened
(b) Only real and personal accounts are maintained
(c) All the real, personal and nominal accounts are opened
(d) None of the above
290. Which of the following would record the sale of a business asset on credit ?
(a) Cash book (b) Sales journal
(c) Sales account (d) Journal proper

291. The three columns on each side of a tricolomnar cash book represent
(a) Real and personal accounts
(b) Real and nominal accounts
(c) Personal and nominal accounts
(d) Real. personal and nominal accounts
292. Identify the account which will invariably have a credit balance.
(a) Proprietor's current account (b) Discount account
(c) Accounts Receivable (d) Accounts Payable
293. Outstanding expense as adjustment given is entered in the books as
(a) A liability (b) An expense
(c) An asset (d) Both a liability and an expense
294. Which of the following accounts may have a debit or a credit balance?
(a) Partners Current A/c (b) Purchase A/c
(c) Commission (Received) A/c (d) None of the above
295. Prepaid Rent A/c is in the nature of
(a) Real A/c (b) Personal A/c
(c) Nominal A/c (d) Personal or nominal account
296. The Bills Receivable Book is part of
(a) Ledger (b) Journal (c) Balance sheet (d) None of these
297. All losses and expenses are
(a) Debited (b) Credited (c) Ignored (d) Understated
298. Which of the following items would be shown on the debit side of a trial balance
(a) Purchase returns (b) Prepaid expenses (c) Rent outstanding (d) None of these
299. If stock worth Rs. 10,000 that was fully covered by insurance, is destroyed by fire, the Accounting entry is Dr _____ A/c to _____ A/c.
(a) Stock: Trading (b) P & L: Trading
(c) Insurance Claims: Trading (d) Stock: Insurance Claims
300. Preparation of Trial Balance helps in locating errors of
(a) Omission (b) A clerical nature (c) Commission (d) All types
301. An entry of Rs. 840 being debited to Sonali's A/c as Rs. 480 would be an error of
(a) Principle (b) Commission (c) Omission (d) Negligible significance
302. An entry of Rs. 1000 being wrongly posted to Wages A/c instead of Machinery A/c would be an error of
(a) Commission (b) Omission (c) Principle (d) A clerical nature
303. An expense of Rs. 500 on cartage of a new machine purchased should be debited to

(a) Cash A/c (b) Miscellaneous Expenses A/c (c) Cartage A/c (d) Machine A/c

304 If a provision for doubtful debts is created, the entry is to debit the _____ A/c and credit the _____ A/c.

- (a) Debtors: P & L (b) P & L: provision for Doubtful Debts
(c) Bad Debts: P & L (d) Provisson for Doubtful debts: P & L

305. Purchase for office furniture on account is recorded in
(a) Cash book (b) Purchases book (c) General Journal (d) Journal proper

306. While posting the Purchases book.
(a) Only the total of the Purchases book is posted to the debit of the Purchases A/c
(b) Only the suppliers' accounts are credited with their respective amounts
(c) The suppliers' accounts are debited, and the total of the Purchases book posted to the credit of the purchases A/c
(d) The total of the Purchases Book is posted to the debit of the Purchases A/c and the suppliers' individual accounts are credited with their respective amounts

307. A Columnar Cash Book would record
(a) All cash transactions only
(b) Both cash and bank transactions without discounts
(c) All cash transactions barring cash sales or purchases
(d) Both cash and bank transactions including discounts

308. Which of the following would record a customer's cheque returned dishonoured
(a) Purchases Return Book (b) Sales Return Book
(c) Journal (d) Cash Book

309. Returns inward from Vikas would be entered in
(a) Journal (b) Purchases Return Book (c) Sales Return Book (d) Ledger

310 Cash sales are recorded in
(a) Sales book (b) Journal (c) Bank Alc (d) Cash book

311 Returned goods to ABC Ltd. would be recorded in
(a) Journal (b) Sales Return Book
(c) Purchases Return Book (d) Balance Sheet

312. Sales on account would be recorded in
(a) Cash book (b) Sales book (c) Journal (d) Bad debts

313. Machinery purchased on account is recorded in
(a) Journal (b) Purchase book (c) Cash book (d) Balance sheet

314. How would you best describe the relationship between journal and ledger ?
(a) The double entry of a transaction is completed by first recording in journal and then posting to ledger

- (b) The journal is the book of original entry and the ledger is the book of secondary entry
(c) The process of recording in the journal is called journalizing, and of recording in the ledger called posting
(d) The journal is meant for analytical record and the ledger for chronological record
315. Mark what is done when the cash payment journal is posted.
(a) Only individual accounts are posted
(b) Individual accounts are credited and the total of cash column is not posted
(c) Individual accounts are credited and total of cash column is debited
(d) Individual accounts are debited and cash column total is credited
316. In the Trial Balance, the amount stated for cash represents
(a) Cash at the beginning of the period
(b) Cash receipts during the period
(c) Cash disbursements during the period
(d) The cash balance on the date of trial balance
317. Which of the following would help one determine the amount of sales?
(a) Sales book (b) Sales A/c (c) Journal (d) Total Debtors A/c
318. For learning the details of a specific transaction. one should refer to
(a) Ledger (b) Relevant vouchers
(c) Balance sheet (d) Books of original entry
319. If the Bank A/c of the end of the accounting period has a credit balance of Rs. 848. how would you explain it ?
(a) The cashier must have manipulated cash
(b) It indicates an error in recording
(c) There has been an overdraft
(d) There is undeposited Cash in hand
320. What is the credit balance in the Bank A/c?
(a) An asset (b) A liability
(c) A revenue (d) An expense
321. Prepaid insurance A/c normally shows
(a) A credit balance (b) A debit balance
(c) Either a credit or a debit balance (d) None of the above
322. What does the Prepaid Insurance A/c represent ?
(a) An expense (b) A revenue (c) A liability (d) An asset
323. Accounts Receivable A/c will generally have
(a) Only debit entries (b) Only credit entries
(c) Both debit and credit entries (d) Periodic debit and credit entries
324. The Miscellaneous Expenses A/c is likely to have
(a). Only debit entries (b) Only credit entries

- (c) Both debit and credit entries
(d) Initially only debit entries and subsequently only credit entries
325. What kind of entries is the Professional Fees (Earned) A/c likely to have ?
(a) Only debit entries (b) Only credit entries
(c) Both debit and credit entries (d) Periodic debit and credit entries
326. Which book should be used to record purchase of merchandise on account?
(a) Cash book (b) Purchase book (c) Sales book (d) Journal
327. The Trial Balance would help reveal which one of the following errors?
(a) Omission of an amount from the Trial Balance
(b) Posting of the wrong amount
(c) Wrong totally of the book of original entry
(d) All the above
328. Which of the following errors would a Trial Balance reveal?
(a) Treating expense as an asset
(b) Posting an amount on the correct side but in a wrong account
(c) Compensating errors
(d) None of the above
329. Which of the following errors will cause the Trial Balance to be out of balance?
(a) Goods received from Sunil. Rs. 500 have not been entered in the Return Inward Book
(b) Office furniture purchased from Akshay Rs. 1200, has been entered in the Purchases Book
(c) The total of the Purchases Book is Rs.2,000 short
(d) A Purchase of Rs. 482 from Kiran & Co. has been entered in the Purchases Book as Rs. 428
330. Which of the following errors will not cause the Trial Balance to be out of balance?
(a) Purchases Return Book for August 1995 was undercast by Rs. 48
(b) Wages paid for construction of a room, Rs. 800 are credited to Wages A/c
(c) Purchases Book is carried forward at Rs. 242 less
(d) None of the above
331. Identify the error that will be revealed in the Trial Balance.
(a) Old furniture sold for Rs. 884 is recorded in the Sales Book as Rs. 848
(b) The total of the Returns Outward Book Rs. 428 has not been posted in the ledger
(c) Sports material costing Rs. 284. purchased for the proprietor has been debited to General Expenses A/c
(d) All the above
332. Which of the following errors will not cause the Trial Balance to be out of order?
(a) Rs. 821 received from V. Rai has been debited to V. Ray
(b) A purchase of Rs. 281 from Sanju has been debited to his account as Rs. 281
(c) An invoice for Rs. 480 is entered in the Sales Book as Rs. 840
(d) All the above

