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# 13, 1st Floor Bhootnath Market, Indra Nagar Lko. Mob 9415463176

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### INTRODUCTION

1. Double accounting system owes its origin to
  - (a) Luca Pacioli
  - (b) Kari Marx
  - (c) Pickless
  - (d) Adam Smith
2. Accounting is a/an.....
  - (a) Science
  - (b) Art
  - (c) Subject of Sociology
  - (d) Subject matter of philosophy
3. Book of original entries is also known as
  - (a) Invoice book
  - (b) Journal
  - (c) Debit/Credit notebook
  - (d) Ledger
4. Tick true statement
  - (a) Keeping systematic recording of Business transaction is not the function of financial Accounting.
  - (b) Accounting is concerned with Monetary transactions
  - (c) Accounting is concerned with past as well as future events.
  - (d) Business and Businessmen are the same identity from accounting point of view.
5. Select the correct statement
  - (a) Accrual basis of Accounting recognizes revenue only when cash is actually received.
  - (b) As per Companies Act, Cash basis or Hybrid system of Accounting is allowed
  - (c) In Cash basis of accounting, actual receipt of cash or disbursement of cash is the point of recognizing income and expenditure
  - (d) Cash basis of Accounting recognizes revenue only when the goods are delivered
6. Which of the following is/are a sub. field(s) of Accounting
  - (a) Management Accounting
  - (b) Cost Accounting
  - (c) Financial Accounting
  - (d) All of the above
7. A cash disbursement may result in.....
  - (a) Reduction in liability
  - (b) Increase in other asset
  - (c) Reduction in one asset and increase in other asset
  - (d) All of the above
8. Financial accounting information's are characterized by all of the following except
  - (a) Historical in nature
  - (b) Factual in nature and therefore does not require judgment in its preparation
  - (c) Is based on evidence
  - (d) Enhanced by Notes to accounts
9. For assets the increase side is the
  - (a) Debit side
  - (b) Credit side
  - (c) Balance amount
  - (d) None
10. Function(s) of Accounting is/are.....
  - (a) To help in decision making
  - (b) To help in measurement
  - (c) To help in forecasting
  - (d) All of the above
11. Cash A/c may have
  - (a) Only debit balance
  - (b) Only credit balance
  - (c) Debit or credit balance
  - (d) All of the above
12. The financial position of the business is ascertained on the basis of
  - (a) Records prepared under Book-keeping process
  - (b) Ledgers
  - (c) Trial Balance

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- (d) Financial statement
13. The users of financial statements includes..
- (a) Shareholders
  - (b) Government
  - (c) Lenders
  - (d) All of the above
14. Financial statements only consider
- (a) Liabilities in monetary terms
  - (b) Assets in monetary terms
  - (c) Assets in non-monetary terms
  - (d) Both assets and liabilities in monetary terms
15. Madan paid wages of Rs. 10,000 can be classified
- (a) An event
  - (b) A transaction
  - (c) Both an event as well as transaction
  - (d) None of these
16. At the end of the financial year after sale of goods worth Rs. 2,00,000, there was a closing stock of Rs. 10,000. This is
- (a) An event
  - (b) A transaction
  - (c) Both an event as well as transaction
  - (d) None of the these
17. What constitutes the base of a Financial Statement
- (a) MIS
  - (b) Books of Account
  - (c) Management Accounting
  - (d) All of the above
18. The language of a business is
- (a) Accounting
  - (b) Book-keeping
  - (c) Trial Balance
  - (d) None of the above
19. Select the correct statement
- (a) Fixed Assets are always recorded in books of account of Market value
  - (b) Book-keeping and Accounting are same
  - (c) Liability is a financial obligation to others
  - (d) Assets means tangible objects held by the business
20. Current liabilities means
- (a) Which are payable within 12 months
  - (b) Which are payable within 5 years
  - (c) Which are less than Rs. 1 lakh
  - (d) Only which are payable immediately
21. Which of the following is not an example of current liability
- (a) Bills Payable
  - (b) Debentures
  - (c) Trade Creditors
  - (d) Outstanding Expenses
22. Current assets means
- (a) Which are converted into cash or near cash or consumed within a short period of not more than 12 months
  - (b) All Assets which are less than Rs. 10,000
  - (c) All assets other than Trade Debtors and Stock in trade
  - (d) Only Cash in hand and Cash at Bank
23. Which of the following is not a current Asset
- (a) Pre-paid insurance
  - (b) Patent
  - (c) Cash with Bank
  - (d) Advances recoverable
24. A trade discount is calculated by
- (a) Adding the discount rate to the amount of the sale
  - (b) Multiplying the amount of the sales by the discount rate

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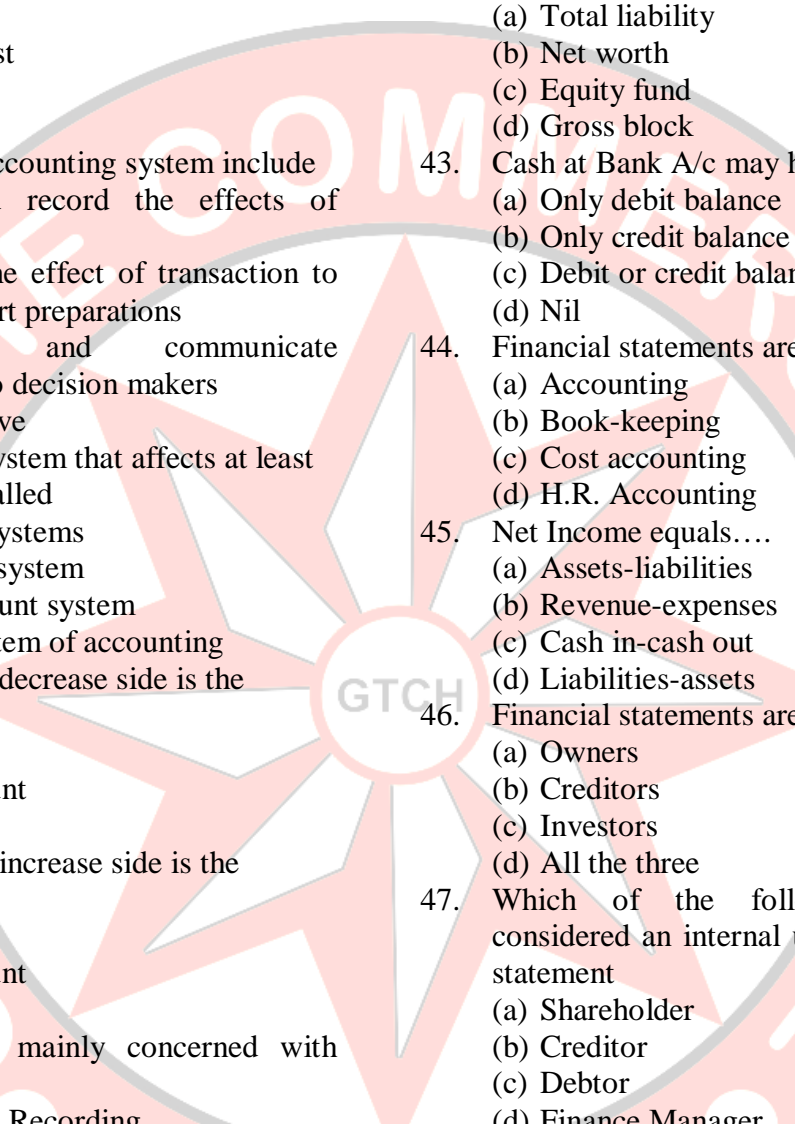
- (c) Dividing the amount of the sale by the rate of discount
- (d) Adding the discount rate to the amount of sale.
25. Which of the following is not a function of financial accounting
- (a) Keeping systematic recording
- (b) Meeting legal requirements
- (c) Tax Evasion
- (d) Communicating business results
26. Select the correct equation
- (a) Owners Equity = Assets + Liability
- (b) Owners Equity + Outside liability = Total Assets
- (c) Assets + Owners Equity = Outside Liability
- (d) Outside Equity + Profit = Total Assets
27. Choose the correct statement
- (a) Patent Right is a Tangible Assets
- (b) Bills Receivables is a Fixed Asset
- (c) Bank overdraft is a current liability
- (d) Outstanding rent is a fixed liability
28. Select the false statement
- (a) Book value is the value at which an item appears in the books of account
- (b) Current Assets include cash and other Assets that are not expected to be converted into cash within 12 months
- (c) Long term liability is that liability which does not fall due for payment within a short period of one year
- (d) Balance sheet reflects financial position of an enterprise on a particular date
29. Choose the correct statement
- (a) Balance sheet reflects financial position of an enterprise during a particular period
- (b) Current Assets are shown at net realizable value
- (c) Goodwill is a fictitious Asset
- (d) Financial Accounts of all enterprises must be prepared in accordance with the provisions of the Companies Act.
30. Tick the correct statement
- (a) Financial Accounts of an enterprise are treated as evidence in the court of law
- (b) Financial statement prepared by two different accountants will always show identical results
- (c) Financial statements need not take into consideration any Statutory requirement
- (d) Only credit transactions are recorded in books of account
31. When a customer is paid by cheque the accounts to be affected are....
- (a) Bank A/c and Creditor A/c
- (b) Bank A/c and Debtor A/c
- (c) Bank A/c and Sales A/c
- (d) Sales A/c and Debtors A/c
32. When a customer settles his account in cash the accounts to be affected are
- (a) Cash A/c and Creditor A/c
- (b) Cash A/c and Debtor A/c
- (c) Bank A/c and Sales A/c
- (d) Sales A/c and Debtors A/c
33. A business transaction in which money comes into the business immediately after the goods are delivered or services are rendered is called.....
- (a) Cash transaction
- (b) Credit transaction
- (c) Black money transaction
- (d) Hawala transaction
34. Which of the following is an example of Current Assets
- (a) Goodwill
- (b) Bills receivables

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- (c) Debit Balance of Profit and Loss A/c  
(d) Preliminary expenses
35. Another term used for expense is.....  
(a) Expired cost  
(b) Unexpired cost  
(c) Asset  
(d) Loss
36. Purposes of an Accounting system include  
(a) Interpret and record the effects of transactions  
(b) Classifying the effect of transaction to facilitate report preparations  
(c) Summarize and communicate information to decision makers  
(d) All of the above
37. The accounting system that affects at least two accounts is called  
(a) Single entry systems  
(b) Double entry system  
(c) Double Account system  
(d) Duplicate system of accounting
38. For liabilities the decrease side is the  
(a) Debit side  
(b) Credit side  
(c) Balance amount  
(d) None
39. For liabilities the increase side is the  
(a) Debit side  
(b) Credit side  
(c) Balance amount  
(d) None
40. Book-keeping is mainly concerned with which features  
(a) Financial data Recording  
(b) Designing the systems of recording, classifying and summarizing the recorded data  
(c) Data interpreting for internal and external users  
(d) All of the above
41. For Assets the decrease side is the .....  
(a) Debit side  
(b) Credit side
- (c) Balance amount  
(d) None
42. Liability and owner's equity are also called..  
(a) Total liability  
(b) Net worth  
(c) Equity fund  
(d) Gross block
43. Cash at Bank A/c may have.....  
(a) Only debit balance  
(b) Only credit balance  
(c) Debit or credit balance  
(d) Nil
44. Financial statements are part of....  
(a) Accounting  
(b) Book-keeping  
(c) Cost accounting  
(d) H.R. Accounting
45. Net Income equals....  
(a) Assets-liabilities  
(b) Revenue-expenses  
(c) Cash in-cash out  
(d) Liabilities-assets
46. Financial statements are used by....  
(a) Owners  
(b) Creditors  
(c) Investors  
(d) All the three
47. Which of the following would be considered an internal user of the financial statement  
(a) Shareholder  
(b) Creditor  
(c) Debtor  
(d) Finance Manager
48. Which of these would be considered external user of a financial statement  
(a) Board of Directors  
(b) Shareholders  
(c) Finance Manager  
(d) Production Manager
49. Which of the following statement shows the details of Cash generating and utilization activities of a company during a given



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period of time

- (a) Cash flow statement
- (b) Profit and Loss A/c
- (c) Balance Sheet
- (d) Segment reports

50. In which of the following forms of business the owners are directly responsible for the debts of the business

- (a) Sole Proprietor
- (b) Corporate body
- (c) Both
- (d) None of above

51. Which of the following transaction would cause decrease in owner's equity?

- (a) Withdrawal of cash for self use by the proprietor
- (b) Withdrawal of goods for self use by the owner
- (c) Payment of personal expenses of the proprietor by the business
- (d) All of three

52. Which of the these transactions would cause increase in owner's equity?

- (a) Profit from a successful business operation
- (b) Fresh investment made by the owner
- (c) Bringing in new asset in the business
- (d) All the three

53. Which of these information is not available in the Financial Statements of a company

- (a) Total sales
- (b) Total profit and loss
- (c) Capital
- (d) Cost of production

54. Which one of the following is not a principle of valuation

- (a) Historical cost
- (b) Present value
- (c) Future value
- (d) Realizable value

55. Discuss which one of the valuation principle is being followed in the given

case

Cost of motor-car as on 1<sup>st</sup> April, 2005 is Rs. 50 lakhs. Market value as on 31<sup>st</sup> March, 2006 is Rs. 10 lakhs. While preparing the financial statements the car was valued at Rs. 10 lakhs

- (a) Historical cost
- (b) Present value
- (c) Realizable cost
- (d) Current cost

56. Financial statement depicts all the following except.....

- (a) Export earnings
- (b) Foreign Exchange outgo
- (c) Total net worth
- (d) Contribution to GDP

57. Financial statements are prepared

- (a) Primarily for the benefit of the parties external to the business
- (b) Primarily for the benefit of the Management
- (c) For corporate bodies only
- (d) For Tax Deptt.

58. Which of these events are not part of Financial Statements

- (a) Ill health of the Chief Executive of the Company
- (b) Loss in a Joint Venture
- (c) Rejection of goods by the customer
- (d) Settlement of outstanding dues

59. Tick the wrong statement

- (a) Accounting is the language of business
- (b) Transactions are recorded in Quantitative terms only
- (c) Accounting is the Art of recording, classifying and summarizing
- (d) Transactions and events of Financial Character are subject-matter of Accounting

60. Which of the following event is subject-matter of Accounting?

- (a) Death of key executive of the business/company
- (b) Strike of workers

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- (c) Payment of Rs. 10,000 to bank in discharge of outstanding loan  
(d) Marriage of the daughter of the Managing Director of the Company
61. Which of the following event is not a subject matter of Accounting?  
(a) Quarrel between the Production Manager and Sales Manager  
(b) Loss of goods worth Rs. 50,000 in fire  
(c) Realization of old bad debts amounting to Rs. 10,000  
(d) Payment of interest Rs. 5,000 on loan
62. An Accounting principle is said to be “...” if the accounting information is not influenced by the personal bias of the management  
(a) reliable  
(b) verifiable  
(c) objective  
(d) material
63. An Accounting principle is said to be “...” if it can be applied without much complication and under cost.  
(a) reliable  
(b) feasible  
(c) objective  
(d) material
64. An Accounting information is said to be “...” if its inclusion or exclusion effect the decision of the users of the accounting information.  
(a) reliable  
(b) verifiable  
(c) objective  
(d) material
65. According to .... concept entries in accounting records and data reported in the financial records should be supported by objective evidence.  
(a) reliable  
(b) verifiable  
(c) objective  
(d) material
66. According to... concept transaction and other events should be accounted for and presented in accordance with their substance and financial reality and not merely with their legal form.  
(a) reliable  
(b) verifiable  
(c) substance over form  
(d) material
67. The general acceptance of an accounting principle usually depends on how well it meets the criteria of-  
(a) relevance  
(b) feasibility  
(c) objectivity  
(d) all the three
68. Selection of an accounting policy should be governed by-  
(a) prudence  
(b) materiality  
(c) substance over form  
(d) all the three
69. Expenses which are incurred to operate the business smoothly and efficiently are known as-  
(a) operating expenses  
(b) manufacturing expenses  
(c) trading expenses  
(d) financial expenses
70. Income derived from normal operation of the business is called-  
(a) normal income  
(b) manufacturing income  
(c) operating income  
(d) financial income
71. Which of these accounts is(are) generally opened under single entry stem of an accounting.  
(a) real  
(b) nominal  
(c) personal  
(d) all the three

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72. Which of these is(are) an example of operating expenses.  
(a) general administration expenses  
(b) selling and marketing expenses  
(c) financial charges  
(d) all the three
73. Which of these is(are) an example of non-operating expenses.  
(a) loss on sale of assets  
(b) preliminary expenses written off  
(c) write off goodwill, trade mark, patents etc.  
(d) all the three
74. Which of these is(are) an example of non-operating income  
(a) profit from sale of assets  
(b) dividend  
(c) refund of income-tax  
(d) all the three
75. When an amount or balance of one account is to be taken to some other account, it is done by means of a/an-  
(a) transfer entry  
(b) adjustment entry  
(c) rectification entry  
(d) opening entry
76. The unadjusted and unrecorded items relating to a period are recorded in the journal by passing  
(a) transfer entry  
(b) adjustment entry  
(c) rectification entry  
(d) opening entry

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### ACCOUNTING EQUATION

1. Select the correct equation
  - (a) Owners Equity = Assets + Liability
  - (b) Owners Equity + Outside liability = Total Assets
  - (c) Assets + Owners Equity = Outside Liability
  - (d) Outside Equity + Profit = Total Assets
2. Cash withdrawal by the proprietor would cause-
  - (a) Cash in hand to decrease
  - (b) External liability to decrease
  - (c) Total liabilities to increase
  - (d) Total assets remain unchanged
3. Purchase of office equipment for cash would cause
  - (a) Cash in hand to decrease
  - (b) External liability to decrease
  - (c) Total liabilities to increase
  - (d) Total assets to increase
4. Both total assets and owners capital are increased by....
  - (a) Credit purchases
  - (b) Retained earnings
  - (c) Bank loans
  - (d) Drawings
5. Both total assets and owners capital are reduced by
  - (a) Credit purchases
  - (b) Retained earnings
  - (c) Bank loans
  - (d) Drawings
6. Purchase of RBI bonds for cash would lead to...
  - (a) No change in total assets
  - (b) Total assets to decrease
  - (c) Total assets to increase
  - (d) Total liabilities to increase
7. Loan of stock by fire would lead to
  - (a) No change in total assets
  - (b) Total assets to decrease
  - (c) Total assets to increase
  - (d) Total assets and owners equity to decrease
8. The difference between assets and liabilities is
  - (a) Bank overdraft
  - (b) Retained profit
  - (c) Capital or owners equity
  - (d) Creditors
9. Money owed to an outsider is a/an
  - (a) Asset
  - (b) Liability
  - (c) Profit
  - (d) Capital
10. If total assets of a business are Rs. 180,000 and net worth is Rs.50,000, the outside liability will be
  - (a) Rs. 130,000
  - (b) Rs. 230,000
  - (c) Rs. 180,000
  - (d) Rs. 50,000
11. If the owners equity is Rs. 80,000 and external liability Rs. 40,000, Cash in hand Rs. 20,000, the total assets of the firm will be
  - (a) Rs. 100,000
  - (b) Rs. 120,000
  - (c) Rs. 80,000
  - (d) Rs. 140,000
12. In questions No. 11 the other assets of the firm will be
  - (a) Rs. 100,000
  - (b) Rs. 120,000
  - (c) Rs. 80,000
  - (d) Rs. 140,000
13. If total assets of a business are Rs. 180,000 and total outside liabilities are Rs. 50,000, the net worth of the firm will be
  - (a) Rs. 130,000
  - (b) Rs. 230,000
  - (c) Rs. 180,000



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- (d) Rs. 50,000
14. Net worth is the difference between
- (a) Total assets and total liabilities
  - (b) Total assets and external liabilities
  - (c) Total liabilities and current assets
  - (d) Total assets and current liabilities
15. If a business has negative net worth what does it signify
- (a) Total assets are more than total liabilities
  - (b) Accumulated losses are more than owners capital
  - (c) Huge cash logged up in idle assets
  - (d) Outside liabilities exceeds owners capital
16. From the following details calculate the capital expenditure to be capitalized.
- (i) Basic price of the Machine Rs. 1,50,000
  - (ii) Customs duty Rs. 20,000
  - (iii) Sea freight Rs. 20,000
  - (iv) Insurance Rs. 5,000
  - (v) Erection charges Rs. 5,000
- (a) Rs. 200,000
  - (b) Rs. 175,000
  - (c) Rs. 150,000
  - (d) Rs. 190,000
17. From the following details calculate the capital expenditure to be capitalized.
- (i) Basic price of the Machine Rs. 1,65,000
  - (ii) Excise duty Rs. 25,000
  - (iii) Freight Rs. 5,000
  - (iv) Insurance Rs. 5,000
  - (v) CENVAT credit Rs. 25,000
- (a) Rs. 200,000
  - (b) Rs. 175,000
  - (c) Rs. 150,000
  - (d) Rs. 190,000
18. From the following details calculate the capital expenditure to be capitalized.
- (i) Basic price of the Machine Rs. 1,70,000
  - (ii) Customs duty Rs. 20,000
  - (iii) Sea freight Rs. 20,000
  - (iv) Insurance Rs. 5,000
- (v) Erection charges Rs. 5,000
  - (vi) Trade discount Rs. 20,000
- (a) Rs. 2,00,000
  - (b) Rs. 175,000
  - (c) Rs. 1,50,000
  - (d) Rs. 1,90,000
19. From the following details calculate the capital expenditure to be capitalized.
- (i) Basic price of the Machine Rs. 1,75,000
  - (ii) Excise duty Rs. 20,000
  - (iii) Freight Rs. 20,000
  - (iv) Insurance Rs. 5,000
  - (v) Erection charges Rs. 4,000
  - (vi) CENVAT credit taken Rs. 20,000
- (a) Rs. 204,000
  - (b) Rs. 185,000
  - (c) Rs. 180,000
  - (d) Rs. 190,000
20. From the following details calculate the value of which the plant and machinery should be accounted for in the books of account.
- (i) Basic price of the Machine Rs. 1,50,000
  - (ii) Excise duty Rs. 20,000
  - (iii) Freight and Insurance Rs. 25,000
  - (iv) Cash discount given Rs. 10,000
  - (v) Erection charges Rs. 5,000
  - (vi) CENVAT credit taken Rs. 20,000
- (a) Rs. 200,000
  - (b) Rs. 170,000
  - (c) Rs. 150,000
  - (d) Rs. 190,000
21. XYZ Associated is not maintaining full fledged accounts on double entry system basis. From the following details estimate the profile made by XYZ Associates during 2005-06.
- Capital as on 1-4-2005 Rs. 80,000  
Capital added during the year Rs. 20,000  
Drawing during the year Rs. 35,000  
Capital as on 31-3-2006 Rs. 125,000
- (a) Rs. 50,000

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- (b) Rs. 60,000  
(c) Rs. 75,000  
(d) Rs. 45,000
22. ABC Associates is not maintaining full fledges accounts on Double entry system basis. From the following details estimate the profit made by the firm during 2005-06.  
Capital as on 1-4-2005 Rs. 90,000  
Capital added during the year Rs. 25,000  
Drawing during the year Rs. 35,000  
Capital as on 31-3-2006 Rs. 125,000  
(a) Rs. 50,000  
(b) Rs. 60,000  
(c) Rs. 75,000  
(d) Rs. 45,000
23. XYZ Associates is not maintaining full fledges accounts on Double entry system basis. From the following details estimates the capital of the firm as on 31-3-2006.  
Capital as on 1-4-2005 Rs. 80,000  
Capital added during the year Rs. 20,000  
Drawing during the year Rs. 35,000  
Profit credit to the capital A/c Rs. 60,000  
(a) Rs. 150,000  
(b) Rs. 125,000  
(c) Rs. 175,000  
(d) Rs. 145,000
24. Yes Associates is not maintaining full fledges accounts on Double entry system basis. From the following details estimate the drawing of the firm during 2005-06.  
Capital as on 1-4-2005 Rs. 100,000  
Capital added during the year Rs. 20,000  
Profit credited to the capital A/c during the year Rs. 35,000  
Capital as on 31-3-2006 Rs. 125,000  
(a) Rs. 50,000  
(b) Rs. 30,000  
(c) Rs. 35,000  
(d) Rs. 45,000
25. ABC Ltd. is not maintaining full fledges accounts on Double entry system basis. From the following details estimate the profit made by the firm during 2005-06.  
Capital as on 1-4-2005 Rs. 85,000  
Capital added during the year Rs. 25,000  
Drawing during the year Rs. 35,000  
Capital as on 31-3-2006 Rs. 125,000  
(a) Rs. 50,000  
(b) Rs. 60,000  
(c) Rs. 75,000  
(d) Rs. 45,000
26. PQR Associates is not maintaining full fledges accounts on Double entry system basis. From the following details estimate the capital of the firm as on 31-3-2006.  
Capital as on 1-4-2005 Rs. 80,000  
Capital added during the year Rs. 20,000  
Drawing during the year Rs. 35,000  
Profit during the year Rs. 25,000  
(a) Rs. 80,000  
(b) Rs. 90,000  
(c) Rs. 75,000  
(d) Rs. 45,000
27. From the following details calculate credit sales. Debtors balance as on 1-4-2006 Rs. 30,000  
Collection from debtors during the year Rs. 70,000  
Discount given to debtors Rs. 4,000  
Bad debts during the year Rs. 3,500  
Debtors balance as on 31-3-2007 Rs. 20,000  
(a) Rs. 70,000  
(b) Rs. 71,000  
(c) Rs. 68,500  
(d) Rs. 67,500
28. From the following calculate credit purchases during the year.  
Capital as on 1-4-2005 Rs. 36,500  
Payment made to creditors Rs. 60,000  
Discount given by creditors for early payment Rs. 5,500  
Creditors as on 31-3-2007 Rs. 21,000  
(a) Rs. 50,000  
(b) Rs. 54,000

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(c) Rs. 61,250

(d) Rs. 52,800



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### ACCOUNTING E STANDARDS

1. Which of the following is one of the advantages of Accounting Standards?
  - (a) To eliminate or reduce variation in accounting treatments
  - (b) To facilitate comparison of Financial statements of different companies
  - (c) To make financial statements more informative
  - (d) All the three
2. In India Accounting Standards are issued by.....
  - (a) ICAI
  - (b) ICSI
  - (c) ICWAI
  - (d) IDBI
3. Which of the following is one of the objectives of Accounting Standard?
  - (a) To standardize diverse accounting practices and policies
  - (b) To improve financial performance of Business enterprise
  - (c) To minimize tax liabilities
  - (d) All the three
4. How many Accounting Standards have been issued in India so far?
  - (a) 28
  - (b) 32
  - (c) 30
  - (d) 27
5. Which of the following statement is true?
  - (a) So far 28 Accounting standards have been issued in India
  - (b) Non-Compliance of accounting standards is a criminal offence
  - (c) Accounting Standards are issued by CBDT
  - (d) Accounting Standard Board (ASB) was set up in 1977
6. Which of the following bodies are not represented in ASB?
  - (a) ICAI
  - (b) SBI
  - (c) RBI
  - (d) SEBI
7. Which of the following bodies is represented in ASB?
  - (a) CAG
  - (b) CBI
  - (c) Trade Unions
  - (d) Local stock exchange
8. Select the correct statement
  - (a) Representative of political parties also is a member of ASB in India
  - (b) Accounting standard issued by ICAI are mandatory in India
  - (c) Accounting Standards are true copy of International Accounting Standards
  - (d) Accounting standard once issued cannot be withdrawn
9. Generally Accepted Accounting principles can be applied to the financial statements in which of the following
  - (a) Sole proprietor
  - (b) Partnership body
  - (c) Corporate body
  - (d) All the three
10. Accounting Standards issued by the Institute of Chartered Accountants of India are mandatory to which of the following
  - (a) Sole proprietor
  - (b) Partnership firm
  - (c) Corporate body
  - (d) All the three
11. The accounting standards are issued for the purpose of
  - (a) Harmonizing accounting policies
  - (b) Elimination of non-comparability between financial statements
  - (c) For improving the reliability of financial statements
  - (d) All of the above
12. In order to the ensure transparency it is an



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- essential requirement to standardize principles and policies to ensure:-
- Transparency
  - Consistency
  - Comparability
  - All of the above
13. All are the limitations of Accounting Standards except
- It is difficult to choose the different alternatives between different accounting treatments
  - They may lead to the rigidity
  - They cannot override the statute
  - All of the above
14. Objective of Accounting Standards is
- To help the Government in raising the taxes
  - To standardize the diverse accounting policies and practices
  - To make the account simple
  - None of the above
15. The disadvantage of accounting standard is...
- It facilitates the comparison of non-comparable accounts
  - Sometime the principles of AS are against the tradition
  - It leads to rigidity and eliminates flexibility
  - It flouts the law of the land
16. Which Accounting Standard replaced AS 8
- AS 29
  - AS 26
  - AS 28
  - AS 27
17. The number of accounting standards issued by the International Accounting Standard Board till date
- AS 40
  - AS 42
  - AS 41
  - AS 44
18. Revenue is generally considered as realized
- At the time of agreement to sell
  - At the time of receipt of cash
  - At the time of sale
  - At the time of production of goods
19. The 'Revenue Recognition' principle refers to
- The process of matching of expenses and revenue
  - The process of identifying those transactions that result in an inflow of cash from customers
  - The earning process which gives rise to revenue realization
  - The process of determination of the income of enterprise
20. Revenue is generally recognized when earning process is virtually complete and significant risks and rewards have been exchanged. This is an application of .... principle
- Consistency
  - Matching
  - Realization
  - Conservation
21. What is the underlying principle that supports the immediate recognition of a loss?
- Matching
  - Conservatism
  - Consistency
  - Materiality
22. The determination of expenses for an accounting period is based on principle of..
- Cost
  - Objectivity
  - Matching
  - Materiality
23. AS-1 requires the significant accounting policies
- Should be disclosed at one place
  - Need not be disclosed at all

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- (c) May be disclosed selectively at the discretion of the management
- (d) Should not form part of published accounts
24. Accounting Standard on 'the Effect of Changes in foreign exchange rates' is
- (a) AS - 11
- (b) AS - 13
- (c) AS - 18
- (d) None of these
25. When advance received from a customer is not recorded as sales, accounting concept ..... is applied
- (a) Revenue Recognition
- (b) Cost
- (c) Consistency
- (d) Matching
26. When the effect of strike is not directly disclosed in financial statements..... accounting system applied
- (a) Matching
- (b) Revenue Recognition
- (c) Money Measurement
- (d) Cost
27. ICAI stands for
- (a) Institute of Company Accountants of India
- (b) Institute of Certified Accountants of India
- (c) Institute of Chartered Accountants of India
- (d) None of these
28. NACAS stands for
- (a) National Advisory Committee on Accounting Standards
- (b) National Accounting Council on Accounting Standards
- (c) National Accounting Committee on Accounting Standards
- (d) None of these
29. IASB stands for
- (a) Indian Accounting standard Board
- (b) Indian Accounting Standard Bulletin
- (c) International Accounting Standard Bulletin
- (d) International Accounting Standard Board.
30. Accounting policies should not be changed from one period to another period is based on the principles of
- (a) Consistency
- (b) Full Disclosure
- (c) Conservatism
- (d) Matching
31. Fundamental Accounting assumptions are
- (a) Going Concern, Consistency and Accrual
- (b) Going Concern, Money Measurement and Prudence
- (c) Going Concern, Business Entity and Accounting period
- (d) Going Concern, Matching and Consistency.
32. Two Primary qualitative characteristics of financial statements are
- (a) Understandability and Materiality
- (b) Relevance and Reliability
- (c) Relevance and Understandability
- (d) Materiality and Reliability
33. A change in an accounting policy should be made if the adoption of a different accounting policy is required

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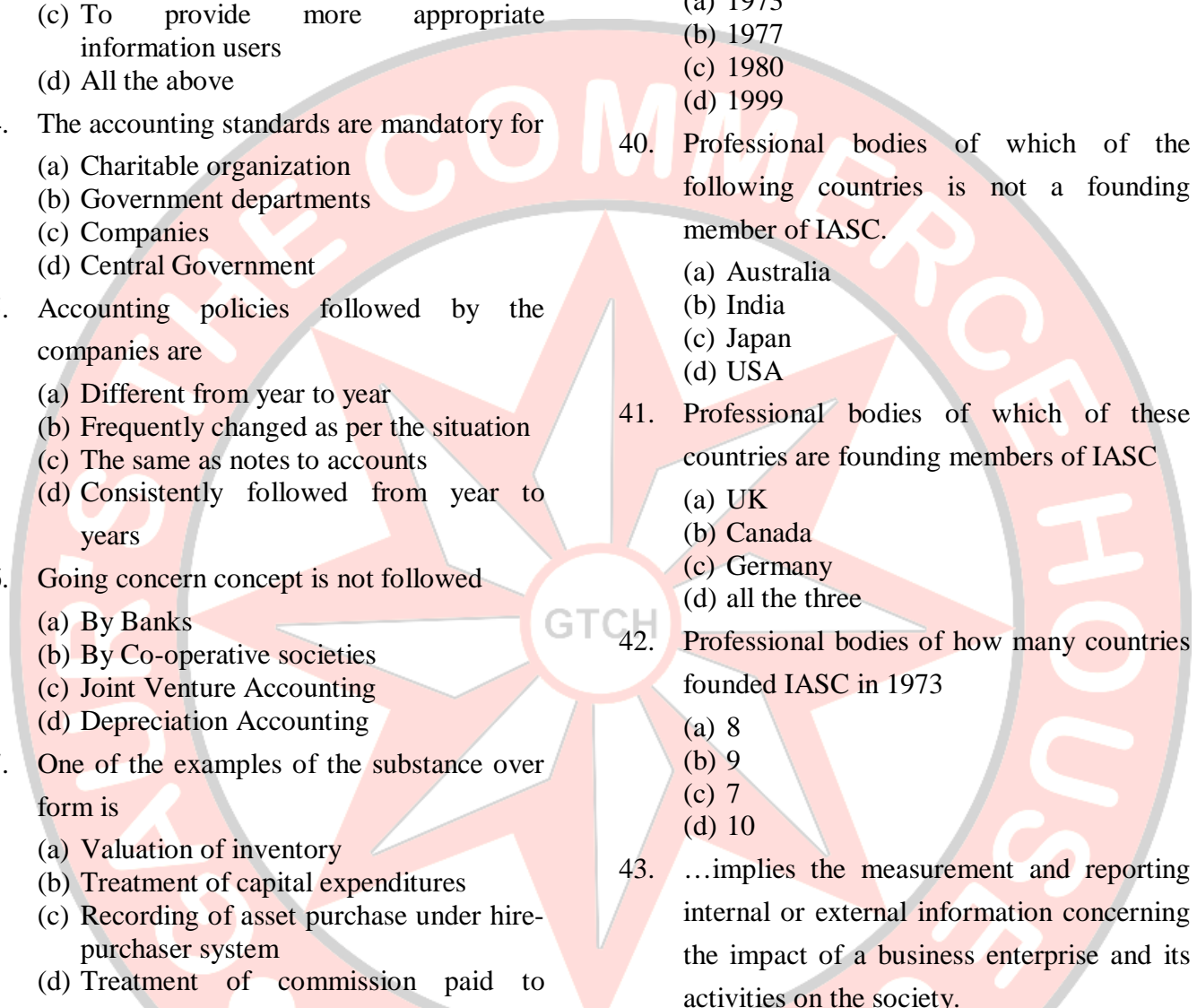
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- 
- (a) Due to change in law of land  
(b) For compliance with accounting standards  
(c) To provide more appropriate information users  
(d) All the above
34. The accounting standards are mandatory for  
(a) Charitable organization  
(b) Government departments  
(c) Companies  
(d) Central Government
35. Accounting policies followed by the companies are  
(a) Different from year to year  
(b) Frequently changed as per the situation  
(c) The same as notes to accounts  
(d) Consistently followed from year to years
36. Going concern concept is not followed  
(a) By Banks  
(b) By Co-operative societies  
(c) Joint Venture Accounting  
(d) Depreciation Accounting
37. One of the examples of the substance over form is  
(a) Valuation of inventory  
(b) Treatment of capital expenditures  
(c) Recording of asset purchase under hire-purchaser system  
(d) Treatment of commission paid to consignee
38. Provision for doubtful debts is made because of  
(a) Materiality  
(b) Prudence  
(c) Going concern  
(d) Accrual
39. International Accounting Standard Committee (IASC) was founded in-  
(a) 1973  
(b) 1977  
(c) 1980  
(d) 1999
40. Professional bodies of which of the following countries is not a founding member of IASC.  
(a) Australia  
(b) India  
(c) Japan  
(d) USA
41. Professional bodies of which of these countries are founding members of IASC  
(a) UK  
(b) Canada  
(c) Germany  
(d) all the three
42. Professional bodies of how many countries founded IASC in 1973  
(a) 8  
(b) 9  
(c) 7  
(d) 10
43. ...implies the measurement and reporting internal or external information concerning the impact of a business enterprise and its activities on the society.  
(a) Segment reporting  
(b) Social reporting  
(c) Human resource accounting  
(d) Inflation accounting
44. ...theory in accounting implies that the purpose of accounting is to provide information about relevant economic events that might be useful in a variety of possible

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decision models.

- (a) event approach
- (b) value approach
- (c) predictive approach
- (d) pragmatic approach

45. ... assumes that users needs are known and sufficiently well specified so that the accounting theory can deductively arrive at the produce optimal input values for users and useful decision models.

- (a) event approach
- (b) value approach
- (c) predictive approach
- (d) pragmatic approach

46. ... deals with deciding different accounting alternatives and measurement methods.

- (a) event approach
- (b) value approach
- (c) predictive approach
- (d) pragmatic approach

47. According to.... approach, a given accounting principle or technique will be evaluated for acceptance on the basis of its reporting effects on all groups in society.

- (a) sociological
- (b) economic
- (c) ethical
- (d) eclectic

48. According to “...” approach the choice of different accounting techniques depends on their impact on national good.

- (a) sociological
- (b) economic
- (c) ethical
- (d) eclectic

49. ... approach to accounting theory emphasis on the concept of justice, truth and

fairness.

- (a) sociological
- (b) economic
- (c) ethical
- (d) eclectic

50. AS 30 deals with

- (a) Financial instrument – Recognition and measurement
- (b) Financial instrument - Disclosure
- (c) Financial instrument - Presentation
- (d) Accounts Policy

51. AS 31 deals with

- (a) Financial instrument – Recognition and measurement
- (b) Financial instrument - Presentation
- (c) Financial instrument - Disclosure
- (d) Segment Reporting

52. AS 32 deals with

- (a) Financial instrument – Recognition and measurement
- (b) Financial instrument - Presentation
- (c) Financial instrument - Disclosure
- (d) Segment Reporting



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### ACCOUNTING E CONCEPTS AND CONVENTIONS

1. Which of the following is an Accounting Convention?  
(a) Consistency  
(b) Accrual  
(c) Realization  
(d) Going Concern
2. Which of the following is not an Accounting convention?  
(a) Business entity  
(b) Disclosure  
(c) Conservatism  
(d) Materiality
3. Which of the following is an Accounting Concept?  
(a) Consistency  
(b) Conservatism  
(c) Money measurement  
(d) None
4. Which of the following is not an Accounting Concept?  
(a) Consistency  
(b) Accrual  
(c) Realization  
(d) Going Concern
5. Coal Mine is a/an  
(a) Fictitious Asset  
(b) Intangible Asset  
(c) Current Asset  
(d) Wasting Asset
6. Which of the following statement is correct?  
(a) Conservatism concept demands that anticipated income should not be taken into account  
(b) Consistency demands that same amount of profit and loss be reported every year  
(c) Disclosure concept requires that all information material or immaterial should be disclosed  
(d) Business profit always increase cash in hand.
7. Which of the following statement is not true?  
(a) Purchases A/c excludes purchase of Plant and Machinery for business use  
(b) Stone quarry is a current asset  
(c) Loose tools is a fixed asset  
(d) Mercantile system adopts accrual system of Accounting
8. In which of the following areas different accounting policies may be adopted by different enterprises  
(a) Valuation of Inventory  
(b) Method of depreciation  
(c) Treatment of Goodwill  
(d) All the three
9. Which of the following statement is correct?  
(a) A business enterprise cannot change its Accounting policies  
(b) Significant Accounting policies should be disclosed  
(c) All the business enterprises generally follow the same Accounting policies  
(d) Changes in Accounting policies requires approval of Company Law

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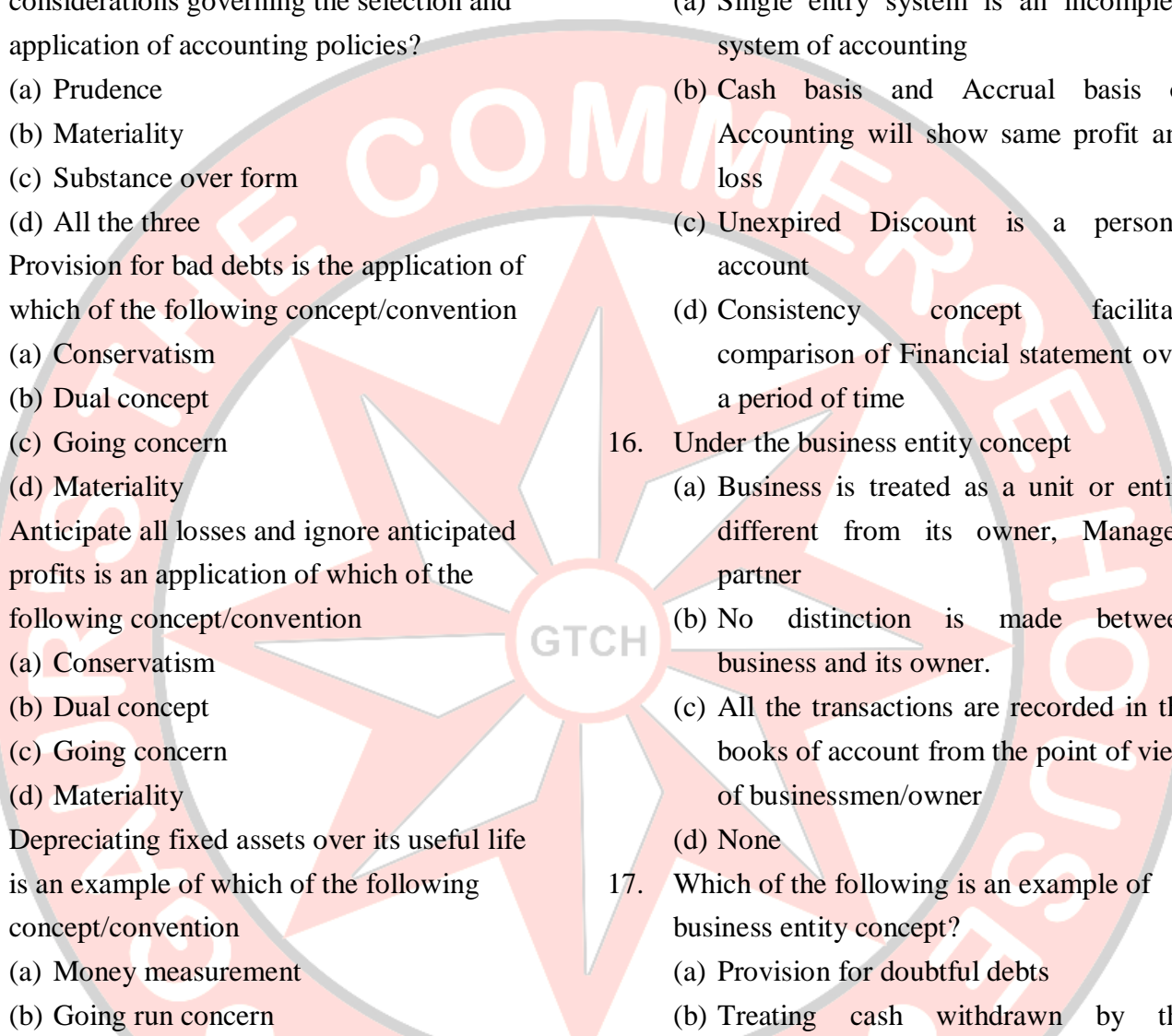
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Board

business expenses

- 
10. Which of the following is one of the major considerations governing the selection and application of accounting policies?
- (a) Prudence
  - (b) Materiality
  - (c) Substance over form
  - (d) All the three
11. Provision for bad debts is the application of which of the following concept/convention
- (a) Conservatism
  - (b) Dual concept
  - (c) Going concern
  - (d) Materiality
12. Anticipate all losses and ignore anticipated profits is an application of which of the following concept/convention
- (a) Conservatism
  - (b) Dual concept
  - (c) Going concern
  - (d) Materiality
13. Depreciating fixed assets over its useful life is an example of which of the following concept/convention
- (a) Money measurement
  - (b) Going run concern
  - (c) Cost concept
  - (d) Matching concept
14. Tick the true statement
- (a) Expired cost become Assets
  - (b) A person who owes is called Creditor
  - (c) Profit means accretion to Capital
  - (d) Cash withdrawn by the proprietor is
15. Tick the false statement
- (a) Single entry system is an incomplete system of accounting
  - (b) Cash basis and Accrual basis of Accounting will show same profit and loss
  - (c) Unexpired Discount is a personal account
  - (d) Consistency concept facilitate comparison of Financial statement over a period of time
16. Under the business entity concept
- (a) Business is treated as a unit or entity different from its owner, Manager, partner
  - (b) No distinction is made between business and its owner.
  - (c) All the transactions are recorded in the books of account from the point of view of businessmen/owner
  - (d) None
17. Which of the following is an example of business entity concept?
- (a) Provision for doubtful debts
  - (b) Treating cash withdrawn by the proprietor for personal use or goods taken for self-consumption as drawing
  - (c) Valuation of stock at cost or market prices which is less
  - (d) All the three
18. Select the wrong statement
- (a) Profit or loss belongs to the business

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- only
- (b) Only business transaction rather than personal transaction of the owner/proprietor are subject-matter of accounting
- (c) Personal property/assets of the businessmen are not recorded as business property
- (d) Business entity concept is applicable to corporate bodies only
19. Choose the correct statement
- (a) Cash withdrawal by the proprietor for self-use need not be accounted for in books of account
- (b) Cash withdrawal by the proprietor for self-use is a revenue expenses
- (c) Cash withdrawal by the proprietor for self-use is a Capital expenditure expenses
- (d) Cash withdrawal by the proprietor for self-use is a drawing
20. Cost concept assumes
- (a) All the business assets to be recorded at cost price
- (b) Cost is the basis of all subsequent accounting for the assets
- (c) None
- (d) Both (a) & (b)
21. Going concern concept assumes that
- (a) The business entity would continue to operate independent of the life of the proprietor/owner
- (b) Duration of the business is limited to the life span of the owner/proprietor
- (c) Life of the business is defined by the contractual agreement
- (d) Business is for short term
22. The system of recording of transactions based on dual aspect is called....
- (a) Single entry
- (b) Double entry
- (c) Cash system
- (d) Double account system
23. Income is measured and financial position is assessed on the basis of....
- (a) Money measurement concept
- (b) Cost concept
- (c) Accounting period concept
- (d) Matching concept
24. Which of the following is/are an example of application of conservatism concept?
- (a) Not providing for discount of creditors
- (b) Charging small value capital items as revenue expenses
- (c) Amortization of intangible assets like good will which has indefinite life
- (d) All the three
25. In which of the following situations the principle of conservatism is applied
- (a) When there are two or more acceptable methods then the one which is most conservative is applied
- (b) When there is possibility of loss the same is recognized and foreseen profit is ignored
- (c) None
- (d) Both (a) & (b)

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- 
26. Allocating the cost of an asset over its useful life is an application of
- (a) Going concern concept
  - (b) Matching concept
  - (c) Accounting period concept
  - (d) Cost concept
27. An uncertainty associated with how long a business enterprise survive gives rise to
- (a) Accounting period issue
  - (b) Continuity issue
  - (c) Matching issue
  - (d) Revenue recognition issue
28. Changes in accounting policies can be made only
- (a) To comply with Accounting Standards
  - (b) To ensure better presentation of the financial statement
  - (c) To comply with law
  - (d) All of the above
29. The accounting policy for inventory of an enterprise discloses that inventories are valued at lower of cost determined on weighted average basis or not realizable value, is the application of.....
- (a) Prudence
  - (b) Materiality
  - (c) Substance over form
  - (d) All of the above
30. Different accounting policies can be adopted in following area(s)
- (a) Charging depreciation
  - (b) Investment valuation
  - (c) Inventory valuation
  - (d) All of the above
31. Inappropriate selection of the accounting policy decision may be
- (a) Overstating the financial position performance
  - (b) over/understating the performance of financial position
  - (c) Overstatement of losses
  - (d) Understatement of profit
32. A specific accounting policy refers to
- (a) Principles
  - (b) Methods of applying those principles
  - (c) Principles and methods of applying them
  - (d) None of the above
33. Income or expenses that arises from events or transactions that are clearly distinct from the ordinary activities of the enterprises and therefore are not expected to recur frequently or regularly are called-
- (a) Prior-period items
  - (b) Extraordinary items
  - (c) Abnormal items
  - (d) Non-ordinary items
34. Which of these is/are an example of extraordinary items.
- (a) Loss due to major fire
  - (b) Profit on sale of raw materials
  - (c) Arrears of wage revision paid in the current year
  - (d) All the three
35. Income or expenses which arises in the current period as a result of errors or



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- omission in the preparation of financial statement of one or more prior period.
- (a) Prior-period items  
(b) Extraordinary items  
(c) Abnormal items  
(d) Non-ordinary items
36. Which of the following is one of the objection against straight line method of depreciation
- (a) it ignores time value of money  
(b) it ignores variations in the rate of use of assets  
(c) It provides for the declining productivity of an aging assets  
(d) All the three
37. In which of the following cases straight line method of depreciation is not appropriate.
- (a) Assets on which repair and maintenance cost increases with age  
(b) Assets on which repair and maintenance cost decreases with age  
(c) High value equipment  
(d) Low cost office equipment
38. Depreciation method that does not result in decreasing charges is-
- (a) Sinking fund method  
(b) Double digit method  
(c) Written down method  
(d) Sum years digit method
39. as per AS 6 significant Accounting Policies may not be-
- (a) Disclosed at all  
(b) Omitted from financial disclosure  
(c) Selected on random basis  
(d) Changes from time to time
40. ... Principles requires that revenues which are recognized through the application of the realization principle are then related to relevant and appropriate historical cost.
- (a) Accounting period  
(b) Cost concept  
(c) Matching  
(d) Realization
41. ..concept of income requires that capital of business enterprise need to be maintained intact before any dividend can be declared.
- (a) Capital maintenance  
(b) Economic income  
(c) Accounting income  
(d) Historical income
42. Goods in the process of being produced but not yet completed as finished goods are called-
- (a) Work-in-progress inventory  
(b) Goods in floor inventory  
(c) Raw material consumed inventory  
(d) In process inventory