333. If cash sales of Rs. 4550 are posted as Rs. 4505 in sales A/c. the rectifying entry will be to Dr____A/c 45 and Cr____A/c 1000
 (a) Bank: Sales (b) Cash: Suspense (c) Suspense: Sales (d) Suspense: Cash
334. If goods purchased for proprietor Rs 1000 are debited to Purchases A/c. the rectifying entry would be Dr Drawings A/c 1000 to____A/c 1000.
 (a) Sales (b) Cash (c) Purchases (d) Suspense
335. If purchase of goods from Debu Rs. 450 is wrongly passed through the Sales Book, the rectifying entry will be
 (a) Dr Sales A/c 450 To Purchases A/c 450
 (b) Dr Purchases A/c 450 To Sales A/c 450
 (c) Dr Sales A/c 450 Dr Purchases A/c 450 To Suspense A/c 900
 (d) Dr Sales A/c 450 Dr Purchases A/c 450 To Debu 900
336. If Rs. 5000 paid for the purchase of a scooter for Ghosh (a partner) is charged to the Miscellaneous Expenses A/c the rectifying entry will be
 (a) Dr Ghosh A/c 5000 To Suspense A/c 5000
 (b) Dr Misc Expenses A/c 5000 To Ghosh A/c 5000 .
 (c) Dr Ghosh A/c 5000 To Misc Expenses A/c 5000
 (d) None of the above
337. If no entry is made for goods returned from Anjani worth Rs. 4000. the rectifying entry will be to Dr____A/c 4000 and credit____A/c 4000.
 (a) Anjani : Sales (b) Sales Return : Anjani
 (c) Suspense : Anjani (d) Anjani :Sales Return
338. The Trial Balance shows a debit total of Rs. 8000. However, in recording a receipt of Rs. 150, the Cash A/c is erroneously credited instead of being debited. What will be the credit total of the Trial Balance?
 (a) Rs. 7700 (b) Rs. 8150 (c) Rs. 8300 (d) Rs. 7850
339. The debit balance of the Trial Balance is Rs.45,000. However, an invoice of Rs.1000 is entered in the Sales Book as Rs. 500. Assuming no other error. what will be the Trial Balance credit total ?
 (a) Rs 47,000 (b) Rs. 47,500 (c) Rs 48,000 (d) Rs. 49,500
340. The Credit Balance of the Trial Balance is Rs 45,000. However, goods supplied to R.Gopal Rs.900 have been credited to S. Gopal. What will be the debit total of the Trial Balance?
 (a) Rs. 44,100 (b) Rs.45.000 (c) Rs 45,900 (d) None of these
341. The purchase of office equipment for Rs. 500 was wrongly recorded by debiting both office equipment account and creditors account. If the credit column of the Trial Balance stands at Rs.40,000, what will it be after correction of the above error ?
 (a) 39,500 (b) Rs.40.000 (c) 39,000 (d) Rs.41.000

342. If a purchase from Taboo Rs.481 is entered in the Purchase book as Rs.418, and given that the debit total of the Trial Balance is Rs.18,491, find out the credit total of the Trail Balance

- (a) 18,410 (b) Rs.18,909 (b) 18,491 (d) Rs.19,390

343 Where would the purchase of a typewriter on account be recorded?

- (a) Cash Book (b) Sales book (c) Purchases Book (d) Journal

344. Which of the following will be used to record the purchase of goods on account

- (a) Cash book (b) Journal (c) Sales Book (d) Purchase book

345 In which of the following would an adjusting entry for depreciation be made?

- (a) Cash book (b) Journal (c) Sales book (d) Purchases book

347. What is the accounting entry required for issuing a purchase order of Rs. 10,000 to S. Sahay?

- (a) Dr Purchases A/c 10.000 To Cash 10.000
(b) Dr Purchases Order A/c 10.000 To S. Sahay 10.000
(c) Dr Purchases Order A/c 10.000 To S. Sahay 10.000
(d) None is required

348. Goods ordered from V. Bali are received along with an invoice for Rs. 5000. The accounting entry will be

- (a) Dr Goods A/c 5000 To Cash 5000
(b) Dr Invoice A/c 5000 To V. Bali 5000
(c) Dr Goods A/c 5000 To V. Bali 5000
(d) None is required

349. What will be the accounting entry for mailing a cheque for Rs. 9950 to Kiran Mishra in full settlement of account for Rs. 10.000 ?

- (a) Dr Kiran Mishra 9.950 To Bank 9.950
(b) Dr Kiran Mishra 10.000 To Bank 10.000
(c) Dr Kiran Mishra 10.000 To Bank 9.950 To Discount 50
(d) Dr Kiran Mishra 9.950 Dr Discount 50 To Bank 10.000

350. Which of the following accounts has only credit entries?

- (a) Accounts payable (b) Capital A/c
(b) Reserve fund A/c (d) All the above

351. Identify the account (s) that is/are increased by debit entries.
(a) Discount Earned A/c b) Purchases Return A/c
(c) Machinery A/c (d) All the above
352. Mark out the account that is decreased by debit entries.
(a) Salaries A/c (b) Bank A/c (c) Owner's Equity A/c (d) All the above
353. Identify the account that is increased by credit entries
(a) Sales Return A/c (b) Goodwill A/c (c) Bank Overdraft A/c (d) Purchases A/c
354. What is the main purpose of preparing a Trial Balance ?
(a) To prepare a summary of all the balances
(b) To check the arithmetical accuracy of the ledger accounts
(c) To compare the debit and credit balances
(d) To locate all types of errors
355. What would the agreement of the Trial Balance indicate ?
(a) No error remains undetected
(b) Double entry has been completed
(c) That the arithmetical accuracy stands reasonably proved
(d) All ledger accounts have been correctly posted
356. Posting of the wrong amount in the ledger will cause
(a) The Ledger A/c to be out of balance
(b) The Trial Balance to still agree
(c) The Trial Balance to be out of order
(d) None of the above
357. What does a debit signify?
(a) Increase in assets accounts (b) Decrease in liabilities accounts
(c) Decrease in capital accounts (d) All the above
358. A credit would signify
(a) Increase in assets accounts (b) Decrease in liabilities accounts
(c) Increase in capital accounts (d) All the above
359. What does the left side of an asset account record
(a) Decreases (b) Increases (c) Depreciation (d) Expenses
360. What does a debit signify?
(a) An increase (b) A decrease (c) Either an increase or a decrease (d) Equality

361. How many accounts does a business transaction affect ?
(a) Just one (b) At least two (c) Only two (d) Two or three
362. When an account that is normally with a debit balance actually appears with a credit balance it indicates
(a) An unusual transactions must have occurred (b) Bank overdraft
(c) The business is about to collapse (d) An error in recording may have made
365. The total of the sales Book for a month indicates the total _____ for the month
(a) Sales (b) Cash Sales (c) Credit Sales (d) Sales less sales return
366. The petty cash system is aimed to
(a) Meet the needs of small businesses (b) Cover small and varied incomes
(c) Cover the small expenditure paid in cash
(d) Cover both small incomes and expenditure
367. With which book is the term 'Imprest System' used in relation to?
(a) Cash Book (b) Sales Book (c) Purchase Book (d) Petty Cash Book
368. It is necessary to analysis transactions in terms of debit and credit
(a) When journalizing (b) When posting (c) At both the times (d) At neither of the times
369. When a petty cash fund is established for Rs. 500 the accounting entry is
(a) Dr. Cash 500 To Bank 500 (b) Dr. Cash 500 To Petty Cash 500
(c) Dr. Petty Cash 500 To Cash 500 (d) No entry is required
370. Debts written off as bad, if subsequently recovered are credited to
(a) Debtors A/c (b) Sales A/c (c) Profit & Loss A/c (d) Bad Debts A/c
371. If R. Puri, a debtor of Rs. 4,000 has become insolvent and a dividend of 50% is declared, the entry is
(a) Dr Bad Debts 2000 To P & L A/c 2000
(b) Dr Cash 2000 To Bad Debts 2000
(c) Dr .Cash 2000 To Debtors 2000
(d) Bank A/c Dr. 2000 Bad debts A/c Dr. 2000 To debtors A/c 4000
372. The arithmetical accuracy of accounting entries may be checked by
(a) An accountant (b) Balance sheet (c) A computer (d) Trial balance
373. What does What does a Trial Balance prove?
(a) That every transaction is recorded twice (b) No error remains
(c) Books have been correctly written (d) All the above
374. Mark out the error of commission among the following.
(a) A sale of Rs. 800 is not recorded
(b) A purchase of Rs. 400 is wrongly posted