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### RECTIFICATION OF ERRORS

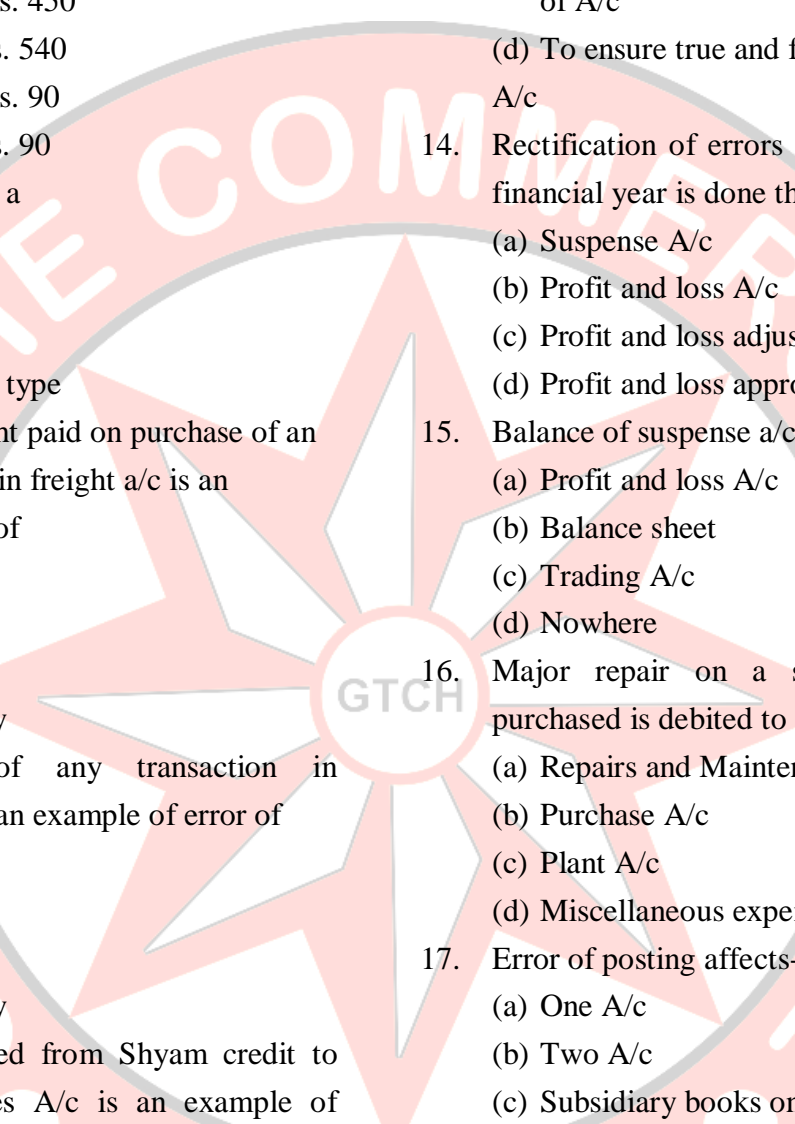
1. Choose the correct statement
  - (a) Errors of Principle do not affect agreement of Trial Balance
  - (b) Compensating errors effect Trial Balance
  - (c) One sided error does not effect Trial balance
  - (d) Error of casting is an error of principle
2. Select the false statement
  - (a) Errors of commission lead to difference in Trial balance
  - (b) Trial Balance is left unaffected by errors of principle
  - (c) The agreement of trial balance is no guarantee that there is no error in the accounts
  - (d) All rectification entries are necessarily passed through Suspense A/c
3. Which of the following is an error of principle?
  - (a) Purchase of Plant & Machinery shown as trading purchase
  - (b) Rs. 10,000 received from Shyam credited to Mohan A/c
  - (c) Rs. 5,000 recovered from the debtors written off, credited to the Debtors A/c
  - (d) Sales return amounting to Rs. 2,000 debited to be shown in purchase day book
4. Which of the following is not an error of principle?
  - (a) Rs. 10,000 paid for erection and commissioning of Plant & Machinery debited to Repairs and Maintenance A/c
  - (b) Rs. 4,000 paid to Shyam, credited to his A/c
  - (c) Rs. 1,000 paid as cartage for office furniture debited to Cartage A/c
  - (d) Rs. 5,000 paid to Gopal as his salary, debited to his A/c
5. Which of the following types of errors do not affect agreement of Trial Balance?
  - (a) Omission of an entry altogether from subsidiary books.
  - (b) Errors of principle
  - (c) Positing an amount on correct side but wrong account
  - (d) All the three
6. Which of the following types of errors affect agreement of Trial Balance?
  - (a) Wrong casting or totalling of the subsidiary books
  - (b) Omission of a transaction in the subsidiary books
  - (c) Writing wrong amount in the subsidiary books
  - (d) Posting a correct amount on correct side but in a wrong A/c
7. An old furniture was sold for Rs. 450, but the amount has been entered in the Sales Day book as Rs. 540. On rectification of this error suspense A/c will be
  - (a) Debited by Rs. 90
  - (b) Credited by Rs. 90
  - (c) Debited by Rs. 540
  - (d) Credited by Rs. 450

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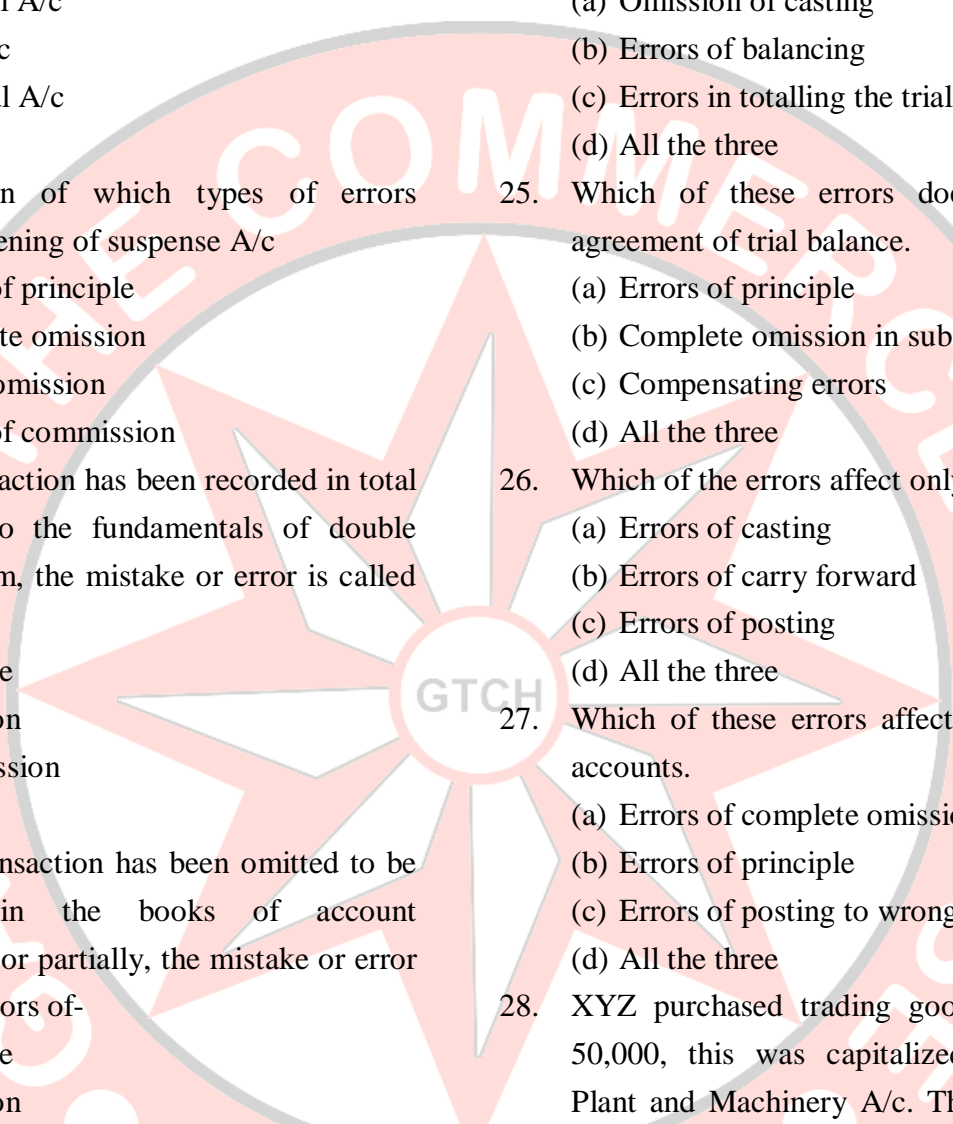
- 
8. In question 7 on rectification furniture A/c will be
- (a) Credited by Rs. 450
  - (b) Debited by Rs. 540
  - (c) Credited by Rs. 90
  - (d) Debited by Rs. 90
9. In question A/c is a
- (a) Nominal A/c
  - (b) Personal A/c
  - (c) Real A/c
  - (d) Can be of any type
10. Inclusion of freight paid on purchase of an office equipment in freight a/c is an example of error of
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensatory
11. Non-recording of any transaction in primary books is an example of error of
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensatory
12. Rs. 4,000 received from Shyam credit to Shyam Associates A/c is an example of error of
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensatory
13. Trial balance is prepared to
- (a) Comply with legal requirement
  - (b) Comply with Accounting standards
  - (c) Check arithmetic correctness of books of A/c
  - (d) To ensure true and fair view of books of A/c
14. Rectification of errors detected in the next financial year is done through
- (a) Suspense A/c
  - (b) Profit and loss A/c
  - (c) Profit and loss adjustment A/c
  - (d) Profit and loss appropriate A/c
15. Balance of suspense a/c is transferred to
- (a) Profit and loss A/c
  - (b) Balance sheet
  - (c) Trading A/c
  - (d) Nowhere
16. Major repair on a second hand plant purchased is debited to
- (a) Repairs and Maintenance A/c
  - (b) Purchase A/c
  - (c) Plant A/c
  - (d) Miscellaneous expenses A/c
17. Error of posting affects-
- (a) One A/c
  - (b) Two A/c
  - (c) Subsidiary books only
  - (d) Any of the above three
18. Errors in which of the following A/c does not affect profit and loss A/c
- (a) Personal A/c
  - (b) Real A/c
  - (c) Either (a) or (b)
  - (d) Both

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- 
19. Errors in which of the following A/c affects profit and loss A/c
- (a) Personal A/c
  - (b) Real A/c
  - (c) Nominal A/c
  - (d) None
20. Rectification of which types of errors requires opening of suspense A/c
- (a) Errors of principle
  - (b) Complete omission
  - (c) Partial omission
  - (d) Errors of commission
21. When transaction has been recorded in total disregard to the fundamentals of double entry system, the mistake or error is called errors of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) None
22. When a transaction has been omitted to be recorded in the books of account completely or partially, the mistake or error is called errors of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) None
23. Which of these is an error of commission.
- (a) Wrong casting of subsidiary books
  - (b) Errors of carry forward
  - (c) Errors of posting
  - (d) All the three
24. Which of these errors affect agreement of trial balance.
- (a) Omission of casting
  - (b) Errors of balancing
  - (c) Errors in totalling the trial balance
  - (d) All the three
25. Which of these errors does not affect agreement of trial balance.
- (a) Errors of principle
  - (b) Complete omission in subsidiary books
  - (c) Compensating errors
  - (d) All the three
26. Which of the errors affect only one account.
- (a) Errors of casting
  - (b) Errors of carry forward
  - (c) Errors of posting
  - (d) All the three
27. Which of these errors affect two or more accounts.
- (a) Errors of complete omission
  - (b) Errors of principle
  - (c) Errors of posting to wrong account
  - (d) All the three
28. XYZ purchased trading goods worth Rs. 50,000, this was capitalized along with Plant and Machinery A/c. This is an error of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensating
29. Rs. 5,000 received from Shyam, however this transaction was not recorded in cash



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- journal. This is an error of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensating
30. Rs. 5,100 received from Mohan but credited to Sohan A/c. This is an error of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensating
31. Rs. 5,000 paid as cartage on new Plant and Machinery, this was debited to carriage inward A/c. This is an error of-
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensating
32. Rs. 5,100 paid to Sonu as salary for the month of December 2006, this was debited to his A/c.
- (a) Principle
  - (b) Omission
  - (c) Commission
  - (d) Compensating
33. XYZ Associates Trial balance as on 31-3-2005 shows the balance of Sales A/c as Rs. 185,000. While test checking the books of account the following discrepancies were noticed.
- (a) A sales of Rs. 2,560 was recorded in the sales day book as Rs. 650
  - (b) Total of sales day book for the month of August 2005 was short by Rs. 2,000
  - (c) Sales includes sales proceed of dead stock sold Rs. 6,000
34. From the above details, calculate the actual sales to be shown in Trading A/c
- (a) Rs. 180,000
  - (b) Rs. 182,910
  - (c) Rs. 179,290
  - (d) Rs. 181,690
35. XY Associates Tribal balance as on 31-3-2005 shows the balance of Purchase A/c as Rs. 165,000. While test checking the books of account the following discrepancies were noticed.
- (a) A purchase of Rs. 2,310 was recorded in the purchase day book as Rs. 310.
  - (b) Total of purchase return book for the month of August 2005 was short by Rs. 2,500
  - (c) Included in purchase of goods worth Rs. 5,000 received from a consignor on which XY Associates is entitled to 10% commission on sale.
36. From the above details, calculate the actual purchases to be shown in Trading A/c
- (a) Rs. 172,000
  - (b) Rs. 164,500
  - (c) Rs. 169,290
  - (d) Rs. 158,690
37. XY Associates Tribal balance as on 31-3-2005 shows the balance of Sales A/c as Rs. 175,000. While test checking the books of account the following discrepancies were

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noticed.

- (a) A sales of Rs. 2,560 was recorded in the sales day book as Rs. 310.
- (b) Total of sales day book for the month of August 2005 was short by Rs. 2,000
- (c) Sales Includes sales proceed of dead stock sold Rs. 6,000.

From the above details, calculate the actual purchases to be shown in Trading A/c

- (a) Rs. 180,000
- (b) Rs. 172,910
- (c) Rs. 179,290
- (d) Rs. 181,690

38. While checking the accounts of ABC the following discrepancies were noticed, even though the trial balance was made to balance by putting the difference to suspense A/c

- (a) Sales day book for the month of June 2006 was found overcast by Rs. 7,000
- (b) A credit purchase of Rs. 3,000 was omitted to be recorded in the days book.
- (c) Rs. 4,300 received from A credited A's Rs. 3,400
- (d) Purchase of office equipment worth Rs. 5,000 included in trading purchases.

39. From the above details what would have been the difference in trial balance which was made to balance by opening suspense A/c.

- (a) Debit side short by Rs. 9,100
- (b) Credit side short by Rs. 9,100
- (c) Debit side more by Rs. 7,900
- (d) Credit side more by Rs. 7,900

40. In question No. 39 while rectifying the mistakes suspense A/c will be-

- (a) Debited by Rs. 9,100
- (b) Credited by Rs. 9,100
- (c) Debited by Rs. 7,900
- (d) Credited by Rs. 7,900

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### CASH BOOK

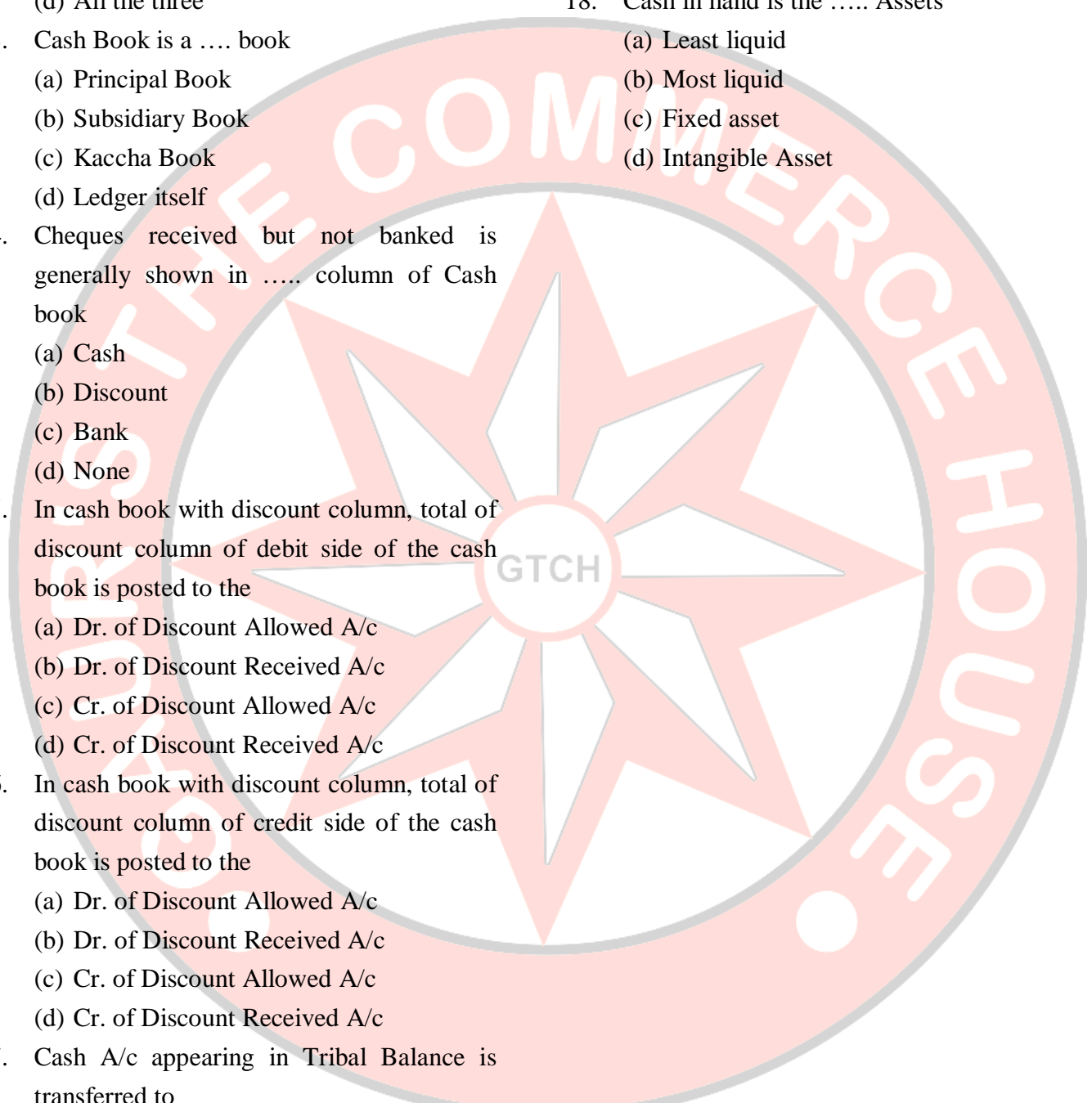
1. In petty cashbook ..... column records receipts
  - (a) Extreme left hand
  - (b) Extreme right hand
  - (c) Centre column left hand side
  - (d) Centre column right hand side
2. Which of the following is/are Form(s) of a Cash Book
  - (a) Single Column Cash Book
  - (b) Double Column Cash Book
  - (c) Three Column Cash Book
  - (d) All of the above
3. Which column of cash book can have credit opening or closing balance?
  - (a) Cash column
  - (b) Discount column
  - (c) Bank column
  - (d) (b) and (c)
4. Which column does not exist in the three column cash book
  - (a) Cash Column
  - (b) Bank Column
  - (c) Petty Cash Column
  - (d) Discount Column
5. Salaries outstanding for the particular month will appear
  - (a) On the debit side of the cash book
  - (b) On the credit side of the cash book
  - (c) As a contra entry in the cash book
  - (d) Nowhere in the cash book
6. The contra entry is passed only if
  - (a) Double column cash book is prepared
  - (b) Three column cash book is prepared
  - (c) Single column cash book is prepared
  - (d) Petty cash book is prepared
7. The Cash Book records only
  - (a) All cash receipts
  - (b) All cash payments
  - (c) Both (a) & (b)
  - (d) Only cash and credit sale of goods
8. The closing balance of the Petty Cash Book is
  - (a) Expense/Expenditure
  - (b) Profit/Gain
  - (c) Asset
  - (d) Liability
9. Goods worth Rs. 20,000 sold to Mr. X for cash will be recorded in
  - (a) The cash book
  - (b) The sales book
  - (c) The journal book
  - (d) The stock register
10. Which column of a Cash book is never balanced
  - (a) Discount
  - (b) Cash
  - (c) Bank
  - (d) None
11. Cash A/c is a
  - (a) Nominal A/c
  - (b) Real A/c
  - (c) Personal A/c
  - (d) Fictitious A/c
12. Which column of a cash book cannot have credit closing balance?
  - (a) Cash column

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- 
- (b) Discount column  
(c) Bank column  
(d) All the three
13. Cash Book is a .... book  
(a) Principal Book  
(b) Subsidiary Book  
(c) Kaccha Book  
(d) Ledger itself
14. Cheques received but not banked is generally shown in ..... column of Cash book  
(a) Cash  
(b) Discount  
(c) Bank  
(d) None
15. In cash book with discount column, total of discount column of debit side of the cash book is posted to the  
(a) Dr. of Discount Allowed A/c  
(b) Dr. of Discount Received A/c  
(c) Cr. of Discount Allowed A/c  
(d) Cr. of Discount Received A/c
16. In cash book with discount column, total of discount column of credit side of the cash book is posted to the  
(a) Dr. of Discount Allowed A/c  
(b) Dr. of Discount Received A/c  
(c) Cr. of Discount Allowed A/c  
(d) Cr. of Discount Received A/c
17. Cash A/c appearing in Tribal Balance is transferred to  
(a) Balance sheet Assets side  
(b) Balance sheet Liability side
- (c) Trading A/c  
(d) Profit and loss A/c
18. Cash in hand is the ..... Assets  
(a) Least liquid  
(b) Most liquid  
(c) Fixed asset  
(d) Intangible Asset



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### CLASSIFICATION OF ACCOUNTS

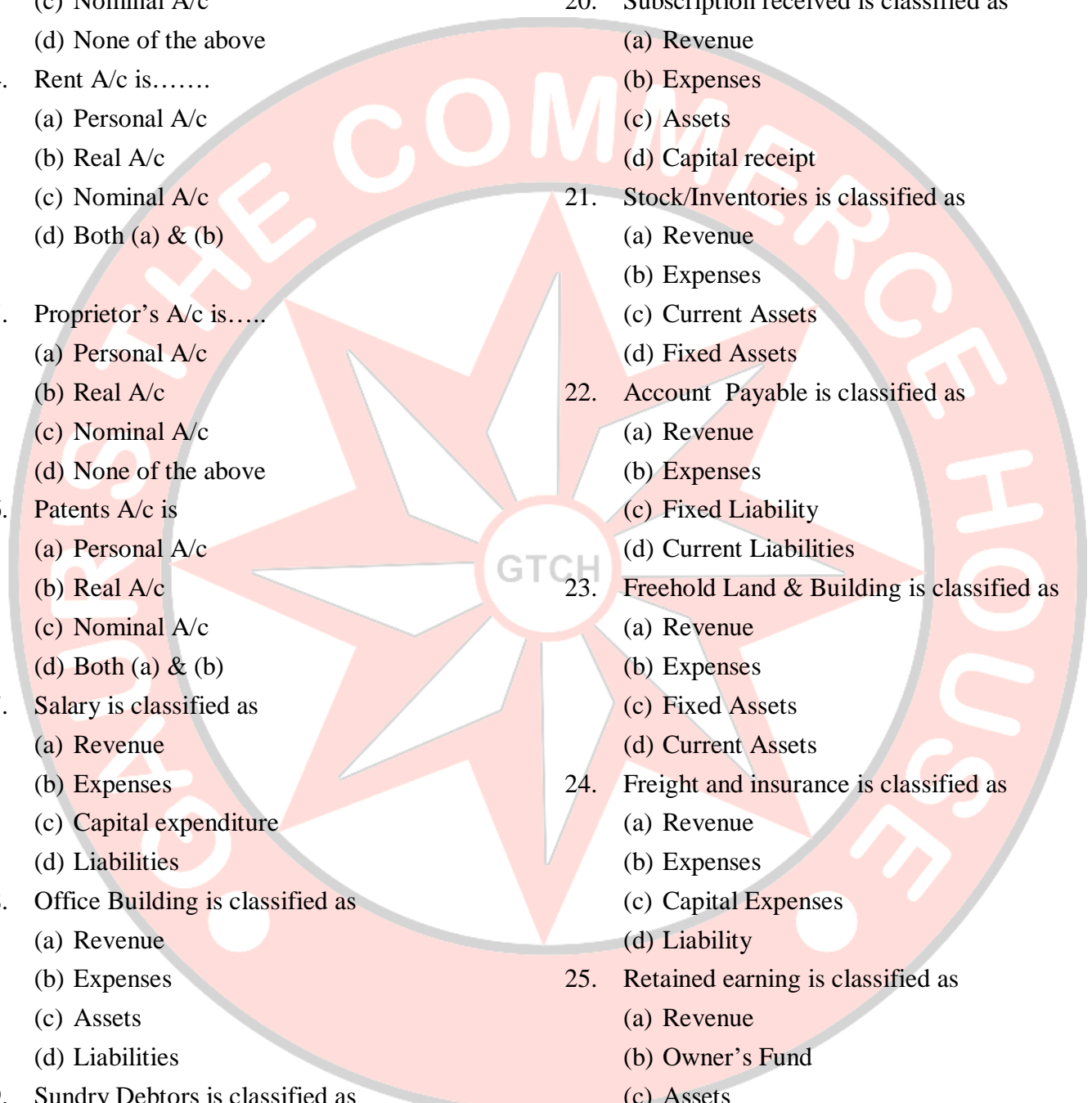
1. Which of the following is a fictitious Assets?
  - (a) Goodwill
  - (b) Cash reserve
  - (c) Preliminary expenses A/c
  - (d) Claims receivable
2. Which of the following is not a fictitious Asset?
  - (a) Accumulated losses
  - (b) Discount on issue of shares and debentures
  - (c) Deferred revenue expenditure
  - (d) Pre-paid Rent
3. Goodwill A/c is a/an
  - (a) Tangible asset
  - (b) Intangible asset
  - (c) Fictitious Asset
  - (d) None
4. Trade Mark is a/an
  - (a) Intangible Asset
  - (b) Current Asset
  - (c) Nominal A/c
  - (d) Personal A/c
5. Unexpired Discount is a
  - (a) Real A/c
  - (b) Personal A/c
  - (c) Nominal A/c
  - (d) None
6. Rent receivable is a
  - (a) Nominal A/c
  - (b) Real A/c
  - (c) Personal A/c
  - (d) Representative personal A/c
7. Wages outstanding is a
  - (a) Personal A/c
  - (b) Suspense A/c
  - (c) Real A/c
  - (d) Representative personal A/c
8. Which of the following is a Nominal A/c
  - (a) Insurance prepaid A/c
  - (b) Insurance premium A/c
  - (c) Bank A/c
  - (d) Capital A/c
9. Which of the following is a Real A/c?
  - (a) Building A/c
  - (b) Preliminary Expenses
  - (c) Discount A/c
  - (d) None
10. Which of the following is an example of tangible real assets?
  - (a) Patent
  - (b) Goodwill
  - (c) Machinery
  - (d) Trade Debtors
11. Which of the following is an Artificial Personal A/c
  - (a) SBI Bank A/c
  - (b) Cash A/c
  - (c) Mohan A/c
  - (d) Building A/c
12. Prepaid/Advance Salary A/c is classified as
  - (a) Personal A/c
  - (b) Real A/c
  - (c) Nominal A/c
  - (d) Both (a) & (b)
13. Bills Payable A/c is.....

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- 
- (a) Personal A/c  
(b) Real A/c  
(c) Nominal A/c  
(d) None of the above
14. Rent A/c is.....  
(a) Personal A/c  
(b) Real A/c  
(c) Nominal A/c  
(d) Both (a) & (b)
15. Proprietor's A/c is.....  
(a) Personal A/c  
(b) Real A/c  
(c) Nominal A/c  
(d) None of the above
16. Patents A/c is  
(a) Personal A/c  
(b) Real A/c  
(c) Nominal A/c  
(d) Both (a) & (b)
17. Salary is classified as  
(a) Revenue  
(b) Expenses  
(c) Capital expenditure  
(d) Liabilities
18. Office Building is classified as  
(a) Revenue  
(b) Expenses  
(c) Assets  
(d) Liabilities
19. Sundry Debtors is classified as  
(a) Revenue  
(b) Expenses  
(c) Assets  
(d) Liabilities
- (c) Assets  
(d) Liabilities
20. Subscription received is classified as  
(a) Revenue  
(b) Expenses  
(c) Assets  
(d) Capital receipt
21. Stock/Inventories is classified as  
(a) Revenue  
(b) Expenses  
(c) Current Assets  
(d) Fixed Assets
22. Account Payable is classified as  
(a) Revenue  
(b) Expenses  
(c) Fixed Liability  
(d) Current Liabilities
23. Freehold Land & Building is classified as  
(a) Revenue  
(b) Expenses  
(c) Fixed Assets  
(d) Current Assets
24. Freight and insurance is classified as  
(a) Revenue  
(b) Expenses  
(c) Capital Expenses  
(d) Liability
25. Retained earning is classified as  
(a) Revenue  
(b) Owner's Fund  
(c) Assets  
(d) Liability
26. Wages outstanding is classified as

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- (a) Assets
- (b) Revenues
- (c) Fixed Liability
- (d) Current Liability



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### JOURNALISING PROCESS

1. Journal records the transactions in a/an
  - (a) Analytical manner
  - (b) Summarized manner
  - (c) Chronological order
  - (d) None of the three
2. Journal is also called
  - (a) Subsidiary book
  - (b) Daily event book
  - (c) History sheet
  - (d) Log book
3. Salary paid to Mohan an employee of the firm will be debited to
  - (a) Mohan A/c
  - (b) Salary A/c
  - (c) Cash A/c
  - (d) None
4. Interest on capital of the proprietor is debited to
  - (a) Proprietors capital A/c
  - (b) Interest A/c
  - (c) Proprietors personal A/c
  - (d) Cash A/c
5. Recovery of old bad debts written off is called to
  - (a) Miscellaneous income A/c
  - (b) Sundry Debtors A/c
  - (c) Concerned Debtors A/c
  - (d) Bad debts recovered A/c
6. Choose the odd one A/c
  - (a) Salary A/c
  - (b) Wages A/c
  - (c) Rent A/c
  - (d) Rent outstanding A/c
7. Choose the old one A/c
  - (a) Cash A/c
  - (b) Bank A/c
  - (c) Sundry debtors A/c
  - (d) Plant and Machinery A/c
8. Choose the odd one A/c
  - (a) Patents A/c
  - (b) Building A/c
  - (c) Trade Investment A/c
  - (d) Stock in trade A/c
9. Choose the odd one A/c
  - (a) Bills payable
  - (b) Sundry creditors
  - (c) Accounts receivables A/c
  - (d) Bank loan A/c
10. Choose the odd one A/c
  - (a) Capital A/c
  - (b) Trade Creditors
  - (c) Outstanding expenses A/c
  - (d) Bank overdraft A/c
11. Rs. 1200 being Income-tax liability of proprietor paid by the firm will be debited to
  - (a) Income tax A/c
  - (b) Drawing A/c
  - (c) Profit and loss A/c
  - (d) None
12. Rs. 1500 being LIC premium of proprietor paid by the firm will be debited to
  - (a) Income-tax A/c
  - (b) Drawing A/c
  - (c) Profit and loss A/c
  - (d) None



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13. Rs. 1250 withdrawn by the proprietor to meet his household expenses will be debited to

- (a) Household A/c
- (b) Drawing A/c
- (c) Profit and loss A/c
- (d) None

14. Goods worth Rs. 2,000 distributed as free sample will be debited to

- (a) Trading A/c
- (b) Profit and loss A/c
- (c) Sales promotion expenses A/c
- (d) Charity A/c

15. Goods worth Rs. 3,000 were purchased on which the trader allowed Rs. 200 as trade discount and 5% cash discount if paid immediately. Purchase a/c will be debited by

- (a) Rs. 3,000
  - (b) Rs. 2,800
  - (c) Rs. 2,750
  - (d) Rs. 2,660
- (a)
  - (b)
  - (c)
  - (d)

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### REVENUE AND CAPITAL EXPENDITURE OF RECEIPTS

1. The term Capital Expenditure is generally used to signify that expenditure which
  - (a) Increases quality of Fixed Asset
  - (b) Increase quantity of Fixed Asset
  - (c) Results in improvement/replace of fixed Asset
  - (d) All the three
2. Which of the following is a revenue expenditure?
  - (a) Freight paid on purchase of Plant and Machinery
  - (b) Legal expenses paid to acquire a property
  - (c) Expenses incurred to reduce working capital requirement
  - (d) Annual whitewash of the factory building
3. Which of the following is a capital expenditure?
  - (a) Cost of a standby equipment
  - (b) Cost of purchase of goods for resale
  - (c) Repair of a second hand equipment
  - (d) Annual maintenance of computer systems
4. Which of the following is not a Capital Expenditure?
  - (a) Rs. 10,000 spent on overhauling of a second hand Car purchased
  - (b) Rs. 10,000 paid as Excise duty on New Capital equipment
  - (c) Rs. 15,000 spent on construction of temporary structure for storing building material
  - (d) Rs. 10,000 paid for removal of old waste and scrap
5. Which of the following is deferred revenue expenditure?
  - (a) High legal expenses incurred by the company to defend legal suit of Rs. 10,00,000
  - (b) Sales promotion expenses amounting to Rs. 50,000
  - (c) Rs. 10,000 spent on dismantling of old Plant and Machinery
  - (d) All the three
6. An amount of Rs. 25,000 spent on travelling expenses of the company's Directors to a foreign trip for purchase of an asset to be used in the production process. This is a....
  - (a) Capital Expenditure
  - (b) Revenue Expenditure
  - (c) Deferred Revenue Expenditure
  - (d) None of the above
7. An amount of Rs. 15,000 spent on a lawyer's fees to defend a suit for claiming that the factor site belongs to the plaintiff's land. This is a....
  - (a) Capital Expenditure
  - (b) Revenue Expenditure
  - (c) Deferred Revenue Expenditure
  - (d) None of the above
8. A company incurred Rs. 5 crore on massive advertisement campaign at the time of launch of a new product in the market. This

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- expenditure is a
- (a) Capital Expenditure
  - (b) Revenue Expenditure
  - (c) Deferred Revenue Expenditure
  - (d) None of the above
9. Capital receipts are shown in
- (a) Profit and loss A/c
  - (b) Balance sheet
  - (c) Trading A/c
  - (d) Added to capital fund
10. Which of the following is/are an example of Capital receipt
- (a) Sale proceed of fixed asset
  - (b) Loan raised from Financial institutions
  - (c) Sale of investment
  - (d) All the three
11. Which of the following is/are an example of revenue receipt
- (a) Interest on fixed deposits held with the bank
  - (b) Entrance fee received by a health club
  - (c) Short term loan raised from PSU bank augment working capital requirement
  - (d) Sale of fixed asset
12. Which of the following would be treated as deferred revenue expenditure
- (a) Preliminary expenses
  - (b) Heavy advertisement expenses
  - (c) Brokerage on issue of shares
  - (d) All the three
13. Wrong classification of expenses into revenue and capital expenditure lead to
- (a) Under statement of profit or loss
  - (b) Over statement of profit or loss
  - (c) Distortion in current ratio
  - (d) Both (a) & (b)
14. Choose the true statement
- (a) A lump sum payment paid for purchase of raw materials is treated as capital expenditure
  - (b) Expenditure incurred on getting copyright is treated capital expenditure
  - (c) Repair and replacement irrespective of nature and amount is always treated as revenue expenditure
  - (d) Cost of stand by equipment is a revenue expenditure
15. Which of these is/are a capital receipt
- (a) Money raised through issue of shares
  - (b) Bank Loan
  - (c) Sale of investments
  - (d) All the three

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### SUBSIDIARY BOOKS AND LEDGER POSITNG

1. Sales in Trading A/c includes
  - (a) Only cash sales
  - (b) Only credit sales
  - (c) Cash and credit sales
  - (d) Sale of Fixed Assets
2. Purchases in Trading A/c includes
  - (a) Only cash purchases
  - (b) Only credit purchases
  - (c) Both Cash and credit purchases
  - (d) Purchase of Fixed Assets
3. Sales day book records
  - (a) Only Credit sales of trading goods
  - (b) Cash sales of trading goods
  - (c) Sales of all types including Capital goods
  - (d) None
4. Purchase Day book records
  - (a) Only Credit purchase of trading goods
  - (b) Only credit purchase of trading goods
  - (c) Both (a) & (b)
  - (d) All types of purchases including purchase of capital goods
5. The periodic total of Purchase day book is posted to
  - (a) Debit side of purchase A/c
  - (b) Debit side of trading A/c
  - (c) Credit side of creditors A/c
  - (d) Credit side of Sales A/c
6. The periodic total of sales day book is posted to
  - (a) Credit side of purchase A/c
  - (b) Debit side of trading A/c
  - (c) Credit side of creditors A/c
  - (d) Credit side of Sales A/c
7. The periodic total of Purchase return day book is posted to
  - (a) Credit side of purchase A/c
  - (b) Debit side of trading A/c
  - (c) Credit side of creditors A/c
  - (d) Credit side of Sales A/c
8. The periodic total of sales return day book is posted to
  - (a) Debit side of Sales A/c
  - (b) Credit side of trading A/c
  - (c) Credit side of Sales A/c
  - (d) Credit side of Purchase return A/c
9. A buyer returning goods on the ground of poor quality send a note along with the goods stating that no payment would be made in respect of goods returned, the return note is called
  - (a) Debit note
  - (b) Credit note
  - (c) Refund note
  - (d) Return note
10. A seller need returned goods and sending note to the party who return the goods, the note is called
  - (a) Debit note
  - (b) Credit note
  - (c) Refund note
  - (d) Return note
11. Cash discount allowed by the seller is accounted for as
  - (a) Purchase A/c Dr.
  - (b) Cash Book Dr.

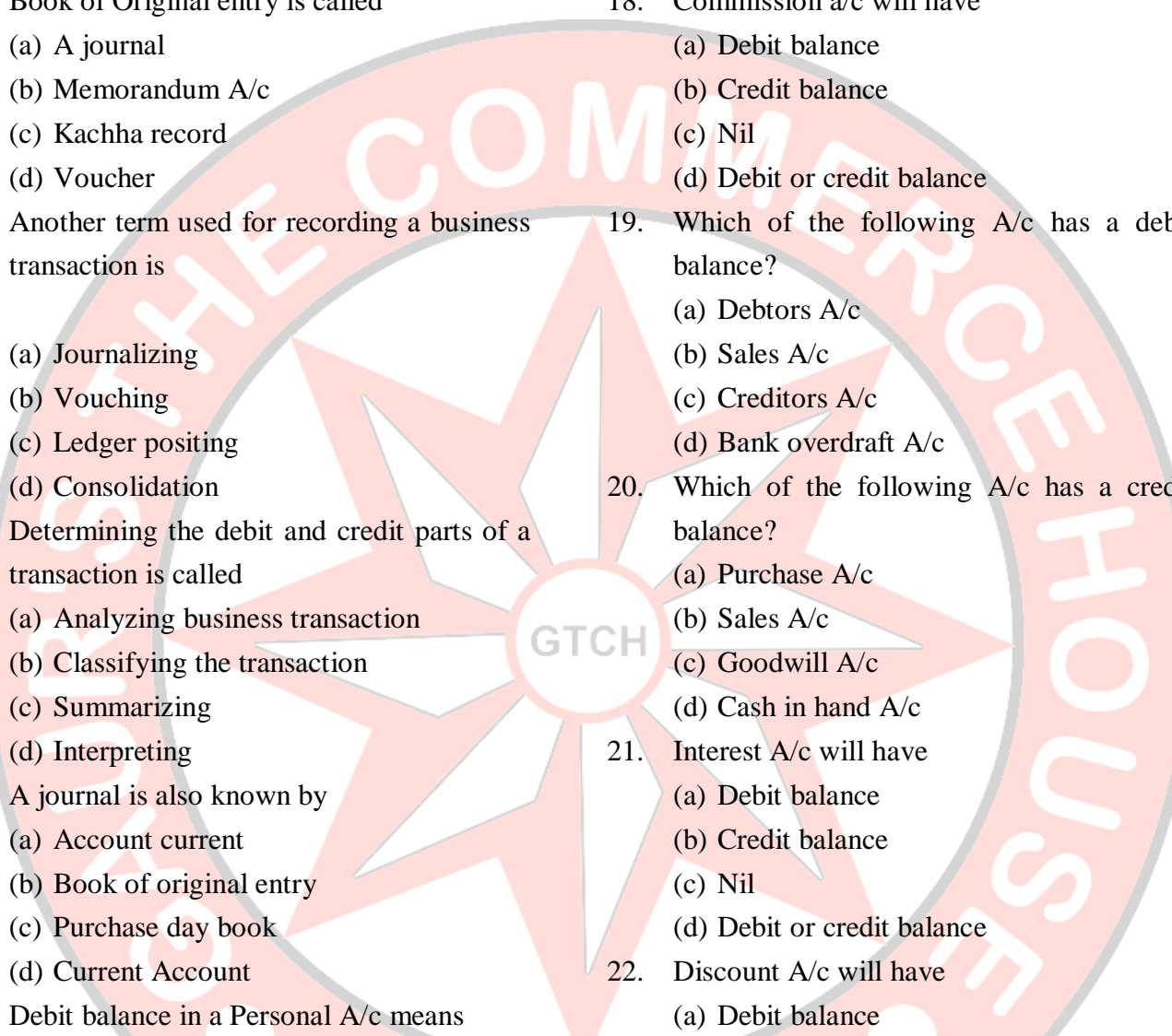


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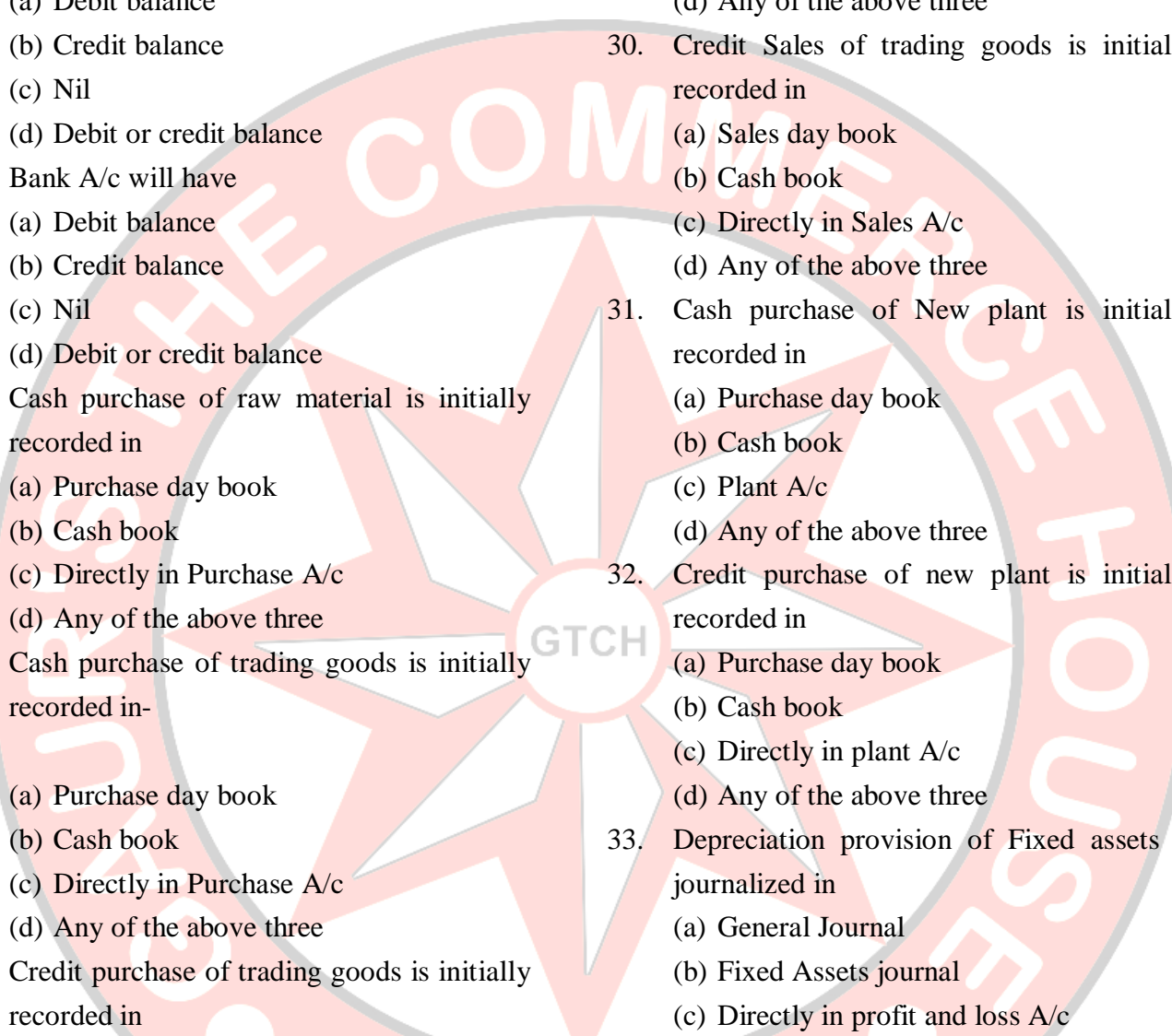
- 
- (c) Discount A/c Cr.  
(d) Drawing A/c Cr.
12. Book of Original entry is called  
(a) A journal  
(b) Memorandum A/c  
(c) Kachha record  
(d) Voucher
13. Another term used for recording a business transaction is  
(a) Journalizing  
(b) Vouching  
(c) Ledger positing  
(d) Consolidation
14. Determining the debit and credit parts of a transaction is called  
(a) Analyzing business transaction  
(b) Classifying the transaction  
(c) Summarizing  
(d) Interpreting
15. A journal is also known by  
(a) Account current  
(b) Book of original entry  
(c) Purchase day book  
(d) Current Account
16. Debit balance in a Personal A/c means  
(a) Amount due from him  
(b) Amount due to him  
(c) Discount allowed to him  
(d) Goods sold to him
17. Expenses A/c will always have  
(a) Debit balance  
(b) Credit balance
- (c) Nil  
(d) Debit or credit balance
18. Commission a/c will have  
(a) Debit balance  
(b) Credit balance  
(c) Nil  
(d) Debit or credit balance
19. Which of the following A/c has a debit balance?  
(a) Debtors A/c  
(b) Sales A/c  
(c) Creditors A/c  
(d) Bank overdraft A/c
20. Which of the following A/c has a credit balance?  
(a) Purchase A/c  
(b) Sales A/c  
(c) Goodwill A/c  
(d) Cash in hand A/c
21. Interest A/c will have  
(a) Debit balance  
(b) Credit balance  
(c) Nil  
(d) Debit or credit balance
22. Discount A/c will have  
(a) Debit balance  
(b) Credit balance  
(c) Nil  
(d) Debit or credit balance
23. Purchase A/c will have  
(a) Debit balance  
(b) Credit balance  
(c) Nil

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- 
- (d) Debit or credit balance
24. Sales A/c will have
- (a) Debit balance
  - (b) Credit balance
  - (c) Nil
  - (d) Debit or credit balance
25. Bank A/c will have
- (a) Debit balance
  - (b) Credit balance
  - (c) Nil
  - (d) Debit or credit balance
26. Cash purchase of raw material is initially recorded in
- (a) Purchase day book
  - (b) Cash book
  - (c) Directly in Purchase A/c
  - (d) Any of the above three
27. Cash purchase of trading goods is initially recorded in-
- (a) Purchase day book
  - (b) Cash book
  - (c) Directly in Purchase A/c
  - (d) Any of the above three
28. Credit purchase of trading goods is initially recorded in
- (a) Purchase day book
  - (b) Cash book
  - (c) Directly in Purchase A/c
  - (d) Any of the above three
29. Cash Sales of trading goods is initially recorded in
- (a) Sales day book
  - (b) Cash book
  - (c) Directly in Sales A/c
  - (d) Any of the above three
30. Credit Sales of trading goods is initially recorded in
- (a) Sales day book
  - (b) Cash book
  - (c) Directly in Sales A/c
  - (d) Any of the above three
31. Cash purchase of New plant is initially recorded in
- (a) Purchase day book
  - (b) Cash book
  - (c) Plant A/c
  - (d) Any of the above three
32. Credit purchase of new plant is initially recorded in
- (a) Purchase day book
  - (b) Cash book
  - (c) Directly in plant A/c
  - (d) Any of the above three
33. Depreciation provision of Fixed assets is journalized in
- (a) General Journal
  - (b) Fixed Assets journal
  - (c) Directly in profit and loss A/c
  - (d) Any of the above three
34. Provision for bad debts is journalized in
- (a) General Journal
  - (b) Debtors A/c
  - (c) Directly in profit and loss A/c
  - (d) Any of the above three
35. Closing entries are passed in

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- (a) General Journal
- (b) Directly in balance sheet
- (c) Directly in profit and loss A/c
- (d) Any of the above three



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### FINAL ACCOUNT

1. Rent prepaid A/c appearing in the Trial Balance is.....
  - (a) Shown on the liability side of Balance sheet
  - (b) Shown on the Assets side of the Balance sheet
  - (c) Shown on debit side of profit and loss A/c
  - (d) Credited to profit and loss A/c
2. Salary outstanding A/c appearing in the Trial Balance is.....
  - (a) Shown on the liability side of Balance sheet
  - (b) Shown on the Assets side of the Balance sheet
  - (c) Shown on debit side of profit and loss A/c
  - (d) Credited to profit and loss A/c
3. Commission received in Advance A/c appearing in the Trial Balance is....
  - (a) Shown on the liability side of Balance sheet
  - (b) Shown on the Assets side of the Balance sheet
  - (c) Shown on debit side of profit and loss A/c
  - (d) Credited to profit and loss A/c
4. Advance tax A/c appearing in the Trial Balance is....
  - (a) Shown on the liability side of Balance sheet
  - (b) Shown on the Assets side of the Balance sheet
5. Closing entries are those which are passed....
  - (a) at the end of the year
  - (b) at the beginning of the year
  - (c) for rectification of errors
  - (d) for suppressing profit
6. Opening entries are those which are passed...
  - (a) at the end of the year
  - (b) at the beginning of the year
  - (c) for rectification of errors
  - (d) for suppressing profit
7. Adjustment entries are those which are passed...
  - (a) At the end of the year
  - (b) At the beginning of the year
  - (c) For adjustment of prepared and outstanding expenses/income
  - (d) For suppressing profit
8. Depreciation A/c appearing in the Trial Balance will....
  - (a) Be debited to profit and loss A/c only
  - (b) Be debited to profit and loss A/c and deducted from the concerned Fixed assets in the Balance sheet
  - (c) Be credited to profit and loss A/c
  - (d) Shown on Liability side of the Balance sheet
9. Closing stock A/c appearing in the Trial Balance will...



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- (a) Be credited to Trading A/c only (a) 33,000 (b) 38,500  
(b) Be credited to Trading A/c and shown (c) 28,000 (d) 32,000  
on the Assets side as Closing stock  
(c) Be shown on the Assets side as closing stock  
(d) Shown on debit side of Trading A/c
10. Profit on sale of old furniture is shown  
(a) On the credit side of trading A/c  
(b) On the credit side of Profit and Loss A/c  
(c) Directly added to Capital A/c  
(d) Being non-operating item ignored
11. Loss on sale of old car is shown  
(a) On the debit side of trading A/c  
(b) On the debit side of Profit and Loss A/c  
(c) Directly deducted from the Capital A/c  
(d) Being non-operating item ignored
12. What would be the cost of goods sold from the following details
- |               |            |
|---------------|------------|
| Opening stock | Rs. 4,000  |
| Purchases     | Rs. 26,000 |
| Closing stock | Rs. 2,000  |
- (a) Rs. 28,000  
(b) Rs. 30,000  
(c) Rs. 26,000  
(d) Rs. 32,000
13. What would be the cost of goods sold from the following details
- |                   |            |
|-------------------|------------|
| Opening Stock     | Rs. 4,000  |
| Purchase          | Rs. 26,000 |
| Closing           | Rs. 2,000  |
| Direct expenses   | Rs. 5,000  |
| Indirect Expenses | Rs. 3,500  |
14. What would be the cost of goods purchased from the following details
- |                   |            |
|-------------------|------------|
| Opening Stock     | Rs. 4,000  |
| Sales             | Rs. 45,000 |
| Closing stock     | Rs. 2,000  |
| Direct expenses   | Rs. 5,000  |
| Indirect Expenses | Rs. 3,500  |
| Gross profit      | Rs. 5,000  |
- (a) 28,000 (b) 33,000  
(c) 32,000 (d) 38,000
15. Calculate, sales from the following details:
- |                    |            |
|--------------------|------------|
| Opening Stock      | Rs. 4,000  |
| Cost of goods sold | Rs. 30,000 |
| Closing stock      | Rs. 2,000  |
| Direct expenses    | Rs. 5,000  |
| Gross profit       | Rs. 1,500  |
- (a) 28,000 (b) 31,500  
(c) 32,000 (d) 33,500
16. Goods worth Rs. 36,000 were lost in fire. The goods were insured to the extent of Rs. 20,000. Loss on account of fire would be accounted for as under
- (a) Debit Trading A/c Rs. 36,00 and credit profit and loss A/c by Rs. 16,000  
(b) Credit Trading A/c Rs. 36,000 and debit Profit and Loss A/c Rs. 16,000. Insurance Co debit by Rs. 20,000  
(c) Credit Profit and Loss A/c Rs. 36,000 and Debit Trading A/c by Rs. 16,000  
(d) Credit Trading A/c Rs. 36,000 and debit Profit and Loss A/c Rs. 16,000

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17. Sales include goods worth Rs. 36,000 sent on sales on approval basis @ 20% profit on cost. At the close of the financial year the goods were still pending with the customer pending approval from the customer. The Accounting adjustment would be
- (a) Debit sales A/c by Rs. 36,000, credit Debtors A/c by Rs. 36,000, Credit trading A/c by Rs. 30,000, Debit stock A/c by Rs. 30,000
  - (b) Debit sales A/c by Rs. 36,000, credit Debtors A/c by Rs. 30,000, Credit trading A/c by Rs. 30,000, Debit stock A/c by Rs. 30,000
  - (c) Credit sales A/c by Rs. 36,000, debit Debtors A/c by Rs. 36,000, Debit trading A/c by Rs. 30,000, Credit stock A/c by Rs. 30,000
  - (d) Debit sales A/c by Rs. 6,000, credit Debtors A/c by Rs. 36,000, Credit trading A/c by Rs. 30,000, Debit stock A/c by Rs. 36,000
18. Sales include goods worth Rs. 50,000 sent on sales on approval basis @ 25% profit on cost. At the close was still lying with the customer pending approval from the customer. The Accounting adjustment would be
- (a) Debit sales A/c by Rs. 30,000, credit Debtors A/c by Rs. 30,000, Credit trading A/c by Rs. 24,000, Debit stock A/c by Rs. 24,000
  - (b) Credit sales A/c by Rs. 36,000, debit Debtors A/c by Rs. 36,000, Debit trading A/c by Rs. 30,000, Credit A/c by Rs. 30,000
19. Sales include goods worth Rs. 50,000 sent on sales on approval basis @ 25% profit on cost. At the cost of the financial year the goods worth Rs. 20,000 were returned by the customer and for the balance, the time period for returning the goods is yet to expire. The Accounting adjustment would be
- (a) Debit sales A/c by Rs. 30,000, credit Debtors A/c by Rs. 30,000, Credit trading A/c by Rs. 24,000, Debit stock A/c by Rs. 24,000
  - (b) Credit sales A/c by Rs. 36,000, debit Debtors A/c by Rs. 36,000, Debit trading A/c by Rs. 30,000, Credit A/c by Rs. 30,000
  - (c) Credit sales A/c by Rs. 38,000, credit Debtors A/c by Rs. 36,000, Debit trading A/c by Rs. 30,000, Credit A/c by Rs. 24,000
  - (d) Credit sales A/c by Rs. 30,000, debit Debtors A/c by Rs. 36,000, Credit

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- trading A/c by Rs. 30,000, Credit A/c by Rs. 240,000
20. Goods worth Rs. 30,000 were lost in fire. The goods were not insured. Loss on account of fire would be accounted for as under
- (a) Debit sales A/c by Rs. 30,000, credit profit and loss A/c by Rs. 30,000
  - (b) Credit Trading A/c by Rs. 30,000 and debit Profit and Loss A/c Rs. 30,000
  - (c) Credit Profit and Loss A/c Rs. 36,000 and Debit Trading A/c by Rs. 30,000
  - (d) Credit Trading A/c by Rs. 36,000 and debit Profit and Loss A/c Rs. 16,000
21. Total assets of a firm is Rs. 1,00,000, outside liability amounted to Rs. 40,000, total capital contributed by the partners would be
- (a) Rs. 60,000
  - (b) Rs. 1,40,000
  - (c) Rs. 40,000
  - (d) Rs. 80,000
22. Total assets of a firm is Rs. 1,50,000, Capital amounting to Rs. 70,000, total outside liabilities would be
- (a) 70,000
  - (b) 80,000
  - (c) 40,000
  - (d) 20,000
23. Income from operations does not include
- (a) Interest earned
  - (b) Administrative expenses
  - (c) Sales returns
  - (d) Depreciation on plant and machinery
24. Which of the following would not be included in current assets
- (a) 60 days Bills receivable
  - (b) Short term deposit with bank
  - (c) Interest of Rs. 500 with cashier
  - (d) Preliminary expenses
25. Financial statements are least useful to
- (a) Investors
  - (b) Ignorant person
  - (c) Creditors
  - (d) Tax authorities
26. Which of the statement is not correct?
- (a) Financial statements do adjust themselves for price level changes
  - (b) Only business transactions are within the ambit of Financial records
  - (c) Financial statements have evidential value in the court of law
  - (d) Accounting principles have no universal acceptability
27. Return on capital is computed as
- (a) Net profit/Capital
  - (b) Gross profit/capital
  - (c) Net profit/Sales
  - (d) Sales/Capital
28. A contra entry is one which
- (a) Affects both the sides of the same A/c
  - (b) Affects both the sides of the Trial Balance
  - (c) Affects one side of a real A/c and other side of a personal A/c

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- (d) Affects both the sides of the same types of A/c
29. If there is a difference in the Trial Balance and finalization of F/A cannot be further delayed, the difference would be put to
- (a) Suspense A/c
  - (b) Drawing A/c
  - (c) Miscellaneous Expense A/c
  - (d) Miscellaneous Income A/c
30. Goods distributed as free samples would be....
- (a) Credited to Trading A/c and Debit to Profit and loss A/c
  - (b) Debited to Trading A/c and credited to Profit and loss A/c
  - (c) Credited to sales A/c and Debit to purchase A/c
  - (d) Credited to Trading A/c and Debit to Drawing A/c
31. Discount A/c will always have
- (a) Only debit balance
  - (b) Only credit balance
  - (c) Debit or credit
  - (d) Nil
32. Carriage on goods purchased is shown in
- (a) Profit and Loss A/c
  - (b) Trading A/c
  - (c) Balance sheet
  - (d) Suspense A/c
33. Carriage on goods sold is shown in
- (a) Profit and Loss A/c
  - (b) Trading A/c
  - (c) Balance sheet
  - (d) Suspense A/c
34. Which of the following A/c would not be transferred to Profit and Loss A/c
- (a) Bad Debts
  - (b) Discount allowed
  - (c) Accumulated Depreciation A/c
  - (d) All the three
35. Sundry Debtors in Balance sheet would not include
- (a) Owing by the proprietor on account of goods taken for personal use
  - (b) Customer in respect of goods are sent on sale or return basis
  - (c) Both (a) & (b)
  - (d) None
36. Example(s) of an error of principles is/are.
- (a) Treating purchase of plant and machinery for use as trading purchase
  - (b) Treating sale of old machinery as sales revenue
  - (c) Capitalizing routine repair and maintenance in books of A/c
  - (d) All the three
37. The company paid Rs. 5,000 as one of the instalment of an outstanding bill. What effect this transaction have on the financial position of the company
- (a) No change in assets, liability decreased by Rs. 5,000
  - (b) Assets less by Rs. 5,000 liability decreased by Rs. 5,000
  - (c) Assets increase by Rs. 5,000 no change in liability



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- (d) Assets increase by Rs. 5,000, liability increase by Rs. 5,000
38. Presentation made by the management of a company to make the company appear as financially strong in the financial statement is called
- (a) Financial re-engineering  
(b) Window dressing  
(c) Financial dressing  
(d) Internal fraud
39. Notes to financial statement about law suits, contractual commitment etc. are required to be shown in the financial statement by way of footnote or in notes to accounts under which of the following principles
- (a) Disclosure concept  
(b) Window dressing  
(c) CA institutes requirement  
(d) Consistency principles
40. Contingent liabilities are shown
- (a) By way of note to Balance sheet  
(b) In current liability  
(c) In non-current liability  
(d) In profit and loss A/c
41. Dividend unpaid is shown as
- (a) Current liability  
(b) Current asset  
(c) By way of notes to accounts  
(d) Credit item in profit and loss A/c
42. Which of the following statement shows the details of the company's profit and loss related activities for a period of time?
- (a) Balance sheet  
(b) Income statement  
(c) Statement of changes in financial position  
(d) Auditors report
43. Income-tax of the sole trader paid is shown
- (a) Debited to profit and Loss A/c  
(b) Debited to Trading A/c  
(c) Debited to his Capital A/c  
(d) None
44. Loss on Sale of old Furniture and fitting is debited to
- (a) Depreciation A/c  
(b) Profit and Loss A/c  
(c) Trading A/c  
(d) Furniture and fitting A/c
45. Choose the true statement
- (a) Wages paid for erection of new Plant & Machinery is a revenue Expenditure  
(b) Sale of stock in trade is revenue receipt  
(c) Revenue expenditure is intended to benefit more than one year  
(d) Any amount paid for acquiring any fixed Assets is a revenue expenditure
46. Select the false statement
- (a) Sale of Plant and Machinery is a revenue receipt  
(b) Any amount which is unreasonable high need not be a Capital Expenditure  
(c) Income-tax of the sole proprietor paid is treated as drawing  
(d) Bills Payable is a current Liability

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47. Select the odd one
- (a) Salary A/c
  - (b) Insurance A/c
  - (c) Rent A/c
  - (d) Commission received A/c
48. Select the odd one A/c
- (a) Net purchases
  - (b) Wages A/c
  - (c) Sales A/c
  - (d) Carriage inward A/c
49. Select the odd one A/c
- (a) Power fuel A/c
  - (b) Factory rent A/c
  - (c) Sales commission A/c
  - (d) Direct wages A/c
50. Select the odd one A/c
- (a) Goodwill A/c
  - (b) Trade debtors A/c
  - (c) Telephone charges A/c
  - (d) Rent receivable A/c
51. Select the odd one A/c
- (a) Trade creditors A/c
  - (b) Trade debtors A/c
  - (c) Telephone charges A/c
  - (d) Rent receivable A/c
52. Arrangement of balance sheet in a proper way is known as-
- (a) Marshalling of Balance sheet
  - (b) Formatting of Balance sheet
  - (c) Finalization of Balance sheet
  - (d) Grouping of Balance sheet
53. Which of these can be described as the sum of those intangible attributes or benefits enjoyed by the enterprise which contributes to its success.
- (a) Research and Development
  - (b) Goodwill
  - (c) Deferred revenue expenditure
  - (d) Intangible assets
54. A... is that diminishes in value by reason of and commensurately with the extraction or removal of a natural resource.
- (a) Fictitious assets
  - (b) Wasting assets
  - (c) Goodwill
  - (d) Tangible assets
55. Any asset having physical existence is known as-
- (a) Fictitious assets
  - (b) Tangible assets
  - (c) Goodwill
  - (d) Current assets
56. In order to know the factory cost of production which account is prepared
- (a) Production A/c
  - (b) Manufacturing A/c
  - (c) Trading A/c
  - (d) Profit and loss A/c
57. From the following details calculate net profit of XYZ Ltd.
- Opening stock = 150,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Sales Rs. 240,000

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- Gross Profit on sales 25%
- (a) Rs. 25,000  
(b) Rs. 35,000  
(c) Rs. 20,000  
(d) Rs. 15,000
58. From the following details calculate net profit of Avon Industries Ltd.  
Opening stock = 150,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Depreciation on office building = Rs. 6,000  
Provision for bad debts = Rs. 4,000  
Sales Rs. 280,000  
Gross Profit on sales 25%
- (a) Rs. 25,000  
(b) Rs. 35,000  
(c) Rs. 20,000  
(d) Rs. 15,000
59. From the following details calculate total sales of Supreme Industries  
Opening stock = 150,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Net Profit Rs. 25,000  
Gross Profit on sales 25%
- (a) Rs. 240,000  
(b) Rs. 350,000  
(c) Rs. 200,000  
(d) Rs. 215,000
60. From the following details calculate Gross Profit of XYZ Ltd.  
Opening stock = 150,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Sales Rs. 200,000  
Gross Profit on sales 25%
- (a) Rs. 50,000  
(b) Rs. 45,000  
(c) Rs. 30,000  
(d) Rs. 35,000
61. From the following details calculate Closing stock of ABC Ltd.  
Opening stock = 50,000  
Purchases = Rs. 180,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Sales Rs. 240,000  
Gross Profit on sales 25%
- (a) Rs. 80,000  
(b) Rs. 65,000  
(c) Rs. 55,000  
(d) Rs. 75,000
62. From the following details calculate Net Purchases of PQR Ltd.

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Opening stock = 50,000

Manufacturing expenses = Rs. 30,000

Selling and distribution expenses = Rs.  
20,000

Administrative expenses = Rs. 10,000

Financial expenses Rs. 5,000

Closing stock Rs. 25,000

Sales Rs. 240,000

Gross Profit on sales 25%

(a) Rs. 120,000

(b) Rs. 95,000

(c) Rs. 125,000

(d) Rs. 85,000

63. From the following details calculate  
Opening of BTN Ltd.

Purchases Rs. = 100,000

Manufacturing expenses = Rs. 45,000

Selling and distribution expenses = Rs.  
25,000

Administrative expenses = Rs. 10,000

Financial expenses Rs. 5,000

Sales Rs. 240,000

Closing stock Rs. 25,000

Gross Profit on sales 25%

(a) Rs. 55,000

(b) Rs. 35,000

(c) Rs. 60,000

(d) Rs. 45,000

64. From the following details calculate Direct  
expenses of Excel Ltd.

Opening Stock Rs. = 30,000

Purchases Rs. = 90,000

Closing stock Rs. 25,000

Manufacturing expenses = Rs. 30,000

Selling and distribution expenses = Rs.  
20,000

Administrative expenses = Rs. 10,000

Financial expenses Rs. 5,000

Sales Rs. 240,000

Gross Profit on sales 25%

(a) Rs. 25,000

(b) Rs. 55,000

(c) Rs. 45,000

(d) Rs. 35,000

65. From the following details calculate Net  
profit of Star Ltd.

Opening Stock Rs. = 150,000

Manufacturing expenses = Rs. 30,000

Selling and distribution expenses = Rs.  
20,000

Administrative expenses = Rs. 10,000

Financial expenses Rs. 5,000

Sales Rs. 240,000

Gross Profit on sales 20%

(a) Rs. 21,000

(b) Rs. 32,000

(c) Rs. 13,000

(d) Rs. 19,000

66. From the following details calculate Gross  
profit of ABC Ltd.

Opening Stock Rs. = 150,000

Manufacturing expenses = Rs. 30,000

Selling and distribution expenses = Rs.  
23,000

Administrative expenses = Rs. 12,000

Financial expenses Rs. 5,000



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- Sales Rs. 280,000  
Interest of FD received Rs. 5,000  
Gross Profit on sales 25%
- (a) Rs. 55,000  
(b) Rs. 35,000  
(c) Rs. 70,000  
(d) Rs. 65,000
67. From the following details calculate Purchases of XYZ Ltd.  
Opening Stock Rs. = 15,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Sales Rs. 240,000  
Closing stock Rs. 30,000  
Gross Profit on sales 25%
- (a) Rs. 125,000  
(b) Rs. 165,000  
(c) Rs. 120,000  
(d) Rs. 115,000
68. From the following details calculate  
Opening stock  
Opening Stock Rs. = 150,000  
Manufacturing expenses = Rs. 30,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Sales Rs. 240,000  
Closing stock Rs. 30,000  
Gross Profit on sales 25%
- (a) Rs. 65,000  
(b) Rs. 30,000  
(c) Rs. 85,000  
(d) Rs. 95,000
69. From the following details calculate  
Closing stock  
Opening Stock Rs. = 15,000  
Purchases Rs. 180,000  
Direct expenses = Rs. 35,000  
Selling and distribution expenses = Rs. 20,000  
Administrative expenses = Rs. 10,000  
Financial expenses Rs. 5,000  
Sales Rs. 240,000  
Gross Profit on sales 25%
- (a) Rs. 45,000  
(b) Rs. 50,000  
(c) Rs. 55,000  
(d) Rs. 60,000
70. From the following details calculate net sales to be shown in trading and profit and loss A/c.
- (i) credit sales of Rs. 65,000  
(ii) goods send to consignee Rs. 25,000  
(iii) sale of old office equipment Rs. 5,000  
(iv) goods send on sale or return basis Rs. 10,000
- (a) Rs. 170,000  
(b) Rs. 185,000  
(c) Rs. 165,000  
(d) Rs. 145,000
71. From the following details calculate net Purchases to be shown in Trading A/c.

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Purchase account as shown in the Trial balance Rs. 150,000 includes the following items of purchases.

- (i) Goods received on sale or approval basis Rs. 20,000 for which time to return the goods is yet to expire.
- (ii) Purchase of goods worth Rs. 5,000 for the proprietor.
- (iii) Purchase of office typewriter worth Rs. 10,000

- (a) Rs. 150,000
- (b) Rs. 115,000
- (c) Rs. 185,000
- (d) Rs. 135,000

72. From the following details calculate net Purchases to be shown in Trading A/c.

Purchase account as shown in the Trial balance Rs. 180,000 includes the following items of purchases.

- (i) Goods received on sale or approval basis Rs. 20,000 for which time to return the goods is yet to expire.
- (ii) Purchase of goods worth Rs. 5,000 for the proprietor.
- (iii) Purchase of office typewriter worth Rs. 10,000

- (a) Rs. 140,000
- (b) Rs. 125,000
- (c) Rs. 155,000
- (d) Rs. 135,000

73. XYZ company's trial balance shows Trading purchase A/c Rs. 240,000 and suspense A/c Rs. 20,000. While conducting

internal audit of the interim accounts of the company the following facts were noticed.

- (a) Goods worth Rs. 20,000 were omitted to be recorded in the purchase day book.
- (b) Goods worth Rs. 2,000 were purchased for the personal use of the proprietor.
- (c) Purchase day book for the month of June 2005 was under cast by Rs. 5,000
- (d) Rs. 5,000 being purchase of office table was including in purchase day book of December 2005

- (a) Rs. 240,000
- (b) Rs. 243,000
- (c) Rs. 250,000
- (d) Rs. 265,000

74. From the following details, how much should be charged to profit and loss A/c as bad debts during the current year.

Provisions for bad debts A/c as on 1-1-2006 Rs. 20,000

Actual bad debts during 2005-06 Rs. 19,000

Debtors balance as on 31-12-2006 Rs. 80,000

Provisions for bad debts to be made @ 5% of total debtors.

- (a) Rs. 3,000
- (b) Rs. 4,000
- (c) Rs. 2,600
- (d) Rs. 3,600

75. From the following details, how much should be charged to profit and loss A/c as

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bad debts during the current year.

Provisions for bad debts A/c as on 1-1-2006

Rs. 24,000

Actual bad debts during 2005-06 Rs.

20,000

Debtors balance as on 31-12-2006 Rs.

80,000

Provisions for bad debts to be made @ 5% of total debtors.

(a) Nil

(b) Rs. 4,250

(c) Rs. 2,690

(d) Rs. 3,200

76. From the following details, how much should be charged to profit and loss A/c as bad debts during the current year.

Provisions for bad debts A/c as on 1-1-2006

Rs. 20,000

Actual bad debts during 2005-06 Rs.

19,000

Debtors balance as on 31-12-2006 Rs.

85,000

Debtors includes Rs. 5,000 due from a customer to whom the firm also owes Rs. 6,000 for services rendered by the customer.

Provisions for bad debts to be made @ 5% of total debtors.

(a) Rs. 3,000

(b) Rs. 4,300

(c) Rs. 2,600

(d) Rs. 3,500

77. From the following details, how much

should be charged to profit and loss A/c as bad debts during the current year.

Provisions for bad debts A/c as on 1-4-2006

Rs. 22,000

Actual bad debts during 2006-07 Rs.

20,000

Debtors balance as on 31-12-2006 Rs.

80,000

Debtors includes Rs. 5,000 due by the proprietor for the goods withdrawn for self-use.

A credit sales of Rs. 4,500 was erroneously recorded in the sales day book as Rs. 5,400.

Provisions for bad debts to be made @ 5% of total debtors.

(a) Rs. 2,100

(b) Rs. 1,705

(c) Rs. 1,890

(d) Rs. 1,600

- 78 From the following details, how much should be charged to profit and loss A/c as bad debts during the current year.

Provisions for bad debts A/c as on 1-4-2006

Rs. 24,000

Actual bad debts during 2006-07 Rs.

22,000

Debtors balance as on 31-12-2006 Rs.

85,000

Debtors includes Rs. 5,000 due by the proprietor for the goods withdrawn for self-use.

A credit sales of Rs. 5,400 was erroneously recorded in the sales day book as Rs. 4,500.

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- Provisions for bad debts to be made @ 5% of total debtors.
- (a) Rs. 2,110  
(b) Rs. 1,785  
(c) Rs. 1,990  
(d) Rs. 2,045
79. From the following details, how much should be charged to profit and loss A/c as bad debts during the current year.
- Provisions for bad debts A/c as on 1-4-2006 Rs. 22,000  
Actual bad debts during 2006-07 Rs. 20,000  
Debtors balance as on 31-12-2006 Rs. 80,000  
Debtors includes Rs. 5,000 due by the proprietor for the goods withdrawn for self-use.  
A credit sales of Rs. 4,500 was erroneously recorded in the sales day book as Rs. 5,400.  
Provisions for bad debts to be made @ 5% of total debtors.
- (a) Rs. 2,100  
(b) Rs. 1,705  
(c) Rs. 1,890  
(d) Rs. 1,600
80. ABC & Sons, held an average inventory of finished goods of Rs. 40,000 (CP) with an inventory turnover ratio of 5. If he makes a gross profit of 25% on the cost of goods sold. What is his total sales during 2006-07
- (a) Rs. 200,000  
(b) Rs. 240,000  
(c) Rs. 250,000  
(d) Rs. 300,000
81. XYZ, held an average inventory of finished goods of Rs. 50,000 (CP) with an inventory turnover ratio of 5. If he makes a gross profit of 25% on the cost of goods sold. What is his total sales during 2006-07
- (a) Rs. 239,000  
(b) Rs. 248,000  
(c) Rs. 259,900  
(d) Rs. 312,500
82. XYZ, held an average inventory of finished goods of Rs. 50,000 (CP) with an inventory turnover ratio of 5. If he makes a gross profit of 25% on the cost of goods sold. What is the gross profit of the firm during 2006-07
- (a) Rs. 53,900  
(b) Rs. 48,000  
(c) Rs. 59,900  
(d) Rs. 50,000
83. Gopal & Sons, held an average inventory of finished goods of Rs. 37,500 (CP) with an inventory turnover ratio of 4. If he makes a gross profit of 25% on the sales, what is the total sales of the firm during 2006-07
- (a) Rs. 200,000  
(b) Rs. 240,000  
(c) Rs. 200,000  
(d) Rs. 300,000
84. Gopal & Sons, held an average inventory of finished goods of Rs. 37,500 (CP) with an inventory turnover ratio of 4. If he makes a



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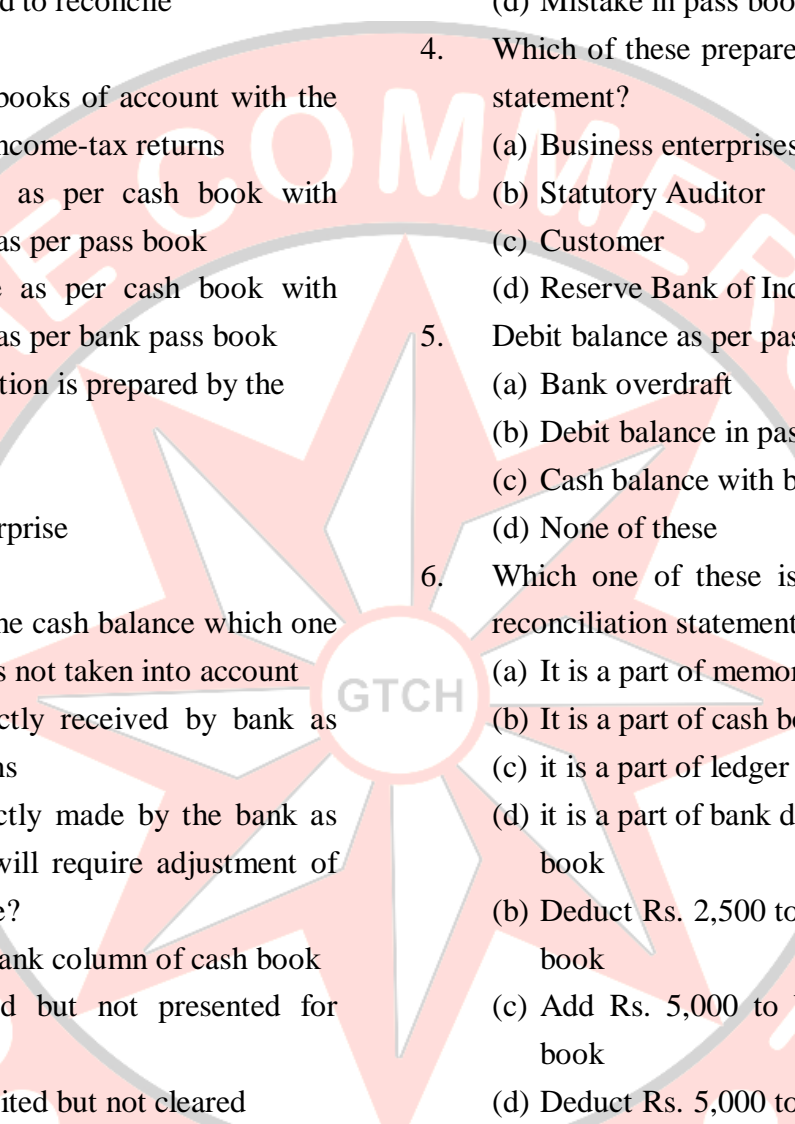
- gross profit of 25% on the sales, what is the total gross profit of the firm during 2006-07
- (a) Rs. 25,000  
(b) Rs. 40,000  
(c) Rs. 50,000  
(d) Rs. 30,000
85. Avon Industries held an average inventory of finished goods of Rs. 36,000 (CP) with an inventory turnover ratio of 5. If he makes a gross profit of 25% on sales, what is the total sales of the firm during 2006-07
- (a) Rs. 200,000  
(b) Rs. 240,000  
(c) Rs. 250,000  
(d) Rs. 300,000
86. Avon Industries held an average inventory of finished goods of Rs. 36,000 (CP) with an inventory turnover ratio of 5. If he makes a gross profit of 25% on sales, what is the gross profit of the firm during 2006-07
- (a) Rs. 20,000  
(b) Rs. 60,000  
(c) Rs. 50,000  
(d) Rs. 30,000
87. From the following details calculate the managerial commission.
- Net profit before charging managerial commission Rs. 65,000  
Managerial commission 11% after charging such commission.
- (a) Rs. 6,441  
(b) Rs. 6,500  
(c) Rs. 6,290  
(d) Rs. 6,360
88. In question No. 87 what is the net profit after charging the commission.
- (a) Rs. 58,558  
(b) Rs. 60,300  
(c) Rs. 59,101  
(d) Rs. 60,360
89. In questions No. 87 if the managerial commission is 11% of net profit before charging such commission, what will be managerial commission.
- (a) Rs. 6,946  
(b) Rs. 7,230  
(c) Rs. 7,150  
(d) Rs. 6,860
90. In question No. 87 read with question No. 89 what is the net profit after charging such commission.
- (a) Rs. 58,558  
(b) Rs. 60,300  
(c) Rs. 57,850  
(d) Rs. 60,360

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- 
- per standing instructions
1. A bank reconciliation statement is a statement prepared to reconcile
    - (a) Trial balance
    - (b) Profit as per books of account with the profit as per Income-tax returns
    - (c) Cash balance as per cash book with bank balance as per pass book
    - (d) Bank balance as per cash book with bank balance as per bank pass book
  2. A bank reconciliation is prepared by the
    - (a) Bank
    - (b) Creditors
    - (c) Business/enterprise
    - (d) Supplier
  3. While adjusting the cash balance which one of the following is not taken into account
    - (a) Payment directly received by bank as per instructions
    - (b) Payment directly made by the bank as
  7. Which of these will require adjustment of cash book balance?
    - (a) Overcasting bank column of cash book
    - (b) Cheque issued but not presented for payment
    - (c) Cheque deposited but not cleared
    - (d) Errors in Pass Book
  8. An amount of Rs. 2,500 is debited twice in the bank column of cash book. When credit balance as per pass book is the starting point which one of these adjustments would be done at the time of reconciliation
    - (a) Add Rs. 2,500 to balance as per pass
  - (c) Mistake in cash book
  - (d) Mistake in pass book
  4. Which of these prepare bank reconciliation statement?
    - (a) Business enterprises
    - (b) Statutory Auditor
    - (c) Customer
    - (d) Reserve Bank of India
  5. Debit balance as per pass book means
    - (a) Bank overdraft
    - (b) Debit balance in pass book
    - (c) Cash balance with bank
    - (d) None of these
  6. Which one of these is true about a bank reconciliation statement?
    - (a) It is a part of memorandum statement
    - (b) It is a part of cash book
    - (c) it is a part of ledger
    - (d) it is a part of bank document book
  - (b) Deduct Rs. 2,500 to balance as per pass book
  - (c) Add Rs. 5,000 to balance as per pass book
  - (d) Deduct Rs. 5,000 to balance as per pass book
  9. Which one of these is not a cause of difference in balance as per pass book and as per cash book
    - (a) Errors in cash book
    - (b) Errors in pass book
    - (c) Cheques deposited and cleared

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- (d) Cheques issued but not presented for payment
10. Mr. X issued cheques worth Rs. 15,000 in March 2005 out of which cheque worth Rs. 10,000 only were presented for payment by 31<sup>st</sup> March, 2005. While reconciling bank and cash book balance as on 31<sup>st</sup> March, 2005, how much would be added to balance as per cash book to arrive at balance as per Pass book
- (a) Rs. 15,000
  - (b) Rs. 10,000
  - (c) Rs. 5,000
  - (d) Rs. 7,500
11. Mr. Y presented three cheques of Rs. 3,000, Rs. 4,500 and Rs. 3,600 with the bank on 28<sup>th</sup> March, 2005. Out of these cheques amounting to Rs. 4,500 and Rs. 3,000 were shown in the pass book in the month of April 2005. While reconciling the balance on 31-03-2005 which of these cheques would be taken in reconciliation
- (a) Rs. 3,600
  - (b) Rs. 3,000
  - (c) Rs. 4,500 and Rs. 3,000
  - (d) Rs. 3,600 and Rs. 3,000
12. Which of these bank balances are shown in trial balance
- (a) Balance as per cash book
  - (b) As per bank pass book
  - (c) As certified by St. Auditor
  - (d) As per bank statement
13. Mr. X had two accounts one current account and another saving bank A/c in a nationalized bank. He drew a cheque of Rs. 5,000 on saving bank but credited to Current A/c in his cash book. Similarly a cheque of Rs. 2,000 deposited in current A/c was debited to Saving Bank A/c. What would be effect of these errors in Bank pass books/Bank statement of these two A/cs
- (a) Current A/c balance would be less by Rs. 2,000 and saving A/c balance more by Rs. 5,000
  - (b) Current A/c balance would be more by Rs. 2,000 and saving A/c balance less by Rs. 5,000
  - (c) Current A/c balance would be less by Rs. 5,000 and saving A/c balance more by Rs. 2,000
  - (d) Current A/c balance would be more by Rs. 5,000 and saving A/c balance less by Rs. 2,000
14. The cash book shows a balance of Rs. 11,000 which was different from the pass book balance. The different is found to be due to a credit entry in pass book amounting to Rs. 2,000 for direct payment by a customer and a debit of Rs. 250 for bank charges on collection of outstation cheques and other services. What would be the balance as per bank Pas book.
- (a) Rs. 12,750
  - (b) Rs. 12,250
  - (c) Rs. 13,750

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- (d) Rs. 13,500
15. The bank pass book shows Rs. 3,600 but the cash book shows a different balance. While analyzing the cause of difference it was noticed that total of debit side of cash book was carried forward to next page as Rs. 1,100 instead of Rs. 1,000. Similarly bills collected by the bank amounting to Rs. 1,500 were not recorded in the cash book. What would be the balance as per Cash book?
- (a) Rs. 2,100  
(b) Rs. 3,100  
(c) Rs. 2,000  
(d) Rs. 2,200
16. Which of these statements is true about a bank pass book
- (a) Pass book contains a copy of bank column of the customer's cash book  
(b) Pass book is a copy of customer's account in bank's books  
(c) Pass book contains a copy of cash column of customer of cash book.  
(d) Pass book contains a copy of Customers current account in cash book
17. Unfavourable balance as per bank pass book means which of these
- (a) Bank overdraft  
(b) Debit balance in pass book  
(c) Debit balance in cashbook  
(d) Both (a) & (b)
18. Bank reconciliation statement is prepared to
- (a) Reconcile cash at bank balance as per cash book with Bank balance as per Bank pass book  
(b) Reconcile petty cash in hand with cash balance as per Cash book  
(c) Reconcile total of debit side of cash book with credit side of Bank Pass book  
(d) All the three
19. Bank reconciliation is prepared by
- (a) Sole Proprietor concern  
(b) Partnership firm  
(c) Corporate bodies  
(d) All the three
20. Entry on credit side of Bank pass book implies
- (a) Cash withdrawn  
(b) Cash/cheque deposited in Bank  
(c) Business expenses  
(d) Personal expenses
21. Entry in debit side of Bank passbook implies
- (a) Cash withdrawn  
(b) Cash/cheque deposited in Bank  
(c) Business expenses  
(d) Personal expenses
22. Credit balance in Bank pass book means
- (a) Bank overdraft  
(b) Bank Balance  
(c) Bank as per Cash book  
(d) Total of bank A/c
23. debit balance in Bank pass book means
- (a) Bank overdraft  
(b) Bank Balance  
(c) Bank as per Cash book



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- (d) Total of bank A/c
24. Which of these types of errors are not detected during bank reconciliation?
- (a) Cash embezzlement by the Cashier
- (b) Cheque deposited but not credited by bank
- (c) Casting mistakes in bank column of cash book
- (d) Interest or commission charged by the bank but not accounted for in cash book
25. Mr. T issued cheques worth Rs. 25,000 in March 2005 out of which cheques worth Rs. 10,000 only were presented for payment by 31<sup>st</sup> March, 2005. Balance as per pass book was Rs. 45,000. What would be balance as per Cash book?
- (a) 30,000
- (b) 20,000
- (c) 25,000
- (d) 15,000
26. Which of these statement is false
- (a) Bank Reconciliation statement is a part of cash book
- (b) Bank Reconciliation statement is a memorandum statement
- (c) Bank reconciliation statement is a part of Balance sheet
- (d) Bank Reconciliation statement is prepared to reconcile Cash at bank with Balance as per Bank pass book
27. Which of these document is not required of Bank Reconciliation
- (a) Bank Column of cash book
- (b) Bank Pass book
- (c) Bank Statement
- (d) Charter of Accounts
28. If we take balance as per Cash book, which of the following will be added to et balance as per Pass book
- (a) Interest given by bank
- (b) Interest charged by bank
- (c) Cheque deposited but not cleared
- (d) payments made by the bank as per standing instructions
29. If we take balance as per pass book, which of the following will be deducted to get balance as per cash book
- (a) Interest given by bank
- (b) Interest charged by bank
- (c) Cheque deposited but not cleared
- (d) Payments made by the bank as per standing instructions
30. Which of the following errors/omission are not part of Bank reconciliation process
- (a) Wrong totalling of Bank column of Cash book
- (b) Wrong totalling of Cash column of Cash book
- (c) Posting wrong amount in Bank Column of Cash book
- (d) Omission to carry forward balance in bank column of cash book
31. Which of these errors or omission are part of Bank Reconciliation
- (a) Wrong totalling of bank Column of Cash book

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- (b) Showing discount received in discount allowed column of cash book
  - (c) Both
  - (d) None
32. Which of the reasons are for bank pass book showing higher balance than Cash book
- (a) Cheque issued but not paid
  - (b) Cheque deposited but not cleared
  - (c) Direct payment made by Bank
  - (d) Interest charged by Bank
33. Which of the reasons are for bank pass book showing less balance than Cash book
- (a) Cheque issued but not paid
  - (b) Payment directly received by the bank
  - (c) Direct payment made by Bank
  - (d) Interest allowed by Bank
34. Which of these will not affect Bank and Cash balance
- (a) Cash received from X credited to Y
  - (b) Cheque issued to B debited to C's A/c
  - (c) Cheque received and entered in cash column of cash book but still not deposited with the bank
  - (d) All the three
35. Which of these items are taken into consideration for preparing adjusted cash book
- (a) Cheque issued but not paid
  - (b) Cheque deposited but not cleared
  - (c) Wrong totalling pass book
  - (d) Mistake in Cash book

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### INVENTORY VALUATION

1. According to AS-2 inventories means tangible property held
  - (a) For sale in the ordinary course of business
  - (b) In the process of production of such goods or
  - (c) In the production of goods or services for sale including maintenance supplies and consumables other than machinery spares
  - (d) All the above
2. Which of the following is not a part of inventory?
  - (a) Finished goods
  - (b) Raw material, components, consumables and supplies
  - (c) Spare parts of Plant and Machinery
  - (d) Work-in-progress
3. Which of these is/are one of the methods of stock taking?
  - (a) Periodic inventory
  - (b) Perpetual inventory
  - (c) None
  - (d) Both
4. Select the correct statement
  - (a) Inventory valuation effects only profit and loss A/c
  - (b) Inventory valuation affects only financial position.
  - (c) Inventory should be valued at lower of cost or market price whichever is less
  - (d) All the methods of inventory valuation give same value of closing stock.
5. Ascertainment of value of stock from accounting records is known as
  - (a) Perpetual inventory control system
  - (b) Periodic inventory control
  - (c) Rigid inventory control
  - (d) Self-assessment system
6. Inventory valuation method is guided by which of the following accounting concept
  - (a) Business entity
  - (b) Conservatism
  - (c) Materiality
  - (d) Double entry
7. When prices are falling which of the following method of inventory valuation will give conservative figure of Gross profit
  - (a) LIFO
  - (b) FIFO
  - (c) Weighted average
  - (d) Specific identification method
8. When prices are continuously increasing which of the following method of inventory valuation report higher profit
  - (a) LIFO
  - (b) FIFO
  - (c) Weighted average
  - (d) Specific identification method
9. Which of the following method of inventory valuation is widely accepted by income-tax authorities?
  - (a) Weighted average
  - (b) Specific identification method
  - (c) FIFO
  - (d) LIFO

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10. Which of these is not one of the objectives of inventory valuation?
- (a) To determine true profit and loss
  - (b) To show true financial position of the business
  - (c) To properly value closing stock
  - (d) To evade tax liability
11. Which of the cost is not considered as a cost of inventory?
- (a) Purchase Cost
  - (b) Freight inward cost
  - (c) Interest Cost
  - (d) Production Cost
12. In case goods are manufactured and segregated for specified consumers the best method for valuation of inventory would be...
- (a) FIFO
  - (b) Simple Average
  - (c) Base stock
  - (d) Specific identification method
13. Which of the following cost will not be included in valuation of inventory
- (a) Cartage
  - (b) Duties and taxes
  - (c) Transit Insurance charges
  - (d) Salesman's commission
14. Which of the following statement is not correct?
- (a) Periodical inventory valuation is based on physical stock taking
  - (b) Periodical inventory valuation provides inventory data periodically usually once in a year
  - (c) periodical inventory valuation system does not require suspension of issues and receipts during inventory taking
  - (d) Periodical inventory valuation system does dispense with maintenance of detail inventory records.
15. Perpetual inventory valuation system entails....
- (a) Maintenance of detailed records of receipts and issues
  - (b) Continuous physical verification
  - (c) Reconciliation of physical stocks with the stock as per records
  - (d) All the three
16. Perpetual inventory valuation system does not require.....
- (a) Suspension of receipts and issue in the entire factory
  - (b) Maintenance of inventory records
  - (c) Physical count or measurement of inventory
  - (d) All the three
17. An enterprise has 10,000 kg of PVC compound @ Rs. 15 per kg on 1<sup>st</sup> April, 2005, the fresh receipts and issue during the month of April 2005 were as under:
- 10<sup>th</sup> April receipt 5,000 Kg @ Rs. 16 Kg.  
13<sup>th</sup> April issue for production 8,000 Kg  
18<sup>th</sup> April receipt 6,000 Kg @ Rs. 15.5 Kg  
22<sup>nd</sup> April issue 10,000 Kg
- From the above details the value of closing inventory of raw material on 31<sup>st</sup> April



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- 2005 under FIFO method would be
- (a) Rs. 46,500
  - (b) Rs. 48,000
  - (c) Rs. 46,000
  - (d) Rs. 45,000
18. Based on the details given above in Q. No. 17 the value of closing stock under LIFO method would be
- (a) Rs. 46,500
  - (b) Rs. 48,000
  - (c) Rs. 46,000
  - (d) Rs. 45,000
19. The cost of raw material consumed under FIFO method in Q. No. 17 would be
- (a) Rs. 276,500
  - (b) Rs. 288,500
  - (c) Rs. 278,000
  - (d) None
20. The cost of raw material consumed under LIFO would be (Refer Q. No. 17)
- (a) Rs. 2,76,500
  - (b) Rs. 2,78,000
  - (c) Rs. 2,88,500
  - (d) Rs. 2,80,800
21. Inventory valuation affects
- (a) Net income
  - (b) Cash flow
  - (c) Tax liability
  - (d) Both (a) & (c)
22. Inventory cost includes
- (a) Taxes on purchase
  - (b) Freight and insurance
  - (c) Invoice valueless discounts and rebates
  - (d) All the three
23. Inventory cost does not include
- (a) Transit insurance
  - (b) Storage cost
  - (c) Tax and duties on purchases
  - (d) Invoice priceless discounts
24. Stock in hand which is not included in inventory is.....
- (a) Inventory that has been sold but not yet delivered
  - (b) Goods held on consignment sale basis
  - (c) None
  - (d) Both
25. The specific identification method...
- (a) Prices inventory by identifying the cost of each item in ending inventory
  - (b) Is based on the assumption that the cost of the first item acquired should be assigned to the first item sold
  - (c) Uses average cost of the goods available for sale during the period
  - (d) None
26. The average cost method.....
- (a) Prices inventory by identifying the cost of each item in ending inventory
  - (b) Is based on the assumption that the cost of the first item acquired should be assigned to the first item sold
  - (c) Uses average cost of the goods purchased during the period
  - (d) None
27. The Last in First Out (LIFO) method....
- (a) Prices inventory by identifying the cost

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- of each item in ending inventory
- (b) Is based on the assumption that the cost of the first item acquired should be assigned to the first item sold
- (c) Uses average cost of the goods available for sale during the period
- (d) Is based on the assumption that the last items acquired is first issued
28. The First In First Out method (FIFO)....
- (a) Prices inventory by identifying the cost of each item in ending inventory
- (b) Is based on the assumption that the cost of the first item acquired should be assigned to the first item sold
- (c) Uses average cost of the goods available for sale during the period
- (d) Is based on the assumption that the cost of the last items acquired should be assigned to the first item sold.
29. An argument in support of LIFO is that...
- (a) Current costs of the inventories are matched against current sales price
- (b) The effect of LIFO agrees with the actual physical movement of goods in most businesses
- (c) It often gives an unrealistic picture of the current value of the inventory
- (d) None of the above
30. Which inventory method is generally best followed and is easy to understand
- (a) LIFO
- (b) FIFO
- (c) Average method
- (d) Base stock method
31. For a given value of cost of goods available for sale....
- (a) The lower the cost goods sold, the lower the closing stock value
- (b) The higher the closing stock value, the lower the cost of goods sold
- (c) The higher the closing stock value, higher the cost of goods sold
- (d) The lower the closing stock, higher the cost of goods sold
32. Which inventory valuation method is best suited for the balance sheet purpose
- (a) LIFO
- (b) FIFO
- (c) Average
- (d) Specific identification
33. An undervaluation of previous years opening inventory will....
- (a) Cause current years net income to be overstated
- (b) Causes previous years net income to be understated
- (c) Cause previous years net income to be overstated
- (d) None
34. An overvaluation of previous years opening inventory will....
- (a) Cause current year's net income to be overstated
- (b) Causes previous year's net income to be understated
- (c) Cause previous year's net income to be

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- overstated
- (d) Have no affect
35. An overvaluation of current year's opening inventory will.....
- (a) Cause current year's net income to be overstated
- (b) Causes previous year's net income to be understated
- (c) Cause previous year's net income to be overstated
- (d) Have no affect
36. An undervaluation of current year's closing inventory will
- (a) Cause current year's net income to be overstated
- (b) Causes subsequent year's net income to be understated
- (c) Cause previous year's net income to be overstated
- (d) Causes subsequent year's income to be unaffected
37. When inventory is valued at the lower of cost or market price, we are under the influence of....
- (a) Conservatism concept
- (b) Consistency concept
- (c) Materiality concept
- (d) Cost concept
38. The term realizable value is defined as...
- (a) expected selling priceless direct selling cost
- (b) current selling price
- (c) current replacement price
- (d) book value adjusted for inflation
39. During period of falling prices which of the following method will results in the lowest closing inventory regardless of the inventory system used
- (a) Average cost
- (b) Specific identification method
- (c) FIFO
- (d) LIFO
40. During period of increasing prices which of the following method will result in the lowest closing inventory regardless of the inventory system used
- (a) Average cost
- (b) Specific identification method
- (c) FIFO
- (d) LIFO
41. During period of falling prices which of the following method will result in the highest closing inventory regardless of the inventory system used
- (a) Average cost
- (b) Specific identification method
- (c) FIFO
- (d) LIFO
42. During period of increasing prices which of the following method will result in the highest closing inventory regardless of the inventory system used
- (a) Average cost
- (b) Specific identification method
- (c) FIFO
- (d) LIFO

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43. Improper valuation of inventories affects...
- (a) Balance sheet
  - (b) Profit and loss A/c
  - (c) None
  - (d) Both
44. As per AS-2, inventory means goods....
- (a) Spare parts held for break down of machinery
  - (b) Held for sale in the ordinary course of business
  - (c) Fixed assets purchase for sale
  - (d) Share purchased for sale
45. Cost of inventories consists of....
- (a) Interest cost
  - (b) Administrative cost
  - (c) Selling cost
  - (d) All costs to bring the inventory to present location and condition.
46. If the sale is Rs. 2,000 and the rate of profit on cost of goods sold is 25% then the cost of goods sold is.....
- (a) Rs. 2,000
  - (b) Rs. 1,500
  - (c) Rs. 1,600
  - (d) None of above
47. As per AS-2, inventories are valued lower of cost or....
- (a) Realisable value
  - (b) Replacement value
  - (c) Net realisable value
  - (d) Market value
48. Which inventory valuation method best matches the cost of goods sold with current replacement cost?
- (a) Specific identification
  - (b) LIFO
  - (c) FIFO
  - (d) Weight Average
49. A company has been using the LIFO cost method of inventory valuation for 15 years. In 2005, ending inventory was Rs. 15,000 but it would have been Rs. 26,000 if FIFO had been used, the Company's net income before tax would have been
- (a) Rs. 11,000 less over the 15 years period
  - (b) Rs. 11,000 greater over the 15 years period
  - (c) Rs. 11,000 greater in 2005
  - (d) Rs. 11,000 less in 2005
50. If inventory cost at the end of the period was lower using FIFO than LIFO, what direction did the cost of purchase move during the period assuming there was no inventory in the beginning of the period
- (a) Increase
  - (b) Decrease
  - (c) Constant
  - (d) None of the above
51. AS per AS-2, cost of inventory is determined by applying
- (a) FIFO
  - (b) LIFO
  - (c) Highest in first out
  - (d) Net in first out
52. AS-2 requires that the financial statements



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should disclose.....