- (c) Charges are treated as additions to assets
(d) Sales Book is overcast by Rs. 200 and Purchase Book is under cast by the same amount
375. The Trial Balance will help disclose
(a) Errors of principle
(b) Wrong amounts posted in ledger accounts
(c) Nonrecording of a transaction in the Journal
(d) All the above
376. Outstanding rent not being recorded would be an error
(a) Of omission (b) Of commission (c) Of principal (d) Of a clerical nature
377. A Chronological record of transaction may be found in
(a) Balance Sheet (b) Trial Balance (c) Ledger (d) Journal
378. A ledger is an accounting book in which _____ accounts are opened.
(a) Only real (b) Only personal
(c) Only nominal (d) All real, personal and nominal
379. Identify the book among the following which is not one of original entry.
(a) Cash book (b) Sales journal (c) Bills receivable book (d) Ledger
380. The return of goods bought will be entered in the
(a) Purchases Return Alc (b) Sales Return Book
(c) Journal Proper (d) Purchases Returns Book
381. The Suspense Alc is required when
(a) The debit side of trial balance is short
(b) The credit side of trial balance is short
(c) Errors are not quickly located and final accounts need be prepared without delay
(d) The final accounts are to be prepared
382. The special journal may be sub-divided into
(a) Purchase Book (b) Sales Return Book (c) Cash Book (d) All the above
383. The ledger can be
(a) A bound book (b) A set of loose pages (c) Punched cards (d) All the above
384. Receipt of RS. 2500 from Kamal, a debtor has not been recorded in the books, the profit would show
(a) An increase of Rs. 2500 (b) A decrease of Rs. 2500
(c) Neither increase nor a decrease (d) None of the above
385. The Profit and Loss A/c shows the
(a) Balances of all accounts (b) Capital employed in business
(c) Gross profit earned (d) Net profit earned

386. Sales to Kiran of Rs. 1000 not recorded in; the books would affect

- (a) Sales A/c (b) Kiran's A/c
(c) Sales A/c and Kiran's Alc (d) Cash Alc

387. An item of Rs. 84 has been wrongly entered as Rs. 48. This is an error of

- (a) Omission (b) Commission (c) Principle (d) No consequence

388. Error of Commission will not permit

- (a) Correct total of the Balance Sheet (b) Correct total of the Trial Balance
(c) The Trial Balance to agree (d) None of the above

389. Sales on account are recorded in the

- (a) Cash book (b) Journal (c) General Journal (d) Sales Book

390. Cash A/c shown in the Trial Balance depicts the

- (a) Cash receipts during the year (b) Cash payments during the year
(c) Cash balance on the date of Trial Balance (d) None of the above

391. Bills Payable Book is a part of

- (a) Balance Sheet (b) Journal (c) Ledger (d) P & L Alc

392. If the sales day book is undercast, the result will be

- (a) Reduced sales figure (b) Increased sales figure
(c) Increase in debtors' amount (d) Increase in creditors' amount

393. How does an overcasting of Purchase Day Book affect the cost of sales and profit?

- (a) Cost of sales is decreased while profit is increased
(b) Cost of sales is increased while profit is decreased
(c) Both cost of sales and profit are increased
(d) Cost of sales is increased, gross profit is decreased, but net profit remains unaffected

394. What is the correct sequence of the following in the preparation of periodical final statements?

1. Preparation of Balance Sheet
2. Preparation of Funds Flow Statement
3. Preparation of Trial Balance
4. Preparation of Profit / Loss Statement

- (a) 4, 2, 1, 3 (b) 3, 4, 1, 2
(c) 2, 4, 3, 1 (d) 1, 3, 2, 4

395. The following are the figures relating to a trader.

Opening stock 10,000/-
Closing stock 11,000/-
Purchases 70,000/-

The goods are sold at a profit of 30% on cost. The amount of sales will be

- (a) 104,000/- (b) 91,000/-
(c) 89,700/- (d) 21,000/-

396 Match List I with List II and select the correct answer using the codes given below the lists.

List I

(Items)

- A. Cash
- B. Profits
- C. Discount on issue of shares
- D. Plant & Machinery

List II

(Nature of items)

- 1. Share holder's Equity
- 2. Fixed Assets
- 3. Current Assets
- 4. Fictitious Asset
- 5. Intangible Asset

Codes :

	A	B	C	D
(a)	2	5	1	3
(b)	3	1	4	2
(c)	3	4	5	1
(d)	1	3	4	2

397 If a trial balance does not tally inspite of a thorough scrutiny and the difference is substantial then which one of the following courses should an accountant adopt ?

- (a) Defer preparation of financial statements
- (b) Open Suspense A/c
- (c) Write of the difference to Profit and Loss A/c
- (d) Ignore the difference and prepare financial statements

398 Advance received from customer is

- (a) an item of current liability
- (b) an item of non-current asset
- (c) an item of contingent liability
- (d) an item of non-cash cost

399. The Preparing a particular account, the name of the same account is not used whether at a debit or credit side (True/False)

400. Depreciation on a fixed asset given in the Trial balance is transferred to Profit and Loss A/c (True/False)

401 Cash is the first Item in the Balance Sheet if the items are arranged in terms of liquidity. (True/False)

402 Cost of Goods Sold = Opening Stock + Purchases - Closing Stock. (True/False)

403. When stock at the end is given in Trail Balance, it is shown in the Balance Sheet. (True/False)

404. The debits written off as bad, if recovered subsequently it is shown in the Balance Sheet only. (True/False)

405 Premium paid on life insurance policy is treated as a business expense. (True/False)

406. Every debit has a corresponding credit in a journal entry. (True/False)
407. Bank account is a real account (True/False)
408. Outstanding rent account is a personal account. (True/False)
409. Cash paid to Ravi as his salary shall be debited to Ravi's personal account. (True/False)
410. Journal is a book of original entry. (True/False)
411. Trade discount is recorded in the journal. (True/False)
412. Furniture sold on credit by book seller will be recorded in the sales account (True/False)
413. Fixed asset should always be equal to current liabilities. (True/False)
414. The agreement of the debit and credit columns in a Trial Balance is a prima facie test of arithmetical accuracy (True/False)
415. Posting means a transfer of the account from the general journal to the ledger (True/False)
416. The nominal accounts are not balanced. (True/False)
417. Personal account may have both debit and credit balances. (True/False)
418. Trial balance is an account. (True/False)

UNIT 3 - FINANCIAL STATEMENTS (FINAL ACCOUNTS)

419. How would you classify bank overdraft ? As a
(a) Current asset (b) Fixed asset (c) Current liability (d) Fixed liability
420. Stock in trade is a
(a) Fixed asset (b) Current asset (c) Intangible asset (d) Fictitious asset
421. _____assets would denote those that are very easily convertible into cash.
(a) Fixed (b) Liquid (c) Floating (d) Current
422. Into what kind of asset should goodwill be classified ?
(a) Intangible (b) Floating (c) Liquid (d) Current

423. Outstanding wages are an item representing
(a) Current asset (b) Current liability
(c) Non Current asset (d) Non Current liability
424. Assets appearing in the book but having no value are also termed _____ assets.
(a) Wasting (b) Intangible (c) Fictitious (d) Mythical
425. The Profit and Loss Account shows the
(a) Gross profit or loss (b) Balances of all accounts
(c) Net profit or loss (d) Capital employed
426. The balance sheet portrays the
(a) Balance of all accounts (b) Net profit or loss
(c) Financial position of a business (d) None of the above
427. Mark out the correct heading.
(a) XYZ Trading Co. Income Statement as on Dec. 31.2001
(b) XYZ Trading Co. Income Statement Dec. 31.2001
(c) XYZ Trading Co. Income Statement for the year ended Dec. 31.2001
(d) None of the above
428. How would the date of a balance sheet be properly worded?
(a) As on Dec. 31. 2001 (b) Dec 31,2001
(c) For the year ended Dec. 31. 2001 (d) None of the above
429. Which of the following is an accounting equation?
(a) Capital = Assets + Liabilities (b) Assets = Liabilities - Capital
(c) Capital = Assets - Liabilities (d) Liabilities = Assets + Capital
430. Identify the accounting equation among the following.
(a) Liabilities = Assets - Capital (b) Assets = Capital + Liabilities
(c) Capital + Liabilities - Assets = 0 (d) All the above
431. Mark out the accounting equation among the following.
(a) Assets = Equities (b) Assets = Liabilities - Capital
(c) Assets = Equities + Liabilities (d) None of the above
432. For a business with assets of Rs. 20.000 and owner's equity being Rs. 7.500. find the amount of liabilities.