- (a) The accounting policies adopted in measuring inventories, including the cost formula
- (b) The total carrying amount of inventories and classification appropriate to the enterprise
- (c) Both (a) & (b)
- (d) Either (a) or (b)

53. A company deals in 3 products X, Y & Z, which are neither similar nor interchangeable. At the time of closing of its account for the year 2005-06. The historical cost and net realisable value of the items of closing stock are determined as below

Items cost	Historical value	Net realisable
X	20	14
Y	16	16
Z	8	12
	44	42

- (a) 44
- (b) 42
- (c) 38
- (d) None of the above

54. If uniform rate of gross profit is assumed the value of closing stock at the end of 2006 will be

	2005	2006
Opening Stock	20,000	30,000
Purchases	120,000	190,000
Sales	200,000	240,000

(a) Rs. 108,000

(b) Rs. 88,000

(c) Rs. 45,000

(d) Rs. 90,000

55. From the following information, choose the historical cost of inventories of using the adjusted selling price method

Sales during the year	Rs. 200,000
Cost of purchase	Rs. 200,000
Opening Stock	NIL
Closing Stock (at selling price)	Rs. 50,000

(a) Rs. 50,000

(b) Rs. 40,000

(c) Rs. 60,000

(d) Rs. 80,000

56. Which method of inventory valuation is accepted by Income-tax Act

(a) FIFO

(b) LIFO

(c) Weighted Average

(d) Specific identification method

57. Find the cost of goods sold from the following details.

Purchases Rs. 100,000, Opening stock Rs. 20,000, Closing stock Rs. 30,000

(a) Rs. 120,000

(b) Rs. 90,000

(c) Rs. 130,000

(d) Rs. 110,000

58. From the following details what is the value of closing stock

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- Opening stock Rs. 30,000, Purchases Rs. 120,000, Sales Rs. 150,000, Gross profit margin 20% of sales
- (a) Rs. 20,000  
(b) Rs. 30,000  
(c) Rs. 10,000  
(d) Rs. 40,000
59. From the following details what is the value Purchases  
Opening stock Rs. 20,000, Sales Rs. 150,000, Gross profit margin 20% of sales, Closing stock Rs. 30,000
- (a) Rs. 130,000  
(b) Rs. 120,000  
(c) Rs. 110,000  
(d) Rs. 100,000
60. From the following data what is the value  
Opening stock  
Purchases Rs. 150,000, Closing stock Rs. 30,000, Sales Rs. 210,000, Gross profit Rs. 40,000
- (a) Rs. 20,000  
(b) Rs. 30,000  
(c) Rs. 50,000  
(d) Rs. 40,000
61. Which of the following item of cost is not a part of inventory
- (a) Storage expenses  
(b) Normal wastage  
(c) Inward freight  
(d) Custom duties
62. Which of these is not a part of inventory
- (a) Work-in-progress  
(b) Stores and spare parts  
(c) Loose tools  
(d) Office equipment
63. .... is the system of ascertaining inventory by taking an actual count of the inventory items on hand at a particular date
- (a) Periodic inventory system  
(b) Perpetual inventory system.  
(c) Survey method  
(d) None
64. Under inflationary conditions, which of the following method of inventory valuation will show lowest cost of goods sold
- (a) LIFO  
(b) FIFO  
(c) HIFO  
(d) None
65. When inventory is purchased and held for some identified purpose, then which method of inventory valuation is more appropriate
- (a) LIFO  
(b) FIFO  
(c) HIFO  
(d) Specific identification method
66. Which of the following is odd one
- (a) Plant and machinery  
(b) Raw material  
(c) Work-in-progress  
(d) Finished goods
67. Which of the following is odd one
- (a) LIFO

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- (b) FIFO  
(c) SLM  
(d) Base stock
68. Which of the following is odd one  
(a) Simple average  
(b) Weighted average  
(c) Specific identification price  
(d) Moving average
69. Which of the following is odd one  
(a) Purchase price  
(b) Freight and insurance  
(c) Sales commission  
(d) Duties and taxes
70. Which of the following is odd one  
(a) Market price  
(b) Replacement price  
(c) Cost price  
(d) Realizable price
71. Specific identification method of inventory valuation involves-  
(a) Keeping track of the purchase price of each specific unit  
(b) Keeping track over the units being sold  
(c) Pricing closing stock at the actual price of each and every item not sold  
(d) All the three
72. In which of the inventory valuation method, inventory is priced approximates specific identification of the actual flow of cost and units.  
(a) FIFO  
(b) LIFO
- (c) HIFO  
(d) Base stock
73. When we say that inventory is to be valued at cost of market price whichever is less. The "Term" market means.  
(a) Current replacement cost  
(b) Discounted price  
(c) Net realizable value  
(d) Historical cost
74. What will be the value of closing stock on 31-12-2006 under FIFO method from the following details of Receipts and Issues.
- | Date       | Receipt | Rate     | Issue  |
|------------|---------|----------|--------|
| 1-10-2005  | 10,000  | Rs. 5.10 |        |
| 10-10-2005 | 5,000   | Rs. 6.0  |        |
| 15-10-2005 |         |          | 8,000  |
| 29-10-2005 | 6,000   | Rs. 6.10 |        |
| 24-11-2005 |         |          | 10,000 |
| 15-12-2005 |         |          | 2,000  |
| 18-12-2005 | 4,000   | Rs. 5.10 |        |
| 24-12-2005 |         |          | 2,000  |
- (a) Rs. 15,300  
(b) Rs. 16,560  
(c) Rs. 16,500  
(d) Rs. 14,900
75. What will be the value of closing stock on 31-12-2006 under weighted average method from the following details of Receipts and Issues.
- | Date       | Receipt | Rate     | Issue |
|------------|---------|----------|-------|
| 1-10-2005  | 10,000  | Rs. 5.10 |       |
| 10-10-2005 | 5,000   | Rs. 6.00 |       |
| 18-10-2005 |         |          | 8,000 |

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- 29-10-2005      6,000      Rs. 6.10  
2-11-2005                                      9,000  
29-11-2005                                      3,000  
19-12-2005      4,000      Rs. 5.10  
21-12-2005                                      2,000
- (a) Rs. 15,300  
(b) Rs. 16,560  
(c) Rs. 16,500  
(d) Rs. 14,900
76. From the following details, value the closing stock using adjusted selling price method of valuation of inventory.  
Sales during the year Rs. 2,80,000  
Purchases Rs. 2,56,000  
Closing stock valued at selling price Rs. 40,000  
(a) Rs. 32,000  
(b) Rs. 36,000  
(c) Rs. 38,000  
(d) Rs. 30,000
77. From the following details calculate the value of closing stock at cost using adjusted selling price method.  
(i) Gross purchases (excluding discount and sales tax) Rs. 320,000  
(ii) Trade discount @ 10%  
(iii) Sales tax 4%  
(iv) Freight and insurance Rs. 8,000  
(v) Net sales Rs. 360,000  
(vi) Closing stock at selling price Rs. 20,000  
(a) Rs. 17,200  
(b) Rs. 16,200  
(c) Rs. 18,500
- (d) Rs. 15,900
78. From the following details calculate the value of closing stock at cost using adjusted selling price method.  
(i) Gross purchases (excluding discount and sales tax) Rs. 300,000  
(ii) Trade discount @ 8%  
(iii) Sales tax 4%  
(iv) Freight and insurance Rs. 10,000  
(v) Opening stock at cost price Rs. 10,000  
(vi) Net sales Rs. 340,000  
(vii) Closing stock at selling price Rs. 28,000  
(viii) Rs. 17,200  
(ix) Rs. 16,200  
(x) Rs. 18,500  
(xi) Rs. 15,900  
(a) Rs. 24,100  
(b) Rs. 23,890  
(c) Rs. 24,000  
(d) Rs. 23,361
79. In question No. 78 what is gross profit margin  
(a) 16.57%  
(b) 13.98%  
(c) 17.89%  
(d) 19.02%
80. From the following details calculate weighted average cost of inventory
- | Receipts  | Rate               |
|-----------|--------------------|
| 300 units | Rs. 11 per unit    |
| 550 units | Rs. 12.5 per unit  |
| 400 units | Rs. 11.50 per unit |



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500 units                      Rs. 12.00 per unit

- (a) Rs. 11.75 per unit
- (b) Rs. 12.10 per unit
- (c) Rs. 11.55 per unit
- (d) Rs. 11.87 per unit



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### DEPRECIATION

1. Depreciation is a process of.....
  - (a) Valuation of fixed Assets
  - (b) Spreading of cost of a fixed Asset over its working life
  - (c) Provision of fund for replacement of the Asset
  - (d) All the three
2. Depreciation is provided on all.....
  - (a) depreciable fixed Assets
  - (b) current Assets
  - (c) non-tangible Assets
  - (d) all types of Assets
3. The principal factor in measurement of depreciation is/are
  - (a) total cost
  - (b) residual value
  - (c) useful life
  - (d) all the three
4. Which of the following Assets does not suffer depreciation?
  - (a) Plant and Machinery
  - (b) Building
  - (c) Land
  - (d) Mineral Mines
5. Which of the following is an external cause of depreciation?
  - (a) Plant and Machinery
  - (b) Building
  - (c) Land
  - (d) Mineral Mines
6. Which of the following is not one of the objectives of providing depreciation?
  - (a) To calculate proper profit and loss
  - (b) To provide fund for replacement of the assets
  - (c) To show asset at its reasonable value
  - (d) To evade tax
7. Capital Reserve is....
  - (a) Created out of revenue profit
  - (b) Created out of capital profits
  - (c) Used for meeting revenue losses
  - (d) Used for manipulating profit and loss
8. Reserve Capital is.....
  - (a) That part of uncalled capital which has to be called up in the event of winding up of the company
  - (b) Same as Capital Reserve
  - (c) Created out of Revenue profits
  - (d) Created out of Capital profits
9. General Reserve is created with the objective...
  - (a) To make available additional working capital
  - (b) To meet any unknown liability
  - (c) To equalize rate of dividend
  - (d) All the three
10. Secret Reserve is created by way of....
  - (a) Excess provision of bad debts
  - (b) Undervaluation of closing stock
  - (c) Excess provision of depreciation
  - (d) All the three
11. Select the correct statement
  - (a) General reserve is created out of divisible profits
  - (b) General reserve is used for some

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- specified purposes
- (c) Revenue reserve include capital reserve also
- (d) All the three
12. Sinking fund is.....
- (a) Always general purpose fund
- (b) Always for some specific purpose
- (c) Both purpose (a & b)
- (d) None
13. Provision is created for.....
- (a) Known liabilities
- (b) Unknown liabilities
- (c) Strengthening financial position
- (d) Distribution of dividend
14. Reserve is created for.....
- (a) Known liabilities
- (b) Unknown liabilities
- (c) For legal compliance
- (d) None
15. Sinking fund is created for...
- (a) Redemption of long term liabilities
- (b) Replacement of depreciable assets
- (c) Both (a) & (b)
- (d) None
16. Allocating the cost of a fixed asset over its useful life is called.....
- (a) Amortization
- (b) Depreciation
- (c) Obsolescence
- (d) Disposal
17. The number of years an asset is expected to be useful before it wears out is called its....
- (a) Life expectancy
- (b) Estimated useful life
- (c) Estimated physical life
- (d) Projected life
18. The method of depreciation using the useful life measured in units of use rather than time is called....
- (a) Units of production method
- (b) Double digit declining method
- (c) Straight line method
- (d) Reducing balance method
19. The estimated value of depreciable assets after useful life is called....
- (a) Actual value
- (b) Replacement value
- (c) Disposal value
- (d) Current value
20. Long lived or plant assets includes
- (a) Land, building, stock, equipment and debtors.
- (b) Land, inventories, equipment, cash and Bank Balance
- (c) Land, Building and equipment
- (d) Land, inventories, cash, receivables and debtors.
21. A second hand car purchased for Rs. 200,000 (excluding initial repair cost Rs. 50,000) is sold for Rs. 100,000 after 2 years. If depreciation is charged @ 20% on WDV, profit or loss on sale of car is
- (a) Profit Rs. 28,000
- (b) Profit Rs. 60,000
- (c) Loss Rs. 60,000

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- (d) Loss Rs. 28,000
22. If cost of an asset is Rs. 8,000, life is 3 years and estimated scrap value is Rs. 1,000, the rate of depreciation under WDV method is
- (a) 33.3%  
(b) 66.6%  
(c) 50%  
(d) 75%
23. Depreciation accounting is a process of
- (a) Asset valuation  
(b) Allocation of market value of fixed asset over its useful life  
(c) Allocation of depreciable cost of tangible fixed assets over its useful life  
(d) Allocation of depreciable cost of wasting assets over its useful life
24. On purchase of second hand car for Rs. 10,000, Rs. 1,000 is spent on its repairs, Rs. 500 is incurred to get the car registered in own name and Rs. 1,200 is given as dealer's commission. The amount debited to car account should be
- (a) Rs. 10,000  
(b) Rs. 10,500  
(c) Rs. 11,500  
(d) Rs. 12,700
25. Mr. Raja manufacturing company purchased on 1-1-2000 machinery for Rs. 9,000 and spent Rs. 1,000 on its installation. Depreciation is to be provided every year at the rate of 20% per annum. Under SLM what will be the Book Value at the end of 2002
- (a) Rs. 3,600  
(b) Rs. 4,000  
(c) Rs. 4,800  
(d) Rs. 5,400
26. Under diminishing balance method, annual depreciation
- (a) Increases every year  
(b) Decreases every year  
(c) Is constant every year  
(d) None of the above
27. A Principle objection to SLM of depreciation is that it
- (a) Provides for declining productivity of an asset  
(b) Ignore variations in the rate of assets use  
(c) Tends to result in a constant rate of return on a diminishing investment base  
(d) Gives smaller periodic write offs than decreasing charge method
28. Which of the following reasons provides the best support for accelerated depreciation
- (a) Assets are more efficient in early years and initially generate more revenue  
(b) Expenses should be allocated in manner to smooth earnings  
(c) Repairs and maintenance cost will probably increase in later years, so depreciation should decline  
(d) Accelerated depreciation provides



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earlier replacement because of the time value of money

29. Which of the following methods is normally recommended for amortization of intangible assets

- (a) SYD
- (b) SLM
- (c) WDV
- (d) DDB

30. AS-6 requires disclosures of.....

- (a) The historical cost (or other amount substituted), depreciation for the period and related accumulated depreciation for each class of assets
- (b) Depreciation method used
- (c) Depreciation rates or the useful life of assets, if they are different from the principal rates specified in the statute governing the enterprise
- (d) All the above

31. On 1.1.2006, a company acquired a car for Rs. 350,000 on instalment basis and paid Rs. 150,000 as down payment whose cash price was Rs. 3,00,000. During 2006, one instalment of Rs. 50,000 (including Rs. 15,000 interest) was paid. The amount of depreciation for the year 2006 @ 10% on SLM is

- (a) Rs. 35,000
- (b) Rs. 20,000
- (c) Rs. 30,000
- (d) Rs. 18,500

32. A machinery was purchased on 1.1.2006. It

was delivered on 1.4.2006. The installation was completed on 1.7.2006. The trial run was completed on 30.9.2006 and was made available for use of 1.10.2006. The actual utilization started from 1.12.2006. The effective period for calculation of depreciation for 2006 is

- (a) 10 months
- (b) 9 months
- (c) 1 month
- (d) 3 months

33. Land is not a depreciable asset because...

- (a) Its value always increases
- (b) There is no maintenance cost of land
- (c) Life of the land is unlimited
- (d) Land cannot depreciate

34. In case of mineral resources....

- (a) Depreciation is provided as per SLM
- (b) Depreciation is provided as per WDV
- (c) Depletion is charged
- (d) None of the above

35. Which method of depreciation takes into account interest on capital outlay

- (a) Sum of digit methods
- (b) Annuity method
- (c) Depletion method
- (d) Straight line method

36. In case there is revision in estimated useful life of a depreciable asset, the remaining unamortized amount is charged to

- (a) Remaining useful life
- (b) Written off in the current year as current charges

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- (c) Written off in the current year as prior period adjustment
- (d) Treated as deferred revenue expenditure to be written off in 3 years
37. Revaluation of assets is carried out through
- (a) Profit and loss A/c
- (b) Profit and loss adjustment A/c
- (c) Profit and loss appropriate A/c
- (d) General reserve A/c
38. Which of the following is disadvantage of Written Down method of Depreciation
- (a) The value Assets can never be completely written off in the book of A/c
- (b) It is difficult to apply
- (c) It charges higher depreciation in the initial years
- (d) It reduces profits in the initial years
39. ABC Ltd. acquired a new Machine for Rs. 500,000 on 1st April 2005 and spent Rs. 20,000 on its installation and Rs. 5,000 on transportation. The firm charges depreciation @ 10% on WDM method. The Machine will be capitalized at
- (a) Rs. 510,000
- (b) Rs. 525,000
- (c) Rs. 500,000
- (d) Rs. 505,000
40. In question No. 39 what is the depreciation for the year 2006-07
- (a) Rs. 50,000
- (b) Rs. 52,500
- (c) Rs. 47,250
- (d) Rs. 47,650
41. ABC Ltd. acquired a new Machine for Rs. 500,000 on 1st April 2005 and spent Rs. 10,000 on its installation and Rs. 5,000 on transportation. The useful life of the machine is estimated 10 years. The firm provides depreciation using sum of years digit method. What is the depreciation for the year 2005-06
- (a) Rs. 93,636
- (b) Rs. 89,100
- (c) Rs. 75,908
- (d) Rs. 1,01,300
42. In question No. 41 what is the depreciation for the year 2006-07
- (a) Rs. 93,636
- (b) Rs. 89,100
- (c) Rs. 84,272
- (d) Rs. 91,300
43. Which of the following is a non-cash expenses
- (a) Depreciation
- (b) Patent right
- (c) Copy right
- (d) Royalty
44. In the case of assets used for generation and distribution of power, the Income-tax Act does not prescribe which of the following method of depreciation
- (a) Written down value method
- (b) Straight line method
- (c) Annuity method
- (d) Depletion method

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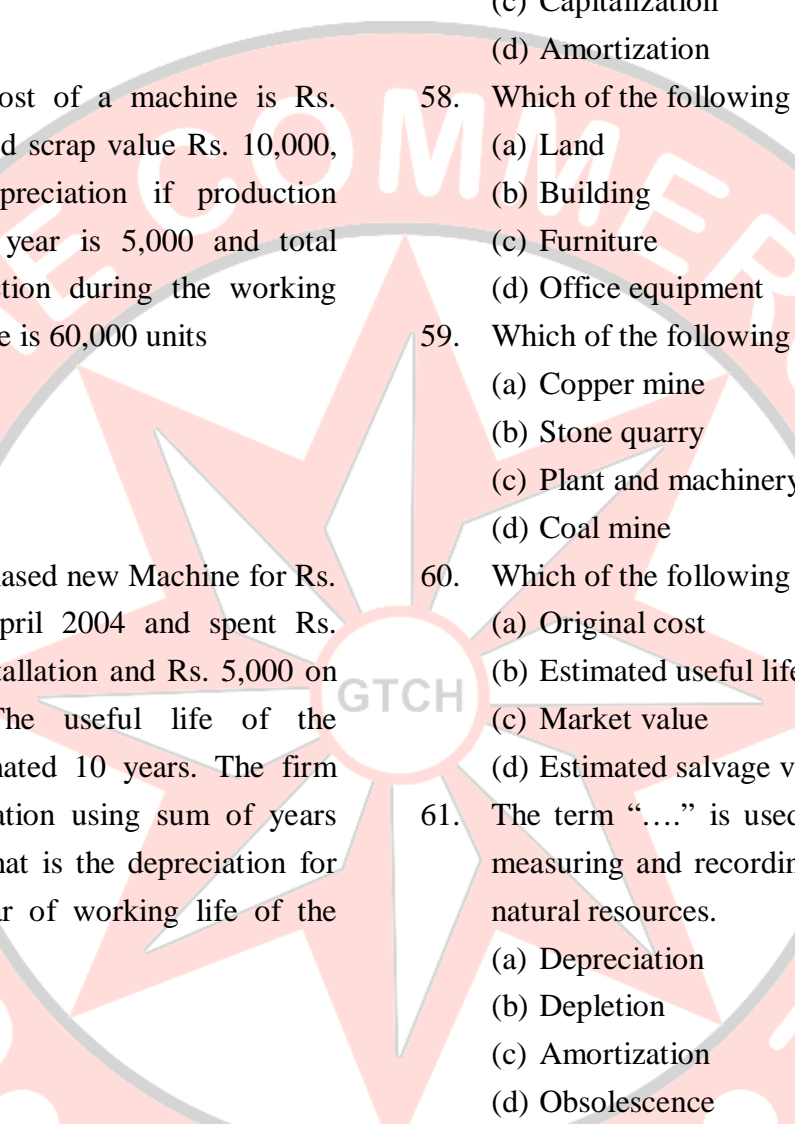
45. An asset is purchased for Rs. 500,000 on 1.1.2006. The life of the machine is estimated to be 4 years. It is decided to provide depreciation under annuity method by charging 5% interest. The annual depreciation will be
- (a) Rs. 13,800
  - (b) Rs. 14,250
  - (c) Rs. 14,100
  - (d) Rs. 13,500
46. The book value of an asset on 1.4.2006 is Rs. 80,000. The asset is sold on 31.12.2006 Rs. 60,000. If the rate of depreciation is 5% on written down value. What is the profit and loss on sale of the Asset.
- (a) Rs. 12,500
  - (b) Rs. 17,000
  - (c) Rs. 11,250
  - (d) Rs. 12,000
47. Which of the following is a true statement
- (a) Under Income-tax Act Reducing balance method of depreciation is not allowed
  - (b) Land is subject to depreciation at a very nominal rate
  - (c) Depreciation is the process of valuation the assets
  - (d) Depreciation is a cash expense
48. Which of these items of expenses are not included in the depreciable value of an asset for the purpose of depreciation
- (a) Customs and excise duty
  - (b) Installation expenses
  - (c) Freight and transportation
  - (d) Interest charges for the period beyond the date the plant is put to use
49. Under which method charge to revenue is uniform every year
- (a) WDM
  - (b) SLM
  - (c) Sinking fund method
  - (d) Depletion method
50. Under sinking fund method of depreciation any surplus in sinking fund A/c transferred to
- (a) Capital Reserve A/c
  - (b) General Reserve A/c
  - (c) Reserve Capital A/c
  - (d) Profit and loss A/c
51. Under sinking fund method of depreciation any deficit in sinking fund A/c is transferred to
- (a) Capital Reserve A/c
  - (b) General Reserve A/c
  - (c) Reserve Capital A/c
  - (d) Profit and loss A/c
52. Under which method of depreciation the depreciable cost of an asset is charged to profit and loss a/c in equal proportion during the working life of the asset.
- (a) WDM
  - (b) SLM
  - (c) Sinking fund method
  - (d) Depletion method
53. The part of the depreciable cost of an asset which is yet to be written off is known as

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- 
- (a) Residual value  
(b) Written down value  
(c) Closing value  
(d) None
54. If the original cost of a machine is Rs. 160,000, estimated scrap value Rs. 10,000, what is the depreciation if production during the first year is 5,000 and total estimated production during the working life of the machine is 60,000 units  
(a) Rs. 10,000  
(b) Rs. 12,500  
(c) Rs. 9,500  
(d) Rs. 12,000
55. A company purchased new Machine for Rs. 50,000 on 1<sup>st</sup> April 2004 and spent Rs. 10,000 on its installation and Rs. 5,000 on transportation. The useful life of the machine is estimated 10 years. The firm provides depreciation using sum of years digit method. What is the depreciation for the year last year of working life of the machine  
(a) Rs. 936  
(b) Rs. 1,182  
(c) Rs. 1,325  
(d) Rs. 1,013
56. Select the odd one  
(a) Straight line method  
(b) FIFO method  
(c) WD method  
(d) Double digit years method
57. Which of the following is odd one  
(a) Depreciation  
(b) Depletion  
(c) Capitalization  
(d) Amortization
58. Which of the following is odd one  
(a) Land  
(b) Building  
(c) Furniture  
(d) Office equipment
59. Which of the following is odd one  
(a) Copper mine  
(b) Stone quarry  
(c) Plant and machinery  
(d) Coal mine
60. Which of the following is odd one  
(a) Original cost  
(b) Estimated useful life  
(c) Market value  
(d) Estimated salvage value
61. The term “....” is used for the process of measuring and recording the exhaustion of natural resources.  
(a) Depreciation  
(b) Depletion  
(c) Amortization  
(d) Obsolescence
62. The term “....” is used for the process of writing down long term investment in intangible.  
(a) Depreciation  
(b) Depletion  
(c) Amortization



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- (d) Obsolescence
63. The term “....” refers to loss of usefulness arising from external factors like technological changes, improvement in production process, legal changes or restriction changes in market demand etc.
- (a) Depreciation  
(b) Depletion  
(c) Amortization  
(d) Obsolescence
64. Inventory system of depreciation is also known as-
- (a) Appraisal system  
(b) Survey system  
(c) Annuity system  
(d) Insurance system
65. Appraisal or revaluation method of depreciation is applied for-
- (a) High value items classified A category  
(b) Large number of small and diverse items of small unit cost.  
(c) None of these two  
(d) Both
66. The term “Reserve” has been defined in.. of the Companies Act, 1956
- (a) Part I Schedule VI  
(b) Part II Schedule VI  
(c) Part III Schedule VI  
(d) Part IIII Schedule VII
67. The term “Provisions” has been defined in.. of the Companies Act, 1956
- (a) Part I Schedule VI  
(b) Part II Schedule VI  
(c) Part III Schedule VI  
(d) Part IIII Schedule VII
68. “Any amount written off or retained by way of providing for depreciation, renewals of diminution in the value of assets or retained by way of providing for any known liability” is called.
- (a) Provisions  
(b) Reserve  
(c) Fund  
(d) Secret Reserve
69. An amount not including “Any amount written off or retained by way of providing for depreciation, renewals or diminution in the value of assets or retained by way of providing for any known liability” is called
- (a) Provisions  
(b) Reserve  
(c) Fund  
(d) Secret Reserve
70. ...may be defined as a sum set aside out of divisible profits and retained in order to provide for unexpected or unknown contingencies or loss or to equalize dividends or to strengthen the financial condition of the business.
- (a) Provisions  
(b) Reserve  
(c) Fund  
(d) Secret Reserve
71. ...is created to provide for the loss by way of fluctuation in the value of investment.
- (a) Investment fluctuation reserve.

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- (b) Sinking fund Rs. 10,000  
(c) Dividend equalization reserve Loose tools revalued as on 31.3.2006 Rs. 14,500  
(d) Debenture redemption reserve
72. ....is created to provide fund for redemption of debentures as and when they become due for redemption.  
(a) Investment fluctuation reserve. (a) Rs. 1,400  
(b) Sinking fund (b) Rs. 1,500  
(c) Dividend equalization reserve (c) Rs. 2,100  
(d) Debenture redemption reserve (d) Rs. 1,800
73. ....is created to provide for not only depreciation on the assets but also to provide sufficient funds for replacement of the assets at the end of its life.  
(a) Plant and Machinery replacement fund 75. A&C Ltd. manufactures loose tools and spare parts for its own use. At the end of each year depreciation is charged on revaluation method. What would be the annual depreciation charge for the year ending 31<sup>st</sup> March, 2005 from the following particulars:  
(a) Loose tools in hand as on 1<sup>st</sup> April, 2004 Rs. 2,600  
(b) Sinking fund Loose tools manufactured during 2004-05 Rs. 8,000  
(c) Dividend equalization reserve Loose tools revalued as on 31.3.2005 Rs. 9,200  
(d) Debenture redemption reserve
74. ABC Ltd. manufactures loose tools and spare parts for its own use. At the end of each year depreciation is charged on revaluation method. What would be the annual depreciation charge for the year ending 31<sup>st</sup> March, 2005 from the following particulars:  
(a) Loose tools in hand as on 1<sup>st</sup> April, 2004 Rs. 2000  
Loose tools manufactured during 2004-05 Rs. 8,500  
Loose tools revalued as on 31.3.2005 Rs. 9,100  
Loose tools manufactured during 2005-06
76. Simran Works manufactures loose tools and spare parts for its own use. At the end of each year depreciation is charged on appraisal method. What would be the annual depreciation charge for the year ending 31<sup>st</sup> March, 2005 from the following particulars:  
(a) Loose tools in hand as on 1<sup>st</sup> April, 2004 Rs. 200

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- Loose tools manufactured during 2004-05  
Rs. 10,500  
Loose tools revalued as on 31.3.2005 Rs.  
9,500  
(a) Rs. 1,400  
(b) Rs. 1,500  
(c) Rs. 1,100  
(d) Rs. 1,500
77. Goa Sales Ltd. manufactures loose tools and spare parts for its own use. At the end of each year depreciation is charged on revaluation method. What would be the annual depreciation charge for the year ending 31<sup>st</sup> March from the following particulars:  
(a) Loose tools in hand as on 1<sup>st</sup> April, 2005 Rs. 2,800  
Loose tools manufactured during 2005-06 Rs. 7,500  
Loose tools revalued as on 31.3.2005 Rs. 9,000  
(a) Rs. 1,400  
(b) Rs. 1,500  
(c) Rs. 1,100  
(d) Rs. 1,200
78. Priya Sales manufactures loose tools and spare parts for its own use. At the end of each year depreciation is charged on revaluation method. What would be the annual depreciation charge for the year ending 31<sup>st</sup> March from the following particulars:  
(a) Loose tools in hand as on 1<sup>st</sup> April, 2005 Rs. 2,200  
Loose tools manufactured during 2005-06 Rs. 7,000  
Loose tools revalued as on 31.3.2005 Rs. 9,000  
(a) Rs. 200  
(b) Rs. 500  
(c) Rs. 100  
(d) Rs. 300
79. Rohit Industries Ltd. purchased a new Plant and Machinery on 1.1.2005 for Rs. 500,000 on lease basis. The company intends to provide for renewal of lease at the end of 5 years by setting up depreciation fund which may be invested outside the business which will yield interest @ 10%. Sinking fund table shows Re. 0.2774 invested every year will provide Re. 1 at the end of 5 years at 10% interest. How much should be transferred to depreciation fund A/c every year in order to provide for renewal of the plant at the end of 5 years.  
(a) Rs. 138,700  
(b) Rs. 129,000  
(c) Rs. 142,000  
(d) Rs. 121,000
80. Major Traders purchased a new Plant and Machinery on 1.1.2005 for Rs. 600,000 on lease basis. The company intends to provide for renewal of lease at the end of 4 years by setting up depreciation fund which may be invested outside the business which will yield interest @ 4%. Sinking fund table

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shows Re. 0.23549 invested every year will provide Re. 1 at the end of 5 years at 4% interest. How much should be transferred to depreciation fund A/c every year in order to provide for renewal of the plant at the end of 5 years.

- (a) Rs. 148,090
- (b) Rs. 129,980
- (c) Rs. 141,294
- (d) Rs. 142,321

81. Madan Engineers Ltd. purchased a new office equipment on 1.1.2006 for Rs. 50,000 on lease basis. The company intends to provide for renewal of lease at the end of 5 years by setting up depreciation fund which may be invested outside the business which will yield interest @ 5%. Sinking fund table shows Re. 0.2309 invested every year will provide Re. 1 at the end of 5 years at 5% interest. How much should be transferred to depreciation fund A/c every year in order to provide for renewal of the plant at the end of 5 years.

- (a) Rs. 11,800
- (b) Rs. 12,900
- (c) Rs. 11,550
- (d) Rs. 12,100

82. Gopal Industries Ltd. purchased a four year lease on 1.1.2006 for Rs. 50,000. it is decided to provide for the rental of the lease at the end of four years by setting up depreciation fund. It is expected that

investment will fetch interest @ 4% p.a.. Sinking fund table shows Re. 0.23549 invested each year will accumulate to Re. 1 at the end of four years at 4% interest. How much should be transferred to depreciation fund A/c every year in order to provide for renewal of the plant at the end of 5 years.

- (a) Rs. 11,800
- (b) Rs. 11,900
- (c) Rs. 11,775
- (d) Rs. 12,100

83. Sartaj Industries Ltd. purchased a new Plant and Machinery on 1.1.2005 for Rs. 50,000. on lease basis. The company intends to provide for renewal of lease at the end of 5 years by setting up depreciation fund which may be invested outside the business which will yield interest @ 10%. Sinking fund table shows Re. 0.2774 invested each year will provide Re. 1 at the end of 5 years at 10% interest. How much should be transferred to depreciation fund A/c every year in order to provide for renewal of the plant at the end of 5 years.

- (a) Rs. 13,870
- (b) Rs. 12,900
- (c) Rs. 14,200
- (d) Rs. 121,000

84. Schedule XIV specifies the minimum rate (WDV) of depreciation on Building...%

- (a) 5%
- (b) 10%

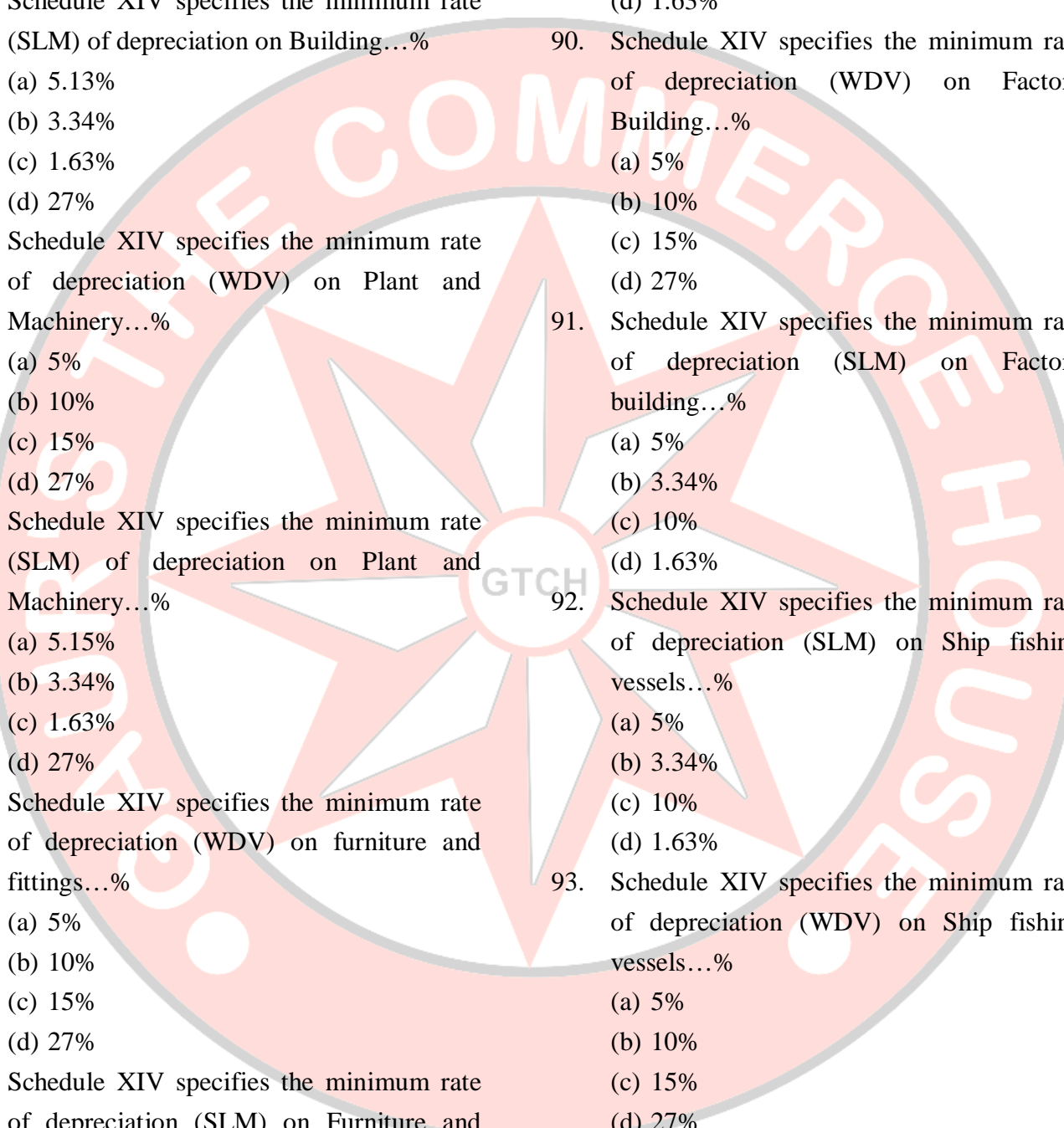


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- 
- (c) 15%  
(d) 27%
85. Schedule XIV specifies the minimum rate (SLM) of depreciation on Building...%  
(a) 5.13%  
(b) 3.34%  
(c) 1.63%  
(d) 27%
86. Schedule XIV specifies the minimum rate of depreciation (WDV) on Plant and Machinery...%  
(a) 5%  
(b) 10%  
(c) 15%  
(d) 27%
87. Schedule XIV specifies the minimum rate (SLM) of depreciation on Plant and Machinery...%  
(a) 5.15%  
(b) 3.34%  
(c) 1.63%  
(d) 27%
88. Schedule XIV specifies the minimum rate of depreciation (WDV) on furniture and fittings...%  
(a) 5%  
(b) 10%  
(c) 15%  
(d) 27%
89. Schedule XIV specifies the minimum rate of depreciation (SLM) on Furniture and fittings...%  
(a) 5%
- (b) 3.34%  
(c) 10%  
(d) 1.63%
90. Schedule XIV specifies the minimum rate of depreciation (WDV) on Factory Building...%  
(a) 5%  
(b) 10%  
(c) 15%  
(d) 27%
91. Schedule XIV specifies the minimum rate of depreciation (SLM) on Factory building...%  
(a) 5%  
(b) 3.34%  
(c) 10%  
(d) 1.63%
92. Schedule XIV specifies the minimum rate of depreciation (SLM) on Ship fishing vessels...%  
(a) 5%  
(b) 3.34%  
(c) 10%  
(d) 1.63%
93. Schedule XIV specifies the minimum rate of depreciation (WDV) on Ship fishing vessels...%  
(a) 5%  
(b) 10%  
(c) 15%  
(d) 27%

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### ACCOUNTING FOR SPECIFIC TRANSACTIONS : CONSIGNMENT ACCOUNTS

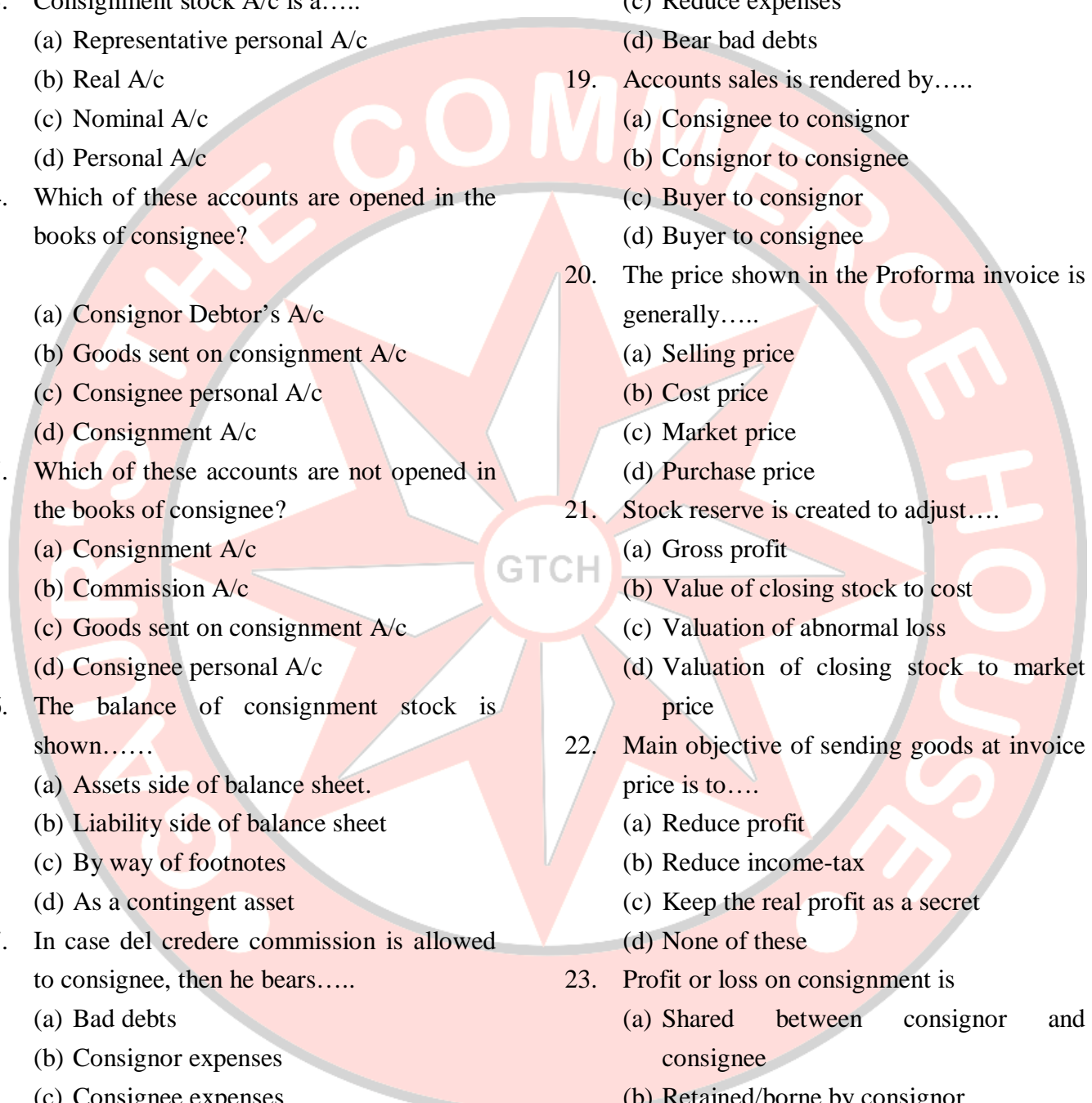
1. Consignment may be defined as a/an
  - (a) agreement to sell goods
  - (b) contract of sale of goods
  - (c) shipment of goods
  - (d) sending goods on loan
2. Consignment account is a.....
  - (a) real Account
  - (b) nominal Account
  - (c) personal account
  - (d) representative personal Account
3. The Consignor is a/an.....
  - (a) debtor
  - (b) principal
  - (c) seller
  - (d) agent
4. The consignee is a/an....
  - (a) agent
  - (b) buyer
  - (c) bailee
  - (d) creditor
5. Goods sent on consignment A/c is a.....
  - (a) Nominal account
  - (b) Dummy Account
  - (c) Suspense account
  - (d) Personal account
6. The relationship between Consignor and consignee is that of a.....
  - (a) Master and Servant
  - (b) Debtor and Creditor
  - (c) Principal and Agent
  - (d) Seller and Buyer
7. On receipt of goods the consignee debits which of these accounts
  - (a) Purchase Account
  - (b) Goods Account
  - (c) Consignors Account
  - (d) None of these Accounts
8. Balance in Consignment account shows...
  - (a) Stock lying with consignee
  - (b) Profit or loss on consignment
  - (c) Amount due from consignee
  - (d) Amount due to consignee
9. The normal loss is credited to
  - (a) Profit and loss account
  - (b) Consignment account
  - (c) Insurance claim A/c
  - (d) None of these accounts
10. While valuing closing stock lying with consignee which of these expenses are taken into consideration
  - (a) Recurring expenses
  - (b) Non-recurring expenses
  - (c) Both recurring and non-recurring expenses
  - (d) None of these expenses
11. Which of these is/are non-recurring expenses?
  - (a) Godown rent
  - (b) Transit insurance and freight
  - (c) Sales promotion expenses
  - (d) All of these
12. Which of these is/are recurring (Indirect) expenses?
  - (a) Transit insurance and freight
  - (b) Octroi

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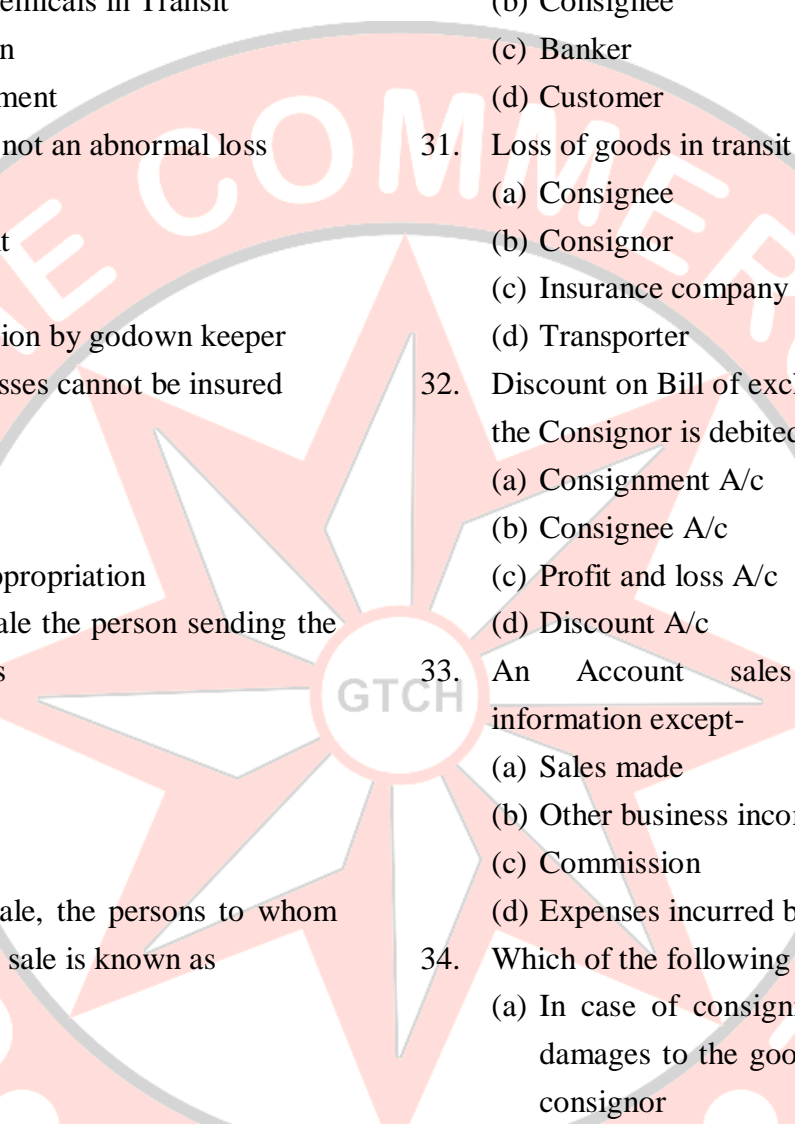
- 
- (c) Loading and unloading expenses  
(d) Godown rent and insurance
13. Consignment stock A/c is a....  
(a) Representative personal A/c  
(b) Real A/c  
(c) Nominal A/c  
(d) Personal A/c
14. Which of these accounts are opened in the books of consignee?  
(a) Consignor Debtor's A/c  
(b) Goods sent on consignment A/c  
(c) Consignee personal A/c  
(d) Consignment A/c
15. Which of these accounts are not opened in the books of consignee?  
(a) Consignment A/c  
(b) Commission A/c  
(c) Goods sent on consignment A/c  
(d) Consignee personal A/c
16. The balance of consignment stock is shown.....  
(a) Assets side of balance sheet.  
(b) Liability side of balance sheet  
(c) By way of footnotes  
(d) As a contingent asset
17. In case del credere commission is allowed to consignee, then he bears.....  
(a) Bad debts  
(b) Consignor expenses  
(c) Consignee expenses  
(d) All of these
18. Overriding commission is allowed to....  
(a) Increase sales  
(b) Chase debtors  
(c) Reduce expenses  
(d) Bear bad debts
19. Accounts sales is rendered by.....  
(a) Consignee to consignor  
(b) Consignor to consignee  
(c) Buyer to consignor  
(d) Buyer to consignee
20. The price shown in the Proforma invoice is generally.....  
(a) Selling price  
(b) Cost price  
(c) Market price  
(d) Purchase price
21. Stock reserve is created to adjust....  
(a) Gross profit  
(b) Value of closing stock to cost  
(c) Valuation of abnormal loss  
(d) Valuation of closing stock to market price
22. Main objective of sending goods at invoice price is to....  
(a) Reduce profit  
(b) Reduce income-tax  
(c) Keep the real profit as a secret  
(d) None of these
23. Profit or loss on consignment is  
(a) Shared between consignor and consignee  
(b) Retained/borne by consignor  
(c) Retained/borne by consignee  
(d) Transferred to general reserve

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24. Which of these is a normal loss
- (a) Loss by theft
  - (b) Leakage of chemicals in Transit
  - (c) Fire in godown
  - (d) Wrong weighment
25. Which of these is not an abnormal loss
- (a) Evaporation
  - (b) Loss in Transit
  - (c) Over issue
  - (d) Misappropriation by godown keeper
26. Which of these losses cannot be insured
- (a) Theft
  - (b) Evaporation
  - (c) Loss by fire
  - (d) Loss by misappropriation
27. In consignment sale the person sending the goods is known as
- (a) Debtor
  - (b) Consignee
  - (c) Consignor
  - (d) Supplier
28. In consignment sale, the persons to whom goods are sent for sale is known as
- (a) Consignee
  - (b) Consignor
  - (c) Debtor
  - (d) Stockist
29. In consignment sale who send Proforma invoice
- (a) Consignor
  - (b) Consignee
  - (c) Banker
  - (d) Customer
30. In consignment sale who send Account sale
- (a) Consignor
  - (b) Consignee
  - (c) Banker
  - (d) Customer
31. Loss of goods in transit is borne by
- (a) Consignee
  - (b) Consignor
  - (c) Insurance company
  - (d) Transporter
32. Discount on Bill of exchange discounted by the Consignor is debited to
- (a) Consignment A/c
  - (b) Consignee A/c
  - (c) Profit and loss A/c
  - (d) Discount A/c
33. An Account sales contains some information except-
- (a) Sales made
  - (b) Other business income of the consignee
  - (c) Commission
  - (d) Expenses incurred by the consignee
34. Which of the following statement is true
- (a) In case of consignment risk of loss or damages to the goods remains with the consignor
  - (b) Profit and loss of consignment sale is equally shared by consignor and consignee
  - (c) Property in goods sends on consignment remains with the consignee
  - (d) Del credere commission is paid to boost



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sales

35. On 1<sup>st</sup> July Krishnan of Chennai consigned 100 bales of cotton to Dheeraj of Hyderabad (Cost price 7500) at a proforma invoice price of 25% profit on sales. Consignment accounted would be credited for loading by

- (a) Rs. 2,000
- (b) Rs. 1,500
- (c) Rs. 2,500
- (d) Rs. 3,300

36. Sudhir of Simla consigned 100 Kg of perishable vegetables costing Rs. 1,500. Expenses incurred on transportation were Rs. 75.10 Kg were lost due to deterioration in quality and 85 Kg were sold at Rs. 1,675. The closing stock would be valued at

- (a) Rs. 87.50
- (b) Rs. 75
- (c) Rs. 77.50
- (d) Rs. 85.00

37. Mishra of Kanpur sends on consignment to Jha of Ranchi goods costing Rs. 160,000 and spent Rs. 15,000 on freight, forwarding charges. Jha paid Rs. 2,000 as rent and Rs. 1,000 on Insurance. He sold goods costing Rs. 120,000 for Rs. 200,000 and failed to recover Rs. 5,000 from one customer. Jha is entitled to 10% commission on the invoice price which is 25% above cost price and 5% (over-riding commission) of any price above invoice price. Goods costing Rs. 20,000 were substantially damaged in

transit and only a claim of Rs. 16,000 was admitted by Insurance company. From these details the value of closing stock would be valued at