- (a) Rs. 12.500 (b) Rs.27.500 (c) Rs.20,000 (d) None of these
433. If a business has liabilities totalling Rs. 12.500 and owner's equity of Rs. 20.000. the assets will be
(a) Rs. 12,500 (b) Rs.7.500 (c) Rs.20,000 (d) None of these
434. Given the assets of a business to be Rs. 24.000 and the owner's equity as Rs. 8.000. what will the liabilities equal?
(a) Rs.24,000 (b) Rs. 16,000 (c) Rs. 8.000 (d) Rs. 32.000
435. Purchase of office equipment would result in
(a) Increase in capital (b) Increase in assets
(c) Decrease in capital (d) Decrease in liabilities
436. Purchase of raw materials on account will result in _____ in assets and _____ in liabilities.
(a) Decrease; decrease (b) Increase; increase
(c) Decrease; increase (d) Increase; decrease
437. Investment by the owner would result in _____ capital and increase in _____.
(a) Increase liability (b) Decrease liability (c) Increase asset (d) Decrease asset
438. Collection of Accounts Receivable results in
(a) Increase in capital and decrease in asset
(b) Increase in liability and decrease in asset
(c) Decrease in asset and increase in asset
(d) Decrease in liability and increase in asset
439. Income earned. that is to be collected. results in
(a) Increase in capital and increase in liability
(b) Decrease in liability and increase in capital
(c) Increase in asset and increase in liability
(d) Increase in capital and increase in asset
440. Income earned, that has been collected. results in
(a) Increase in asset and increase in capital
(b) Decrease in asset and increase in liability
(c) Increase in asset and decrease in capital
(d) Decrease in asset and increase in capital
441. In a business, if the net assets on May 1 are Rs. 5.000 and on May 31 are Rs. 8.000, with the owner withdrawing Rs. 1000 during May, find the income for May.
(a) Rs.3.000 (b) Rs.4.000 (c) Rs. 2.000 (d) None of these
442. Net assets of a business on Jan.1 and Jan. 31 are Rs. 20.000 and Rs. 24.00 respectively.

- If the owner had invested Rs. 2,000 during Jan find the net income for Jan.
(a) Rs.4,000 (b) Rs.6,000 (c) Rs.2,000 (d) None of these
443. Given: Net assets of a business on Jan.1 are Rs. 40,000, and on Jan 31 Rs. 34,000, Additional investment and withdrawal made by owner of Rs. 2,000 and Rs. 8,000. Find the net income for January.
(a) Rs.6,000 (b) Rs. 8,000 (c) Rs.2,000 (d) Zero
444. Which of the following transactions results in increase of assets and increase in owner's equity?
(a) Bonus shares issued (b) Shares issued for cash
(c) A Dividend is declared (c) all the above
445. Mark out the transaction that will result in an increase in liabilities as well as a decrease in liabilities.
a) Payment of a bank loan
(b) A bill is accepted in payment of an open account obligation
(c) Payment to creditors (d) All the above
446. Which transaction would increase the owner's equity and also decrease the owner's equity?
(a) Cash dividend declared (b) Debentures converted into equity shares
(c) Bonus shares issued (d) All the above
447. Identify the transaction that will result in decrease in owner's equity and increase in liabilities.
(a) Issue of bonus shares
(b) Shares issued in payment of bills payable
(c) Shares issued for purchase of land and building
(d) None of the above
448. Mark out the transaction that would result in a decrease in owner's equity and increase in liabilities.
(a) Declaration of a dividend
(b) Shares forfeited, on which call money has not been received
(c) Reduction in the paid-up value of shares
(d) Reduction in the par value of shares
449. Sale of land for cash below cost results in
(a) An increase in total assets (b) A decrease in total assets
(c) No change in total assets (d) The creation of fictitious assets
450. Sale of land on account at a price above its cost results in
(a) No change in total assets (b) A decrease in total assets
(c) An increase in total assets (d) The creation of fictitious assets
451. Purchase of a car priced Rs. 1,00,000 at terms Rs. 10,000 cash and the balance in 12 equal monthly installments results in

- (a) An increase in total assets (b) A decrease in total assets
(c) No change in total assets (d) The creation of fictitious assets
452. Collection of an Accounts Receivable results in
(a) An increase in total assets (b) A decrease in total assets
(c) No change in total assets (d) The creation of fictitious assets
453. Payment of a liability would result in
(a) An increase in total assets (b) A decrease in total assets
(c) No change in total assets (d) The creation of fictitious assets
454. The balance in the Wages Outstanding A/c, after adjustments have been made at the end of the year, should be treated as a/an
(a) Revenue (b) Expense (c) Asset (d) Liability
455. In which of the following categories would the balance in the Insurance Expense A/c (after adjustments made at year-end) fall?
(a) Expense (b) Revenue (c) Liability (d) Asset
456. Subscription collected in advance by a publisher should be termed as
(a) Accrued asset (b) Accrued liability (c) Prepaid expense (d) Unearned revenue
457. A five-year premium paid on a fire insurance policy should be classified as
(a) Accrued asset (b) Accrued liability (c) Prepaid expense (d) Unearned revenue
458. 'Receipt from the sale of season tickets for a series of concerts' should be classified as
(a) Prepaid expense (b) Unearned revenue (c) Accrued asset (d) Accrued liability
459. How should 'Interest earned but not received' be classified?
(a) Accrued liability (b) Accrued asset (c) Unearned revenue (d) Prepaid expense
460. 'Life insurance premium received by an insurance company' should be classified as
(a) Unearned revenue (b) Prepaid expense (c) Accrued asset (d) Accrued liability
461. 'Taxes owed but payable in the following period' should be classified as
(a) Accrued asset (b) Accrued liability (c) Prepaid expense (d) Unearned revenue
462. If Closing Stock appears in a Trial Balance, while preparing the final accounts. it should enter in
(a) Trading A/c only (b) Balance Sheet only
(c) Trading A/c as well as Balance Sheet (d) None of the above
463. What does the Closing stock appearing in the Trial Balance indicate?
(a) Opening Stock appears outside the Trial Balance
(b) Opening Stock has been adjusted into the stock figure
(c) Purchases have been included in the Closing Stock
(d) None of the above
464. Stock does not include

- (a) Goods in the hands of an agent (b) Goods out on approval (on sale or return)
(c) Goods sold awaiting delivery to the buyer (d) All the above
465. Stock includes
(a) Goods held as security (b) Goods sold but not yet delivered
(c) Goods with customers for approval on sale or return basis (d) All the above
466. Stock is valued according to the _____ for the purpose of final accounts.
(a) FIFO basis (b) LIFO basis (c) Base Stock Method (d) Any of the above methods
467. Purchase of goods for the proprietor's personal use is included in the Purchases A/c to be shown in the Trading A/c. The adjusting entry will be
(a) Dr Trading A/c To Drawings A/c
(b) Dr Purchases A/c To Drawings A/c
(c) Dr Capital A/c To Purchases A/c
(d) No entry is required
468. If purchases of stationery are included in the Purchases A/c. to be shown in the Income Statement, the required adjusting entry is
(a) Dr Stationery To cash
(b) Dr Stationery To Purchases
(c) Dr Purchases To Stationery
(d) No entry is required
469. Of the following items appearing in the Trial Balance, mark out which should be debited to Trading A/c
(a) Wages outstanding (b) Wages and salaries
(c) Advance payment of wages (d) All the above
470. Which is the adjustment entry for bad debts?
(a) Dr Bad Debts To P & L A/c
(b) Dr Provision for Bad and Doubtful Debts To Bad Debts
(c) Dr Bad Debts To Debtors
(d) Dr P & L A/c To Bad Debts
471. The adjustment entry For bad and doubtful debts is
(a) Dr Bad Debts To Provision for Bad and Doubtful Debts
(b) Dr P & L A/c To Provision for Bad and Doubtful Debts
(c) Dr Provision for Bad and Doubtful Debts To P & L A/c
(d) Dr Provision for Bad and Doubtful Debts To Debtors
472. The adjustment entry for Provision for Discount on Debtors is
(a) Dr Provision for Discount on Debtors To P & L A/c
(b) Dr P & L A/c To Provision for Discount on Debtors
(c) Dr Provision for Discount on Debtors To Debtors
(d) None of the above

473. The adjustment entry for Provision' for Discount on Creditors is
 (a) Dr P&L Ac To Creditors
 (b) Dr P&L Ac To Provision for Discount on Creditors
 (c) Dr Provision for Discount on Creditors To P & L Ac
 (d) Dr Provision for Discount on Debtors To Provision for Discount on Creditors
474. The Balance Sheet of a business is an expression of the accounting equation, also termed the_____equation.
 (a) Book keeping (b) Trial by balance (c) Annual review (d) Balance Sheet
- 475 Capital employed will consist of
 (a) Share holders' funds (b) Loan funds
 (c) Both shareholders' fund and loan fund
 (d) Shareholders' fund *plus* loan funds *minus* any amount invested in non-operating assets.
- 476 Identify the non-operating asset among the following
 (a) Land (b) Machinery (c) Building (d) Investment in government securities
- 477 Bonus shares may be issued out of
 (a) Share Premium A/c (b) Balance In the P & L A/c
 (c) General Reserve A/c (d) All the above
478. Ploughing back of profit denotes
 (a) Regulating of black money (b) Dividends not claimed by shareholders
 (c) Net paying dividends in a certain year (d) Retaining the earnings
479. Excessive ploughing back of profit might
 (a) Result in over capitalization (b) Prove dangerous
 (c) Lead to overinvestment in a particular industry
 (d) All the above
480. Identify the source of finance that does not pose a burden on a company's finance.
 (a) Debentures (b) Public deposit
 (c) Loans from financial institutions (d) Retained earnings
481. Current Assets include
 (a) Long term investments (b) Cash and bank balances
 (c) Machinery (d) Patent rights
482. Which of the following is a current asset?
 (a) Patent rights (b) Goodwill (c) Preliminary Expenses (d) Stock in trade
483. Which of the following is a non-current liability?
 (a) Creditors (b) Bills payable (c) Capital reserve (d) Outstanding expenses
484. A debit note refers to a note sent

- (a) By buyer of goods to seller of goods (b) By seller of goods to buyer of goods
(c) By middleman to both buyer and seller of goods (d) By customer to third parties

485. Which of the following is a non-current asset?
(a) Prepaid rent (b) Stock (c) Goodwill (d) None of these
486. A reserve is a charge against_____
(a) Trading A/c (b) P & L A/c (c) P & L (Adjustment) A/c (d) P & L Appropriation A/c
487. A provision refers to a_____reserve.
(a) General (b) Capital (c) Specific (d) Secret
488. If sales are Rs. 60,000; Gross profit is 1/3 on cost. purchases are Rs. 49,000 and the closing stock is Rs. 9,000. The opening stock will be
(a) Nil (b) Rs.5,000 (c) Rs. 20,000 (d) Rs. 49,000
489. If Capital at the end Rs. 7,000
Capital introduced Rs. 5,000
Drawings Rs. 8,000
Loss Rs. 10,000
then capital in the beginning is equal to
(a) Rs. 12,000 (b) Rs. 16,000 (c) Rs.20,000 (d) Rs. 30,000
490. If the rate of gross profit is 20% on cost of goods sold and the sales are Rs. 1,50,000/- then the total gross profit would be
(a) Rs.25,000 (b) Rs. 30,000 (c) Rs. 37,500 (d) None of these
491. While preparing 'Annual Financial Statements' Credit Balance shown by the Bank Pass Book should be treated as
(a) A liability (b) An income (c) An excess of payments over receipts (d) An asset
492. An estimate of the assets and liabilities of a firm as on a given date is called
(a) Balance Sheet (b) Statement of Affairs
(c) Statement of Capital (d) Income Statement
493. A provision is a
(a) General Reserve (b) Specific Reserve (c) Capital Reserve (d) Contingency Reserve
494. Final Accounts of a manufacturing company capital generally include the following types of documents

1. Balance Sheet
2. Manufacturing Account
3. Profit and Loss Account
4. Trading Account
5. Profit and Loss Appropriation Account

The correct sequence in which in which these documents are prepared is

- (a) 1,4,3,2,5 (b) 2,4,3,5,1 (c) 1,2,4,3,5 (d) 2,4,5,3,1

495 While preparing the Annual Financial Statements the balance of Prepaid Rent Account should be treated as the balance would be of a

- (a) Personal Account (b) Nominal Account
(c) Real Account (d) Deferred Expense Account

496 While preparing Annual Financial Statements, the balance of Bills Receivable Account can be treated as

1. An accrued income
2. An item of assets
3. A 'Personal Account' balance

Of these statements

- (a) 2 and 3 are correct (b) 1 and 3 are correct (c) 1 and 2 are correct (d) None are correct

497. Match list I with list II and select the correct answer using the codes given below the list

List I

List II

- | | |
|---------------------------|--------------------------|
| A. Discount on Debentures | 1. Current liability |
| B. Forfeited Capital | 2. Non-Currant Assets |
| C. Income tax payable | 3. Current Assets |
| D. Debtors acceptance | 4. Non Current Liability |

Codes

- | | A | B | C | D |
|-----|---|---|---|---|
| (a) | 2 | 4 | 1 | 3 |
| (b) | 4 | 2 | 3 | 1 |
| (c) | 2 | 4 | 3 | 1 |
| (d) | 4 | 2 | 1 | 3 |

498 When sale is Rs. 4,80,000 gross loss is 25 % on cost, purchases Rs. 3,50,000 and closing stock is Rs.60,000 the stock in the beginning would be

- (a) Rs. 70,000 (b) Rs. 94,000
(c) Rs. 1,34,000 (d) Rs. 3,50,000

499 A Business concern provides the following details :

cost of goods sold Rs.1,50,000

Sales Rs.2,00,000

Opening Stock Rs .60,000

Closing Stock Rs .40,000

Debitors Rs .45,000

Creditors Rs .50,000

The concerns purchases would amount to

(a) Rs. 1,30,000 (b) Rs. 2,20,000 (c) Rs. 2,60,000 (d) Rs. 2,90,000

500. Accruals are adjusting entries that record revenues already earned but not previously recorded. (True/False)

501 Profit and Loss Account shows either net profit or net loss for a given account period. (True/ False)

502 Balance Sheet is an account with debit and credit side (True/False)

503 Profit and Loss Account shows the financial position of the concern. (True/False)

504 Balance Sheet discloses the names of all such accounts which shows balances. (True/False)

505 Trial Balance is prepared after preparing the Profit & Loss Account but before Balance Sheet. (True/False)

506. Balance Sheet and Trial Balance serve the same purpose. (True/False)

507. Goodwill is not a fictitious asset. (True/False)

508 Deferred revenue expenditure is partly debited to Profit and Loss Account and the balance is shown in the Balance Sheet. (True/False)