- (a) Rs. 21,875
- (b) Rs. 20,000
- (c) Rs. 16,000
- (d) Rs. 22,875

38. Based on details given in question No. 37 the consignee is entitled to total commission of

- (a) Rs. 21,500
- (b) Rs. 17,500
- (c) Rs. 20,500
- (d) Rs. 21,000

39. Overriding commission payable to the consignee would be (Refer to Q. No. 37)

- (a) Rs. 7,750
- (b) Rs. 2,500
- (c) Rs. 8,500
- (d) Rs. 7,350

40. Abnormal loss credited to Consignment a/c would be (Refer to Q. No. 37)

- (a) Rs. 21,675
- (b) Rs. 21,775
- (c) Rs. 21,875
- (d) Rs. 21,975

41. What would be the treatment of bad debt of Rs. 5,000? (Refer to Q. No. 37)

- (a) Adjusted from total commission
- (b) Debited to Consignment A/c
- (c) Credited to Consignment A/c as receivable

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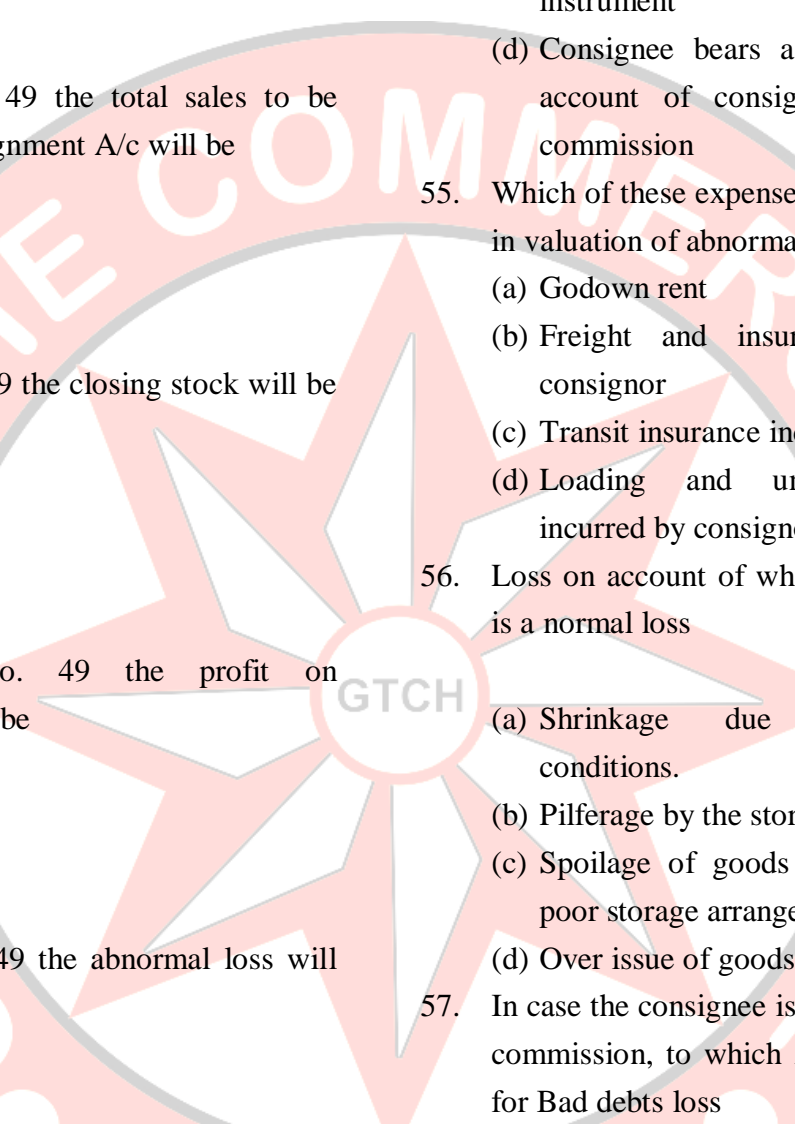
- (d) Adjusted from total sales
42. What would be adjustment (unloading) for goods send on consignment A/c (Refer to Q. No. 37)
- (a) Rs. 30,000
  - (b) Rs. 35,000
  - (c) Rs. 40,000
  - (d) Rs. 45,000
43. Which of the following term is true about consignment?
- (a) Sales of goods
  - (b) Hypothecation of goods
  - (c) Shipment of goods
  - (d) Mortgage of goods
44. Tick the false statement
- (a) If the consignee is allowed del credere commission he bears the bad debt loss
  - (b) Consignment A/c is a nominal A/c
  - (c) All direct and indirect expenses are included in valuation of closing stock.
  - (d) Closing stock lying with the consignee belongs to the consignor
45. Bhima of Bombay sends 200 boxes of fancy kids were costing Rs. 40,000 to Gopal of Goa for sale on consignment basis at an invoice price 25% above the cost price. Consignment A/c will be debited for the goods send on consignment by
- (a) Rs. 50,000
  - (b) Rs. 48,000
  - (c) Rs. 40,000
  - (d) Rs. 30,000
46. In question No. 45 stock loading will be done by the amount of
- (a) Rs. 10,000
  - (b) Rs. 8,000
  - (c) Rs. 12,500
  - (d) Rs. 8,500
47. Slip of Sahadra sends goods costing Rs. 200,000 to T of Tamilnadu for sale on consignment basis at a mark up of 20% on the invoice value. Consignment A/c will be debited for the goods send on consignment by
- (a) Rs. 200,000
  - (b) Rs. 248,000
  - (c) Rs. 250,000
  - (d) Rs. 240,000
48. In question No. 47 stock loading will be done by the amount of
- (a) Rs. 40,000
  - (b) Rs. 50,00
  - (c) Rs. 40,000
  - (d) Rs. 28,500
49. A of Allahabad send goods worth Rs. 2,40,000 to D of Delhi on consignment basis. He incurred Rs. 4,800 on loading, and transportation of the goods. Goods worth Rs. 48,000 were damaged during transportation, loading and unloading process which were considered abnormal loss. The consignee sold 80% of the remaining goods 20% above the cost price. The abnormal loss will be valued at

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- 
- (a) Rs. 48,960  
(b) Rs. 48,000  
(c) Rs. 46,800  
(d) Rs. 48,600
50. In question No. 49 the total sales to be credited to Consignment A/c will be  
(a) Rs. 181,320  
(b) Rs. 184,320  
(c) Rs. 180,000  
(d) Rs. 182,500
51. In question No. 49 the closing stock will be valued at  
(a) Rs. 39,168  
(b) Rs. 36,019  
(c) Rs. 34,987  
(d) Rs. 43,900
52. In question No. 49 the profit on consignment will be  
(a) Rs. 72,123  
(b) Rs. 79,401  
(c) Rs. 69,786  
(d) Rs. 27,648
53. In question No. 49 the abnormal loss will be valued at  
(a) Rs. 48,960  
(b) Rs. 50,109  
(c) Rs. 49,609  
(d) Rs. 48,000
54. Which of the following statement is true  
(a) No entry is passed by the consignee at the time of receipt of goods from the consignor for sale on consignment basis  
(b) Consignor send A/c sales proceeds to the consignee  
(c) Proforma invoice is like a negotiable instrument  
(d) Consignee bears all the expenses on account of consignment out of his commission
55. Which of these expenses is/are not included in valuation of abnormal loss  
(a) Godown rent  
(b) Freight and insurance incurred by consignor  
(c) Transit insurance incurred by consignee  
(d) Loading and unloading expenses incurred by consignor
56. Loss on account of which of these reasons is a normal loss  
(a) Shrinkage due to atmosphere conditions.  
(b) Pilferage by the storekeeper  
(c) Spoilage of goods in godwon due to poor storage arrangement  
(d) Over issue of goods from the godown
57. In case the consignee is allowed del credere commission, to which A/c he will account for Bad debts loss  
(a) Consignor A/c  
(b) Consignment received A/c  
(c) Commission earned A/c  
(d) Debtors A/c
58. Which of the following is odd one  
(a) Del credere commission  
(b) Stock loading

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- (c) Raising goodwill/c  
(d) Proforma invoice
59. Which of the following is odd one  
(a) Consignee A/c  
(b) Normal loss  
(c) Memorandum joint venture A/c  
(d) Abnormal loss A/c
60. Which of the following is odd one  
(a) Packing and forwarding charges  
(b) Godown rent  
(c) Transit insurance  
(d) Loading and unloading expenses
61. X consigned 1000 boxes of grapes costing Rs. 200 per box to Y. He incurred Rs. 4500 toward transportation and insurance. Due to weather conditions 50 boxes were totally spoiled in transit. if the consignee could sell 900 boxes, find the value of closing stock lying with the consignee.  
(a) Rs. 11,000  
(b) Rs. 10,763  
(c) Rs. 11,500  
(d) Rs. 10,100
62. X consigned 100 boxes of Alphonis Mangoes each box costing Rs. 400 per box to Y. X incurred Rs. 1,500 toward transportation and insurance. Y paid Rs. 500 as godown rent and Rs. 1,000 as selling expenses. Due to weather conditions 10 boxes were totally spoiled and were not fit for consumption. Y sold 70 boxes @ Rs. 550 per box. Find the profit on consignment sales.
- (a) Rs. 4,722  
(b) Rs. 5,100  
(c) Rs. 4,510  
(d) Rs. 4,010
63. X consigned 100 boxes of Gave of Allahabad each box costing Rs. 400 per box to Y. X incurred Rs. 1,500 toward transportation and insurance. Y paid Rs. 500 as godown rent and Rs. 1,000 as selling expenses. Due to weather conditions 10 boxes were totally spoiled and were not fit for consumption. Y sold 70 boxes @ Rs. 550 per box. Find the value of closing stock.  
(a) Rs. 9,722  
(b) Rs. 8,990  
(c) Rs. 9,222  
(d) Rs. 8,010
64. X consigned 1000 boxes of grapes costing Rs. 200 per box to Y. X incurred Rs. 4,500 toward transportation and insurance. Y paid Rs. 4,000 as godown rent and Rs. 500 as salesman commission. During road transportation 50 boxes were stolen. Find the value of abnormal loss.  
(a) Rs. 11,000  
(b) Rs. 10,225  
(c) Rs. 10,500  
(d) Rs. 10,900
65. X consigned 500 boxes of cherry costing Rs. 500 per box to Y. He incurred Rs. 5,500 toward transportation and insurance. Y paid Rs. 1,000 and transportation from port to



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his godown, Rs. 300 godown insurance, Rs. 200 godown rent and Rs. 1,000 as salesman commission. Due to weather conditions 50 boxes were totally spoiled in transit which is considered a normal loss. Find the value of closing stock if Y sold 400 boxes @ Rs. 600 per box.

- (a) Rs. 26,550
- (b) Rs. 21,899
- (c) s. 28,500
- (d) Rs. 23,210

66. X consigned 500 boxes of cherry costing Rs. 500 per box to Y. He incurred Rs. 5,500 toward transportation and insurance. Y paid Rs. 1,000 as transportation from port to his godown, Rs. 300 godown insurance, Rs. 200 godown rent and Rs. 1,000 as salesman commission. Due to weather conditions 50 boxes were totally spoiled in transit which is treated abnormal loss. Find the value of profit on consignment, if he sold 450 boxes @ Rs. 600 per box.

- (a) Rs. 36,550
- (b) Rs. 29,899
- (c) Rs. 35,722
- (d) Rs. 37,650

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### JOINT VENTURE


1. Which of these terms/concepts are not relevant to a Joint venture?
  - (a) Temporary partnership
  - (b) Co-venturers
  - (c) Principal-agent relationship
  - (d) Sharing profit and loss of Joint Venture
2. Which of these terms/concepts are relevant to Joint Venture?
  - (a) No common firm name
  - (b) Continuing profit sharing business
  - (c) Governed by Partnership Act
  - (d) Doctrine of implied authority
3. Which of the following methods of valuation of closing stock is followed in Joint Venture accounting?
  - (a) Cost Price
  - (b) Net realizable value
  - (c) Least of cost or net realizable value
  - (d) None of these
4. What is the nature of Joint Venture A/c?
  - (a) Real A/c
  - (b) Nominal A/c
  - (c) Personal A/c
  - (d) Suspense A/c
5. What is the nature of Joint venture with – other co-venture A/c?
  - (a) Personal A/c
  - (b) Nominal A/c
  - (c) Suspense A/c
  - (d) Real A/c
6. Which of these accounts are not opened in a Joint Venture Accounts?
  - (a) Joint Bank A/c
  - (b) Joint Venture A/c
  - (c) Co-venturers personal A/c
  - (d) Stock reserve A/c
7. Under Joint Bank Account method which of these accounts are not opened?
  - (a) Joint Bank A/c
  - (b) Memorandum A/c
  - (c) Joint Venture A/c
  - (d) Co-Venturer's personal A/c
8. If a co-venturer's returns goods to other co-venturer Y. In whose books the transaction would be recorded under memorandum joint venture method?
  - (a) Y
  - (b) X
  - (c) X and Y
  - (d) None of them
9. If X a co-venturer takes away goods for his personal use, then under memorandum method which of these accounts would be debited?
  - (a) Joint venture with X
  - (b) Joint venture with Y
  - (c) Joint venture A/c
  - (d) Purchase A/c
10. When goods are purchased by Joint venture which of these accounts is debited?
  - (a) Joint venture A/c
  - (b) Co-venturer's personal A/c
  - (c) Joint Bank A/c
  - (d) Joint venture with other co-venturer A/c
11. Cash contributed by the Co-venturers is debited to which account

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- 
- (a) Co-venturer's personal A/c  
(b) Joint Bank A/c  
(c) Joint venture with other co-venturer A/c  
(d) Memorandum Joint venture A/c
12. What does the balance in Memorandum Joint Venture A/c show?  
(a) Closing stock  
(b) Profit and loss  
(c) Balance due to other co-venturer  
(d) Un-reconciled balance
13. Goods sold by other co-venturer is debited to which account  
(a) Joint venture A/c  
(b) Other co-venturer's personal A/c  
(c) Joint Bank A/c  
(d) None of these
14. Which of these accounts is not a part of double entry system?  
(a) Memorandum A/c  
(b) Joint bank A/c  
(c) Joint Venture A/c  
(d) Joint venture with other co-venturer A/c
15. Which of these is not a point of difference between consignment and Joint venture?  
(a) Principal agent relationship vs. equal ownership  
(b) Commission vs. profit sharing  
(c) Capital contribution vs. Loan  
(d) None of these
16. If X advance money to Y in the course of Joint venture, then X debit such money to which of these accounts  
(a) Joint Venture A/c  
(b) Expenses A/c  
(c) Personal account of Y  
(d) Memorandum Joint Venture A/c
17. Joint Venture may be understood as  
(a) Temporary partnership  
(b) Partnership at will  
(c) Limited partnership  
(d) Consortium of entrepreneurs
18. Which of this concept is not applicable in Joint Venture Accounting  
(a) Going concern concept  
(b) Cost concept  
(c) Accounting period  
(d) Business entity
19. Joint Venture with other Co-venturer A/c is opened when  
(a) Each co-venture keeps records of their own transaction.  
(b) When joint bank A/c is opened  
(c) When joint venture accounting is done at one point  
(d) All the three
20. When separate books of account are maintained by the Joint venture, the expenses incurred on Joint venture are met from  
(a) Joint Bank A/c  
(b) Capital A/c of each partner  
(c) Suspense A/c  
(d) Joint venture A/c itself
21. When each co-venturer opens his own account, the profit from Joint Venture A/c is

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- (a) Credited to Joint venture with other A/c (a) Rs. 25,000  
(b) Debited to joint venture with other A/c (b) Rs. 30,000  
(c) Debited to memorandum A/c (c) Rs. 27,500  
(d) Credited to general profit and loss A/c (d) Rs. 22,500
22. Loss on Joint venture is 26. In question No. 24 what is total profit on the joint venture  
(a) Credited to Joint venture A/c (a) Rs. 36,000  
(b) Debited to joint venture A/c (b) Rs. 32,500  
(c) Credited to co-venturer's capital account (c) Rs. 30,000  
(d) Debited to Joint Bank A/c (d) Rs. 25,000
23. When each co-venturer open their own account, material sent or expenses incurred on Joint venture by a co-venturer will be 27. XY formed a joint venture to construct railway line for Metro railway in Delhi and agreed to share profit and loss in the ratio of 2:3. X purchased goods worth Rs. 2,00,000 and send the same to Y on payment of freight and insurance of Rs. 10,000. Y also purchased material worth Rs. 45,000 and incurred Rs. 5000 as incidental expenses. Y sold the construction material to Railway for Rs. 320,000. What is the profit on Joint venture  
(a) Credited to Joint venture with other A/c (a) Rs. 55,000  
(b) Debited to joint venture with other A/c (b) Rs. 60,000  
(c) Debited to memorandum A/c (c) Rs. 55,000  
(d) Credited to general profit and loss A/c (d) Rs. 65,000
24. X & Y entered a Joint venture for export of Indian Handicraft items to overseas customers. X sends goods worth Rs. 200,000 to Y for export to USA. Y exported goods worth Rs. 175,000 to USA for Rs. 210,000 and agreed to take away the remaining goods at cost less 10%. Y's Account will be for goods taken away 28. In question No. 27 the profit will be shared by X and Y as  
(a) Debited by Rs. 22500 (a) 36,000, 24,000  
(b) Credited by Rs. 22500 (b) 20,000, 30,000  
(c) Credited by Rs. 25000 (c) 24,000, 36,000  
(d) Debited by Rs. 25000 (d) 32,000, 28,000
25. If in question No. 24, it is agreed that Y will take away the remaining stock at the same gross profit as in the case of other exports. The goods will be valued at 29. XY entered into a Joint venture to undertake the public issue of ABC Ltd. The



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- company invited application for allotment of 200,000 shares at Rs. 10. The issue was subscribed to the extent of 90% and the remaining were taken by Y. They agreed to share profit and loss in the ratio of 2:3. The shares undertaken by XY were subsequently sold at a premium of 40 per share. How many shares were undertaken by XY
- (a) 20,000  
(b) 25,000  
(c) 18,000  
(d) 30,000
30. In question No. 29 what is the profit on joint venture
- (a) 400000  
(b) 800000  
(c) 100000  
(d) 750000
31. When each co-venture open their own account, the profit from Joint venture A/c is
- (a) Credited to Joint venture with other A/c  
(b) Debited to joint venture with other A/c  
(c) Debited to memorandum A/c  
(d) Credited to general profit and loss A/c
32. Profit on joint venture is shared by the co-venturers
- (a) Equally  
(b) As per agreement  
(c) According to capital contribution  
(d) According to time devoted
33. Stock left over at the close of joint venture is
- (a) Carried forward for next joint venture  
(b) Valued at cost or realization value which ever is less  
(c) Taken over by any co-venture at an agreed value  
(d) Written off from the books.
34. Which of the following is odd one
- (a) Memorandum joint venture A/c  
(b) Joint Banking A/c  
(c) Joint venture with B A/c  
(d) Normal loss A/c
35. Which of the following is odd one
- (a) Consignor A/c  
(b) Memorandum joint venture A/c  
(c) Joint Venture A/c  
(d) Goods sent on consignment A/c

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### BILLS OF EXCHANGES AND PROMISSORY NOTE

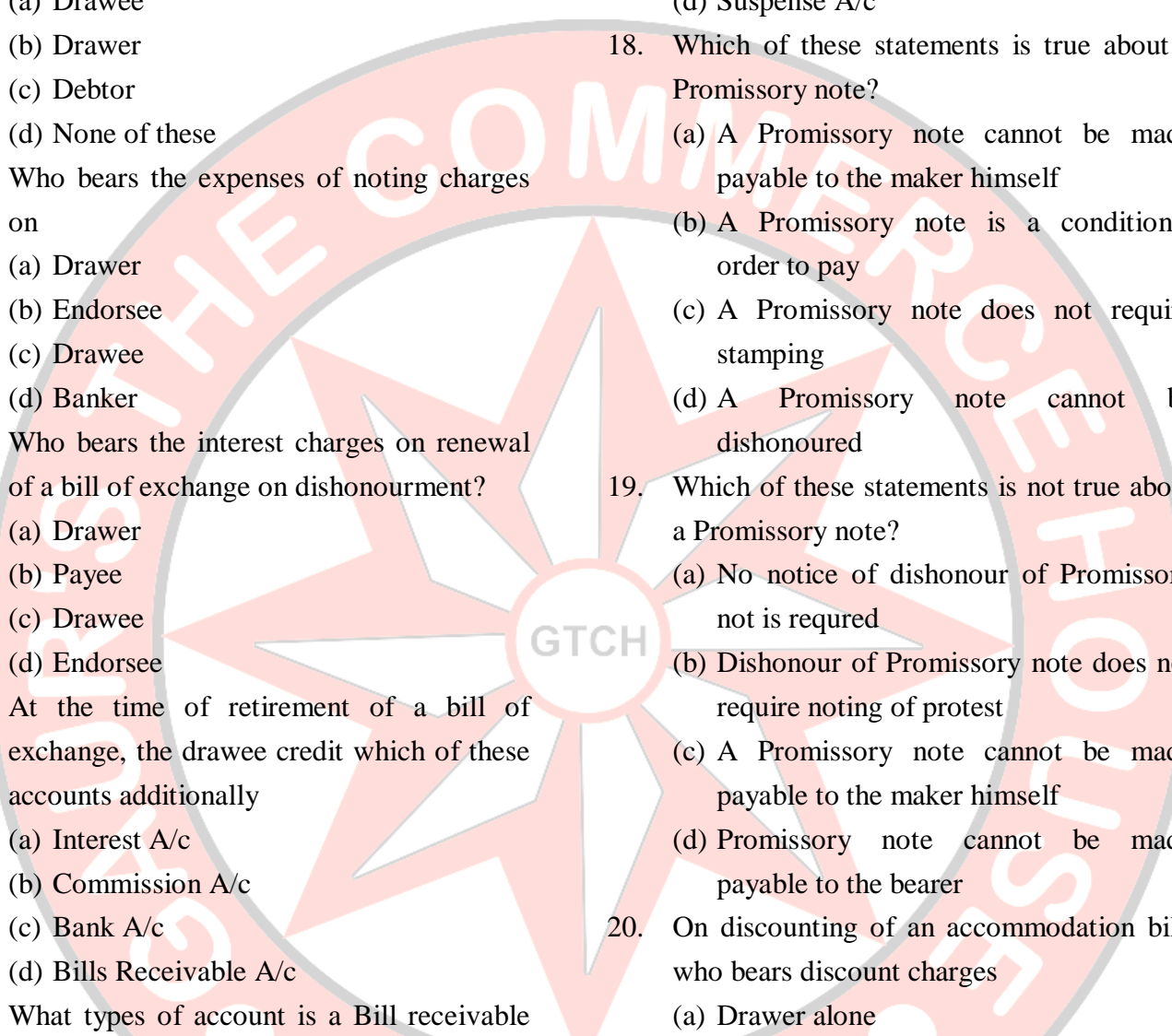
1. Which of the following instrument cannot be made payable to bearer  
(a) Promissory note  
(b) Bank cheques  
(c) Bill of exchange  
(d) Accommodation bill
2. Which of these is not an essential requirement of a valid bill of exchange?  
(a) Acceptance  
(b) Consideration  
(c) Specific sum payable  
(d) Writing
3. Which of these is not an essential requirement of a valid promissory note?  
(a) Acceptance  
(b) Unconditional  
(c) Maker and payee  
(d) All the three
4. How many parties are usually found in the case of a bill of exchange?  
(a) 2  
(b) 3  
(c) 4  
(d) 5
5. How many parties are there in a Promissory note?  
(a) 5  
(b) 4  
(c) 3  
(d) 2
6. How many days grace period is given for payment of a bill of exchange?  
(a) 3  
(b) 7  
(c) 15  
(d) 5
7. Which of these is not an essential requirement of a bill of exchange?  
(a) Acceptance  
(b) Payable to bearer  
(c) Crossing  
(d) Grace period
8. Accommodation bills are written for which of these purposes  
(a) Genuine trade reasons  
(b) To accommodate each other  
(c) For investment  
(d) As a surety
9. Which account is debited by a drawee of a bill of exchange on its endorsement?  
(a) Bills Payable  
(b) Bills Receivable  
(c) Drawer  
(d) None of these
10. Which of these accounts is debited by a drawee of a bill of exchange on its discounting?  
(a) Bills Receivable  
(b) Cash  
(c) Discount  
(d) None of these
11. In which of these ways a bill of exchange cannot be disposed off?  
(a) Discounting with bank  
(b) Retain till maturity  
(c) Endorsement to creditors

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- 
- (d) Destroying
12. Which of these parties can be a payee also?
- (a) Drawee  
(b) Drawer  
(c) Debtor  
(d) None of these
13. Who bears the expenses of noting charges on
- (a) Drawer  
(b) Endorsee  
(c) Drawee  
(d) Banker
14. Who bears the interest charges on renewal of a bill of exchange on dishonourment?
- (a) Drawer  
(b) Payee  
(c) Drawee  
(d) Endorsee
15. At the time of retirement of a bill of exchange, the drawee credit which of these accounts additionally
- (a) Interest A/c  
(b) Commission A/c  
(c) Bank A/c  
(d) Bills Receivable A/c
16. What types of account is a Bill receivable A/c
- (a) Real A/c  
(b) Nominal A/c  
(c) Personal A/c  
(d) Suspense A/c
17. What types of account is a Bill Payable A/c
- (a) Real A/c  
(b) Personal A/c  
(c) Nominal A/c  
(d) Suspense A/c
18. Which of these statements is true about a Promissory note?
- (a) A Promissory note cannot be made payable to the maker himself  
(b) A Promissory note is a conditional order to pay  
(c) A Promissory note does not require stamping  
(d) A Promissory note cannot be dishonoured
19. Which of these statements is not true about a Promissory note?
- (a) No notice of dishonour of Promissory not is required  
(b) Dishonour of Promissory note does not require noting of protest  
(c) A Promissory note cannot be made payable to the maker himself  
(d) Promissory note cannot be made payable to the bearer
20. On discounting of an accommodation bill, who bears discount charges
- (a) Drawer alone  
(b) Drawee alone  
(c) Drawer and Drawee  
(d) Bank
21. Which of these parties would debit noting Charges A/c?
- (a) Bank  
(b) Drawee

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- (c) Drawer  
(d) Endorsee
22. When a bill discounted is dishonoured, the drawer gives credit to which of these account  
(a) Drawee A/c  
(b) Noting charges A/c  
(c) Bills Receivable A/c  
(d) Bank A/c
23. When a bill endorsed is dishonoured, which one of these accounts would be credited by the drawee  
(a) Bills Payable A/c  
(b) Drawer  
(c) Bank  
(d) Bill dishonoured A/c
24. On dishonourment of a bill received through endorsement, debit is given to which of these accounts  
(a) Endorser's A/c  
(b) Payee's A/c  
(c) Acceptor's A/c  
(d) Bills Payable A/c
25. On acceptance of the bill-the drawee, debit which of these accounts  
(a) Drawer's A/c  
(b) Bills Receivable A/c  
(c) Bills Payable A/c  
(d) Endorsee A/c
26. Drawer means a person who  
(a) Makes the order  
(b) Accepts it  
(c) Payee  
(d) All the three
27. Drawee means a person who  
(a) Makes the order  
(b) Accepts it  
(c) Payee  
(d) All the three
28. U/s.....of the RB I Act, a promissory note cannot be made payable to a bearer  
(a) 30  
(b) 31(2)  
(c) 29(1)  
(d) 31(3)
29. U/s 12 of the Negotiable Instruments Act, all the instruments which are not inland instruments are  
(a) Note valid in India  
(b) Local instruments  
(c) Foreign instruments  
(d) None
30. Which of the following is a foreign Bill  
(a) A bill of exchange drawn outside Indian and payable outside India  
(b) A bill of exchange drawn outside India and payable in India  
(c) A bill of exchange drawn outside India on a person resident outside India  
(d) All the three
31. A foreign bill is generally drawn in  
(a) Duplicate  
(b) Triplicate  
(c) Single copy  
(d) Quadruplicate



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32. If a bill of Exchange is dishonoured, the bill is sent to public officer known as... for noting the fact of dishonour of bill
- (a) Notary Public
  - (b) Oath Commissioner
  - (c) SDM
  - (d) CJM
33. Mr. X accepted a bill of exchange of Rs. 15,000 drawn by Y and payable in 3 months. He got it discounted from bank at 2% discount. On the due date X failed to pay the bill as he was adjudged insolvent. A final dividend of 0.25 in a rupee was received from his estate. What would be discounting charges?
- (a) 300
  - (b) 250
  - (c) 230
  - (d) 220
34. How much was recovered from the estate of X
- (a) 3,000
  - (b) 3,600
  - (c) 3,750
  - (d) 4,000
35. A holder of a bill of exchange becomes a holder in due course if he has
- (a) taken the bill without notice of defect in the title of the bill
  - (b) taken the bill before the maturity date
  - (c) taken for valuable considerations
  - (d) all the three
36. Noting fee means
- (a) Charges for noting the bill of exchange in the books of account
  - (b) Payment made to the Notary Public for recording the fact of the bill getting dishonoured
  - (c) Interest till the maturity date
  - (d) Commission paid to the bank
37. Retirement of bill means
- (a) Making payment before the due date
  - (b) Cancellation of the bill
  - (c) Sending the bill for collection
  - (d) Endorsing the bill in favour of third party
38. A draws a bill of exchange of Rs. 25,000 on B for 4 months on 2/02/06. The due date of the bill of exchange will be
- (a) 2/6/06
  - (b) 6/6/06
  - (c) 5/6/06
  - (d) 3/6/06
39. A draws a bill of exchange of Rs. 20,000 on B for 2 months on 23/11/06. The due date of the bill of exchange will be
- (a) 26/1/07
  - (b) 25/1/07
  - (c) 22/1/07
  - (d) 23/1/07
40. A draws a bill of exchange of Rs. 30,000 on B for 4 months on 15/02/06. What is the due date
- (a) 19/6/06
  - (b) 18/6/06
  - (c) 17/6/06

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- (d) 15/6/06
41. In question No. 40 if one the due date a public holiday is declared suddenly, the due date will be  
(a) 19/6/06  
(b) 18/6/06  
(c) 17/6/06  
(d) 15/6/06
42. A draws a bill of exchange of Rs. 25,000 on B for 30 days on 15<sup>th</sup> August 06. The due date of the bill will be  
(a) 18/9/06  
(b) 16/9/06  
(c) 15/9/06  
(d) 17/9/06
43. X draws a bill of exchange on Y for Rs. 30,000 for 4 months. He got it discounted with a Bank at 12% p.a. The discount charged by the bank will be  
(a) Rs. 1200  
(b) Rs. 3600  
(c) Rs. 120  
(d) Rs. 1000
43. In question No. 43. the net proceeds received from the Bank will be  
(a) Rs. 29000  
(b) Rs. 28800  
(c) Rs. 28000  
(d) Rs. 29400
45. X draws a bill of exchange on Y for Rs. 20,000 payable in 3 months. On the due date Y could not make the payment and requested X to renew a fresh bill for another three months at 12% interest p.a. the interest to be charged on fresh bill will be  
(a) Rs. 600  
(b) Rs. 2400  
(c) Rs. 1200  
(d) Rs. 300
46. In question No. 45 the amount of fresh bill will be  
(a) Rs. 20600  
(b) Rs. 22400  
(c) Rs. 21200  
(d) Rs. 20300
47. X draws a bill of exchange on Y for Rs. 20,000 payable in 3 months. On the due date Y could not make the payment and Y got it notified from the Notary Public on payment of noting charges of Rs. 100. Y requested him to draw a fresh bill for another three month at 12% interest p.a. the amount of fresh bill will be  
(a) Rs. 20703  
(b) Rs. 20700  
(c) Rs. 20600  
(d) Rs. 21000
48. Which of the following option is not available to the drawer of a bill of exchange  
(a) To hold it till maturity  
(b) To endorse it is favour of third party  
(c) Discount it with a banker  
(d) Tear it off
49. Which of the following statement is not

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- true about a bill of exchange
- (a) It is a conditional order to pay
- (b) If liability of a drawer is secondary and conditional
- (c) It can be made payable to bearer
- (d) It need to be accepted
50. Which of the following is not true about a promissory note
- (a) It need acceptance
- (b) Liability of acceptor is absolute and primary
- (c) No noting required
- (d) It cannot be made payable to bearer
51. Which of these is not necessary for a bill of exchange
- (a) Crossing
- (b) Stamping
- (c) Acceptance
- (d) Grace period
52. Drawer of a bill of exchange is generally a
- (a) Creditor
- (b) Debtor
- (c) Both
- (d) None
53. Drawee of a bill of exchange is generally a
- (a) Creditor
- (b) Debtor
- (c) Both
- (d) None
54. Payee of a bill of exchange is a person
- (a) To whom the bill of exchange is payable
- (b) Who has accepted the bill of exchange
- (c) A person who draw the bill
- (d) To whom the bill is endorsed
55. In which of the following ways a bill of exchange is different from a cheque
- (a) Stamping requirement
- (b) Acceptance is necessary
- (c) No crossing
- (d) All the three

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### ACCOUNTING FOR SPECIFIC TRANSACTIONS : ACCOUNTING FOR GOODS SOLD ON SALE OR RETURN BASIS

1. When the goods are sent on sale is accounted for
  - (a) When goods are sent
  - (b) When goods are returned
  - (c) When approval is received
  - (d) On 31<sup>st</sup> March
2. At what price goods pending approval or return as on the last day of accounting year are valued
  - (a) Cost price
  - (b) Selling price
  - (c) Average price
  - (d) Latest price
3. What account is credited for goods lying with the customer as on the last day of the accounting year?
  - (a) Customer A/c
  - (b) Trading A/c
  - (c) Profit and Loss A/c
  - (d) Manufacturing A/c
4. Which types of account is sale or return day book
  - (a) Personal A/c
  - (b) Suspense A/c
  - (c) Memorandum A/c
  - (d) Nominal A/c
5. Which of these statement is true?
  - (a) Sales or returns day book maintained when the transactions are many is also called sales and return book
  - (b) Goods not get approved and lying with the customer must be taken into c losing stock at the end of the year
  - (c) There is no difference between a transaction of sale or return and a transaction of sales basis
  - (d) None of these
6. Which of these statements is not true?
  - (a) Goods lying with the customers are valued at cost price
  - (b) Sales and return book is used when the goods are either approved or rejected
  - (c) Sales or return ledger is a kachha ledger
  - (d) Sales or return day book is a customer's record
7. Mr. Z sent goods worth Rs. 50,000 on 21<sup>st</sup> March on reject or approval basis. Goods worth Rs. 25000 were still pending with the customer on 31<sup>st</sup> March and the remaining were accepted by the customer. How would you deal with the goods lying with the customer as on 31<sup>st</sup> March. Assuming that the goods were invoiced at 25% above the cost price?
  - (a) Deduct Rs. 25,000 from sales and debtors and include goods worth Rs. 20,000 in closing stock
  - (b) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 25,000 in closing stock
  - (c) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 20,000 in closing stock
  - (d) Deduct Rs. 25,000 from sales and debtors and include goods worth Rs.



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- 25,000 in closing stock
8. Mr. P sent goods worth Rs. 50,000 on 11<sup>th</sup> March on reject or approval basis. Out of which goods worth Rs. 30,000 were accepted by the customers till 31<sup>st</sup> March and the remaining were still pending with the customers as on 31<sup>st</sup> March. How would you deal with the goods lying with the customer as on 31<sup>st</sup> March (assuming the goods were invoiced @ 20% profit on invoice price)
- (a) Deduct Rs. 25,000 from sales and debtors and include goods worth Rs. 16,000 in closing stock
  - (b) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 20,000 in closing stock
  - (c) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 16,000 in closing stock
  - (d) Deduct Rs. 20,000 from sales and debtors and include goods worth Rs. 20,000 in closing stock
9. Mr. Q sent goods worth Rs. 1,00,000 which were invoiced 33.33% above cost on 10<sup>th</sup> March on reject or approval basis. Out of which goods worth Rs. 30,000 were rejected by the customers till 31<sup>st</sup> March and the remaining were still pending with the customers as on 31<sup>st</sup> March. How would you deal with the goods lying with the customer as on 31<sup>st</sup> March?
- (a) Deduct Rs. 70,000 from sales and debtors and include goods worth Rs. 52,500 in closing stock
  - (b) Deduct Rs. 30,000 from sales and debtors and include goods worth Rs. 70,000 in closing stock
  - (c) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 70,000 in closing stock
  - (d) Deduct Rs. 70,000 from sales and debtors and include goods worth Rs. 52,500 in closing stock
10. Mr. Y sent goods costing Rs. 1,00,000 which were invoiced at a profit of 25% on invoice price on 10<sup>th</sup> March on reject or approval basis. Out of which goods costing Rs. 30,000 were accepted by the customers till 31<sup>st</sup> March and the remaining were still pending with the customers as on 31<sup>st</sup> March. How would you deal with the goods lying with the customer as on 31<sup>st</sup> March?
- (a) Deduct Rs. 100,000 from sales and debtors and include goods worth Rs. 70,000 in closing stock
  - (b) Deduct Rs. 30,000 from sales and debtors and include goods worth Rs. 70,000 in closing stock
  - (c) Deduct Rs. 50,000 from sales and debtors and include goods worth Rs. 70,000 in closing stock
  - (d) Deduct Rs. 70,000 from sales and debtors and include goods worth Rs. 52,500 in closing stock

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### PARTNERSHIP ACCOUNTS : PRELIMINARY

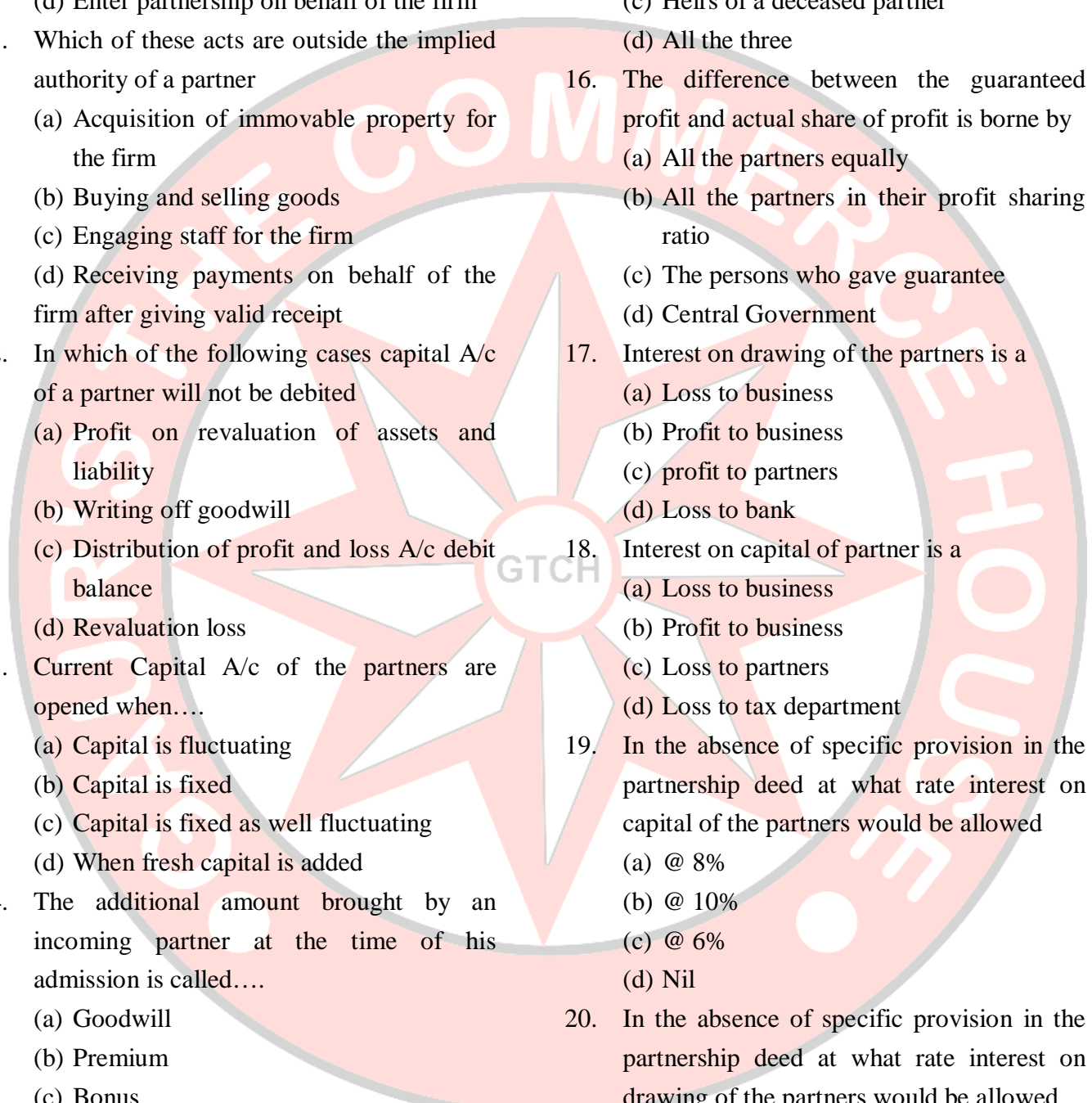
1. Which of the following is not an essential feature of a partnership firm
  - (a) Association of two or more persons
  - (b) Compulsory registration
  - (c) Mutual agency
  - (d) Existence of business
2. If there is no written partnership deed or agreement the provisions of... are applicable
  - (a) Partnership Act, 1932
  - (b) Companies Act, 1956
  - (c) Contract Act
  - (d) Hindu law
3. In case the partners are having fixed capital, then interest on capital will be allowed on
  - (a) Current capital
  - (b) Current plus fixed capital
  - (c) Fixed capital only
  - (d) None
4. In case a partner is assured some guaranteed profit, then in case of deficiency of actual profit as per profit sharing ratio and guaranteed profit to the partner. The deficiency will be borne by
  - (a) All the partners in the profit sharing ratio
  - (b) Senior partner only
  - (c) Remaining partners in the ratio in which they gave guarantee
  - (d) All the partners in their sacrificing ratio
5. If the partnership agreement provides for payment of interest on capital of the partners, then interest can be paid only out of
  - (a) Accumulated profits
  - (b) Current profits only
  - (c) Past profits plus current profits
  - (d) Capital also
6. To which account salary paid to a partner is debited
  - (a) Profit and loss A/c
  - (b) Revaluation A/c
  - (c) Profit and loss Appropriate A/c
  - (d) General reserve A/c
7. To which account interest on capital allowed to a partner is debited
  - (a) Profit and loss A/c
  - (b) Revaluation A/c
  - (c) Profit and loss Appropriate A/c
  - (d) General reserve A/c
8. Inter se relations of partners between themselves is that of a
  - (a) Close relatives
  - (b) Close friends
  - (c) Agents of each other
  - (d) Junior-senior relationship
9. As per Partnership Act, which of the following rights are available to the partner
  - (a) Salary
  - (b) Interest on capital
  - (c) Bonus
  - (d) Equal profit and loss
10. Which of these acts are covered within implied authority of a partner
  - (a) Opening Bank A/c on behalf of the firm in his name

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- (b) Submitting dispute to arbitrator  
(c) Appointing staff for business purpose  
(d) Enter partnership on behalf of the firm
11. Which of these acts are outside the implied authority of a partner  
(a) Acquisition of immovable property for the firm  
(b) Buying and selling goods  
(c) Engaging staff for the firm  
(d) Receiving payments on behalf of the firm after giving valid receipt
12. In which of the following cases capital A/c of a partner will not be debited  
(a) Profit on revaluation of assets and liability  
(b) Writing off goodwill  
(c) Distribution of profit and loss A/c debit balance  
(d) Revaluation loss
13. Current Capital A/c of the partners are opened when....  
(a) Capital is fluctuating  
(b) Capital is fixed  
(c) Capital is fixed as well fluctuating  
(d) When fresh capital is added
14. The additional amount brought by an incoming partner at the time of his admission is called....  
(a) Goodwill  
(b) Premium  
(c) Bonus  
(d) Donation
15. Guaranteed profit is generally given to....
- (a) Incoming partner  
(b) Retiring partner  
(c) Heirs of a deceased partner  
(d) All the three
16. The difference between the guaranteed profit and actual share of profit is borne by  
(a) All the partners equally  
(b) All the partners in their profit sharing ratio  
(c) The persons who gave guarantee  
(d) Central Government
17. Interest on drawing of the partners is a  
(a) Loss to business  
(b) Profit to business  
(c) profit to partners  
(d) Loss to bank
18. Interest on capital of partner is a  
(a) Loss to business  
(b) Profit to business  
(c) Loss to partners  
(d) Loss to tax department
19. In the absence of specific provision in the partnership deed at what rate interest on capital of the partners would be allowed  
(a) @ 8%  
(b) @ 10%  
(c) @ 6%  
(d) Nil
20. In the absence of specific provision in the partnership deed at what rate interest on drawing of the partners would be allowed  
(a) @ 8%  
(b) @ 10%

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- (c) @ 6%  
(d) Nil
21. In the absence of specific provision in the partnership deed at what rate interest on advance given by the partners would be allowed  
(a) @ 8%  
(b) @ 10%  
(c) @ 6%  
(d) Nil
22. In the absence of specific provision in the partnership deed at what rate salary and remuneration would be paid to the partners  
(a) @ Rs. 15,000 PM  
(b) @ Rs. 20,000  
(c) Nil  
(d) @ Rs. 10,000
23. In the absence of specific provision in the partnership deed how profit and loss is shared by the partners  
(a) Equally  
(b) In the ratio of capital  
(c) According to time devoted  
(d) According to qualification
24. Which of these statements is true?  
(a) Interest on capital is credited to capital account  
(b) Interest on drawing is credited to capital account  
(c) Salary and remuneration payable to partners is debited to current account  
(d) None of these
25. Which of these statements is true?  
(a) Partners current account can show debit or credit balance  
(b) Partners current account shows only credit balance  
(c) Partners current account shows only debit balance  
(d) None of these
26. There are three partners in a firm P, Q and R, X is admitted into the firm with  $\frac{1}{4}$ th share of profit with a guaranteed profit of Rs. 25,000 p.a. The firm's total profit is Rs. 80,000. What amount would be given to X as his share of profit by the firm  
(a) Rs. 25,000  
(b) Rs. 20,000  
(c) Rs. 15,000  
(d) Rs. 22,500
27. In question 26 if P stood as a guarantor of guaranteed profit to X, how much profit would be given to P in the instant case?  
(a) Rs. 20,000  
(b) Rs. 21,667  
(c) Rs. 15,000  
(d) Rs. 22,500
28. In question 26 if the firm stood as a guarantor of guaranteed profit to X, how much profit would be given to remaining partners in the instant case?  
(a) Rs. 20,000  
(b) Rs. 21,667  
(c) Rs. 18,333.33  
(d) Rs. 22,500



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29. Product method is used for
- (a) Distribution of profit and loss A/c
  - (b) Distribution of revaluation results
  - (c) Interest on drawing
  - (d) Interest on capital
30. P and Q are two partners sharing profit and loss equally. P draws Rs. 2,000 at the end of each month for 6 months whereas Q draws Rs. 1,000 at the beginning of each month for six months. Assuming that interest on drawing is to be charged @ 6% p.a. Interest on drawing of P will be
- (a) Rs. 150
  - (b) Rs. 80
  - (c) Rs. 86
  - (d) Rs. 90
31. Interest on drawing of Q in Q. No. 30 will be...
- (a) Rs. 105
  - (b) Rs. 100
  - (c) Rs. 110
  - (d) Rs. 101
32. X and Y are two partners sharing profit and loss in the ratio of 2:1. They decided to share profit and loss in future in the ratio of 3:2. If the goodwill of the firm is valued Rs. 60,000, how the adjustment in profit sharing ratio will be affected.
- (a) Y pay X Rs. 4,000
  - (b) X pay Y Rs. 4,000
  - (c) X pay Y Rs. 6,000
  - (d) Y pay X Rs. 6,000
33. X and Y are two partners with a capital of Rs. 30,000 and Rs. 20,000 respectively. They are allowed interest @ 10% on the total capital. Find the interest allowed to X and Y
- (a) Rs. 3000, 2000
  - (b) Rs. 1500, 1000
  - (c) Rs. 2000, 3000
  - (d) Rs. 1000, 1500
24. If in question No. 33 the profit before interest on capital is Rs. 4000, how much interest will be paid to the partners
- (a) Nil
  - (b) Rs. 1500, 1000
  - (c) Rs. 2000, 3000
  - (d) Rs. 1000, 1500
35. Which of the following is odd one
- (a) Unlimited liability
  - (b) Perpetual existence
  - (c) Sharing profit
  - (d) Association of two or more persons
36. Which of the following is odd one
- (a) Partners
  - (b) Mutual agency
  - (c) Business
  - (d) Master servant relationship
37. Which of the following is odd one
- (a) Active
  - (b) Sleeping
  - (c) Co-venture
  - (d) Nominal
38. Which of the following is odd one
- (a) Memorandum of association
  - (b) Agreement

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- (c) Partnership deed  
(d) Firm name
39. XY are two partners in a partnership firm. As per the terms of partnership deed partners are charged 6% interest on the drawing made by them during the year. During the year ending 31<sup>st</sup> Dec. 05 X draws money from the firm as per the details given below.  
31<sup>st</sup> March Rs. 3000  
31<sup>st</sup> May Rs. 2000  
31<sup>st</sup> August Rs. 2000  
30<sup>th</sup> November Rs. 1000  
Calculate the interest on drawing to be charged from X.  
(a) Rs. 195  
(b) Rs. 175  
(c) Rs. 260  
(d) Rs. 225
40. XY are two partners in a partnership firm. As per the terms of partnership deed partners are charged 6% interest on the drawing made by them during the year. During the year ending 31<sup>st</sup> Dec. 05 X draws money from the firm as per the details given below.  
31<sup>st</sup> March Rs. 3000  
31<sup>st</sup> May Rs. 2000  
31<sup>st</sup> August Rs. 3000  
30<sup>th</sup> November Rs. 2000  
Calculate the interest on drawing to be charged from X.  
(a) Rs. 295
- (b) Rs. 320  
(c) Rs. 300  
(d) Rs. 275
41. XY are two partners in a partnership firm. As per the terms of partnership deed partners are charged 6% interest on the fresh capital added by them. During the year ending 31<sup>st</sup> Dec. 05 Y added fresh capital in the firm as per the details given below.  
31<sup>st</sup> March Rs. 3000  
31<sup>st</sup> May Rs. 2000  
31<sup>st</sup> August Rs. 2000  
30<sup>th</sup> November Rs. 1000  
Calculate the interest on fresh capital added by Y  
(a) Rs. 195  
(b) Rs. 175  
(c) Rs. 260  
(d) Rs. 225
42. XYZ are three partners in a partnership firm. As per the terms of partnership deed partners are charged 6% interest on the drawing made by them during the year. During the year ending 31<sup>st</sup> Dec. 05 Z draws money from the firm as per the details given below.  
30<sup>th</sup> April Rs. 3000  
30<sup>th</sup> June Rs. 2000  
31<sup>st</sup> August Rs. 2000  
30<sup>th</sup> December Rs. 1000  
Calculate the interest on drawing to be charged from Z.