509 Goodwill is a Current Asset. (True/False)

510 Freight and cartage expenses paid on purchase of goods is added to the amount of purchases. (True/False)

511 Bad debts recovered is closed by transferring to the credit side of Profit and Loss Account.(True/False)

UNIT 4 - PARTNERSHIP ACCOUNTS

512. In the absence of an agreement to the contrary, the partners are
(a) Not paid salaries (b) Paid salaries
(c) Paid salaries in the profit, sharing ratio (d) Paid salaries according to their work
513. The Current accounts of partners are opened when their capital accounts are
(a) Fixed (b) Fluctuating (c) Either fixed or fluctuating (d) Neither fixed nor fluctuating
514. To which account would the interest on the capital accounts of partners be credited
(a) Interest A/c (b) Partners Current A/c
(c) Partner's Capital A/c (d) Profit & Loss A/c
515. A, B and C are partners in a firm. If X is admitted as a new partner
(a) The old firm has to be dissolved
(b) The old partnership has to be dissolved
(c) Both the old firm and partnership stand dissolved
(d) Neither the old firm nor the old partnership need be dissolved
516. If the partnership deed provides for a salary of Rs. 1000 p.m. to a partner A. who withdraws only Rs. 800 in a month. the remaining Rs. 200 would be
(a) Debited to A's Capital A/C (b) Credited to Outstanding Salary A/C
(c) Credited to A's Current A/C (d) Credited to P & L (Adjustment) A/C
517. X, Y and Z are partners sharing profits and losses equally, Their capital balances On Dec. 31, 2001 are Rs. 80,000, Rs. 60,000 and Rs. 40,000 respectively. Their private properties are worth as follows: X -Rs. 20,000, Y -Rs. 15,000 and Z -Rs. 10,000. The extent of their liability in the firm is
518. In the absence of an agreement to the contrary, the partners are entitled to interest on loans to the firm
(a) 6%: only when there are profits (b) 9%: only when there are profits
(c) 6%: whether or not there are profits (d) 9%: whether or not there are profits
519. Unless the agreement states otherwise, the partners share profits and losses in
(a) The ratio of their capital in the beginning of the accounting period
(b) The ratio of their capitals at the end of the accounting period
(c) The ratio of average capital (d) Equal ratio

520. For X to be admitted as a nominal partner in a firm of A and B, X
 (a) Must purchase an interest from one or both the partners
 (b) Contributes cash to the partnership firm
 (c) Should contribute an assets the partner ship firm
 (d) Is not contribute any assets to the partner ship firm
521. Normally, the partners arc entitled to interest on their capitals _____
 (a) 6%; only if there are profits (b) 9%; only when there are profits
 (c) Bank rate of; regardless of profits or losses (d) No; regardless of profits or losses
- 522 Unless the agreement states otherwise,
 (a) Active partners arc entitled to salary and sleeping partners to interest on capital @6%
 (b) Active partners arc entitled to salary and all partners to interest on capital @ 6%
 (c) All partners are entitled to salary and interest on capital @ 6%
 (d) No partner is entitled to salary or interest on capital
523. When interest is to be allowed on the capitals of the partners, it is calculated on the basis of the
 (a) Capital at the end of the year
 (b) Capital at the end of the year, less drawings if any
 (c) Capital in the beginning of the year
 (d) Average capital
524. When interest is to be allowed on the capitals of the partners, .
 (a) Interest is allowed, regardless of profit or loss
 (b) Interest is limited to the amount of profit
 (c) Interest is allowed only if the profit is adequate to pay the full amount of in the interest
 (d) In case of loss, interest accumulates, to be payable later
525. The current account of a partner_____have a_____balance.
 (a) Will always: debit (b) Will always; credit (c) May; debit or credit (d) None of the above
526. X and Y are partners sharing profits in the ratio of 1 : 3. A is admitted as a partner with 1/4 share in the profits. The new profit sharing ratio of X, Y and A will be
 (a) 16: 48 : 22 (b) 1 : 3: 4 (c) 4 : 9 : 3 (d) 3 : 9 : 4
527. X and Y are partners sharing profits in the ratio of 3 : 2. A is admitted as a partner entitled to 1/3 share of the profit. Tick the new profit-sharing of X, Y and A.
 (a) 3 : 2 : 1 (b) 1 : 2 : 3 (c) 5 : 4 : 6 (d) 6: 4 : 5
528. A and B share profits in the ratio of 7 : 3. X is admitted as a new partner entitled to 3/7 share in the firm. X takes 1/7 share from A and X from B: The new ratio of A, B and X will be
 (a) 7: 3 : 3 (b) 4 : 2 : 3 (c) 10: 7 : 5 (d) 39; 1 : 30
529. A and B share profits in the ratio of 1 : 4. Z is admitted as a new partner entitled to 1/3 of the profits. The new profits sharing ratio will be
 (a) 1 : 4 : 2 (b) 1. ;4 : 3 (c) 2: 8 : 5 1 (d) 1 : 4 : 10

- 530 A, Band C partners in the ratio of $1/2 : 2/5 : 1/10$ find the new ratio of Band C if A retires
 (a) 2: 1 (b) 4 : 1 (c) 13: 7 (d) 7 : 13
- 531 A, Band C are partners in the ratio of $1/5 : 1/3 : 7/15$. C retires and his share is taken up by A and B in the ratio of 3: 2. The new profit-sharing ratio will be
 (a) 13: 12 (b) 14: 15 (c) 15: 14 (d) 12: 13
- 532 X, Y and Z are in a partnership with a profit-sharing ratio of 5: 4 : 3. A is admitted as a new partner for $1/6$ th share. The sacrificing ratio of X, Y and Z will be
 (a) Equal (b) 5: 4 : 3 (c) 3: 4 : 5 (d) None of these
- 533 A and B are partners sharing profits in the ratio of 4 : 3. C joins as a partner, the new ratio among A, Band C being 7 : 4 : 3. What is the sacrificing ratio between A and B'
 (a) Equal (b) 4 : 3 (c) 2 : 1 (d) 1 : 2
- 534 In which account is the interest payable on the capital of the partner charged'
 (a) P & L A/c (b) P & L (Adjustment) A/c
 (c) P & L Appropriation A/c (d) Realization A/c
- 535 Which of the following shows the division of net income among partners at the end of the accounting year?
 (a) Dr P & L A/c To Partner's Capital A/cs
 (b) Dr P & L (Adjustment) A/c To Partner's Current A/cs
 (c) Dr Partner's Current A/cs To P & L A/c
 (d) None of the above
- 536 When a new partner is admitted, which of the following accounts is credited to record the increase in the value of an asset?
 (a) Asset A/c
 (b) P & L (Adjustment) A/c

ANSWERS

1. (c) Furniture
2. (d) Goodwill
3. (b) Prepaid insurance
4. (d) Providing excessive depreciation
5. (c) Profit and Loss Appropriation Account
6. (d) Items held as fixed assets
7. (a) Personal .
8. (c) An indefinite
9. (b) Entity

- 10 (b) The matching concept
- 11 (c) Commission payable to a salesman
12. (b) Vertical
- 13 (b) Understatement of assets
14. (b) Specific reserve
15. (b) Convention of materiality
16. (c) Money measurement concept
17. (c) When goods are delivered to customer
18. (c) Account receivable
- 19 (c) Current assets minus current liabilities
20. (d) Dividend equalization reserve
21. (c) Provision
22. (d) Any of these
23. (b) Amount receivable
24. (d) All the above
25. (c) Preliminary expenses
26. (c) Outstanding wages
27. (d) Equity shares may be exchanged at the option of the debenture holders
28. (d) Rs.60.000
29. (c) Redeemable debentures
30. (d) Deferred revenue expenditure
31. (d) Public
32. (d) All the above
- 33 (b) Increased in asset account
34. (b) The disclosure concept
15. (c) Keep assets unchanged
36. (d) Conservatism
37. (c) Stationery
38. (b) Shares and debentures of companies
39. (a) Machinery sold for Rs. 500 less than its book value
40. (b) Non-operating income
41. (a) Personal
42. (c) Nominal
43. (a) Real
44. (b) Personal
45. (d) All the above
46. (c) Sale of merchandise
- 47 (d) All the above
- 48 (c) Profit on sale used plant in a manufacturing concerned

49. (c) Interest on debenture
50. (a) Real
51. (a) Real
52. (b) Personal
53. (b) Personal
54. (a) Real Accounts
55. (a) Real
56. (b) Personal
57. (b) Personal
58. (c) Nominal
59. (b) Personal
60. (c) Full disclosure
61. (c) Consistency
62. (b) Entity concept
63. (c) Cost principle
64. (d) Full disclosure
65. (d) Materiality
66. (c) A-2, B-1, C-4, D-3
67. (b) Personal
68. (d) Conservatism
69. (c) Nominal accounts
70. (b) Personal accounts
71. (b) Capital = Assets - Liabilities
72. (d) All the above
73. (c) Assets = Capital + Liabilities
74. (a) Rs. 12.000
75. (b) Rs. 27.000
76. (a) Rs.20.000
77. (e) Double entry System
78. (c) Convention of full disclosure
79. (d) Management consultancy services
80. (c) Concepts
81. (b) Dual aspects
82. (b) Conservatism
83. (c) Accountancy
84. (d) All the above
85. (c) Accountancy
86. (c) Subjectivity
87. (a) Disclosure

88. (c) Disclosure
89. (d) Qualitative
90. (d) Machinery A/c
91. (d) Dual Aspect
92. (d) Understatement of assets
93. (d) The lower of the cost price or market price
94. (a) Only Machinery A/c
95. (b) Asset at the price paid to acquire it
96. (d) Double entry
97. (b) Sale is effected
98. (c) Rs. 16.000
99. (b) Assets = Equities + liabilities
100. (b) Personal
101. (d) All the above
102. (b) Comes in. goes out
103. (b) A decrease in
104. (c) Business entity
105. (d) A consensus at a particular time
106. (a) Real
107. (b) Nominal
108. (a) A debit for every credit and vice versa
109. (d) Real accounts relate to the assets of a business
110. (c) Accounting methods and procedures used have been consistently applied from year to year
111. (a) $\text{Rs. } 22,000 = \text{Rs. } 20,000 + \text{Rs. } 2,000$
112. (d) Total liabilities *minus* current liabilities
113. (c) Rs.20,000
114. (b) Monetary units
115. (c) A-2, B-3, C-1
116. (c) Business entity
117. (d) Business entity
118. (c) Subjectivity
119. (c) [n showing joint life policy at surrender value as against the amount paid
120. (d) Conservatism
121. (a) Disclosure
122. (b) Conservatism
123. (b) Disclosure
124. (a) Dual aspect
125. (a) Understatement of assets
126. (a) Horizontal

127. (b) When sale is effected
128. (b) Double entry
129. (a) Asset at its cost
130. (c) Bank balance of Rs. 50,000
131. (d) Supported by invoices correspondence, vouchers and business documents
132. (b) Consistency
133. (c) Indefinite life
134. (d) Cost price or market price, whichever is lower
135. (c) Goods delivered to customers
136. (d) Money measurement
137. (b) Business entity
138. (c) Convention of conservatism
139. (c) Sales that have been made on a legal obligation by the customer to pay for them or for which money has been received
140. (d) Rs. 10 lakh initially and less depreciation subsequently
141. (c) Matching
142. (b) Disclosure
143. (b) Conservatism
144. (d) Full disclosure
145. (c) Materiality
146. Reduce. increase
147. Cost
148. complementary
149. losses, profits
150. Lower
149. False
150. False
151. True
152. False
153. True
154. False
155. True
156. False
157. True
158. True
159. False
160. True
161. False
162. True

- 163. False
- 164. False
- 165. False
- 166. True
- 167. False
- 168. False
- 169. (c) Generally Accepted Accounting Principles
- 170. (b) Prudence
- 171. (b) Accounting Standards Board (ASB)
- 172. (c) IASC
- 173. (a) Stock-in-trade
- 174. (d) Revenue recognition
- 175. (c) AS-IO
- 176. (b) Is not mandatory
- 177. (a) Accounting for leases
- 178. (d) Borrowing cost, segmental reporting
- 179. (a) AS-12
- 180. (a) Depreciation accounting
- 181. (b) Accounting Standard - 9
- 182. (a) On time basis
- 183. (d) When there is no uncertainty about receipt
- 184. (d) Going concern consistency. accrual
- 185. (d) Standard accounting for investments in associates in consolidated financial statements
- 186. (d) Professional accounting bodies
- 187. (d) None of the above
- 188. (a) Institute of Chartered Accountants of India
- 189. (d) Any of the above
- 190. (d) Completed service contract method
- 191. (c) Royalty receivable
- 192. (c) Either (a) or (b)
- 193. False
- 194. False
- 195. True
- 196. False
- 197. False
- 198. True
- 199. True
- 200. True

201. True
202. (b) Revenue expenditure
203. (a) Capital expenditure
204. (a) Capital expenditure
205. (c) Purchase of a new spark plug for Rs. 9.75
206. (b) Installing an escalator for Rs. 8.000
207. (a) Capital expenditure
208. (a) Capital expenditure
209. (b) Revenue expenditure
210. (c) Rs. 1025
211. (b) Revenue expenditure
212. (b) Rs 17,500
213. (b) Revenue expenditure
214. (b) Revenue nature
215. (a) Capital loss
216. (b) Revenue expenditure
217. (c) Deferred revenue expenditure
218. (c) Its benefits extend over a number of years
219. (a) Purchase of a truck by a company
220. (b) Cost of painting an old building
221. (a) Capital receipt
222. (c) Machine Account
223. (a) Capital expenditure
224. (a) Capital expenditure
225. (b) Amount realized from sale of old furniture
226. (c) Dividend received on investments
227. (a) Capital expenditure
228. (c) Secret reserve
229. (d) None of the above
230. (b) Capital expenditure
231. (b) Revenue expenditure
232. (d) All the above
233. (d) The Final accounts being false and misleading
234. (c) Deferred revenue
235. (d) In the purchase of fixed assets or adding value to the fixed assets
236. (d) Partly capital and partly revenue expenditure
237. (c) Understatement of net profit
238. (a) Capital
239. (c) Revenue

- 240. (d) Deferred Revenue
- 241. (d) Capital
- 242. (b) Revenue
- 243. (a) Capital expenditure
- 244. (d) Deferred Revenue
- 245. (d) Discount on issue of shares and debentures
- 246. (c) Deferred revenue
- 247. (d) Secret
- 248. (b) Capital
- 249. (c) Revenue
- 250. (a) Capital expenditure
- 251. (a) Rs. 61.000
- 252. (c) Deferred revenue expenditure
- 253. (c) Deferred revenue expenditure
- 254. (a) Revenue, Expenses
- 255. (a) Revenue
- 256. (b) Revenue
- 257. (a) Revenue
- 258. (a) Loss of stock due to fire
- 259. Capital
- 260. Capital
- 261. Deferred Revenue
- 262. Capital
- 263. True
- 264. False
- 265. True
- 266. False
- 267. True
- 268. False
- 269. True
- 270. True
- 271. False
- 272. True
- 273. False
- 274. True
- 275. True
- 276. False
- 277. (c) Cash A/c
- 278. (c) Liability

279. (c) Both journal and ledger
- 280 © Equal debit and credit entries are made each transactions
- 281 (a) Only credit sales of goods or services
282. (a) A debit balance
283. (a) Personal account
284. (c) Account receivable
285. (b) Real A/C
286. (a) Dr Profit & Loss A/C 10.000 Cr Trading A/C 10.000
- 287 (a) Real A/C
- 288 (b)Personal A/C
- 289 © All the real personal and nominal accounts are opened
- 290 (d) Journal proper
- 291 (d) Real ,personal and nominal accounts
- 292 (d) Accounts Payable
- 293 (d) Both a liability and an expense
- 294 (a) Partner's Current A/C
- 295 (b) Personal A/C
- 296 (b) Journal
- 297 (a) Debited
- 298 (b) Prepaid expenses
- 299 (c) Insurance Claims;
- 300 (b)Trading A clerical nature
- 301 (b) Commission
- 302 (c) Principle
- 303 (d) Machine A/C
- 304 (b) P & L Provision for Doubtful Debts
- 305 (c) General Journal
- 306 (d) The total of the Purchases book is posted to the debit of the Purchases AC and the suppliers individual accounts are credited with their respective amounts
- 307 (d) Both cash and bank transactions. including discounts
- 308 (d) Cash Book
- 309 (c) Sales Return Book
- 310 (d) Cash book
- 311 (c)Purchases Return Book
- 312 (b) Sales book
- 313 (a) Journal
- 314 (b) The journal is the book of original entry and the ledger is the book of secondary entry
- 315 (d) Individual accounts are debited and cash column total is credited
- 316 (d) The cash balance on the date of trial balance