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- (a) Rs. 195
- (b) Rs. 235
- (c) Rs. 260
- (d) Rs. 220



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### PARTNERSHIP ACCOUNTS : ADMISSION OF A NEW PARTNER

1. When the incoming partner bring his share of goodwill in cash, which of these methods of valuation of goodwill is appropriate
  - (a) Revaluation method
  - (b) Memorandum Revaluation method
  - (c) Premium method
  - (d) Any of these methods
2. Profit or loss on revaluation of assets is transferred to partner's capital account in which ratio
  - (a) Equally
  - (b) Profit sharing ratio
  - (c) Fixed capital ratio
  - (d) Current capital ratio
3. To which account is accumulated balances of profit and loss account and general reserve account are transferred at the time of admission
  - (a) Partners current capital A/c
  - (b) Partners fixed capital A/c
  - (c) Revaluation A/c
  - (d) Profit and loss adjustment A/c
4. Which of these account is opened for revaluation of assets and liabilities at the time of admission of a partner into a firm?
  - (a) Profit and loss A/c
  - (b) Revaluation A/c
  - (c) Realization A/c
  - (d) Profit and loss appropriation A/c
5. Revaluation account is a-
  - (a) Real A/c
  - (b) Nominal A/c
  - (c) Personal A/c
  - (d) Suspense A/c
6. Which of these terms is not true in respect of goodwill?
  - (a) Real Assets
  - (b) Intangible Assets
  - (c) Tangible Assets
  - (d) Fictitious Assets
7. To which account unrecorded assets/ liabilities and transferred
  - (a) Partners Capital A/c
  - (b) Revaluation A/c
  - (c) Profit and loss Appropriation A/c
  - (d) Any of these accounts
8. When goodwill is revalued at the time of admission of a partner, how goodwill is distributed amongst the old partners
  - (a) Equally
  - (b) In capital ratio
  - (c) In old profit sharing ratio
  - (d) In new profit sharing ratio
9. When goodwill is to be written off after the admission of a partner in which ratio it is transferred to capital account of the partners
  - (a) Sacrificing ratio
  - (b) Equally
  - (c) New profit sharing ratio
  - (d) Old profit sharing ratio
10. X and Y are partners with capital of Rs. 9,000 and Rs. 10,000, Z is admitted into the firm with  $\frac{1}{3}^{\text{rd}}$  share of profit and bring Rs. 12,000 as his share of capital. How the goodwill of the firm would be valued.
  - (a) Rs. 5,000



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- (b) Rs. 6,000  
(c) Rs. 10,000  
(d) Rs. 12,000
11. A and B are partners in a firm with profit sharing ratio of 2:3, they admit C as a partner for  $\frac{1}{4}$ <sup>th</sup> share of profit. What would be the sacrificing ratio of A and B?  
(a) 1:1  
(b) 2:3  
(c) 3:2  
(d) 5:2
12. What is new profit sharing ratio in question No. 11  
(a) 6:9:5  
(b) 9:6:5  
(c) 5:6:9  
(d) 6:5:9
13. A, B and C are sharing profit and loss in the ratio of 3:2:1, D is admitted into the firm with  $\frac{1}{7}$  share of profit which he takes equally from existing partners. What would be sacrificing ratio  
(a) 1:1:1  
(b) 1:3:2  
(c) 2:3:1  
(d) 1:2:3
14. What would be new profit sharing ratio in Q. No. 13?  
(a) 19:12:5:6  
(b) 18:11:7:6  
(c) 18:7:11:6  
(d) 11:18:7:6
15. If D purchase his share of profit from A, what would be new profit sharing ratio as per Q. No. 13  
(a) 15:14:7:6  
(b) 15:14:6:7  
(c) 14:15:7:6  
(d) 15:7:14:6
16. How the goodwill brought in by D would be distributed amongst the old partners on the facts given in question No. 13  
(a) 3:2:1  
(b) Equally  
(c) In capital ratio  
(d) Only A would get goodwill
17. Which of these statements is not true?  
(a) Accumulated profit and loss, General reserves are transferred to old partners capital account  
(b) If assets and liabilities are to be shown in the balance sheet at old value, Memorandum Revaluation account is opened  
(c) Profit of revaluation is transferred to the capital account of all partners in equal ratio  
(d) Revaluation account is a nominal account
18. At the time of admission when good will account is not being opened in the books of account, credit is given to old partner in what ratio  
(a) Old profit sharing ratio  
(b) New profit sharing ratio  
(c) Sacrificing ratio

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- (d) Equally
19. X & Associates is a partnership firm, it intends to revalue its goodwill, average profit for the past five years is Rs. 15,000 per annum, and good will is being valued 3 years purchase of average profit. What would be the value of the goodwill of the firm?
- (a) Rs. 45,000  
(b) Rs. 15,000  
(c) Rs. 30,000  
(d) Rs. 60,000
20. If normal profit is Rs. 12,000 and goodwill is to be valued at 5 years purchase of super profit, what would be goodwill of the firm on the facts given on Q. No. 19
- (a) Rs. 15,000  
(b) Rs. 30,000  
(c) Rs. 20,000  
(d) Rs. 25,000
21. Consequent upon admission of a new partner in a firm the value of the goodwill is valued at Rs. 60,000. But there exists a goodwill account in the balance sheet which stood at Rs. 48,000 what would be treatment of goodwill at the time of admission of a new partner if the firm follows revaluation method of goodwill
- (a) Rs. 12,000 would be debited to all the partners capital account in their new profit sharing ratio  
(b) Rs. 60,000 would be debited to old partner's capital account in their old profit sharing ratio  
(c) Rs. 48,000 would be debited to all the partners' capital account in their new profit sharing ratio  
(d) Rs. 48,000 would be credited to all the partners' capital account in their new profit sharing ratio
23. Mr. X is admitted into a partnership firm  $\frac{1}{4}$ <sup>th</sup> share of profit. The total capital of the old partners stood at Rs. 45,000 after carrying adjustment of goodwill, revaluation of assets and liabilities and transfer of reserves and surplus. What amount should be brought in by new partner as his share of capital at the time of admission?
- (a) Rs. 15,000  
(b) Rs. 11,250  
(c) Rs. 12,250  
(d) Rs. 10,000
24. In question 23 above if X brings Rs. 20,000 as capital for  $\frac{1}{4}$ <sup>th</sup> share of profit and the partners decide to adjust their capital in accordance with their profit sharing ratio, what should be the total capital of the firm
- (a) Rs. 65,000  
(b) Rs. 80,000  
(c) Rs. 56,250  
(d) Rs. 60,000
25. In Q. No. 23, if X pays Rs. 15,000 as his share of goodwill to the existing partner privately, what would be accounting treatment?

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- (a) Goodwill A/c to be debited by Rs. 15,000  
(b) Goodwill A/c to be debited by Rs. 60,000  
(c) No accounting treatment  
(d) Credit to goodwill A/c by Rs. 15,000
26. When a new partner is admitted into the firm the old partners stand to.....  
(a) Gain in profit sharing ratio  
(b) Loss in profit sharing ratio  
(c) Not affected at all  
(d) Only one partner gain other loose
27. Sacrificing ratio is....  
(a) Old profit sharing ratio – new profit sharing ratio  
(b) New profit sharing ratio – old profit sharing ratio  
(c) Equal to old profit sharing ratio  
(d) Equal
28. When at the time of admission of new partner old partners inter se profit sharing ratio is not changed, the sacrificing ratio is  
(a) Equal to old profit sharing ratio  
(b) Equal  
(c) According to capital contributed  
(d) According to seniority
29. Premium brought in by the new partner is meant to.....  
(a) Appease the old partners  
(b) To compensate the old partners  
(c) No purpose but it is a custom  
(d) Comply with legal requirement
30. Increase in value of assets at the time of admission of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Credited to partners capital A/c  
(d) Debited to profit and loss A/c
31. Decrease in value of assets at the time of admission of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Credited to partners capital A/c  
(d) Debited to profit and loss A/c
32. Increase in value of a liability at the time of admission of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Credited to partners capital A/c  
(d) Debited to profit and loss A/c
33. Decrease in value of liability at the time of admission of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Credited to partners capital A/c  
(d) Debited to profit and loss A/c
34. ABC are three partners in a firm sharing profit and loss in the ratio of 3:2:1, they agree to admit C into the firm. A, B and C are prepared to give  $\frac{1}{3}^{\text{rd}}$ ,  $\frac{1}{6}^{\text{th}}$  and  $\frac{1}{9}^{\text{th}}$  share of their profit to C. The share of profit of C will be  
(a)  $\frac{1}{10}^{\text{th}}$   
(b)  $\frac{13}{54}$   
(c)  $\frac{12}{54}$   
(d)  $\frac{10}{55}$

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35. In question NO. 34 the new profit sharing ratio of the partners will be
- (a) 18:15:8:13  
(b) 15:18:13:8  
(c) 18:14:15:8  
(d) 18:13:8:15
36. In question No. 34 what is the sacrificing ratio
- (a) 9:3:1  
(b) 3:9:1  
(c) 1:9:3  
(d) 3:1:9
37. Choose the old one
- (a) Revaluation A/c  
(b) Realization of assets  
(c) Distribution of goodwill  
(d) Sacrificing ratio
38. Choose the odd one
- (a) Premium method  
(b) Revaluation method  
(c) Without raising goodwill A/c  
(d) Revaluation of unrecorded assets
39. ABC are three partners in a firm, they decided to admit D a fourth partner in the firm. Firm decides to revalue the goodwill of the firm on the basis of 3 years purchase of past 4 years average profits. What would be the value of the firm if the past profits of the firm are as under.
- |      |            |
|------|------------|
| 2001 | Rs. 18,000 |
| 2001 | Rs. 21,000 |
| 2003 | Rs. 20,000 |
| 2004 | Rs. 21,000 |
- (a) Rs. 80,000  
(b) Rs. 60,000  
(c) Rs. 75,000  
(d) Rs. 63,000
40. If in question No. 39 the firm decides to revalue of the firm based on 5 years super profit of the firm. The average profits of the industry during the last 4 years were Rs. 13,000 per annum. What is the total goodwill of the firm.
- (a) Rs. 35,000  
(b) Rs. 30,000  
(c) Rs. 25,000  
(d) Rs. 20,000
41. If in question No. 39 read with 40 the firm decides to value of capitalizing super profit @ 10%, what is the goodwill of the firm?
- (a) Rs. 70,000  
(b) Rs. 75,000  
(c) Rs. 7,000  
(d) Rs. 13,000
42. AB are two partners in a firm having share capital of Rs. 12,000 and Rs. 15,000 respectively. C is admitted for 1/3 share of profit for which he is to bring Rs. 18,000 for his share of capital. What is the goodwill of the firm?
- (a) Rs. 10,000  
(b) Rs. 9,000  
(c) Rs. 8,000  
(d) Rs. 11,000
43. XY are two partners in a firm having share capital of Rs. 10,000 and Rs. 15,000



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- respectively. Z is admitted for  $\frac{1}{3}$  share of profit for which he is to bring Rs. 15,000 for his share of capital. What is the goodwill of the firm?
- (a) Rs. 10,000  
(b) Rs. 9,000  
(c) Rs. 5,000  
(d) Rs. 11,000
44. PQ are two partners in a firm having share capital of Rs. 15,000 and Rs. 15,000 respectively. R is admitted for  $\frac{1}{3}$  share of profit for which he is to bring Rs. 20,000 for his share of capital. What is the goodwill of the firm?
- (a) Rs. 10,000  
(b) Rs. 9,000  
(c) Rs. 8,000  
(d) Rs. 11,000
45. A and B are two partners sharing profit and loss equally. Their capital A/c stood at Rs. 30,000 and Rs. 25,000 respectively on 31<sup>st</sup> March, 07. On 1<sup>st</sup> April C is admitted for  $\frac{1}{3}$ <sup>rd</sup> share of profit for which he brings Rs. 12,000 as his share of goodwill. On the date of his admission, stock was appreciated by Rs. 11,000 and provisions for bad debts also increased by Rs. 2000. Old partners decided that C's capital should be in accordance with his share of profit and capital should be in accordance with his share of profit and capital of old partners. What amount C should bring as his share of capital in the firm.
- (a) Rs. 40,000  
(b) Rs. 38,000  
(c) Rs. 36,000  
(d) Rs. 41,000
46. In question No. 45 what will be the total capital of the firm after admission of C.
- (a) Rs. 114,000  
(b) Rs. 108,000  
(c) Rs. 121,000  
(d) Rs. 99,000
47. In question No. 45 read with question No. 46 if it is decided that the capital of old partners should also be in accordance with their profit sharing ratio, what adjustment will be done to make their capital in proportion to their profit sharing ratio.
- (a) A to bring Rs. 2500, B to be refunded Rs. 2500  
(b) A to be refunded Rs. 2500, B to bring Rs. 2500  
(c) A to bring Rs. 5500, B to be refunded Rs. 5500  
(d) A to be refunded Rs. 5500, B to bring Rs. 5500
48. A and B are two partners sharing profit and loss in the ratio of 2:3 and Rs. 30,000 respectively on 31<sup>st</sup> March, 07 and the balance sheet shows a general reserve of Rs. 20,000. On 1<sup>st</sup> April C is admitted for  $\frac{1}{3}$ <sup>rd</sup> share of profit for which he brings Rs. 12,000 as his share of goodwill. On the date of his admission, furniture and fitting is

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depreciated by Rs. 20000, stock appreciated by Rs. 8000 and provision for bad debts also increased by Rs. 2000. Old partners decided that C's capital should be in accordance with his share of profit and capital of old partners. What amount C should bring as his share of capital in the firm

- (a) Rs. 43,000
  - (b) Rs. 33,000
  - (c) Rs. 46,000
  - (d) Rs. 35,000
49. In question No. 48 what will be the total capital of the firm after admission of C.
- (a) Rs. 120,000
  - (b) Rs. 133,000
  - (c) Rs. 129,000
  - (d) Rs. 119,000
50. In question NO 48 read with question No. 49 if it is decided that the capital of old partners should also be in accordance with their profit sharing ratio, what adjustment will be done to make their capital in proportion to their profit sharing ratio.
- (a) A to bring Rs. 8000, B to be refunded Rs. 8000
  - (b) A to be refunded Rs. 8000, B to bring Rs. 8000
  - (c) A to bring Rs. 5500, B to be refunded Rs. 5500
  - (d) No adjustment required, capital already in profit sharing ratio.

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### PARTNERSHIP ACCOUNTS : RETIREMENT OF DEATH OF A PARTNER

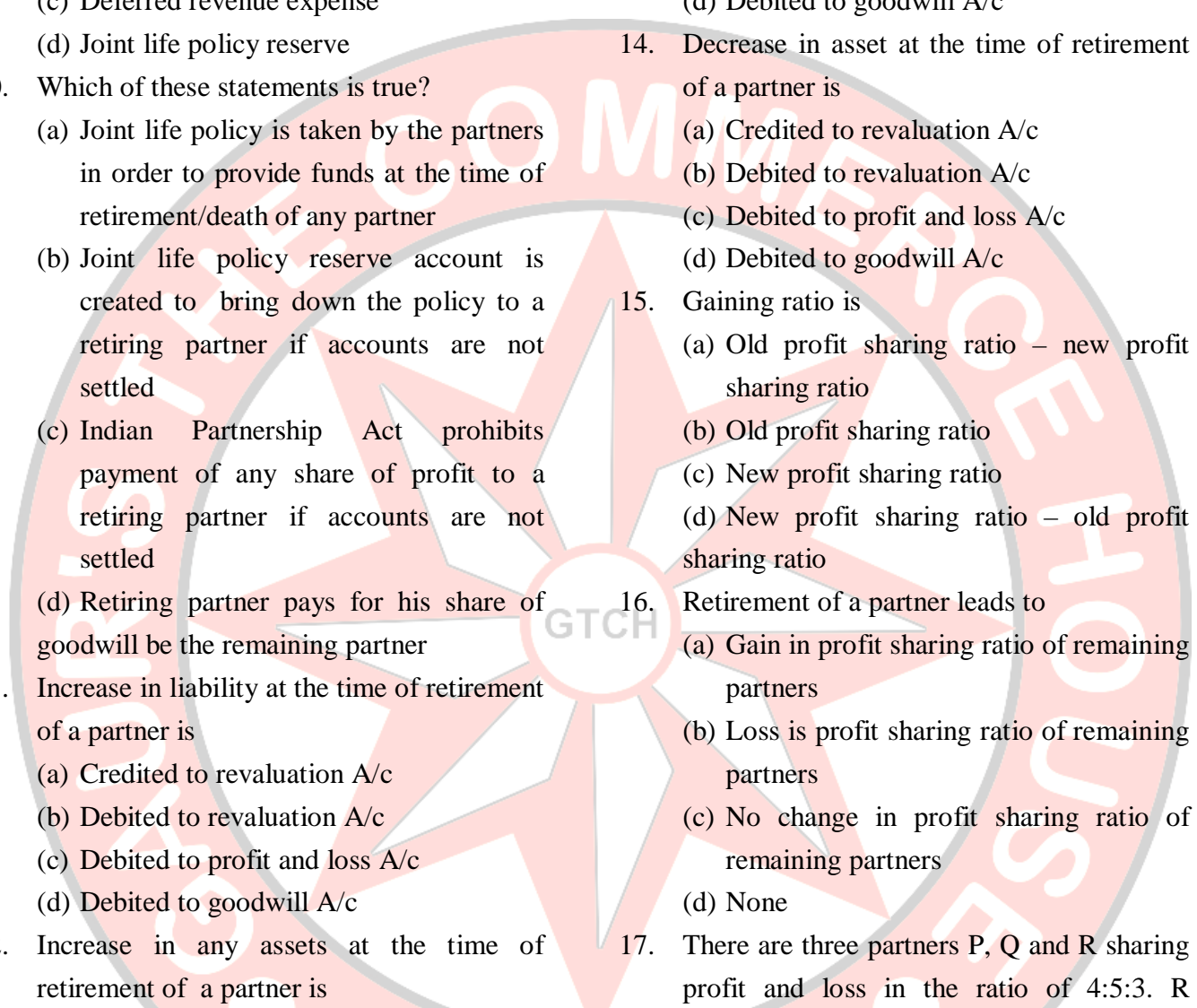
1. What rate of interest is allowed on the outstanding loan of a retiring or deceased partner as per Partnership Act, 1932?
  - (a) At bank rate
  - (b) 12%
  - (c) 6%
  - (d) Rate announced by RBI from time to time
2. Joint Life Policy Account is a-
  - (a) Nominal A/c
  - (b) Real A/c
  - (c) Personal A/c
  - (d) Suspense A/c
3. Which of these statements is true?
  - (a) Goodwill at the time of retirement of a partner is credited to remaining partners' capital A/c in sacrificing ratio
  - (b) Goodwill at the time of retirement of a partner is credited to remaining partners' capital A/c in gaining ratio.
  - (c) Goodwill at the time of retirement of a partner is debited to remaining partners' capital A/c in sacrificing ratio
  - (d) Goodwill at the time of retirement of a partner to the extent of retiring partner's share is debited to remaining partners' capital A/c in gaining ratio
4. How unrecorded assets is treated at the time of retirement of a partner
  - (a) Debited to Revaluation A/c
  - (b) Credited to Revaluation A/c
  - (c) Credited to partners Capital A/c
  - (d) Credited to capital A/c of retiring partner only
5. Balance in the Revaluation A/c is transferred to
  - (a) Partners fixed capital A/c
  - (b) Partners current capital A/c
  - (c) Profit and loss A/c
  - (d) General Reserve A/c
6. When the Joint Life Insurance Policy premium is treated as expenses, the amount received on death of the partner is transferred to
  - (a) Partners Capital A/c
  - (b) Cash A/c
  - (c) Profit and loss appropriation A/c
  - (d) General Reserve A/c
7. On death of a partner, the representatives of the deceased partner are entitled to share profit from
  - (a) Beginning of the financial year upto the date of death
  - (b) From date of death to the date of finalization of A/c
  - (c) For the full year
  - (d) For six months
8. The amount due to the deceased partner is paid to his
  - (a) Friends
  - (b) Wife
  - (c) Executor
  - (d) His father
9. Which of these is not a method of accounting treatment of premium on Joint Life Policy?

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- 
- (a) Treatment as an expense  
(b) Treatment as an asset  
(c) Deferred revenue expense  
(d) Joint life policy reserve
10. Which of these statements is true?  
(a) Joint life policy is taken by the partners in order to provide funds at the time of retirement/death of any partner  
(b) Joint life policy reserve account is created to bring down the policy to a retiring partner if accounts are not settled  
(c) Indian Partnership Act prohibits payment of any share of profit to a retiring partner if accounts are not settled  
(d) Retiring partner pays for his share of goodwill be the remaining partner
11. Increase in liability at the time of retirement of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Debited to profit and loss A/c  
(d) Debited to goodwill A/c
12. Increase in any assets at the time of retirement of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Debited to profit and loss A/c  
(d) Debited to goodwill A/c
13. Decrease in liability at the time of retirement of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Debited to profit and loss A/c  
(d) Debited to goodwill A/c
14. Decrease in asset at the time of retirement of a partner is  
(a) Credited to revaluation A/c  
(b) Debited to revaluation A/c  
(c) Debited to profit and loss A/c  
(d) Debited to goodwill A/c
15. Gaining ratio is  
(a) Old profit sharing ratio – new profit sharing ratio  
(b) Old profit sharing ratio  
(c) New profit sharing ratio  
(d) New profit sharing ratio – old profit sharing ratio
16. Retirement of a partner leads to  
(a) Gain in profit sharing ratio of remaining partners  
(b) Loss in profit sharing ratio of remaining partners  
(c) No change in profit sharing ratio of remaining partners  
(d) None
17. There are three partners P, Q and R sharing profit and loss in the ratio of 4:5:3. R retires, and the remaining partners agreed to share profit and loss in future in the ratio of 7:8. What is the gaining ratio of the old partners  
(a) 8:7  
(b) 5:4  
(c) 7:8



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- (d) 3:5
18. A, B and C are three partners sharing profit and loss in the ratio of 3:2:1, B retires from the firm. What is the new profit sharing ratio of the remaining partners?
- (a) 1:3  
(b) 3:1  
(c) 2:3  
(d) 3:2
19. What is the gaining ratio of the remaining partners in Q. No. 18?
- (a) 3:1  
(b) 1:2  
(c) 2:1  
(d) 1:3
20. If A and C purchase the share of retiring partner equally, what is the new profit sharing ratio in Q. No. 18
- (a) 2:1  
(b) 1:2  
(c) 1:3  
(d) 3:1
21. If B's share of profit is purchased by C, what will be new profit sharing ratio in Q. No. 18
- (a) 1:2  
(b) 2:1  
(c) 1:1  
(d) 3:2
22. XYZ are three partners in a firm sharing profit and loss equally. They took a Joint life policy of Rs. 2,10,000, with a surrender value of Rs. 90,000. The firm treat life insurance premium paid as an expense as and when paid. Y retires and X and Z decide to share profit and loss in the ratio of 2:1. How Joint life policy amount will be treated in books of A/c on receipt of surrender value
- (a) Created to XYZ Rs. 30,000 each  
(b) Created to XYZ Rs. 70,000 each  
(c) Created to XZ Rs. 45,000 each  
(d) Created to Y Rs. 90,000
23. In question No. 22 if it is decided that the partner shall maintain the LP at its surrender value. How JLP will be treated in books of A/c
- (a) Created to XYZ Rs. 30,000 each  
(b) No treatment at all  
(c) Created to XZ Rs. 45,000 each  
(d) Created to Y Rs. 90,000
24. If in question No. 22 it is decided to maintain the Joint life policy at Surrender value with Reserve, what will be accounting treatment at the time of receipt of premium
- (a) Created to XYZ Rs. 30,000 each  
(b) Created to XYZ Rs. 70,000 each  
(c) Created to XZ Rs. 45,000 each  
(d) Created to Y Rs. 90,000
25. XYZ are three partners in a firm. Y retires on 1.1.06 and the firm received Joint life policy of Rs. 30,000, which appeared in the books of account at Rs. 36,000, what entry will be made in the books of account on receipt of Joint life policy

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- (a) Cash Dr. Rs. 20,000, Debit XYZ @ 3333.33 Credit JLP Rs. 30,000
- (b) Cash Dr. 20,000 Credit JLP Rs. 20,000
- (c) JHLP Dr. Rs. 30,000, Credit XYZ @ 10,000 each
- (d) JLP Dr. Rs. 30,000, Credit profit and loss A/c Rs. 30,000
26. XYZ are three partners in a firm. They are sharing profit and loss in the ratio of 2:2:1. Y retires from the firm on 31<sup>st</sup> March 06. The firm decided not to raise goodwill A/c in the books of a/c. What entry will be made for treatment of goodwill at the time of retirement of Y
- (a) Debit X and Z, Credit Y (for share of Y in the gaining ratio)
- (b) Goodwill A/c Dr. Credit Y's Capital A/c
- (c) Goodwill A/c Dr. Credit XYZ Capital A/c
- (d) Goodwill A/c, Credit XZ A/c
27. XYZ are three partners in a firm. They are sharing profit and loss in the ratio of 3:2:1. On 11 Jan. 06 Y died. The firm decided to value goodwill based on 3 years purchase of weighted average of 5 years profit. The trading profit of the firm for the past five years before charging interest on capital was as under Rs. 10,000, Rs. 9000, Rs. 11000, Rs. 7000, Rs. 80000. The capital of the firm stood Rs. 50,000 and interest on capital is given at 8%. What is the total goodwill of the firm
- (a) Rs. 15,000
- (b) Rs. 10,000
- (c) Rs. 21,000
- (d) Rs. 32,000
28. In question No. 27 what is Y's Share of goodwill
- (a) Rs. 15,000
- (b) Rs. 5,000
- (c) Rs. 10,000
- (d) Rs. 7500
29. XYZ are three partners sharing profit and loss in the ratio of 3:2:1. The firm took Joint life policy of Rs. 30,000 for X, Rs. 25,000 for Y and Rs. 18,000 for Z. What is the share of Z in the Joint life Policy
- (a) Rs. 30,000
- (b) Rs. 15,000
- (c) Rs. 18,000
- (d) Rs. 25000
30. PQR are three partners in a partnership firm X retires from the firm on 31<sup>st</sup> March 05. On the date of his retirement stock, Sundry debtors and provisions for bad debts stand in the books of A/c Rs. 50,000, Rs. 45,000 and Rs. 4500 respectively. The partners decided to revalue assets as under. Stock in trade to be reduced to 90%, provision for bad debts to be brought to 15% of Sundry debtors. The entry for revaluation of stock in trade will be
- (a) Revaluation A/c Dr. Rs. 5000, Stock in trade credit by Rs. 5000
- (b) Profit and loss A/c Dr. Rs. 5000, Stock in trade credit by Rs. 5000
- (c) Partners Capital A/c Dr. Rs. 5000, Stock in trade credit by Rs. 5000
- (d) Revaluation A/c Dr. Rs. 45000, Stock in trade credit by Rs. 45000
31. In question No. 30 what entry will be made for provision of bad debts
- (a) Revaluation A/c Dr. Rs. 22500, Stock in trade credit by Rs. 2250
- (b) Profit and loss A/c Dr. Rs. 6750, Stock in trade credit by Rs. 6750
- (c) Partners Capital A/c Dr. Rs. 6750, Stock in trade credit by Rs. 6750
- (d) Revaluation A/c Dr. Rs. 5000, debtors

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- A/c
32. ABC and D are four partners in a firm sharing profit and loss in the ratio of 18:15:18:3, D retires from the firm and his share of profit is purchased by the remaining partners A, B and C as  $\frac{1}{54}$ ,  $\frac{1}{54}$  and  $\frac{1}{54}$ . What is the new profit sharing ratio of the remaining partners
- (a) 19:16:19  
(b) 16:19:19  
(c) 19:19:16  
(d) 16:16:19
33. In question No. 32 what is the gaining ratio of the remaining partners
- (a) 1:1:1  
(b) 3:9:1  
(c) 1:9:3  
(d) 3:1:9
34. Choose the odd one
- (a) Sacrificing ratio  
(b) Raising goodwill  
(c) Distribution of accumulated profit and reserves and surplus  
(d) Payment to the legal representative
35. Choose the odd one
- (a) Revaluation A/c  
(b) Realization of assets  
(c) Distribution of goodwill  
(d) Gaining ratio
36. ABC are the three partners in a partnership firm. They took a joint life policy of Rs. 21,000 at the annual premium of Rs. 1000 per annum. C dies on 15<sup>th</sup> April, 06. On the date of death of B Joint life policy appeared in the books of firms at Rs. 3000. The policy amount of Rs. 21,000 was received at the time of death of C. What amount will be transferred to the partners capital account for treatment of JLP
- (a) Dr JLP Rs. 18,000, credit A, B and C's Capital A/c @ Rs. 6000  
(b) Dr JLP Rs. 21,000, credit A, B and C's Capital A/c @ Rs. 7000  
(c) Dr JLP Rs. 3,000, credit A, B and C's Capital A/c @ Rs. 1000  
(d) Dr JLP Rs. 6,000, credit A, B and C's Capital A/c @ Rs. 2000
37. PQR are three partners in a partnership firm. They took a joint life policy of Rs. 30,000 at an annual premium of Rs. 1000 per annum. R dies on 10<sup>th</sup> April, 07. On the date of death of R Joint life policy appeared in the books of firm at Rs. 3000. The policy amount of Rs. 30,000 was received at the time of death of R. What is the profit on JLP
- (a) Rs. 30,000  
(b) Rs. 27,000  
(c) Rs. 21,000  
(d) Rs. 20,000
38. ABC are three partners in a partnership firm sharing profit and loss equally. C retires from the firm on 31.03.07. His share of profit is purchased by A and B in the ratio of 2:1, what is the gaining ratio of the remaining partners.
- (a) 1:1  
(b) 2:1  
(c) 1:2  
(d) 5:4
39. In question No. 38 what is the new profit sharing ratio of A and B after retirement of C.
- (a) 1:1  
(b) 2:1  
(c) 1:2  
(d) 5:4
40. In question No. 38 if at the time of retirement of the value of the goodwill of the firm is valued at Rs. 54,000, and the partners decides to pay goodwill to the retiring partner, what will be accounting treatment.
- (a) A A/c Dr by Rs. 12,000, B A/c Dr by Rs. 6000, C's A/c credit by Rs. 18,000  
(b) A A/c Dr by Rs. 30,000, B A/c Dr by

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Rs. 24000, C's A/c credit by Rs. 54,000

(c) A A/c Dr by Rs. 9,000, B A/c Dr by Rs. 9000, C's A/c credit by Rs. 18,000

(d) None

41. PQR are three partners in a partnership firm sharing profit and loss in the ratio 2:2:1. Q retires from the firm on 31.03.07. His share of profit is purchased by P and R in the ratio of 1:2, what is the gaining ratio of the remaining partners.

(a) 1:1

(b) 2:1

(c) 1:2

(d) 5:4

42. In question No. 41 what is the new profit sharing ratio of the remaining partners

(a) 1:1

(b) 2:5

(c) 7:8

(d) 8:7



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### COMPANY ACCOUNTS : ISSUE OF SHARE CAPITAL

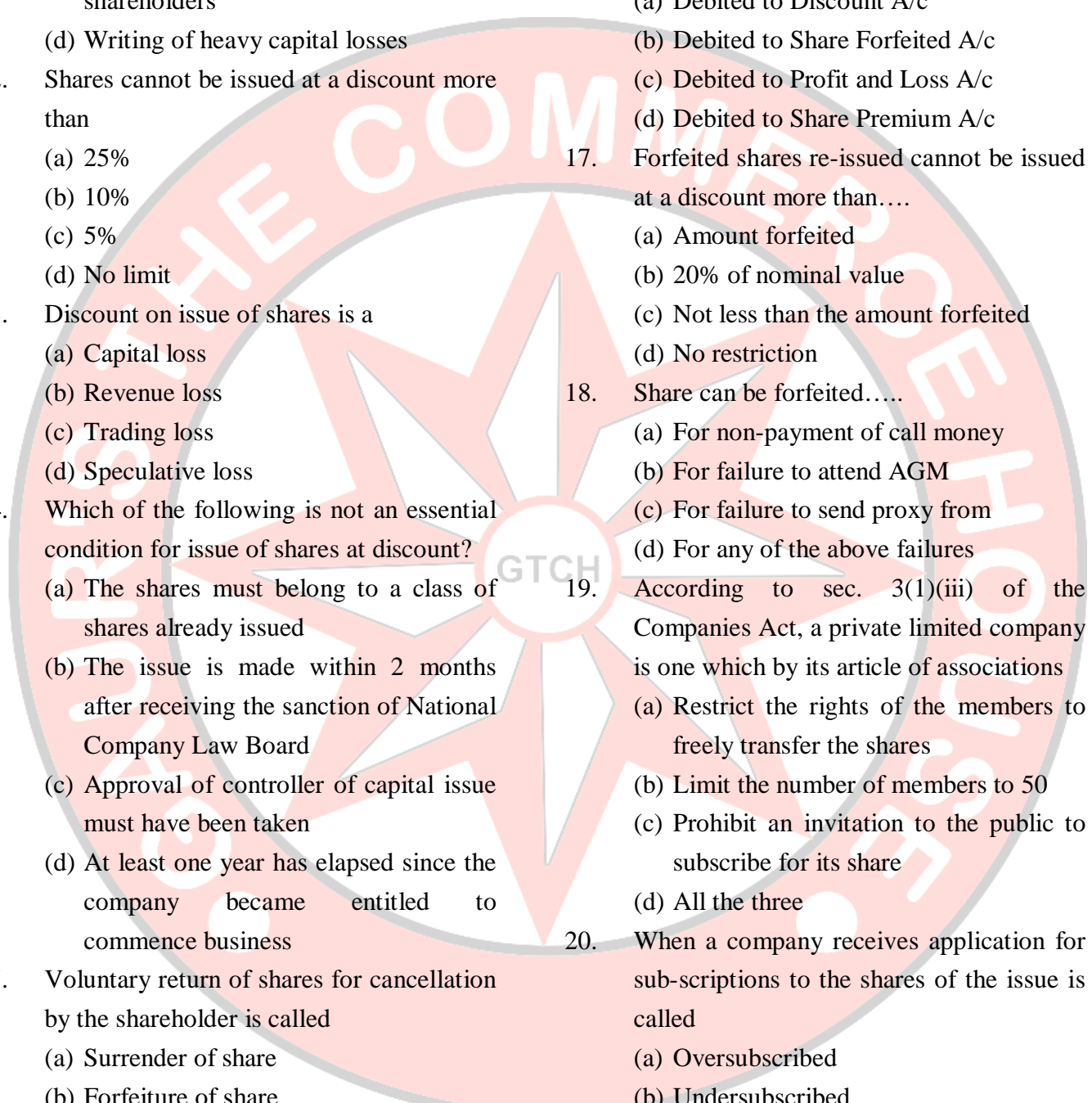
1. Which of the following is not an essential feature of a company?
  - (a) Voluntary association of persons
  - (b) Distinct legal entity
  - (c) Perpetual existence
  - (d) Share capital of Rs. 50 lakhs
2. A Private Company must be registered with a minimum share capital of
  - (a) Rs. 5 lakhs
  - (b) Rs. 1 lakh
  - (c) Rs. 10 lakhs
  - (d) Rs. 50,000
3. A Public Company must be registered with a minimum share capital of
  - (a) Rs. 10 lakhs
  - (b) Rs. 5 lakhs
  - (c) Rs. 50 lakhs
  - (d) No limit
4. The number of members of a private company cannot exceed
  - (a) 50
  - (b) 100
  - (c) 10
  - (d) 500
5. The maximum number of members of a Public Company cannot exceed
  - (a) 5000
  - (b) 1000
  - (c) 500
  - (d) No limit
6. Which of the following restriction is not applicable to a Private Ltd. Company?
  - (a) To open overseas branch/office
  - (b) Restrict number of members to
  - (c) Invite application for public subscription
  - (d) Invite application for public deposits
7. Share in a Company is a/an
  - (a) Movable assets
  - (b) Immovable goods
  - (c) Paper currency
  - (d) Negotiable instrument
8. A preference shareholder does not have right to
  - (a) Preferential payment of dividend
  - (b) Preferential payment of share capital
  - (c) Voting
  - (d) All three
9. The maximum amount of capital that a company can raise is called
  - (a) Authorized capital
  - (b) Subscribed capital
  - (c) Issued capital
  - (d) Called up capital
10. Which of the following statement is true?
  - (a) Subscribed capital cannot exceed issued capital
  - (b) Subscribed capital can exceed paid up capital
  - (c) Issued capital can be less than called up capital
  - (d) Paid up capital is always equal to authorized capital
11. Share premium A/c can be used for
  - (a) Redemption of shares of premium

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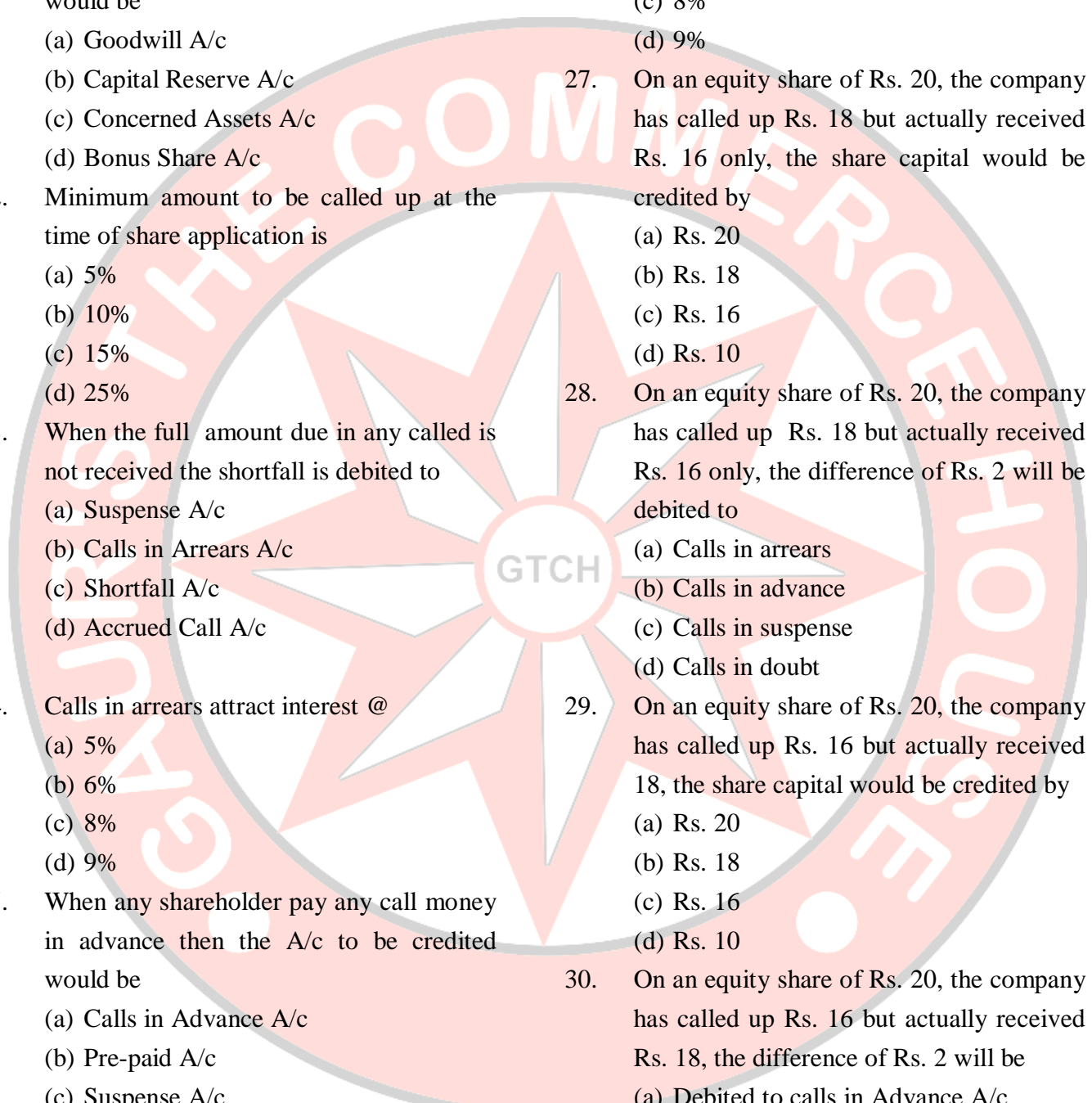
- 
- (b) Meeting capital expansion plan  
(c) Payment of dividend to equity shareholders  
(d) Writing of heavy capital losses
12. Shares cannot be issued at a discount more than  
(a) 25%  
(b) 10%  
(c) 5%  
(d) No limit
13. Discount on issue of shares is a  
(a) Capital loss  
(b) Revenue loss  
(c) Trading loss  
(d) Speculative loss
14. Which of the following is not an essential condition for issue of shares at discount?  
(a) The shares must belong to a class of shares already issued  
(b) The issue is made within 2 months after receiving the sanction of National Company Law Board  
(c) Approval of controller of capital issue must have been taken  
(d) At least one year has elapsed since the company became entitled to commence business
15. Voluntary return of shares for cancellation by the shareholder is called  
(a) Surrender of share  
(b) Forfeiture of share  
(c) Cancellation of share  
(d) Distribution of share
16. Discount allowed on re-issue of forfeited share is  
(a) Debited to Discount A/c  
(b) Debited to Share Forfeited A/c  
(c) Debited to Profit and Loss A/c  
(d) Debited to Share Premium A/c
17. Forfeited shares re-issued cannot be issued at a discount more than....  
(a) Amount forfeited  
(b) 20% of nominal value  
(c) Not less than the amount forfeited  
(d) No restriction
18. Share can be forfeited....  
(a) For non-payment of call money  
(b) For failure to attend AGM  
(c) For failure to send proxy from  
(d) For any of the above failures
19. According to sec. 3(1)(iii) of the Companies Act, a private limited company is one which by its article of associations  
(a) Restrict the rights of the members to freely transfer the shares  
(b) Limit the number of members to 50  
(c) Prohibit an invitation to the public to subscribe for its share  
(d) All the three
20. When a company receives application for sub-scriptions to the shares of the issue is called  
(a) Oversubscribed  
(b) Undersubscribed  
(c) Overwhelmed issue  
(d) Flopped show

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21. When shares are allotted for consideration other than cash the A/c to be debited would be
- (a) Goodwill A/c
  - (b) Capital Reserve A/c
  - (c) Concerned Assets A/c
  - (d) Bonus Share A/c
22. Minimum amount to be called up at the time of share application is
- (a) 5%
  - (b) 10%
  - (c) 15%
  - (d) 25%
23. When the full amount due in any call is not received the shortfall is debited to
- (a) Suspense A/c
  - (b) Calls in Arrears A/c
  - (c) Shortfall A/c
  - (d) Accrued Call A/c
24. Calls in arrears attract interest @
- (a) 5%
  - (b) 6%
  - (c) 8%
  - (d) 9%
25. When any shareholder pay any call money in advance then the A/c to be credited would be
- (a) Calls in Advance A/c
  - (b) Pre-paid A/c
  - (c) Suspense A/c
  - (d) Goodwill A/c
26. Calls in advances attracts interest @
- (a) 5%
  - (b) 6%
  - (c) 8%
  - (d) 9%
27. On an equity share of Rs. 20, the company has called up Rs. 18 but actually received Rs. 16 only, the share capital would be credited by
- (a) Rs. 20
  - (b) Rs. 18
  - (c) Rs. 16
  - (d) Rs. 10
28. On an equity share of Rs. 20, the company has called up Rs. 18 but actually received Rs. 16 only, the difference of Rs. 2 will be debited to
- (a) Calls in arrears
  - (b) Calls in advance
  - (c) Calls in suspense
  - (d) Calls in doubt
29. On an equity share of Rs. 20, the company has called up Rs. 16 but actually received 18, the share capital would be credited by
- (a) Rs. 20
  - (b) Rs. 18
  - (c) Rs. 16
  - (d) Rs. 10
30. On an equity share of Rs. 20, the company has called up Rs. 16 but actually received Rs. 18, the difference of Rs. 2 will be
- (a) Debited to calls in Advance A/c
  - (b) Credited to calls in Advance A/c
  - (c) Credited to calls in Suspense A/c

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- (d) Debited to calls in Doubt A/c
31. On an equity share of Rs. 20, the company has called up Rs. 18 but a shareholder paid only Rs. 14 and his shares were forfeited on forfeiture of his shares the Share Capital A/c would be debited by
- (a) Rs. 20  
(b) Rs. 18  
(c) Rs. 14  
(d) Rs. 10
32. On an equity share of Rs. 20, the company has called up Rs. 18 but a shareholder paid only Rs. 14 and his shares were forfeited on forfeiture of his shares the Share Forfeited A/c would
- (a) Credit by Rs. 20  
(b) Debited by Rs. 18  
(c) Credited by Rs. 14  
(d) Debited by Rs. 10
33. On a share of Rs. 100 issued at a premium of Rs. 10 the whole amount has been called up but to the case of a shareholder only Rs. 80 has been received, the share capital would be credited by
- (a) Rs. 100  
(b) Rs. 110  
(c) Rs. 80  
(d) Rs. 70
34. On forfeiture of the shares stated in Q. No. 33 Share Forfeiture A/c would be credited by
- (a) Rs. 80  
(b) Rs. 20  
(c) Rs. 30  
(d) Rs. 70
35. On re-issue of the share stated in q. No. 33 at Rs. 90 fully paid up. the discount on re-issue would be
- (a) Rs. 10 Debited to Share Forfeiture A/c  
(b) Rs. 30 debited to Share Forfeiture A/c  
(c) Rs. 20 Debited to Share Forfeiture A/c  
(d) Rs. 20 Debited to Discount A/c
36. What would be the minimum price at which the forfeited shares in Q. No. 33 can be re-issued?
- (a) Rs. 20  
(b) Rs. 30  
(c) Rs. 70  
(d) Rs. 80
37. How the balance in Share Forfeiture A/c would be dealt with in Q. No. 33 if the shares are re-issued at Rs. 90
- (a) Rs. 60 credited to Capital Reserve A/c  
(b) Rs. 60 debited to Capital Reserve A/c  
(c) Rs. 60 Credited to Discount A/c  
(d) Rs. 60 Debited to Share Premium A/c
38. XYZ Ltd. invited application for issue of 100,000 shares of Rs. 10 each at a premium of Rs. 2, Rs. 5 called at the time of application, Rs. 5 (including premium) at the time of allotment and balance Rs. 2 at the time of 1<sup>st</sup> call. Applications were received for 1,30,000 shares. Application money was returned to the extent to 10,000 shares and pro rata allotment was made to the remaining applications of



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- 120,000. PQR to whom 500 shares were allotted failed to pay allotment and calls money. Similarly ABC to whom 400 shares were allotted failed to pay first and final call. All the 900 shares were subsequently forfeited. These shares were subsequently re-issued at Rs. 8 full paid. Based on the above facts, PQR must have applied for
39. ABC applied for
40. Cash/Bank A/c would be debited by.... at the time of receipt of allotment money
41. Amount to be forfeited in case of shares of Mr. PQR will be
42. Amount to be forfeited in case of shares of Mr. ABC
- (b) Rs. 4,000  
(c) Rs. 2,000  
(d) Rs. 2,600
43. Minimum rate at which 500 forfeited shares of PQR can be issued
44. Minimum rate at which 400 forfeited shares of ABC can be re-issued
45. On re-issue of all the 900 forfeited shares the balance in Forfeiture A/c is
46. To receive calls in advance it should be
47. Which of the following statement is true?
- (a) 550 Shares  
(b) 650 shares  
(c) 600 shares  
(d) 500 shares
- (a) 420 Shares  
(b) 520 shares  
(c) 480 shares  
(d) 500 shares
- (a) Rs. 398,000  
(b) Rs. 400,000  
(c) Rs. 397,500  
(d) Rs. 397,000
- (a) Rs. 2,500  
(b) Rs. 3,000  
(c) Rs. 3,500  
(d) Rs. 2,000
- (a) Rs. 3,200  
(b) Rs. 4,000  
(c) Rs. 2,000  
(d) Rs. 2,600
- (a) Rs. 5  
(b) Rs. 4  
(c) Rs. 6  
(d) Rs. 3
- (a) Rs. 2  
(b) Rs. 3  
(c) Rs. 4  
(d) Rs. 5
- (a) Rs. 4,400  
(b) Rs. 4,000  
(c) Rs. 3,600  
(d) Rs. 4,200
- (a) Authorized by articles of association  
(b) Authorized by special resolution  
(c) Sanctioned by Central Govt.  
(d) All the three
- (a) Profit prior to incorporation is a capital profit  
(b) Shares of private company are freely transferable  
(c) Shares cannot be issued at a premium more than 20%

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- (d) Balance in Share Forfeited A/c is transferred to Goodwill A/c
48. Select the false statement
- (a) Premium on issue of shares is available for distribution as dividend
- (b) Shares of any type can be issued to vendors of some assets
- (c) Shares cannot be issued at a discount more than 10%
- (d) Notice of forfeiture is must before forfeiting the shares
49. Discount on issue of shares is a
- (a) Capital loss
- (b) Revenue loss
- (c) Trading loss
- (d) Financial loss
50. Discount on issue of shares is
- (a) Amortized
- (b) Written in the first year
- (c) Netted off from Share Premium A/c
- (d) All the three
51. Calls in arrears is shown in
- (a) Assets side
- (b) Reduced from subscribed capital
- (c) Profit and Loss A/c
- (d) Suspense A/c
52. If shares issued at premium are forfeited for non-payment of call money including premium amount then at the time of forfeiture of such shares
- (a) Share Premium A/c will be debited in respect to unpaid premium amount
- (b) Share Premium A/c will be credited in respect to unpaid premium amount
- (c) Outstanding Calls A/c will be debited in respect to unpaid premium amount
- (d) Outstanding Calls A/c will be debited in respect to unpaid premium amount
53. On re-issue of forfeited shares issued at discount
- (a) Discount A/c can be re-debited (equal to initial discount at the time of allotment)
- (b) Discount A/c to be credited (equal to initial discount at the time of allotment)
- (c) Share Forfeited A/c to be debited (equal to initial discount at the time of allotment)
- (d) Share Forfeited A/c to be debited (equal to total discount)
54. X was issued 30 shares of Rs. 10 each issued at a discount of 10%. He paid Rs. 2 on application and failed to pay allotment money of Rs. 3. Subsequently his shares were forfeited. The accounting entry of forfeiture would be
- (a) Shares capital debit Rs. 150, credit share Forfeited A/c Rs. 60, shares allotment A/c Rs. 90
- (b) Shares capital debit Rs. 180, credit share Forfeited A/c Rs. 60, shares allotment A/c Rs. 120
- (c) Shares capital debit Rs. 180, credit share Forfeited A/c Rs. 60, shares

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- allotment A/c Rs. 90, discount A/c Rs. 30
- (d) Shares capital debit Rs. 150, credit share Forfeited A/c Rs. 60, shares allotment A/c Rs. 60, discount A/c Rs. 30
55. X was issued 50 shares of Rs. 10 each issued at a premium of 10%. He paid Rs. 2 on application and failed to pay allotment money of Rs. 4 (included premium). Subsequently his shares were forfeited. The accounting entry of forfeiture would be
- (a) Debit Share capital A/c Rs. 250, Share Premium A/c Rs. 50, Credit Share Allotment A/c Rs. 200, Share Forfeited A/c Rs. 100
- (b) Debit Share Capital A/c Rs. 300, Credit Share allotment A/c Rs. 200, Share Forfeited A/c Rs. 100
- (c) Debit Share Capital A/c Rs. 300, Credit Share allotment A/c Rs. 250, Share Forfeited A/c Rs. 50
- (d) Debit Share Capital A/c Rs. 300, Credit Share Allotment A/c Rs. 150, Share Forfeited A/c Rs. 150
56. Discount on issue of Share A/c is written off to
- (a) Profit and Loss A/c immediately
- (b) Profit and Loss Appropriate A/c immediately
- (c) Profit and Loss A/c gradually
- (d) Profit and Loss Appropriate A/c gradually
57. Equity Shareholders are the
- (a) Owner of the company
- (b) Creditor of the company
- (c) Debtor of the company
- (d) Management of the company
58. Equity shareholders are entitled to
- (a) Fixed dividend
- (b) Fixed interest
- (c) 15% dividend
- (d) Dividend only when declared by the Board of Director
59. X Ltd. purchased an automatic bottling machine from a vendor for Rs. 165,000. The company allotted him equity shares at a premium of 10% instead of paying him in cash. The vendor will be allotted... equity shares at Rs. 10 each
- (a) 15,000
- (b) 16,500
- (c) 13,500
- (d) 16,000
60. How many equity shares will be allotted to the vendor if the company allotted the shares at 10% discount
- (a) 18,333
- (b) 17,656.76
- (c) 17,650
- (d) 18,180
61. The main objectives of the company are stated in
- (a) Articles of Association

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- (b) Memorandum of Association  
(c) Certificate of Incorporation  
(d) Companies Act
62. Dividends are usually paid on....  
(a) Authorized Capital  
(b) Issued Capital  
(c) Called-up Capital  
(d) paid-up Capital
63. The maximum amount beyond which a company is not allowed to raise funds, by issue of shares is known.....  
(a) Issued Capital  
(b) Reserve Capital  
(c) Nominal Capital  
(d) Subscribed Capital
64. Which of the following should be deducted from the share capital to find out paid-up capital?  
(a) Calls-in advance  
(b) Calls-in-arrears  
(c) Share forfeiture  
(d) Discount on issue of shares
65. If a shareholder does not pay his dues on allotment, for the amount due, there will be a....  
(a) Credit balance in the share allotment account  
(b) Debit balance in the share forfeiture account  
(c) Credit balance in the share forfeiture account  
(d) Debit balance in the share allotment account
66. Subscribed capital is  
(a) Part of issued capital subscribed by promoters  
(b) Part of issued capital subscribed by public only  
(c) Part of issued capital issued for consideration other than cash  
(d) Part of issued capital subscribed by public plus issued for consideration other than cash
67. As per SEBI an existing company is free to price its share capital if  
(a) It is promoted by an established group  
(b) It has a track record of three years consistent  
(c) It has accumulated reserves to the tune of Rs. 50 crores  
(d) It is promoted by MNC
68. Which Amendment Act permits a company to issue equity share capital with differential rights as to dividend, voting or otherwise  
(a) Companies (Amendment) Act, 2003  
(b) Companies (Amendment) Act, 2000  
(c) Companies (Amendment) Act, 1988  
(d) Companies (Amendment) Act, 2002
69. According to SEBI guidelines a company must receive a minimum of \_\_\_% subscription before making any allotment of shares to the public  
(a) 75  
(b) 90  
(c) 50

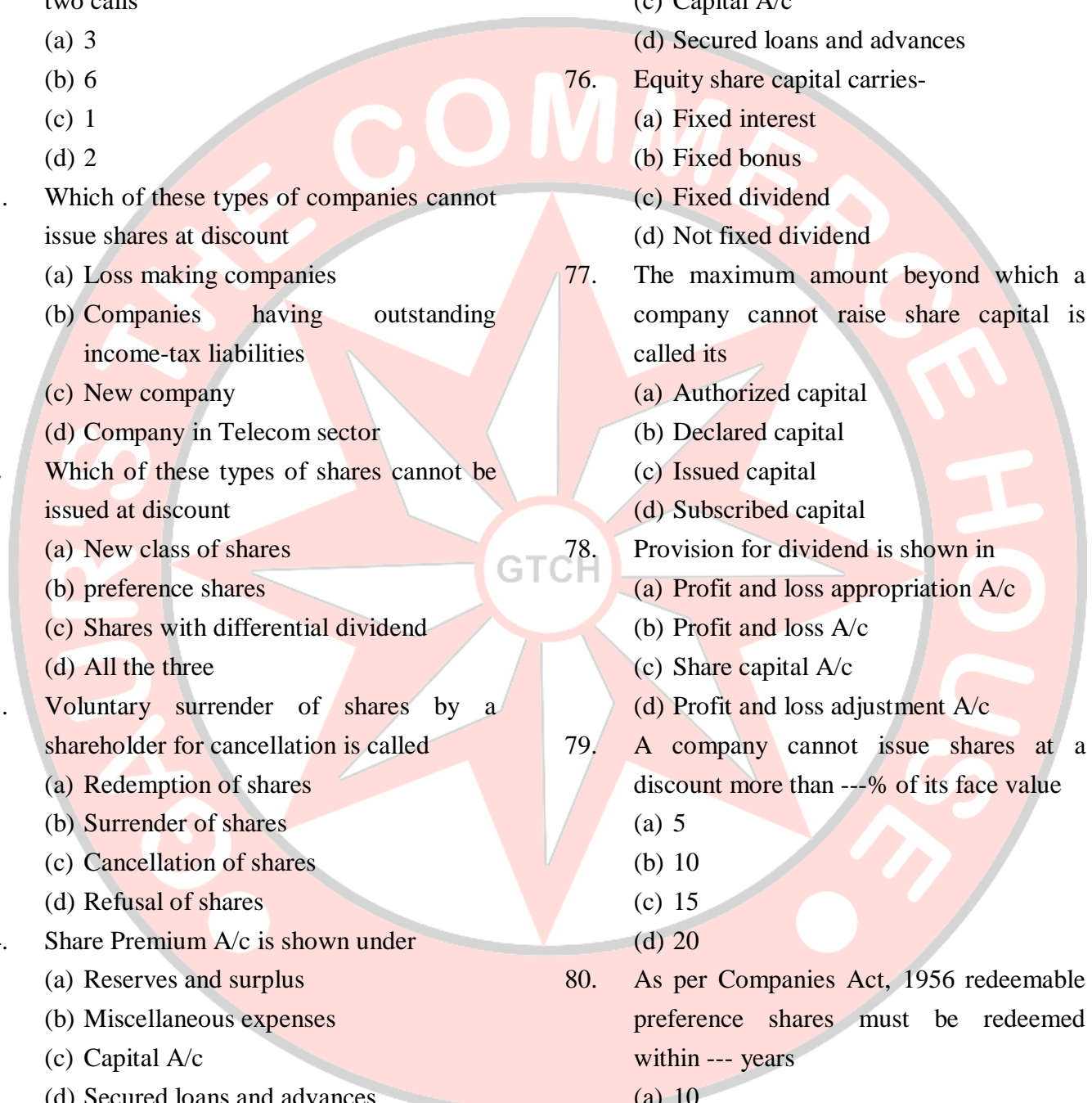


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- 
- (d) 25
70. There must be a gap of – month between two calls
- (a) 3  
(b) 6  
(c) 1  
(d) 2
71. Which of these types of companies cannot issue shares at discount
- (a) Loss making companies  
(b) Companies having outstanding income-tax liabilities  
(c) New company  
(d) Company in Telecom sector
72. Which of these types of shares cannot be issued at discount
- (a) New class of shares  
(b) preference shares  
(c) Shares with differential dividend  
(d) All the three
73. Voluntary surrender of shares by a shareholder for cancellation is called
- (a) Redemption of shares  
(b) Surrender of shares  
(c) Cancellation of shares  
(d) Refusal of shares
74. Share Premium A/c is shown under
- (a) Reserves and surplus  
(b) Miscellaneous expenses  
(c) Capital A/c  
(d) Secured loans and advances
75. Premium of issue of preference share is shown under
- (a) Reserves and surplus  
(b) Miscellaneous expenses  
(c) Capital A/c  
(d) Secured loans and advances
76. Equity share capital carries-
- (a) Fixed interest  
(b) Fixed bonus  
(c) Fixed dividend  
(d) Not fixed dividend
77. The maximum amount beyond which a company cannot raise share capital is called its
- (a) Authorized capital  
(b) Declared capital  
(c) Issued capital  
(d) Subscribed capital
78. Provision for dividend is shown in
- (a) Profit and loss appropriation A/c  
(b) Profit and loss A/c  
(c) Share capital A/c  
(d) Profit and loss adjustment A/c
79. A company cannot issue shares at a discount more than ---% of its face value
- (a) 5  
(b) 10  
(c) 15  
(d) 20
80. As per Companies Act, 1956 redeemable preference shares must be redeemed within --- years
- (a) 10  
(b) 20  
(c) 25

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- (d) 15
81. Security Premium A/c cannot be used for
- (a) Writing off preliminary expenses
  - (b) Writing off discount or commission paid on issue of shares and debenture
  - (c) Payment of dividend to equity shareholders
  - (d) Providing premium on redemption of preference share capital
82. A company purchased a new Plant and Machinery worth Rs. 1 crore from XYZ Associates and issued him 110000 equity shares of Rs. 10 each. The excess of consideration over and above the purchase price will be treated as
- (a) Goodwill
  - (b) Discount
  - (c) Premium
  - (d) Capital Reserve
83. A company purchased a new Plant and Machinery worth Rs. 1 crore from XYZ Associates and issued him 900000 equity shares of Rs. 10 each. The purchase price over the consideration will be treated as
- (a) Goodwill
  - (b) Discount
  - (c) Premium
  - (d) Capital Reserve
84. The rules for payment of interest on calls in advance or on calls in arrears are provided in ... of the Companies Act.
- (a) Table B
  - (b) Table A
  - (c) Schedule VI
  - (d) Schedule X
85. A company cannot re issue forfeited shares at a discount more than
- (a) 10%
  - (b) Amount forfeited
  - (c) Nominal value of the share
  - (d) Prevailing discount rate
86. Ashok was issued 300 shares of Rs. 10 each issued at a discount of 10%. He paid Rs. 2 on application and failed to pay allotment money of Rs. 3. Subsequently his shares were forfeited. The accounting entry of forfeiture would be
- (a) Share capital debit Rs. 1500, credit share Forfeited A/c Rs. 600, Share Allotment A/c Rs. 900
  - (b) Share capital debit Rs. 1800, credit share Forfeited A/c Rs. 60, Share Allotment A/c Rs. 1200
  - (c) Share capital debit Rs. 1800, credit share Forfeited A/c Rs. 600, Share Allotment A/c Rs. 900, Discount A/c Rs. 300
  - (d) Share capital debit Rs. 1500, credit share Forfeited A/c Rs. 600, Share Allotment A/c Rs. 60, Discount A/c Rs. 300
87. Pritam was issued 500 shares of Rs. 10 each issued at a premium of 10%. He paid Rs. 2 on application and failed to pay allotment money of Rs. 4 (including premium). Subsequently his shares were

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forfeited. The accounting entry of forfeiture would be.

(a) Debit Share Capital A/c Rs. 2500, Share Premium A/c Rs. 500, Credit Share Allotment A/c Rs. 2000, Share Forfeited A/c Rs. 1000

(b) Debit Share Capital A/c Rs. 3000, Credit Share Allotment A/c Rs. 2000, Share Forfeited A/c Rs. 1000

(c) Debit Share Capital A/c Rs. 3000, Credit Share Allotment A/c Rs. 2500, Share Forfeited A/c Rs. 50

(d) Debit Share Capital A/c Rs. 3000, Credit Share Allotment A/c Rs. 1500, Share Forfeited A/c Rs. 1500

88. DCWX Ltd. purchased a New Super Computer from a vendor for Rs. 220000. The company allotted him equity shares at a premium of 10% instead of paying him in cash. The vendor will be allotted.... equity shares of Rs. 10 each

- (a) 22,000
- (b) 20,500
- (c) 20,000
- (d) 21,500

89. How many equity shares will be allotted to the vendor if the company allotted the shares at 10% discount

- (a) 24444.44
- (b) 20,000
- (c) 22,000
- (d) 19,800

90. Which of the following is odd one

- (a) New worth
- (b) Owners equity
- (c) Fixed interest liability
- (d) Non-redeemable shares

91. Choose the odd one

- (a) Paid up
- (b) Subscribed
- (c) Written off
- (d) Authorized

92. Choose the odd one

- (a) Calls in advance
- (b) Calls in arrears
- (c) prospectus
- (d) Mortgage

93. Choose the odd one

- (a) Maximum member 50
- (b) Restriction to offer shares for public subscription
- (c) Freely transferable
- (d) Minimum capital of Rs. 1 lakh

94. Choose the odd one

- (a) Minimum paid up capital of Rs. 54 lakhs
- (b) Issue of prospectus
- (c) Restriction to accept public deposits
- (d) Free transferable

95. A company has all the following features except

- (a) Voluntary association of persons
- (b) Separate legal entity
- (c) Common seal
- (d) Unlimited liability

96. When we say that a company has

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perpetual existence we mean-

- (a) Its continuity is not affected by the change in its membership
- (b) Its life is coterminous with the life of its Chairman
- (c) Its life is defined in the Memorandum of Association
- (d) Its life is limited to the life of Plant and Machinery

Amendment Act-

- (a) 1999
- (b) 2000
- (c) 2002
- (d) 1998

97. Statutory corporations are not required to...

- (a) Frame its Memorandum of Association
- (b) Frame its Articles of Association
- (c) Use the word limited as a part of its name
- (d) All the three

98. Which of these is an example of a Statutory Company

- (a) RBI
- (b) LIC
- (c) SBI
- (d) All the three

99. The provision that a Public Limited Co. must have a paid up capital of Rs. 5 lacs or such higher figures as may be prescribed was inserted by the Companies Amendment Act-

- (a) 1999
- (b) 2000
- (c) 2002
- (d) 1998

100. The provision of issue of Sweat equity shares was inserted by the Companies

101. Bonus shares can be issued if the-

- (a) Articles of Association permit it.
- (b) Proposal is approved by the shareholders in the general meeting
- (c) Issue is made out of free reserves
- (d) All the three

102. As per section 77A of the Companies Act, a company can buy back its shares or securities out of-

- (a) Its free reserves
- (b) Securities premium A/c
- (c) Proceeds of any shares or other specified securities
- (d) Any of the above three

103. Every buy-back of shares should be completed within .... months of passing the special resolution

- (a) 12
- (b) 6
- (c) 8
- (d) 18

104. Rates of depreciation to be charged on fixed assets are provided in

- (a) Schedule VI of the Companies Act
- (b) Schedule XIV of the Companies Act
- (c) Schedule XII of the Companies Act
- (d) Schedule XV of the Companies Act

105. Which of these are included in building for



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the purpose of rates of depreciation.

- (a) Roads
- (b) Bridges, culverts
- (c) Wells and tubewells
- (d) All the three

or manager remuneration according to.

- (a) Schedule XVI of the Companies Act
- (b) Schedule XIII, Part II, Section I of the Companies Act
- (c) Schedule XIII, Part II, Section II, of the Companies Act
- (d) Schedule XII, Part I of the Companies Act

106. Which of these is not included in the term "factory building"

- (a) Offices
- (b) Godowns
- (c) Officers and employees quarters
- (d) All the three

110 Tax on corporate dividends was introduced in Finance Act.

- (a) 1997
- (b) 1999
- (c) 2001
- (d) 2003

107. Overall managerial remuneration is provided in section... of the Companies Act.

- (a) 199
- (b) 210
- (c) 198
- (d) 377

112. The form of Balance Sheet is provided in... of the Companies Act.

- (a) Schedule VI, Part I
- (b) Schedule VI, Part II
- (c) Schedule XVI, Part I
- (d) Schedule XII, Part I

108. If in any financial year a company has no profits or its profits are inadequate, the company can pay to its managing or whole time director or manager remuneration according to

- (a) Schedule XVI of the Companies Act
- (b) Schedule XII, Part II, Section I of the Companies Act
- (c) Schedule XIII, Part II, Section II, of the Companies Act
- (d) Schedule XII, Part I of the Companies Act

113. Which of these information is required to be disclosed as per Part IV of Schedule VI of the Companies Act, 1956 in the Balance Sheet.

- (a) Registration details
- (b) Capital raised during the year
- (c) Position of mobilization and deployment of funds
- (d) All the three

109. A company having sufficient profits can pay to its managing or whole time director

114. DLF Estate Ltd. invited application for allotment of 30,00,000 share of Rs. 10 each at a premium of Rs. 2, payment Rs. 2

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on application, Rs. 5 including premium on allotment, Rs. 3 on first call and balance Rs. 2 on second and final call. Applications were received for 40,00,00 shares and pro rata allotment was made on 36,00,000 shares and balance money was refunded. Sudhir who was allotted 3000 shares failed to pay allotment money and first call consequently his shares were forfeited after first call. Subsequently his shares were reissued at Rs. 9. Find the number of shares initially applied by Sudhir.

- (a) 3600
- (b) 4000
- (c) 3000
- (d) 3200

115. In question No. 114 what would be the amount to be transferred to share forfeited A/c at the time of forfeiture of shares of Sudhir.

- (a) 6000
- (b) 7200
- (c) 8000
- (d) 6400

116. In question No. 114 what amount would be transferred to Capital reserve A/c after reissue of the forfeited shares.

- (a) 4200
- (b) 3800
- (c) 3000
- (d) 4500

117. XYZ Ltd. invited application for public

issue of 20,000 equity shares of Rs. 10 each at a premium of Rs. 2, payable as under Rs. 2 on application, Rs. 3 on allotment, Rs. 5 on first call (including premium) and balance on second and final call. Applications were received for 30,000 shares, pro rata allotment was made for 24,000 applications and the remaining applications were rejected. Gopal who applied for 4800 shares failed to pay second call consequently his shares were forfeited and reissued at Rs. 6. Find the number of shares allotted to Gopal on pro rata basis.

- (a) 4800
- (b) 4000
- (c) 3000
- (d) 4400

118. In questions No. 117 what would be the amount to be transferred to share forfeited A/c at the time of forfeiture of shares of Gopal.

- (a) 36000
- (b) 32000
- (c) 28000
- (d) 16400

119. In questions No. 117 what would be transferred to Capital reserve A/c after reissue of the forfeiture shares.

- (a) 18000
- (b) 16000
- (c) 12000
- (d) 8000

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120. Sushil was holding 300 shares of Rs. 10 issued at a discount of Rs. 2 per share. He paid Rs. 2 as application and failed to pay allotment money of Rs. 3 as a result of which his shares were forfeited. At the time of forfeiture of his shares Share capital A/c will be debited by-
- (a) Rs. 2100  
(b) Rs. 1500  
(c) Rs. 3000  
(d) Rs. 18000
121. X was issued 500 shares of ABC Ltd. at Rs. 12 including Rs. 2 premium. He paid only application money of Rs. 3 and failed to pay the allotment money of Rs. 4 including premium. Consequently his shares were forfeited. Y was also allotted 400 shares he paid Rs. 3 on application. Rs. 4 at the time of allotment and failed to pay the call money of Rs. 5. His shares were also subsequently forfeited. The company subsequently reissued 800 shares at Rs. 8 fully paid up as Rs. 10. Find the amount to be transferred to Capital reserve A/c on reissue of 800 forfeited shares.
- (a) Rs. 1500  
(b) Rs. 1200  
(c) Rs. 1400  
(d) Rs. 900
122. In question No. 121 find the amount left in share forfeited A/c
- (a) 500  
(b) 400  
(c) 300  
(d) 100
123. X was issued 100 shares of Rs. 10 each at par, he paid application money and allotment money total amount to Rs. 6 and failed to pay the balance call money of Rs. 4. Find the maximum discount that can be given at the time of reissue of these shares.
- (a) Rs. 6 per share  
(b) Rs. 4 per share  
(c) Rs. 2 per share  
(d) Rs. 10 per share
124. X was issued 100 shares of Rs. 10 each at a discount of Re. 1, he paid application money and allotment money total amount to Rs. 6 and failed to pay the balance call money of Rs. 3. Find the maximum discount that can be given at the time of reissue of these shares.
- (a) Rs. 7 per share  
(b) Rs. 4 per share  
(c) Rs. 6 per share  
(d) Rs. 3 per share
125. X was issued 100 shares of Rs. 10 each at a premium of Re. 1, he paid application money and allotment money total amount to Rs. 5 (including premium) and failed to pay the balance call money of Rs. 5. Find the maximum discount that can be given at the time of reissue of these shares.
- (a) Rs. 6 per share  
(b) Rs. 4 per share

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- (c) Rs. 2 per share  
(d) Rs. 5 per share
126. X was issued 100 shares of Rs. 10 each at a premium of Re. 1, he paid application money and allotment money total amount to Rs. 5 (including premium) and failed to pay the balance call money of Rs. 4. Find the maximum discount that can be given at the time of reissue of these shares.  
(a) Rs. 4 per share  
(b) Rs. 6 per share  
(c) Rs. 2 per share  
(d) Rs. 5 per share
127. As per Companies (Amendment) Act, 2000, the share of a company limited by share formed or issued after the commencement of this Act shall of ... kinds.  
(a) 2  
(b) 3  
(c) 4  
(d) 1
128. A Company formed after commencement of Companies (Amendment) Act, 2000 cannot issue which of these types of equity shares.  
(a) With voting right  
(b) With differential rights as to dividend  
(c) With differential rights as to voting  
(d) With fixed assured dividend
129. As per Companies (Amendment) Act, 1994 company limited by shares cannot issue irredeemable or redeemable shares after more than.. years  
(a) 10  
(b) 15  
(c) 20  
(d) 15
130. Which of these is one of the condition for issue of sweet equity shares by a company.  
(a) Authorized by a special resolution passed by the company in general meeting  
(b) Provision in the Article of Association of the company  
(c) Court orders authorizing such issue  
(d) Cannot be issued at discount.
131. To which of these persons sweet equity shares can be issued by a company.  
(a) Employees  
(b) Directors  
(c) Providers of know how or intellectual property rights or value addition  
(d) All the three
132. Which of these items is/are included in Miscellaneous expenditure to be shown in Balance Sheet  
(a) Loss on issue of debenture  
(b) Discount on issue of debenture  
(c) Expenses on issue of debenture  
(d) All the three



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### COMPANY ACCOUNTS : REDEMPTION OF REDEEMABLE

#### PREFERENCE SHARES

1. Which of the following statement is correct?
  - (a) Redemption of preference shares amount to reduction of capital under section 100 of the Companies Act.
  - (b) Company can issue irredeemable preference shares
  - (c) From 15<sup>th</sup> June, 1988 onward no company can issue redeemable preference shares of term more than 10 years
  - (d) Redeemable preference shares cannot be redeemed at premium
2. Irredeemable preference shares which were issued by the company before the commencement of Companies Amendment Act, 1988, must be redeemed within.... from the date of commencement of Companies Amendment Act, 1988
  - (a) 10 years
  - (b) 5 years
  - (c) 6 months
  - (d) 1 year
3. Redeemable preference shares are those shares on which capital is to be paid back
  - (a) Within the stipulated period of not more than 10 years
  - (b) Within the stipulated period of not more than 5 years
  - (c) Within the stipulated period of not more than 15 years
  - (d) Within the stipulated period of not more than 1 year
4. Which of these is not one of the conditions for redemption of redeemable preference share
  - (a) Must be fully paid
  - (b) Premium of redemption may be paid out of existing Share Premium A/c
  - (c) Can be paid out of Divisible profits only
  - (d) None
5. Divisible profit include(s)
  - (a) Credit balance of Profit and Loss A/c
  - (b) General reserve
  - (c) Reserve fund
  - (d) All the three
6. Divisible profit excludes
  - (a) Capital reserve
  - (b) Dividend equalization fund
  - (c) Profit and loss account
  - (d) General reserve
7. Redeemable preference share can be redeemed out of
  - (a) Available divisible profits
  - (b) Proceed of fresh issue of share capital
  - (c) Both (a) & (b)
  - (d) None of these
8. Premium on redemption of redeemable preference shares can be paid out of
  - (a) Existing Share Premium A/c
  - (b) Proceed of fresh issue of shares including premium
  - (c) Profit and Loss A/c
  - (d) All the above
9. Transfer to Capital redemption reserve can be from...
  - (a) Profit and Loss A/c
  - (b) Profit prior to Incorporation A/c
  - (c) Share Forfeited A/c
  - (d) Capital reserve
10. On 15<sup>th</sup> June, 1988 a company had 10,000 12<sup>th</sup> Redeemable Preference Shares of Rs. 10 each with were issued on 1<sup>st</sup> April, 1980 with a redemption period of 20 years. These shares will be redeemed
  - (a) Before 15<sup>th</sup> June, 1998
  - (b) Before 15<sup>th</sup> June, 1993
  - (c) Before 1<sup>st</sup> April, 1990
  - (d) Before 1<sup>st</sup> April, 2008
11. A company's balance sheet shows the

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following information:

Outstanding Redeemable Preference Shares

Rs. 200,000

Premium on redemption 10%

Divisible profit available Rs. 100,000

Security Premium A/c Rs. 15,000

Fresh issue to be made at a discount of 10%

The face value of fresh issue of shares will be

- (a) Rs. 100,000
- (b) Rs. 1,16,670
- (c) Rs. 90,000
- (d) Rs. 115,500

12. In question No. 11 the amount to be transferred to Capital redemption reserve will be

- (a) Rs. 105,000
- (b) Rs. 100,00
- (c) Rs. 95,000
- (d) Rs. 90,000

13. Hero Industries purchased a Plant from Hind Industries for Rs. 10,00,000. The company paid Rs. 200,000 in cash and agreed to allot 15% redeemable preferences shares of Rs. 100 each at a premium of 25% for the balance amount. The vendor will be allotted... 15% preference shares of Rs. 100 each

- (a) 8,000
- (b) 6,400
- (c) 7,200
- (d) 7,580

14. In question No. 13 how many preference shares will be issued to the vendor if the shares are allotted at 10% discount

- (a) 8,000
- (b) 7,000
- (c) 6,680
- (d) 7,080

15. Preference shareholders get

- (a) Dividend at a fixed rate
- (b) Interest at a fixed rate
- (c) Dividend @ 25%
- (d) Fixed Dividend plus 10% additional profit

16. A company intends to redeem its partly paid preference shares. Before redemption of such shares the company must

- (a) Make the partly paid share fully paid up by calling the balance money
- (b) Appoint a consultant to advice on this matter.
- (c) Seek prior permission of SEBI
- (d) Issue a public notice to this effect

17. Preference shareholder have priority for payment of

- (a) Dividend
- (b) Share capital
- (c) Both
- (d) Either (a) or (b)

18. Redeemable preference shares cannot be redeemed out of

- (a) Profit prior to incorporation
- (b) Contingency fund
- (c) General reserve
- (d) Right shares

19. A company cannot issue

- (a) Shares at discount
- (b) Irredeemable preference shares
- (c) Debentures redeemable at premium
- (d) Right shares

20. Right shares are issued to the

- (a) Promoters

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- (b) Existing shareholders only  
(c) Board of directors  
(d) Management
21. Supreme Industries purchased a old plant from Superior Industries for Rs. 10,00,000. The company paid Rs. 300,000 in cash and agreed to allot 12% redeemable preferences shares of Rs. 100 each at a premium of 25% for the balance amount. The vendor will be allotted... 12% preference shares of Rs. 100 each  
(a) 7,000  
(b) 5,600  
(c) 9,800  
(d) 7,500
22. In question No. 21 how many preference shares will be issued to the vendor if the shares are allotted at 10% discount  
(a) 777.77  
(b) 7,000  
(c) 6,680  
(d) 7,080
23. Which of the following is odd one  
(a) Irredeemable  
(b) Capital redemption reserve  
(c) Fully paid up  
(d) Fixed dividend
24. Which of the following is odd one  
(a) Writing of preliminary expenses  
(b) Payment of dividend  
(c) Writing off discount on issue of shares  
(d) Writing off commission paid on issue of shares/debentures
25. Which of the following is odd one  
(a) General reserve A/c  
(b) Profit and Loss A/c  
(c) Dividend equalization reserve A/c  
(d) Goodwill A/c
26. From the following details calculate the number of equity shares of Rs. 10 each to be issued in order to redeem the preference shares  
11% Redeemable preference =Rs. 150,000  
Share of Rs. 10 each  
Security premium A/c =Rs. 15,000  
General Reserve A/c =Rs. 15,000  
Profit and Loss A/c =Rs. 35,000  
Redeemable preference shares are to be redeemed @ 10% premium  
(a) 9,000  
(b) 10,000  
(c) 8,000  
(d) 11,000
27. From the following details calculate the number of equity shares of Rs. 10 each to be issued in order to redeem the preference shares  
12% (20000) Redeemable =Rs. 200,000  
preference Share of Rs. 10 each  
Security premium A/c =Rs. 20,000  
General Reserve A/c =Rs. 15,000  
Profit and Loss A/c =Rs. 30,000  
Redeemable preference shares are to be redeemed @ 10% premium  
(a) 19,000  
(b) 15,500  
(c) 18,000  
(d) 11,000
28. From the following details calculate the number of equity shares of Rs. 10 each to

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be issued in order to redeem the preference shares. The company intends to raise fund through equity shares @ 10% discount

13% (50000) Redeemable =Rs. 500,000  
preference Share of Rs. 10 each

Security premium A/c =Rs. 55,000

General Reserve A/c =Rs. 25,000

Profit and Loss A/c =Rs. 20,000

Redeemable preference shares are to be redeemed @ 10% premium

(a) 39,000

(b) 50,000

(c) 48,000

(d) 41,000

29. From the following details calculate the number of equity shares of Rs. 10 each to be issued in order to redeem the preference shares. The company intends to raise fund through equity shares @ 10% discount

12% Redeemable preference =Rs. 150,000  
Share of Rs. 10 each

Security premium A/c =Rs. 15,000

General Reserve A/c =Rs. 10,000

Profit and Loss A/c =Rs. 14,000

Redeemable preference shares are to be redeemed @ 10% premium

(a) 14,000

(b) 10,000

(c) 8,000

(d) 13,000

30. From the following details calculate the number of equity shares of Rs. 10 each to be issued in order to redeem the preference shares

12% Redeemable preference =Rs. 150,000  
Share of Rs. 10 each

Security premium A/c =Rs. 15,000

General Reserve A/c =Rs. 10,000

Profit and Loss A/c =Rs. 14,000

Redeemable preference shares are to be redeemed @ 10% premium

(a) 14,000

(b) 12,600

(c) 14,300

(d) 13,000

31. From the following details calculate the number of equity shares of Rs. 10 each to be issued in order to redeem the preference shares

10% Redeemable preference =Rs. 150,000  
Share of Rs. 10 each

Security premium A/c =Rs. 20,000

General Reserve A/c =Rs. 10,000

Share forfeited A/c =Rs. 6,000

Profit and Loss A/c =Rs. 10,000

Redeemable preference shares are to be redeemed @ 10% premium

(a) 12,900

(b) 12,500

(c) 18,000

(d) 11,000



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### COMPANY ACCOUNTS : ISSUE OF DEBENTURES

1. Which of the following statement is true?
  - (a) Debentures bear fixed interest
  - (b) Interest on debenture is an appropriation of profit
  - (c) Debenture holders have voting right
  - (d) Debentures cannot be issued for consideration other than cash
2. Which of the following statement is not true?
  - (a) Interest on debenture is not shown in Profit and Loss A/c
  - (b) Interest on debenture holders is to be paid whether there is profit or loss to the company
  - (c) There is restriction on utilization of premium on issue of shares
  - (d) Company can buy back its debentures
3. In the event of liquidation of the company the debenture holders have prior right for
  - (a) Interest
  - (b) Principal amount
  - (c) None
  - (d) Both (a) & (b)
4. Premium on issue of debentures can be utilized for writing off
  - (a) Discount on issue of debenture/shares
  - (b) Preliminary expenses
  - (c) Goodwill/patent
  - (d) All the above
5. Discount on issue of debenture is a
  - (a) Capital loss
  - (b) Revenue loss
  - (c) Financial loss
  - (d) Speculative loss
6. Discount on issue of debenture is shown in balance sheet as
  - (a) Miscellaneous expenses
  - (b) Goodwill
  - (c) Claims receivable
  - (d) Reserve capital
7. Premium on redemption of debenture A/c is a
  - (a) Personal A/c
  - (b) Real A/c
  - (c) Nominal A/c
  - (d) Suspense A/c
8. Premium on redemption of debenture is generally provided at the time of...
  - (a) Issue of debentures
  - (b) Redemption of debentures
  - (c) Every year
  - (d) After 10 years
9. Debentures cannot be redeemed at
  - (a) Premium
  - (b) Discount
  - (c) Par
  - (d) More than 10% premium
10. Debentures can be redeemed out of
  - (a) Profit
  - (b) Provisions
  - (c) Capital
  - (d) All the above
11. A company issued 1000 12% debentures of 100 at par redeemable at 10% premium. 12% stands for
  - (a) Rate of dividend
  - (b) Rate of tax
  - (c) Rate of interest
  - (d) Rate of TDS
12. X Ltd. purchased a plant for Rs. 20,000 payable Rs. 6,500 in cash and balance by issue of 13% debentures of Rs. 100 each of a discount of 10%. However many debentures would be required to issue to the vendor
  - (a) 165 debentures of Rs. 100 each
  - (b) 150 debentures of Rs. 100 each
  - (c) 135 debentures of Rs. 100 each
  - (d) 200 debentures of Rs. 100 each
13. In question No. 12 if the debentures are to be issued at a premium of 10% how many

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- debentures would be required to issue to the vendor
- (a) 125 of Rs. 100 each
  - (b) 123 of Rs. 100 each
  - (c) 102.50 of Rs. 100 each
  - (d) 150 of Rs. 100 each
14. Debenture holders are....
- (a) Owners of the company
  - (b) Lenders of the company
  - (c) Debtors of the company
  - (d) Trustee of the company
15. Loss on issue of Debentures is generally written off in.....
- (a) 10 years
  - (b) 8 years
  - (c) Over the period of debentures
  - (d) 15 years
16. Saroj Industries issued 8000. 15% debentures of Rs. 100 each at par and redeemable at 10% premium. At the time of issue, the entry to be passed will be
- (a) Dr. Bank A/c Rs. 800,000, Loss on redemption of debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debenture A/c Rs. 80,000
  - (b) Dr. Bank A/c Rs. 800,000, Discount on issue Debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debenture A/c Rs. 80,000
  - (c) Dr. Bank A/c Rs. 800,000, Loss on redemption of debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Loss on issue of Debenture A/c Rs. 80,000
  - (d) Dr. Bank A/c Rs. 880,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debenture A/c Rs. 80,000
17. In question No. 16 if the debentures were initially issued at 10% discount, at the time of issue, the entry to be passed will be
- (a) Dr. Bank A/c Rs. 800,000, Discount on issue Debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debenture A/c Rs. 80,000
  - (b) Dr. Bank A/c Rs. 800,000, Loss on redemption of debenture Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Loss on issue of Debenture A/c Rs. 80,000
  - (c) Dr. Bank A/c Rs. 720,000, Discount on issue Debenture A/c Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Premium of Redemption of Debenture A/c Rs. 80,000
  - (d) Dr. Bank A/c Rs. 720,000, Loss on redemption of debenture Rs. 80,000, Cr. Debenture A/c Rs. 800,000, Loss on issue of Debenture A/c Rs. 80,000
18. If the debentures were issued at 10% premium but redeemed at par, what journal entry will be passed at the time of issue based on the facts given in question No. 16
- (a) Bank A/c Dr. Rs. 880,000, Credit 15% Debentures A/c Rs. 800,000, Premium on issue of Debenture A/c Rs. 80,000
  - (b) Bank A/c Dr. Rs. 800,000, Credit 15% Debentures A/c Rs. 800,000, Premium on issue of Debenture A/c Rs. 80,000
  - (c) Bank A/c Dr. Rs. 880,000, Credit 15% Debentures A/c Rs. 880,000
  - (d) Bank A/c Dr. Rs. 800,000, Premium on issue of Debenture Rs. 80,000, Credit 15% Debentures A/c Rs. 800,000, Premium on issue of Debenture A/c Rs. 80,000
19. Which of the following is incorrect with respect of debentures?
- (a) They can be issued for cash

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- (b) They can be issued for consideration other than cash  
(c) They can be issued as collateral security  
(d) They can be issued in lieu of dividends.
20. Which of the following is incorrect?  
(a) A company can issue irredeemable debentures  
(b) A company can issue debentures with voting rights  
(c) A company can buy its own shares  
(d) A company can buy its own debentures
21. Debentures which are not secured by any charge upon any assets of the company are called  
(a) Secured debenture  
(b) Naked debenture  
(c) Bearer debenture  
(d) Floating debenture
22. A company issued 14% debentures of Rs. 1000 each at Rs. 950 to be redeemable at Rs. 1050. The difference of Rs. 100 will be  
(a) Debited to loss on issue of Debenture A/c  
(b) Credited to loss on issue of Debenture A/c  
(c) Preliminary Expenses A/c  
(d) Capital loss A/c
23. The maximum discount at which debenture can be issued is  
(a) 10%  
(b) 20%  
(c) no such limit exist  
(d) 50%
24. Loss on issue of debenture A/c is a  
(a) Personal A/c  
(b) Nominal A/c  
(c) Real A/c  
(d) Dummy A/c
25. Discount on issue of debenture A/c is to written off  
(a) Immediately  
(b) Within 3-4 years  
(c) Over the tenure of the debenture  
(d) All the three alternative are available to the company
26. XYZ Ltd. issued 1,00,000 debentures of Rs. 100 each at a discount of 10% to be redeemed at the end of 10<sup>th</sup> year from the date of issue at par. The loss on issue of debenture will be written off as  
(a) Rs. 10,000 every month  
(b) Rs. 1,00,000 every month  
(c) Rs. 10,00,000 at the end of 10<sup>th</sup> year  
(d) Rs. 10,00,000 at the end of 1<sup>st</sup> year of issue
27. ABC issued 1,00,000 12.5% debentures of Rs. 100 each. The total amount of interest payable on the debentures will be  
(a) Rs. 12,50,000  
(b) Rs. 12.5  
(c) Rs. 100,00,000  
(d) Rs. 125,000
28. Which of these statement is not true about debenture holders  
(a) Debenture holders are like the lenders of the company  
(b) Debenture holders have priority of payment of interest and amount  
(c) In case of loss the debenture holders are not entitled to interest on the debenture  
(d) Interest on debenture is an allowable expenses
29. Reliable Industries Ltd. purchased a plant for Rs. 100,000 payable Rs. 37,000 in cash and balance by issue of 13% debentures of Rs. 100 each at a discount of 10%. However many debentures would be required to issue to the vendor  
(a) 630 debentures of Rs. 100 each

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- (b) 700 debentures of Rs. 100 each  
(c) 770 debentures of Rs. 100 each  
(d) 600 debentures of Rs. 100 each
30. If in question No. 29 the debentures are to be issued at a premium of 10%, how many debentures would be required to issue to the vendor  
(a) 630 of Rs. 100  
(b) 572.72 of the 100 each  
(c) 700 of Rs. 100 each  
(d) 600 of Rs. 100 each
31. Which of the following is odd one  
(a) Voting right  
(b) Interest  
(c) Priority in payment of interest and principle  
(d) Allowable expenses
32. Which of the following is odd one  
(a) Naked  
(b) Redeemable at discount  
(c) Issued at par  
(d) Redeemable at premium
33. ... debentures are those which can be transferred by mere delivery  
(a) Naked  
(b) Registered  
(c) Bearer  
(d) Floating
34. Issue of debentures as collateral securities means issue of such debentures as-  
(a) Subsidiary security  
(b) Principal security  
(c) In lieu of principal security  
(d) None
35. Which of these is not method of redemption of debentures  
(a) Purchase in open market  
(b) Auction of debentures  
(c) Drawing of lots  
(d) Payment in lump sum
36. Debentures which are convertible into shares at the option of the shareholders according to the terms of the issue are known as-  
(a) Optional debenture  
(b) Convertible debenture  
(c) Convertible shares  
(d) Flexible debenture
37. As per SEBI Guidelines Debenture Redemption reserve is required to be created in case the company issue debentures with a maturity of-  
(a) More than 18 months  
(b) 2 years  
(c) 10 years  
(d) 5 years
38. Company should created DRR equivalent to...% of the amount of debenture issue before redemption of debenture can commence  
(a) 75  
(b) 40  
(c) 50  
(d) 25
39. Withdrawal from DRR is permissible only after....% of the debenture liability has been redeemed  
(a) 30  
(b) 40  
(c) 10  
(d) 25



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### INTRODUCTION TO MICRO ECONOMICS

1. Micro economics theory deals with
  - (a) Economics behaviour of individual economics decision makings units
  - (b) Fiscal decision of Central Bank
  - (c) Trade relations of competitors
  - (d) Economic growth of the society
2. Which of the following is a central problem of every economy
  - (a) Abundance of resources
  - (b) Scarcity of economic resources
  - (c) Moral and ethical values
  - (d) Illiteracy
3. Equilibrium relates to which of these
  - (a) Market conditions which oscillate
  - (b) Market state of falling prices
  - (c) Market condition of rising prices
  - (d) market conditions which once achieved tends to persist
4. Partial equilibrium analysis is the study of
  - (a) Behaviour of individual economics decision making units and individual markets is isolation
  - (b) Behaviour of all the individual decision making units and market viewed in totality
  - (c) Both
  - (d) None
5. General equilibrium analysis refers to
  - (a) Behaviour of individual economic decision making units and individual markets isolation
  - (b) Behaviour of all the individual decision making units and market viewed in totality
  - (c) Both
  - (d) None
6. Positive economic theory deals with
  - (a) What is or how the economic problem facing the society are solved
  - (b) How the problem should be solved
  - (c) What to produce
  - (d) When to produce
7. Normative economic theory deals with
  - (a) What is or how the economic problem facing the society are solved
  - (b) How the problem should be solved
  - (c) What to produce
  - (d) When to produce
8. In a mixed economy which sector(s)/are found
  - (a) Private only
  - (b) Public sector only
  - (c) None
  - (d) Both a and b
9. Classical economic though dominated during
  - (a) 1700-1900 AD
  - (b) 1400-1600 AD
  - (c) 1200-1300 AD
  - (d) 1300-1400 AD
10. In economic theory the term “means” refers to
  - (a) Resource
  - (b) Arithmetic mean
  - (c) A characteristic
  - (d) None
11. In economic theory the term ‘ends’ refers to
  - (a) Desires
  - (b) Purchasing power
  - (c) Wants
  - (d) Demands
12. Market equilibrium of a commodity is determined
  - (a) Balancing of demand and supply position
  - (b) Aggregate demand
  - (c) Aggregate supply
  - (d) Government intervention
13. Ceteris paribus means
  - (a) Holding supply constant
  - (b) Holding demand constant
  - (c) Price being constant
  - (d) Other things being constant

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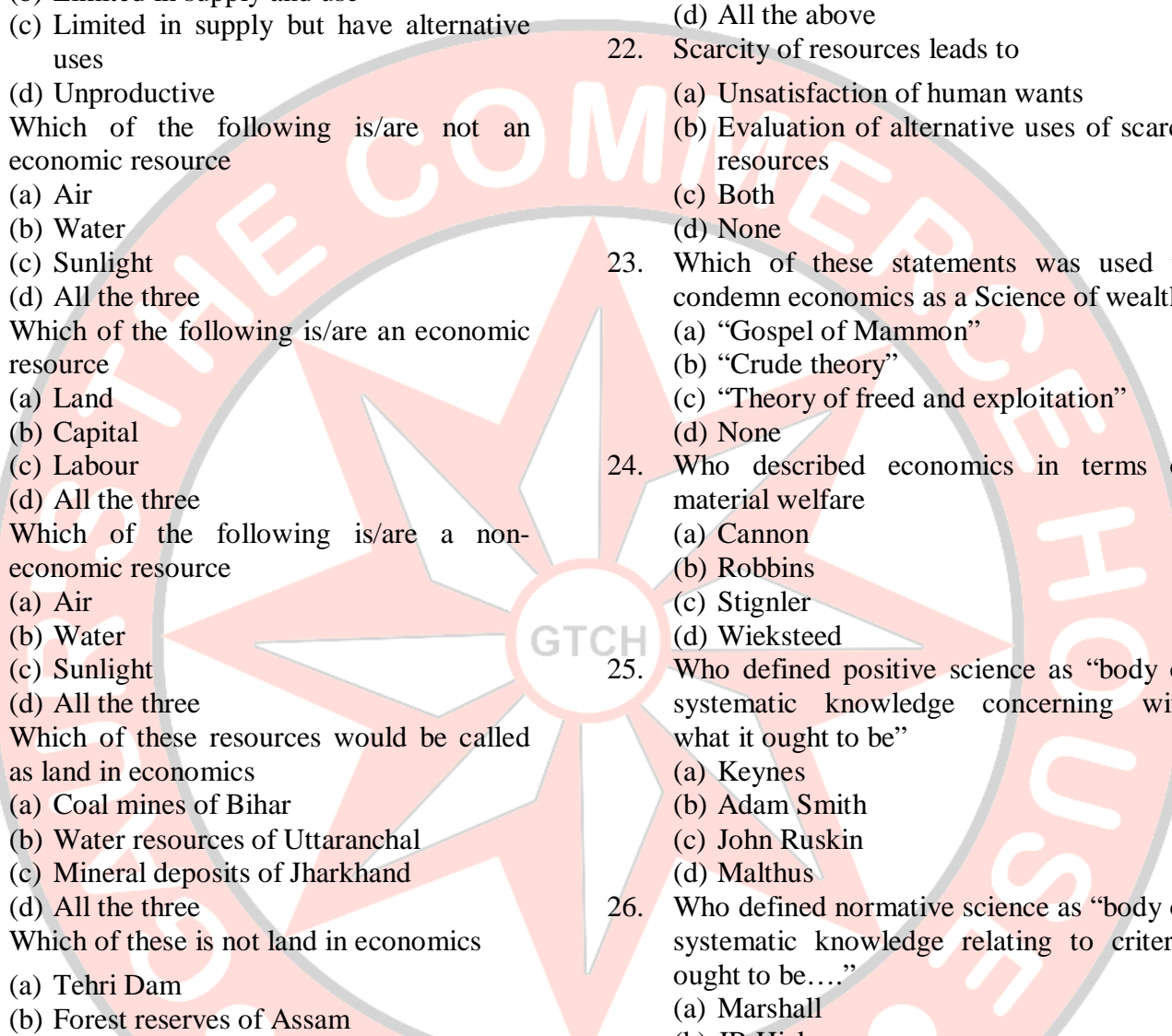
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14. Economic resources are  
(a) Unlimited  
(b) Limited in supply and use  
(c) Limited in supply but have alternative uses  
(d) Unproductive
15. Which of the following is/are not an economic resource  
(a) Air  
(b) Water  
(c) Sunlight  
(d) All the three
16. Which of the following is/are an economic resource  
(a) Land  
(b) Capital  
(c) Labour  
(d) All the three
17. Which of the following is/are a non-economic resource  
(a) Air  
(b) Water  
(c) Sunlight  
(d) All the three
18. Which of these resources would be called as land in economics  
(a) Coal mines of Bihar  
(b) Water resources of Uttaranchal  
(c) Mineral deposits of Jharkhand  
(d) All the three
19. Which of these is not land in economics  
(a) Tehri Dam  
(b) Forest reserves of Assam  
(c) Fish reserves in the Bay of Bengal  
(d) Herbal plant of Uttaranchal
20. Which of these would be classified as capital in economics  
(a) Bhakra Dam  
(b) Indira canal  
(c) Golden triangle  
(d) All the three
21. Capital in economics means  
(a) Factor of production  
(b) Fund brought in by the entrepreneur  
(c) Investment in shares, bank deposits  
(d) All the above
22. Scarcity of resources leads to  
(a) Unsatisfaction of human wants  
(b) Evaluation of alternative uses of scarce resources  
(c) Both  
(d) None
23. Which of these statements was used to condemn economics as a Science of wealth  
(a) "Gospel of Mammon"  
(b) "Crude theory"  
(c) "Theory of freed and exploitation"  
(d) None
24. Who described economics in terms of material welfare  
(a) Cannon  
(b) Robbins  
(c) Stigler  
(d) Wieksteed
25. Who defined positive science as "body of systematic knowledge concerning with what it ought to be"  
(a) Keynes  
(b) Adam Smith  
(c) John Ruskin  
(d) Malthus
26. Who defined normative science as "body of systematic knowledge relating to criteria ought to be...."  
(a) Marshall  
(b) JR Hicks  
(c) Keynes  
(d) Adam Smith
27. Who defined economics as "Science which deals with wealth"  
(a) J.B. Say  
(b) A.C. Pigou  
(c) Alfred Marshal  
(d) Robbins
28. Who remarked "Economics is concerned