317. (b) Sales A/C
318. (d) Books of original entry
319. (c) There has been an overdraft
320. (b) A liability
321. (b) A debit balance
322. (d) An asset
323. (c) Both debit and credit entries
324. (a) Only debit entries
325. (b) Only credit entries
326. (b) Purchase book
327. (d) All the above
328. (d) None of the above
329. (c) The total of the Purchases Book is Rs. 2000 short
330. (d) None of the above
331. (b) The total of the Returns Outward book Rs. 428 has not been posted in the ledger
332. (c) An invoice for Rs. 480 is entered in the Sales Book as Rs. 640
333. (c) Suspense; Sales
334. (c) Purchases
335. (d) Dr Sales A/c 450 Dr Purchases A/C 450 To Debu 900
336. (c) Dr Ghosh A/C 5000 To Misc. Expenses A/C 5000
337. (b) Sales Return; Anjani
338. (c) Rs. 8300
339. (c) Rs.48.000
340. (b) Rs.45.000
341. (d) Rs.41,000
342. (c) Rs. 18.491
343. (d) Journal
344. (d) Purchase book
345. (b) Journal
346. (d) Purchases book
347. (d) None is required
348. (c) Dr Goods A/C 5000 To V. Bali 5000
349. (c) Dr Kiran Mishra 10.000 To Bank 9.950 To Discount 50
350. (d) All the above
351. (c) Machinery A/C
352. (c) Owner's Equity A/C
353. (c) Banic Overdraft A/C
354. (b) To checle the arithmetical accuracy of the ledger accounts
355. (c) That the arithmetical accuracy stands reasonably proved

- 356. (c) The Trial Balance to be out of order
- 357. (d) All the above
- 358. (c) Increase in capital accounts
- 359. (b) Increases
- 360. (c) Either an increase or a decrease
- 361. (b) At less two
- 362 (d) An error in recording may have been made
- 363 (d) All types of business units
- 364 (d) A credit to an asset account instead of a debit to a liability account
- 365 (c) Credit sales
- 366. (c) Cover the small expenditure paid in cash
- 367 (d) Petty Cash Book
- 368 (c) At both the times
- 369 (c) Dr Petty Cash 500 in Cash 500
- 370 (c) Profit & Loss A/c
- 371 (d) Bank A/c Dr2000 - Bad debts A/c Dr. 2000 -To debtors A/c -4000
- 372 (d) Trial balance
- 373 (a) That every transaction is recorded twice
- 374 (d) A purchase of Rs. 400 is wrongly posted
- 375 (b) Wrong amounts posted in ledger accounts
- 376 (a) Of omission
- 377 (d) Journal
- 378 (d) All real, personal and nominal
- 379 (d) Ledger
- 380 (d) Purchases Returns Book
- 381 (c) Errors are not quickly located and final accounts need be prepared without delay
- 382 (d) All the above
- 383 (d) All the above
- 384 (c) Neither increase nor a decrease
- 385 (d) Net profit earned
- 386 (c) Sales A/C and Kiran's A/C
- 387 (b) Commission
- 388 (c) The Trial Balance to agree
- 389 (d) Sales Book
- 390 (c) Cash balance on the date of Trial Balance
- 391 (b) Journal
- 392 (a) Reduced sales figure
- 393 (b) Cost of sales is increased while profit is decreased
- 394. (b) 3,4, 1,2

395. (c) 89,700/-
396. (b) A-3. B-1. C-4. D-2
397. (b) Open Suspense A/C
398. (a) an item of current liability
399. True
400. True
401. True
402. True
403. True
404. False
405. False
406. True
407. False
408. True
409. False
410. True
411. False
412. False
413. False
410. True
411. True
416. True
417. True
418. False
419. (c) Current liability
420. (b) Current asset
421. (b) Liquid
422. (a) Intangible
423. (b) Current liability
424. (c) Fictitious
425. (c) Net profit or loss
426. (c) Financial position of a business
427. (c) XYZ Trading Co. Income Statement for the year ended Dec. 31.2001
428. (a) As on Dec. 31, 2001
429. (c) Capital = Assets - Liabilities
430. (d) All the above
431. (c) Assets = Equities + Liabilities
432. (a) Rs. 12,500
433. (d) None of these

434. (b) Rs. 16.000
435. (b) Increase in assets
436. (b) Increase: increase
437. (c) Increase: asset
438. (c) Decrease in asset and increase in asset
439. (d) Increase in capital and increase in asset
440. (a) Increase in asset and increase in capital
441. (b) Rs. 4,000
442. (c) Rs. 2.000
443. (d) Zero
444. (b) Shares issued for cash
443. (b) A bill Is accepted in payment of an open account obligation
446. (c) Bonus shares issued
447. (d) None of the above
448. (c) Reduction in the paid-up value or shares
449. (b) Decrease in total asset
450. (c) Increase in total assets
451. (a) Increase total asset
452. (c) No change In total assets
453. (b) A decrease in total assets
454. (d) Liability
455. (a) Expense
456. (d) Unearned revenue
457. (c) Prepaid expense
458. (b) Unearned revenue
459. (b) Accrued asset
460. (a) Unearned revenue
461. (a) Accrued liability
462. (b) Balance Sheet only
463. (b) Opening Stock has been adjusted into the stock figure
464. (c) Goods sold awaiting delivery to the buyer
465. (c) Goods with customers for approval on sale or return basis
466. (d) Any of the above methods
467. (c) Dr Capital A/C To Purchases A/C
468. (b) Dr Stationery To Purchases
469. (b) Wages and salaries
470. (c) Dr Bad Debts to Debtors
471. (b) Dr P&L A/C To Provision for Bad and Doubtful Debts
472. (b) Dr P & L A/C To Provision for Discount on Debtors

- 473. (c) Dr Provision for Discount on Creditors To P&L A/C
- 474. (d) Balance Sheet
- 475. (d) Shareholders' funds plus loan funds minus any amount invested in non operating assets.
- 476. (d) Investment in government securities
- 477. (d) All the above
- 478. (d) Relating the earnings
- 479. (d) All the above
- 480. (d) Retained earnings
- 481. (b) Cash and bank balances
- 482. (d) Stock-in-trade
- 483. (c) Capital reserve
- 484. (b) By seller of goods.to buyer of goods
- 485. (c) Goodwill
- 486. (d) P & L Appropriation A/C
- 487. (c) Specific
- 488. (b) Rs. 5000
- 489. (c) Rs. 20,000
- 490. (a) Rs. 25,000
- 491. (d) An asset
- 492. (a) Balance Sheet
- 493. (b) Specific Reserve
- 494. (b) 2,4,3,5, I
- 495. (a) Personal Account
- 496. (a) 2 and 3 are correct
- 497. (d) A-4, B-2, C-I, D-3
- 498. (d) Rs. 3,50,000
- 499. (a) Rs.1,30,000
- 500 True
- 501 True
- 502 False
- 503. False
- 504 True
- 505. False.
- 506. False
- 507. True
- 508. True
- 509. False

- 510 False
- 511 True
- 512 (a) Not paid salaries
513. (a) Fixed
514. (c) Partner's Capital A/cs
515. (b) The old partnership has to be dissolved
516. (c) Credited to A/C Current A/c
517. (c) X-Rs. 1,00,000; Y-Rs. 75,000; and Z-Rs. 50,000
518. (c) 6%; whether or not there are profits
519. (d) Equal ratio
520. (d) Is not to contribute any asset to the partnership firm
521. (d) No regardless of profits or losses
522. (d) No partner is entitled to salary or interest on capital
523. (c). 'Capital in the beginning of the year
524. (b) Interest is limited to the amount of profit
525. (c) May: debit or credit
526. (d) 3; 9 : 4
527. (d) 6:4:5
528. (d) 39: 1 : 30
529. (d) I: 4: 10
530. (b) 4: 1
531. (d) 12: 13
532. (b) 5: 4 : 3
533. (d) I: 2
534. (c) P & L Appropriation A/c
535. (a) Dr P&L A/C To Partner's Capital A/C s
- 536 (b) P & L (Adjustment) A/c