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- with what economists do”
- (a) Jacob Viner  
(b) AC Pigou  
(c) Robbins  
(d) Samuelson
29. Who alleged that economic should not be normative in character  
(a) Jacob Viner  
(b) AC Pigou  
(c) Robbins  
(d) Samuelson
30. Economics cannot be considered a perfect science because  
(a) Human behaviour is unpredictable  
(b) It is difficult to make correct prediction of economic variables  
(c) Economist do not have common opinion about a particular economic event  
(d) All the three
31. Which of these is/are a positive statement(s)  
(a) Export of onion ought to be banned to check rising prices of onion in domestic market  
(b) Forwarding trading in commodities ought to be banned to curb rising prices  
(c) Export of onion has created shortage of domestic supply of onions  
(d) All the three
32. Which of these is a normative statement  
(a) Forwarding trading in commodity market has led to inflationary conditions in food grains  
(b) Forwarding trading in commodities ought to be banned to curb rising prices  
(c) Export of onion has created shortage of domestic supply of onions  
(d) None
33. In economic goods includes material things which.....  
(a) Can be transferred  
(b) Can be exchanged for one another  
(c) Both  
(d) None
34. In economic wealth the stock of all those material and immaterial objects which...  
(a) Are transferable  
(b) Have utility  
(c) Are scarce  
(d) All the three
35. Wealth is a ---- concept in economic  
(a) Flow  
(b) Stock  
(c) Both  
(d) None
36. In economics Income is a --- concept  
(a) Flow  
(b) Stock  
(c) Both  
(d) None
37. Which of the following is not a protagonist of economics as a wealth  
(a) Adam Smith  
(b) JB Say  
(c) FA Walker  
(d) Alfred Marshall
38. Which of the following was/were the critics of wealth concept of economics  
(a) Charles Dickens  
(b) William Morris  
(c) John Ruskin  
(d) All the three
39. Which of the following are the main protagonist of economics as a study of welfare  
(a) Alfred Marshall  
(b) Stonier Hague  
(c) Samulson  
(d) Robinson
40. Who defined economics as “a study of economic welfare which is that part of social welfare that can be brought directly or indirectly into relation with the measuring rod of money”

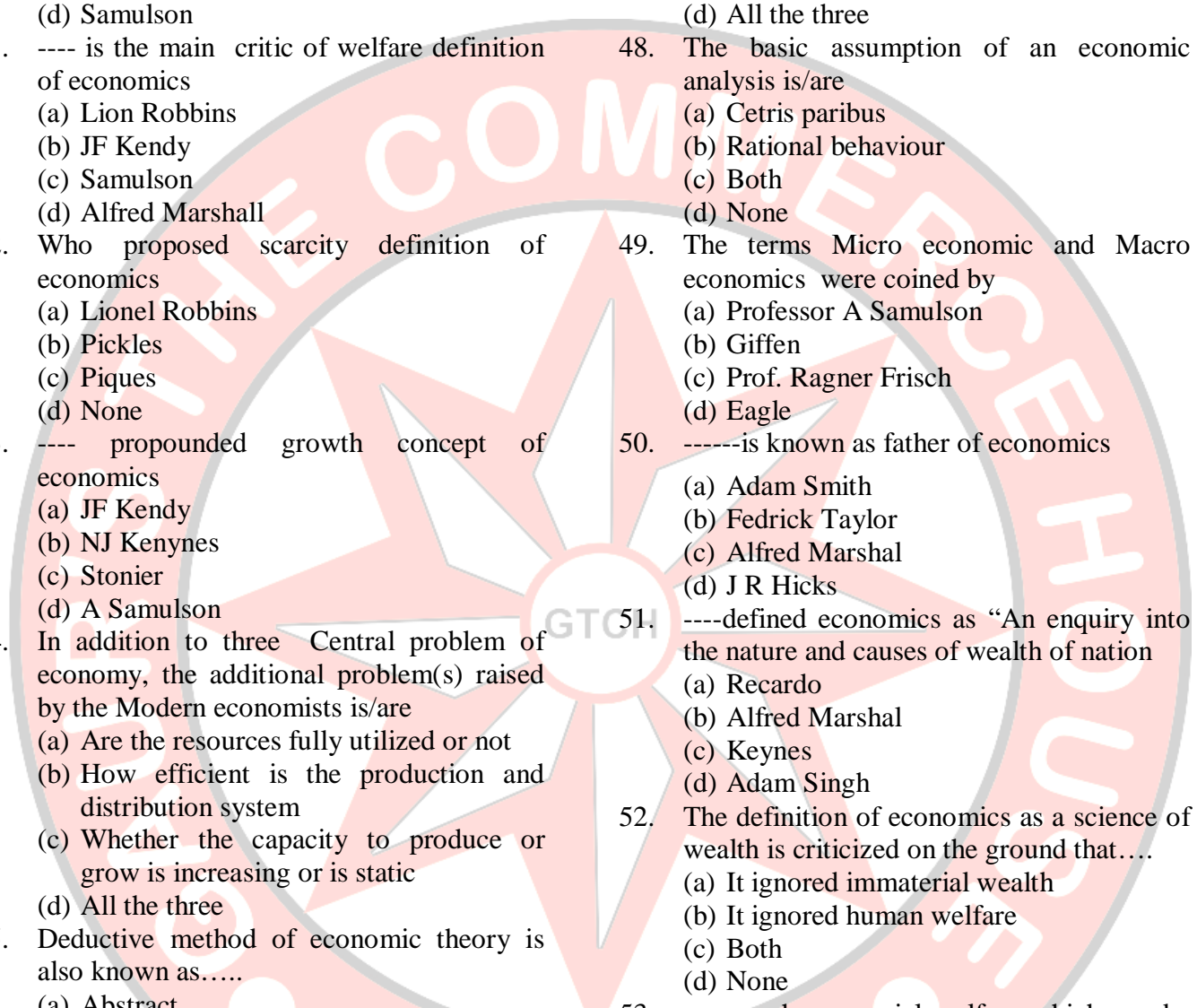


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- (a) A C Pique  
(b) JN Keynes  
(c) A. Linkon  
(d) Samulson
41. ---- is the main critic of welfare definition of economics  
(a) Lion Robbins  
(b) JF Kendy  
(c) Samulson  
(d) Alfred Marshall
42. Who proposed scarcity definition of economics  
(a) Lionel Robbins  
(b) Pickles  
(c) Piques  
(d) None
43. ---- propounded growth concept of economics  
(a) JF Kendy  
(b) NJ Kenynes  
(c) Stonier  
(d) A Samulson
44. In addition to three Central problem of economy, the additional problem(s) raised by the Modern economists is/are  
(a) Are the resources fully utilized or not  
(b) How efficient is the production and distribution system  
(c) Whether the capacity to produce or grow is increasing or is static  
(d) All the three
45. Deductive method of economic theory is also known as.....  
(a) Abstract  
(b) Hypothetical  
(c) Analytical  
(d) All the three
46. Deductive method.....  
(a) Goes from particular to general  
(b) Goes from general to particular  
(c) Both  
(d) None
47. Inductive Method is also known as.....
- (a) Historical  
(b) Realistic  
(c) Analytical  
(d) All the three
48. The basic assumption of an economic analysis is/are  
(a) Cetris paribus  
(b) Rational behaviour  
(c) Both  
(d) None
49. The terms Micro economic and Macro economics were coined by  
(a) Professor A Samulson  
(b) Giffen  
(c) Prof. Ragner Frisch  
(d) Eagle
50. -----is known as father of economics  
(a) Adam Smith  
(b) Fedrick Taylor  
(c) Alfred Marshal  
(d) J R Hicks
51. ----defined economics as "An enquiry into the nature and causes of wealth of nation  
(a) Recardo  
(b) Alfred Marshal  
(c) Keynes  
(d) Adam Singh
52. The definition of economics as a science of wealth is criticized on the ground that....  
(a) It ignored immaterial wealth  
(b) It ignored human welfare  
(c) Both  
(d) None
53. ---- emphasizes social welfare which can be measured by the measuring rod of money  
(a) Pigou  
(b) Cannon  
(c) Robbin  
(d) Keynes
54. Which of these are outside the domain of micro economics  
(a) Consumer behaviour  
(b) Factor pricing

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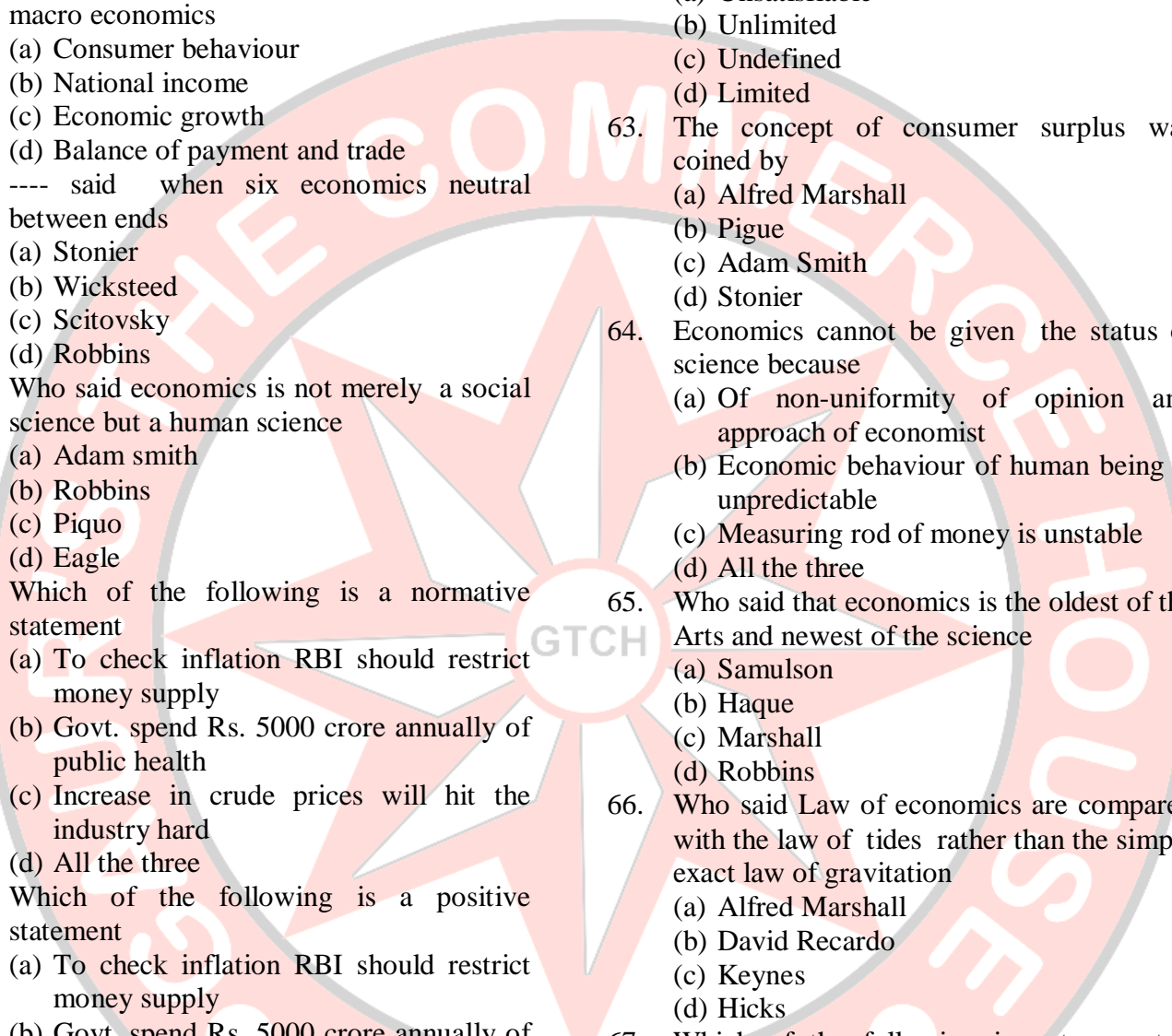
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- 
- (c) Economic growth  
(d) Study of firm
55. Which of these are outside the domain of macro economics  
(a) Consumer behaviour  
(b) National income  
(c) Economic growth  
(d) Balance of payment and trade
56. ---- said when six economics neutral between ends  
(a) Stonier  
(b) Wicksteed  
(c) Scitovsky  
(d) Robbins
58. Who said economics is not merely a social science but a human science  
(a) Adam smith  
(b) Robbins  
(c) Piquo  
(d) Eagle
59. Which of the following is a normative statement  
(a) To check inflation RBI should restrict money supply  
(b) Govt. spend Rs. 5000 crore annually of public health  
(c) Increase in crude prices will hit the industry hard  
(d) All the three
60. Which of the following is a positive statement  
(a) To check inflation RBI should restrict money supply  
(b) Govt. spend Rs. 5000 crore annually of public health  
(c) To reduce burden on Oil pool account Govt. should reduce subsidy on Petroleum products  
(d) All the three
61. Scarcity of resources means  
(a) Limited resources  
(b) Non-existence of resources  
(c) Both  
(d) None
62. Human wants are  
(a) Unsatisfiable  
(b) Unlimited  
(c) Undefined  
(d) Limited
63. The concept of consumer surplus was coined by  
(a) Alfred Marshall  
(b) Pigue  
(c) Adam Smith  
(d) Stonier
64. Economics cannot be given the status of science because  
(a) Of non-uniformity of opinion and approach of economist  
(b) Economic behaviour of human being is unpredictable  
(c) Measuring rod of money is unstable  
(d) All the three
65. Who said that economics is the oldest of the Arts and newest of the science  
(a) Samulson  
(b) Haque  
(c) Marshall  
(d) Robbins
66. Who said Law of economics are compared with the law of tides rather than the simple exact law of gravitation  
(a) Alfred Marshall  
(b) David Recardo  
(c) Keynes  
(d) Hicks
67. Which of the following is not a central problem of a society  
(a) What to produce  
(b) How to produce  
(c) For whom to produce  
(d) Where to live
68. The paradox of Diamond is more costly than water is explained by  
(a) Marginal utility concept  
(b) Scarcity

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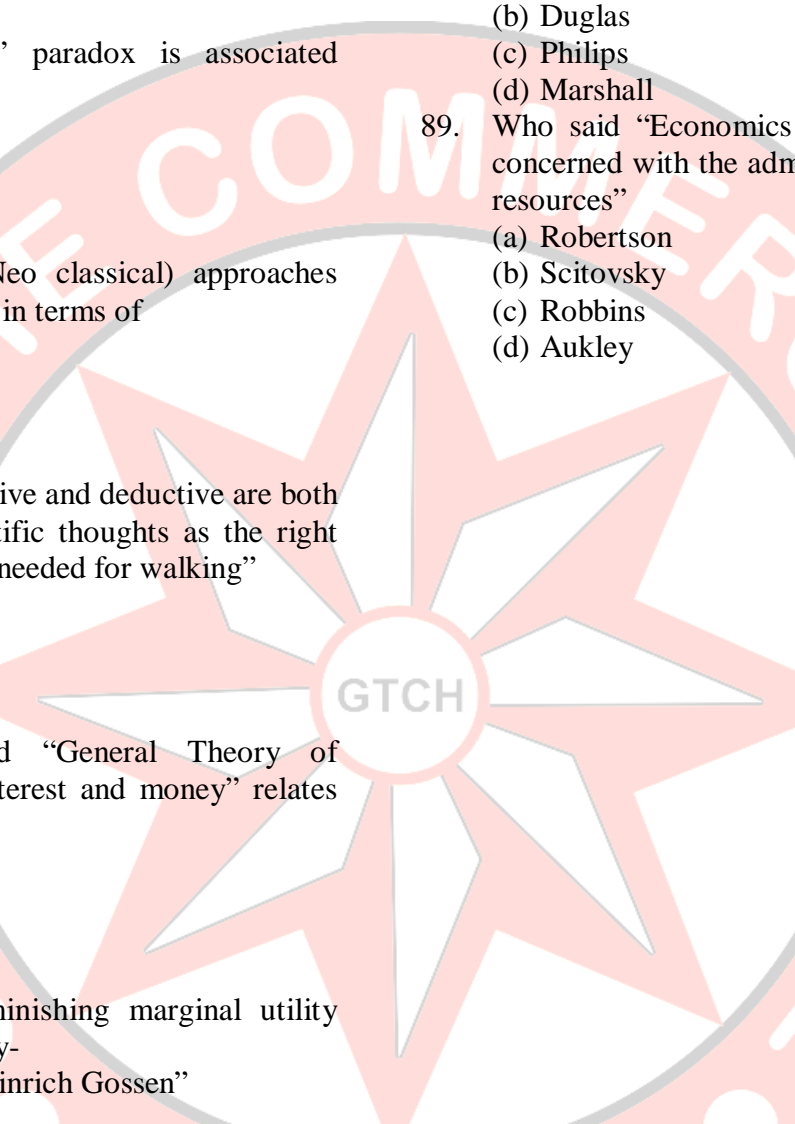
- (c) Relative cost of production  
(d) All the three
69. Which of these is an economic activity  
(a) A father teaching his son at home instead of sending to any coaching centre  
(b) A hair dresser doing hair cut designing on payment  
(c) A housewife mending her family cloths on her own  
(d) A singer giving a show on his son's wedding anniversary
70. The term "Micro" is derived from the .... word which means.....  
(a) Latin, small  
(b) Greek, small  
(c) English, tiny  
(d) Roman, small
71. Which of the following issue relates to micro-economics  
(a) Impact of crude price hike on inflation  
(b) Impact of change in bank rate on bank savings and investment  
(c) Impact of Information technology on economic growth  
(d) Impact of shortage of wheat production on wheat prices
72. Economics modes are  
(a) Based on some realistic assumptions  
(b) Based on hypothetical assumptions  
(c) Scientifically tested  
(d) Based on necessity
73. Who condemned economic Wealth theory as "Pig science"  
(a) Carlyle  
(b) Bailey  
(c) Ruskin  
(d) JB Say
74. Who condemned economic Wealth theory as "a mean, degrading, sordid enquiry"  
(a) Carlyle  
(b) Bailey  
(c) Ruskin  
(d) JB Say
75. Who condemned economic Wealth theory as "an entirely damned state of soul"  
(a) Carlyle  
(b) Bailey  
(c) Ruskin  
(d) JB Say
76. Who defined economic as "study of laws which governs wealth"  
(a) Carlyle  
(b) Bailey  
(c) Ruskin  
(d) JB Say
77. Who defined economic as "economics is that part of knowledge which relates to wealth"  
(a) Carlyle  
(b) Bailey  
(c) Ruskin  
(d) FA Walker
78. The famous book "An enquiry into the nature and causes of wealth of Nation" was written by---  
(a) Adam Smith  
(b) Keynes  
(c) Robertson  
(d) JB Say
79. The famous book "An enquiry into the nature and causes of wealth of Nation" was published in---  
(a) 1776  
(b) 1750  
(c) 1850  
(d) 1886
80. Who described deductive method as a "descending process"  
(a) Bacon  
(b) Schmoller  
(c) FA Walker  
(d) Aukley
81. Who described deductive method as a "Prior method".

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- 
- (a) Bacon  
(b) Schmoller  
(c) Mill  
(d) Aukley
82. "Diamond-Water" paradox is associated with-  
(a) Adam Smith  
(b) Marshall  
(c) Recardo  
(d) Lipsey
83. The Cardinal (Neo classical) approaches measures utilities in terms of  
(a) Utils  
(b) Satisfaction  
(c) Dollar value  
(d) None
84. Who said "Inductive and deductive are both needed for scientific thoughts as the right and left foots are needed for walking"  
(a) JB Say  
(b) Schmoller  
(c) FA Walker  
(d) Aukley
85. The book titled "General Theory of Employment, interest and money" relates to-  
(a) Robertson  
(b) JM Keynes  
(c) FA Walker  
(d) Aukley
86. The law of Diminishing marginal utility was formulated by-  
(a) "Hermann Heinrich Gossen"  
(b) Hicks  
(c) Philips  
(d) Lipsye
87. The law of indifference is/are also known by-  
(a) Law of substitution  
(b) Law of equimarginal utility  
(c) Gossen's second law  
(d) All the three
88. Who regarded Robins definition of economics as "at once too narrow and too wide"  
(a) Robertson  
(b) Duglas  
(c) Philips  
(d) Marshall
89. Who said "Economics is a social science concerned with the administration of scarce resources"  
(a) Robertson  
(b) Scitovsky  
(c) Robbins  
(d) Aukley



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### CENTRAL PROBLEMS OF AN ECONOMY

1. Which of the following is not a central problem of a society
  - (a) What to produce
  - (b) How to produce
  - (c) For whom to produce
  - (d) What to eat
2. How does a Capitalist economy decides what to produce
  - (a) Market survey
  - (b) Economic models
  - (c) Intensity of consumer demand
  - (d) Cost of production
3. How does a market economy resolve the problem of for whom to produce
  - (a) Govt. regulations
  - (b) Purchasing power
  - (c) Commodity index
  - (d) Trade associations decision
4. In a free economy the central problem facing a society is solved by.....
  - (a) Market forces or price mechanism
  - (b) Central planning committee
  - (c) Central Bank
  - (d) Parliament
5. In a centrally regulated economy the central problem facing a society is solved by
  - (a) Market forces or price mechanism
  - (b) Central planning committee
  - (c) Central Bank
  - (d) Parliament
6. In a mixed type of Economy which type of price mechanism is found
  - (a) Dual price system
  - (b) Market driven price system
  - (c) Administrative price control
  - (d) None
7. In a socialistic economy which type of price mechanism is found
  - (a) Dual price system
  - (b) Market driven price system
  - (c) Administrative price control
  - (d) None
8. The central problem of a economy that what to produce is alternative problem of
  - (a) Allocation of resources
  - (b) What to consume and what not to consume
  - (c) Selection of factor of production
  - (d) Resource planning
9. The Central problem of how to produce is resolved by
  - (a) Demand and supply of factor inputs
  - (b) Demand and supply of goods
  - (c) Relative prices and availability of factors of production
  - (d) Government intervention
10. In free economy the decision about investment, savings and consumption are decided by
  - (a) Price mechanism
  - (b) Central bank
  - (c) Planning Commission
  - (d) Finance budget

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### PRODUCTION POSSIBILITY FRONTIER

1. Which of these statement is true about production possibility curve (PPC/PPF)
  - (a) It shows various combinations of two goods which yield same level of satisfaction
  - (b) It shows various combination of two goods which an economy can produce with a given amount of resources
  - (c) It shows various combination of two goods which an economy can produce with a given budget
  - (d) It shows various combination of two goods which an economy can produce with a given time
2. If production possibility frontier is linear it implies
  - (a) Constant opportunity cost
  - (b) Economy is stagnant
  - (c) Underemployment of factor of production
  - (d) With the increase in production, opportunity cost also increases
3. The opportunity cost of current consumptions
  - (a) Lack of capital formation for future
  - (b) Greater investment
  - (c) Full employment
  - (d) Deflation
4. The opportunity cost of capital investment is
  - (a) Sacrifice of current consumption
  - (b) More consumption on luxury items
  - (c) Lower capital growth is future
  - (d) Wastage of Resources
5. Any point beyond PPF is
  - (a) Attainable
  - (b) Unattainable
  - (c) Attainable with increase in production facilities
  - (d) None
6. If an economy is working at a point left to PPF curve it shows that----
  - (a) The economy is working at less than the full employment level
  - (b) The economy is at full employment level
  - (c) The economy is country is faced with excess production
  - (d) There is glut of imports
7. Curvature of PPF is due to....
  - (a) Increase in opportunity cost
  - (b) Decrease in opportunity cost
  - (c) Fall in demand
  - (d) Fall in supply
8. PPF is negative sloped due to
  - (a) Scarcity of production resources
  - (b) Unlimited wants
  - (c) Improvement in technology
  - (d) Increasing opportunity cost
9. Economic efficiency means
  - (a) Production of goods of mass consumption at low cost
  - (b) Production of goods and services for those who have purchasing power
  - (c) Getting greatest satisfaction from available resources
  - (d) Full employment of working force
10. Higher PPC curve indicates
  - (a) More production of both the things with increase in technology or factor inputs supply
  - (b) More production of one at the expense of other
  - (c) More production of one items at the expense of other with increase in technology or factor input supply
  - (d) Less than full employment situation
11. The following table shows the various combinations of two commodities, Gun and Bread that an economy can produce with a given amount of resources. These combinations lies on the same PPF

Combinations	Gun	Bread in 100 tons
A	0	20
B	1	18

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C	2	15
D	3	11
E	4	6
F	5	0

Based on the details given in the above table, the opportunity of producing 1 gun in combination NO. B- is tons of bread

- (a) 200  
(b) 100  
(c) 300  
(d) 0
12. Opportunity cost of increasing production of Gun to 3 units in combination D is--- tons of bread  
(a) 200  
(b) 100  
(c) 300  
(d) 400
13. Opportunity cost of increasing production of Gun to 4 units in combination E is--- tons of bread  
(a) 200  
(b) 500  
(c) 300  
(d) 400
14. Opportunity cost of increasing production of Gun to 5 units in combination F is--- tons of bread  
(a) 200  
(b) 100  
(c) 600  
(d) 500
15. In question No. 11 if the economy produces only 3 guns and 900 tons of wheat instead of 1100 tons of wheat what does it indicate  
(a) Under employment of resources  
(b) Production in efficiency  
(c) Sub-optimal production  
(d) All the three
16. If a firm is operating at any point inside the PPF, the firm is  
(a) Efficient firm  
(b) Inefficient firm  
(c) Poised for abnormal growth  
(d) None
17. Any point beyond PPF curve can be attained by  
(a) Increasing supply of factor inputs  
(b) Technological innovation  
(c) Both  
(d) None
18. Economic growth is best depicted by  
(a) Outward shift in PPF  
(b) Upward movement in PPF  
(c) Inward movement in PPF  
(d) Downward movement in PPF
19. Production possibility curves shows maximum combinations of--- products  
(a) 1  
(b) 2  
(c) 3  
(d) 4

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### LAW OF DEMAND

1. A desire culminates into demand or effective desire only when it is backed by
  - (a) Purchasing power
  - (b) Willingness to spend money
  - (c) Both
  - (d) None
2. The .... price that a customer is willing to pay for a given quantity is called demand price
  - (a) Maximum
  - (b) Minimum
  - (c) Bargained
  - (d) Floor
3. Goods or services that are not necessary for living are
  - (a) Needs
  - (b) Desires
  - (c) Wants
  - (d) Essentials
4. Complementary goods are those which are....
  - (a) Consumed simultaneously
  - (b) Close competitive
  - (c) Both
  - (d) Unrelated
5. Sugar and coffee are... goods
  - (a) Complementary
  - (b) Perfect substitute of each other
  - (c) Both
  - (d) Unrelated
6. If price of sugar increase, the demand for coffee will....
  - (a) Fall
  - (b) Increase
  - (c) Not affected
  - (d) No relation
7. Increase in price of a product reduces the purchasing power as a result of which demand for a product goes up. This effect is known as
  - (a) Substitution effect
  - (b) Income effect
  - (c) Diminishing marginal utility concept
  - (d) Law of diminishing returns
8. Decreases in price of a product results in increased consumption of the product as the product becomes cheaper compared to other products. This effect is known as
  - (a) Substitution effect
  - (b) Income effect
  - (c) Diminishing marginal utility concept
  - (d) Law of diminishing returns
9. Traditional approach to law of Demand was propounded by
  - (a) Giffen
  - (b) A Samulson
  - (c) Alfred Marshall
  - (d) Pique
10. According to traditional approach the factor responsible for operation of downward slope of demand curve are
  - (a) Change in number of consumers
  - (b) Law of decreasing marginal utility
  - (c) Alternative uses of goods
  - (d) All the three
11. According to Modern approach, law of demand is caused by
  - (a) Income effect
  - (b) Substitution effect
  - (c) Both
  - (d) None
12. Which of these are exception to law of Demand
  - (a) Giffen effect/goods
  - (b) Future change in prices
  - (c) Change in fashion
  - (d) All the three
13. Shift in Demand curve or change in demand curve occurs due to
  - (a) Increase in cost of production
  - (b) Decrease in cost of production
  - (c) Change in Ceteris paribus conditions
  - (d) All the three
14. Change in quantity demanded or Movement along demand curve occurs due to
  - (a) Due to change in price only

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- (b) Change in Ceteris paribus conditions only  
(c) Change in cost of production  
(d) Change in technology
15. Increase in Demand is also known as – in economics  
(a) Expansion in demand  
(b) Compression in demand  
(c) Extension in demand  
(d) Extraction in demand
16. Decrease in Demand is also known as  
(a) Expansion in demand  
(b) Compression in demand  
(c) Extension in demand  
(d) Extraction in demand
17. Tea and coffee are  
(a) Complementary goods  
(b) Alternative goods  
(c) Unrelated goods  
(d) None of these
18. In price of Tea increase the demand of coffee will  
(a) Increase  
(b) Decrease  
(c) Remain same  
(d) Cannot say
19. The demand function of a product x is as  $dx=12-2P_x$ , where  $P_x$  stand for price. The quantity demanded corresponding to price of Rs. 2 will be....  
(a) 8  
(b) 6  
(c) 5  
(d) 10
20. In question No. 19 the quantity demanded if the price is 5 will be----  
(a) 8  
(b) 2  
(c) 5  
(d) 10
21. If an Individual Y has a demand of 6 units of the product the market price of the product will be--- (Ref. Q. No. 19)  
(a) Rs. 4  
(b) Rs. 5  
(c) Rs. 3  
(d) Rs. 4.5
22. If there are 5000 customers for the product, the aggregate market demand for the product at market price Rs. 2 in the question No. 19 will be....  
(a) 40,000  
(b) 30,000  
(c) 20,000  
(d) 10,000
23. Aggregate market demand in question No. 20. If there are 5000 customers will be...  
(a) 40,000  
(b) 30,000  
(c) 20,000  
(d) 10,000
24. The Supply function of a product x is as  $S_x=5p_x+3$ , where  $P_x$  stand for price. The quantity supplied corresponding to price of Rs. 2 will be.....  
(a) 18  
(b) 13  
(c) 15  
(d) 10
25. In question No. 24 if the price is Rs. 4 the supply available in the market will be...  
(a) 18  
(b) 13  
(c) 15  
(d) 23
26. At what price the firm will be willing to supply 28 pieces in the market (Ref. Q. No. 24)  
(a) Rs. 4  
(b) Rs. 5  
(c) Rs. 3  
(d) Rs. 4.5
27. If there are 1000 firms in the market dealing the product under question what would be the aggregate supply if the price is Rs. 4 (Ref. Q. No. 24)

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- (a) 20,000  
(b) 23,000  
(c) 25,000  
(d) 21,000
28. The individual demand and supply curve of a product are  $D_x = 12 - 2p_x$ ,  $S_x = 3 + 5p_x$ , where  $P_x$  stand for price and  $D_x$  and  $S_x$  respectively stands for quantity demanded and quantity supplied. If there are 5000 consumers and 1000 suppliers for the product under question. What will be the equilibrium price  
(a) Rs. 4  
(b) Rs. 4.25  
(c) Rs. 3.8  
(d) Rs. 5.0
29. What is the quantity demanded and supplied at the equilibrium price (Ref. Q. No. 28)  
(a) 20,000  
(b) 22,000  
(c) 21,000  
(d) 19,000
30. What is the aggregate demand if the market price is Rs. 4.20 per unit (Ref. Q. No. 28)  
(a) 20,000  
(b) 22,000  
(c) 19,000  
(d) 18,000
31. What is the aggregate supply if the market price is Rs. 4.20 per unit (Ref. Q. No. 28)  
(a) 20,000  
(b) 24,000  
(c) 25,000  
(d) 28,000
32. The quantity of a commodity which an individual is willing to purchase over a specific period of time is a function of  
(a) Price of the product  
(b) Disposal income  
(c) Taste and price of other commodities  
(d) All the three
33. Market demand curve for a commodity is  
(a) Horizontal summation of the individual demand curve for the commodity  
(b) Summation of individual demand curve for 3 years  
(c) Demand curve of complementary goods  
(d) Demand curve of supplementary goods
34. Equilibrium state is achieved at  
(a) The peak point of supply curve  
(b) The bottom point of demand curve  
(c) The inflection point of demand curve  
(d) The intersection of demand and supply curve
35. Under the law of demand ceteris paribus is/are  
(a) Price of other goods  
(b) Disposal income  
(c) Tastes and preferences  
(d) All the three
36. The demand for a product is 25 units when the price is Rs. 10, however the demand rises to 26 when the price is reduced to Rs. 9.9 per unit. The marginal revenue from production and sale of additional unit from 25 to 26 is  
(a) Rs. 7.4  
(b) Rs. (16)  
(c) 10  
(d) 257.6
37. If in question No. 36 the price is reduced to 9 Rs. but the demand goes to 26 units what is the marginal revenue from sale of 26<sup>th</sup> Unit  
(a) Rs. 7.4  
(b) Rs. (-16)  
(c) Rs. 16  
(d) Rs. 257.4
38. In question No. 36 what is the total revenue from sale of 26 units  
(a) Rs. 7.4  
(b) Rs. 9  
(c) 10  
(d) 257.40

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39. In question No. 37 what is the total revenue from sale of 26 units  
(a) Rs. 16  
(b) Rs. 9  
(c) 234  
(d) 257.4
40. In question No. 37 what is the total revenue from sale of 26 units  
(a) Rs. 10  
(b) Rs. 9.9  
(c) 9  
(d) 16
41. If in question No. 36 despite reduction in price to Rs. 9.9 the demand for the product remains at 25 units we can say that the demand for the product is  
(a) Elastic  
(b) Less elastic  
(c) Perfectly inelastic  
(d) Unity elastic
42. In question No. 36 if the price is reduced to Rs. 9 per unit the demand for the product instead of increasing fall down to 24 units, the goods can be.....  
(a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
(d) None of these
43. In question No. 36 if the price is increased to Rs. 11 per unit and the demand sharply falls to 20 unit, we can say that the goods are.....  
(a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
(d) None of these
44. In question No. 43 read with question No. 36 the price elasticity of demand of the goods between Rs. 10 – Rs. 11 is.....  
(a) Perfectly elastic  
(b) Less elastic  
(c) Perfectly inelastic  
(d) Unit elastic
45. A levy of excise duty on consumption of an item consumed will.....  
(a) Induce suppliers to pump in more quantity in the market  
(b) Result in fall in the consumption of the commodity and lower total expenditure on it by the consumer  
(c) Lead to inflationary conditions  
(d) Place the consumer on lower indifferent curve
46. An imposition of excise duty would effect the demand of a product due to....  
(a) Income effect  
(b) Substitution effect  
(c) Both  
(d) None
47. Two commodities X and Y goods can be inferred as close substitute of each other if-  
(a) Increase in price of one leads to increase in demand of other and vice versa  
(b) Increase in price of one leads to decrease in demand of other and vice versa  
(c) Fall in price of one lead to fall in demand of other one  
(d) Increase in price of one leads to increase in demand of other one
48. Two Commodities X and Y can be inferred as complementary to each other if  
(a) Increase in price of one leads to increase in demand of other and vice versa  
(b) Increase in price of one leads to decrease in demand of other and vice versa  
(c) Fall in price of one lead to fall in demand of other one  
(d) Increase in price of one leads to increase in demand of other one
49. Goods or services that are necessary for living are  
(a) Needs

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- (b) Desires  
(c) Wants  
(d) Essentials
50. A goods can be considered inferior goods in economics if increase in disposal income of the consumer causes  
(a) A increase in demand  
(b) No change in demand  
(c) Decrease in demand  
(d) Less than proportionate change in demand
51. A goods can be considered a normal goods in economics if increase in disposal income of the consumer causes  
(a) A increase in demand  
(b) No change in demand  
(c) Decrease in demand  
(d) Less than proportionate change in demand
52. Change in consumers tastes and preference causes- of the particular goods  
(a) Change in quantity demanded  
(b) Shift in demand curve  
(c) Change in price  
(d) No effect on quantity demanded
53. Change in price of the goods causes  
(a) Change in quantity demanded  
(b) Shift in demand curve  
(c) Change in price of other goods  
(d) No effect on quantity demanded
54. If price of Coco bar decreases we expect  
(a) The quantity demanded to increase  
(b) Quantity demanded to decrease  
(c) Demand curve to shift left  
(d) No change in quantity demanded
55. According to law of demand  
(a) Higher the price higher the production of the product  
(b) Higher the price lower the cost of production  
(c) Lower the price higher the demand for the product  
(d) Higher price higher the quantity the more the consumer demand
56. The quantity of a commodity that an individual is willing to purchase over a specified period of time is a function of except.....  
(a) Price of the commodity  
(b) Price of the competitive products  
(c) His disposal income  
(d) Price of factor of production
57. Market demand curve for a commodity is a  
(a) Horizontal summation of all the individual demand curve for that product  
(b) Summation of demand curve of competitive productions  
(c) Demand curve of average demand and price of previous six months  
(d) Projected demand schedule for next three months
58. If the supply of a product remain same with the increase in price, the possible reasons can be  
(a) Apprehension of further price hike  
(b) Limited production facility  
(c) Commodity being a rare commodity  
(d) All the three
59. In a market economy equilibrium price is reached at  
(a) Point of interaction of aggregate demand and aggregate supply curve  
(b) At the top of demand curve  
(c) Mid point of demand curve  
(d) Mid point of supply curve



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### LAW OF SUPPLY

1. Which of the following is not a factor in market supply of a product
  - (a) Cost of production
  - (b) Number of buyers
  - (c) Market price of the product
  - (d) Price of related products
2. The minimum price that a supplier expects to make available a specific quantity for sale is called
  - (a) Demand price
  - (b) Administered price
  - (c) Cost price
  - (d) Supply price
3. The maximum quantity that a supplier is prepared to supply in the market at a given price is called
  - (a) Economic order quantity
  - (b) Optimum quantity
  - (c) Supply quantity
  - (d) Both or quantity
4. Change in cost of production of the concerned goods causes
  - (a) The demand curve to shift
  - (b) The supply curve to shift
  - (c) Increase in quantity demanded
  - (d) Decrease in quantity supplied
5. Shift in supply curve is caused by
  - (a) Change in ceteris paribus conditions
  - (b) Change in price
  - (c) Change in fashion
  - (d) Change in consumer income
6. At a given price increase in quantity supplied can be possible if.....
  - (a) There is apprehension of sharp fall in prices in future
  - (b) Refund or subsidy of statutory levy in cash is given by the Government
  - (c) Improvement in technology led to cost saving
  - (d) All the three
7. Which of these is not a determinant of aggregate supply
  - (a) Quantity demanded
  - (b) Price of the product under consideration
  - (c) Relative price of other goods
  - (d) Future expectations about prices
8. A positive sloped supply curve for a product represents
  - (a) Supply will move with movement in the price in the opposite direction
  - (b) Supply will move with the movement in the price in the same direction
  - (c) Both
  - (d) None
9. Which of the following will have a relatively flat supply curve
  - (a) Land
  - (b) Labour
  - (c) Capital
  - (d) Raw material
10. A supply curve parallel to X axis means the product supply is
  - (a) Limited
  - (b) Unlimited
  - (c) Not available
  - (d) None
11. Which of these will have highly inelastic supply curve
  - (a) Perishable goods
  - (b) Consumer durables goods
  - (c) Items of elite class consumption
  - (d) All the three
12. Which of these is not a factor of quantity supplied
  - (a) Price of the goods
  - (b) Price of the related other goods
  - (c) Cost of production
  - (d) Consumers disposal income
13. The supply of goods means.....
  - (a) Quantity offered for sale at a given price and time
  - (b) Quantity produced by the manufacturer
  - (c) Quantity available with the supplier
  - (d) Quantity likely to be produced
14. Under law of supply, ceteris paribus is
  - (a) Cost of production

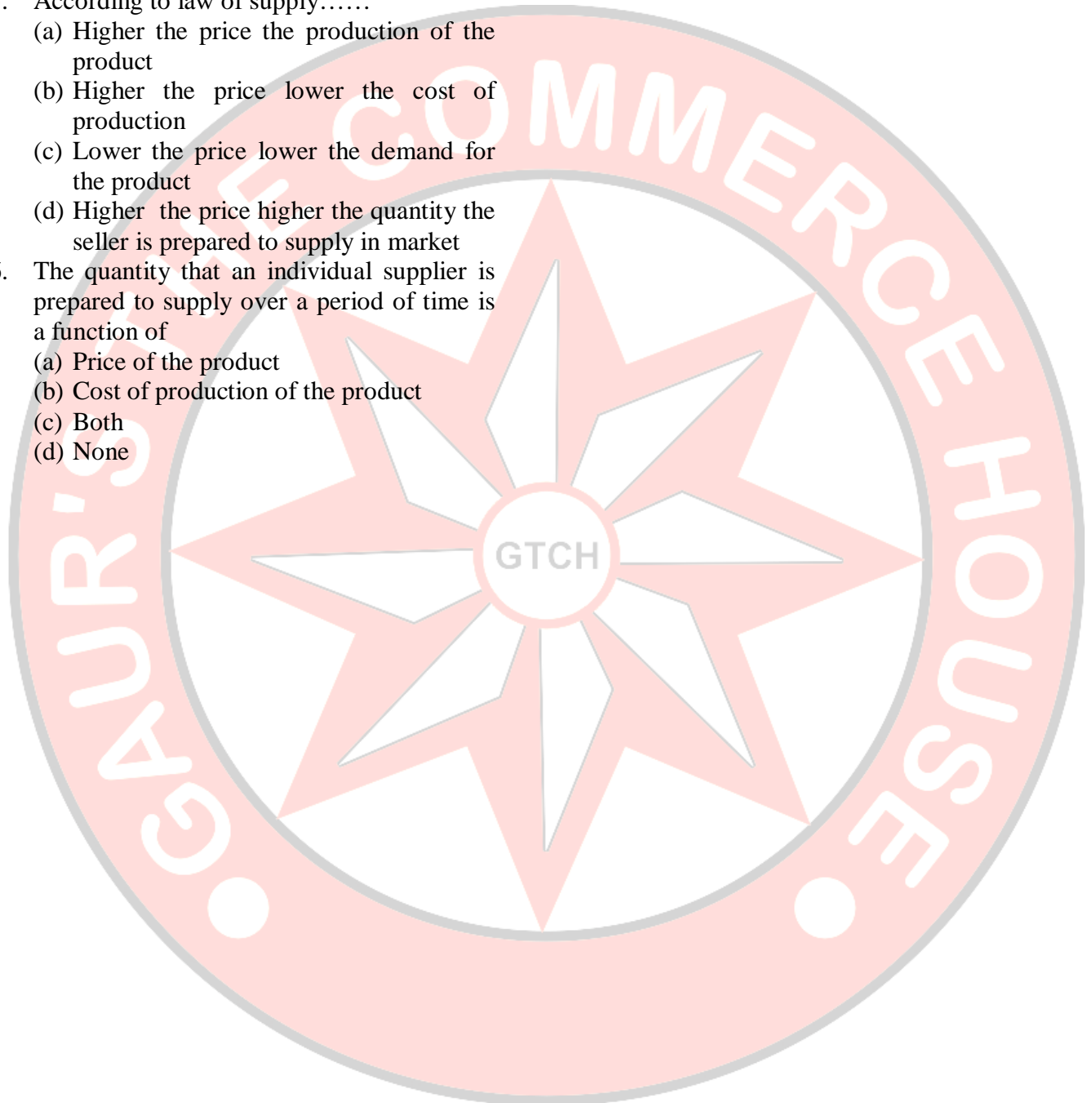
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- (b) Production technology
  - (c) None
  - (d) Both
15. According to law of supply.....
- (a) Higher the price the production of the product
  - (b) Higher the price lower the cost of production
  - (c) Lower the price lower the demand for the product
  - (d) Higher the price higher the quantity the seller is prepared to supply in market
16. The quantity that an individual supplier is prepared to supply over a period of time is a function of
- (a) Price of the product
  - (b) Cost of production of the product
  - (c) Both
  - (d) None



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### THEORY OF ELASTICITY

1. The measurement of sensitivity of quantity demand to change in price is called
  - (a) Price elasticity
  - (b) Income elasticity
  - (c) Expansion in demand
  - (d) None
2. Which of the following is not a type of elasticity in economics.....
  - (a) Income elasticity
  - (b) Price elasticity
  - (c) Utility elasticity
  - (d) Cross elasticity
3. Which of the following is not a method of measurement of price elasticity of demand in economics
  - (a) Total outlay
  - (b) Total savings
  - (c) Point method
  - (d) Arc method
4. As per total outlay method, demand is said to be elastic if as result of change in price total outlay
  - (a) Increase
  - (b) Decrease
  - (c) Remain same
  - (d) None
5. If price of sugar falls leading to fall in total outlay on sugar, the demand of sugar is
  - (a) Elastic
  - (b) Inelastic
  - (c) Unitary elastic
  - (d) Less than unit elastic
6. If price of X falls leading to increase in total outlay on X, the demand of X is
  - (a) Elastic
  - (b) Inelastic
  - (c) Unitary elastic
  - (d) Less than unit elastic
7. If price of X falls leading to fall in total outlay on X, the demand of coffee is
  - (a) Elastic
  - (b) Inelastic
  - (c) Unitary elastic
  - (d) Less than unit elastic
8. If price of coffee falls leading to increase in total outlay on coffee, the demand of coffee is
  - (a) Elastic
  - (b) Inelastic
  - (c) Unitary elastic
  - (d) Less than unit elastic
9. If the price of burger rises from Rs. 12 per piece to Rs. 20 per piece as a result of which the daily sales decreases from 300 to 200 pieces per day. The price elasticity of demand can be estimated as
  - (a) 0.5
  - (b) 0.8
  - (c) 0.25
  - (d) 2.10
10. If the price of vegetable sandwich rises from Rs. 6 per piece to Rs. 12 per piece as a result of which the daily sales decreases from 800 to 400 pieces per day. The price elasticity of demand can be estimated as
  - (a) 0.5
  - (b) 1.5
  - (c) 3.0
  - (d) 2.5
11. A decrease in price will result in an increase in total revenue if
  - (a) Percentage change in quantity demanded is greater than the percentage change in price
  - (b) Percentage change in quantity demanded is less than the percentage change in price
  - (c) Percentage change in quantity demanded is equal to the percentage change in price
  - (d) None
12. An increase in price will result in an increase in total revenue if
  - (a) Percentage change in quantity demanded is greater than the percentage change in price

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- (b) Percentage change in quantity demanded is less than the percentage change in price
- (c) Percentage change in quantity demanded is equal to the percentage change in price
- (d) None
13. An increase in price will result in no change in total revenue if
- (a) Percentage change in quantity demanded is greater than the percentage change in price
- (b) Percentage change in quantity demanded is less than the percentage change in price
- (c) Percentage change in quantity demanded is equal to the percentage change in price
- (d) None
14. Price elasticity of demand of a product will be more inelastic if
- (a) It forms a major part of consumer household budget
- (b) It forms a very small part of consumers household budget
- (c) It is inferior
- (d) It is for mass consumption
15. Price elasticity demand of product will be more elastic if it
- (a) Has no substitutes
- (b) Has number of substitutes
- (c) Is an item of necessity
- (d) Is life saving product
16. If the consumption of a product can be postponed for the time being
- (a) The demand for the product will be inelastic
- (b) The demand for the product will be relatively elastic
- (c) The demand for the product will be perfectly elastic
- (d) The demand for the product will be perfectly inelastic
17. Bread and butter have.....
- (a) Negative cross price elasticity of demand
- (b) Positive cross elasticity of demand
- (c) Positive income elasticity of demand
- (d) Negative income elasticity of demand
18. Omlet and cakes have
- (a) Negative cross price elasticity of demand
- (b) Positive cross elasticity of demand
- (c) Positive income elasticity of demand
- (d) Negative income elasticity of demand
19. Point elasticity of demand can be useful in which of the following cases
- (a) A departmental store is thinking of increasing the price of gift packs
- (b) A service stations is considering to lower the service charges
- (c) A health club is considering to lower the monthly membership fee
- (d) An airlines company is considering to lower holiday packages
20. The coefficient of price elasticity of demand is calculated as.....
- (a) The change in price divided by the change in quantity demanded
- (b) The percentage change in quantity demanded by the percentage change in price
- (c) The change in quantity demanded by the change in price
- (d) The percentage change in price by the percentage change in demand
21. Point elasticity concept was propounded by
- (a) Marshall
- (b) Lipsey
- (c) Hicks
- (d) Samulson
22. Price elasticity of demand is not affected by
- (a) Nature of the commodity
- (b) Availability of close substitute
- (c) Cost of production



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- (d) Consumption habits
23. Demand of salt is inelastic because
- (a) Of low price
  - (b) No substitute
  - (c) Absence of it makes food tasteless
  - (d) All the three
24. Luxury goods have--- degree of elasticity
- (a) High
  - (b) Low
  - (c) Moderate
  - (d) Completely inelastic
25. The quantity of a commodity which an individual is willing to purchase over a specific period of time is a function of
- (a) Price of the product
  - (b) Disposal income
  - (c) Taste and price of other commodities
  - (d) All the three
26. Which of the following is not a factor in market supply of product
- (a) Cost of production
  - (b) Number of buyers
  - (c) Market price of the product
  - (d) Price of related products
27. Market demand curve for a commodity is.....
- (a) Horizontal summation of the individual demand curve for the commodity
  - (b) Summation of individual demand curve for 3 years
  - (c) Demand curve of complementary goods
  - (d) Demand curve of supplementary goods
28. Equilibrium state is achieved at.....
- (a) The peak point of supply curve
  - (b) The bottom point of demand curve
  - (c) The inflection point of demand curve
  - (d) The intersection of demand and supply curve
29. If the cross elasticity between two products is +2.29, then we can say that
- (a) The products are perfectly substitute of each other
  - (b) The products are complementary to each other
  - (c) Both the products are unrelated
  - (d) Both are luxury items
30. If the price elasticity of a product is greater than 1, we can say that
- (a) The products demand is sensitive to price variation
  - (b) Product demand is insensitive to price variation
  - (c) Demand and price move in same directions
  - (d) None of these
31. If the price elasticity of demand for wine is estimated to be -.6, then a 20% increase in price of wine will lead to--- quantity demand of wine at that price
- (a) 12% increase
  - (b) 12% decrease
  - (c) 19.6% increase
  - (d) 20.6% decrease
32. If the price elasticity of demand of Chicken is +.95, then a 20% increase in price of chicken will lead to in quantity demanded of chicken at that price
- (a) 19 increase
  - (b) 19% decrease
  - (c) 20.95% increase
  - (d) 20.6% decrease
33. If the cross price elasticity of demand for two product is negative, then the two products are....
- (a) Complementary to each other
  - (b) Perfectly substitute for each other
  - (c) Completely competitive
  - (d) Unrelated
34. If demand of coffee increase by 10% with 20% decline in the price of sugar we can say that
- (a) Cross price elasticity of demand is negative and both the products are complementary to each other
  - (b) Cross price elasticity of demand is

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- negative and the goods are substitute
- (c) Cross price elasticity is positive and products are complementary to each other
- (d) None of these
35. If the price of coffee falls by 8% and the demand for Tea declines by 2%. The cross price elasticity of demand for Tea is
- (a) 0.45
- (b) 0.25
- (c) +0.44
- (d) -0.30
36. When the price of complementary products falls, the demand of the other product will
- (a) Fall
- (b) Increases
- (c) Remain stable
- (d) Drops by 25%
37. When the price of complementary products increases, the demand of the other product will
- (a) Fall
- (b) Increases
- (c) Remain stable
- (d) Drops by 25%
37. When the price of complementary products increase, the demand of the other product will
- (a) Fall
- (b) Increases
- (c) Remain stable
- (d) Drops by 25%
38. Elasticity of supply depends upon
- (a) Nature of the commodity
- (b) Production technology
- (c) Future outlook of prices
- (d) All the three
39. A supply curve passing through the origin will have elasticity
- (a) Less than 1
- (b) More than 1
- (c) Just one
- (d) Zero
40. A supply curve passing through any point on X axis (quantity) will have elasticity
- (a) Less than 1
- (b) More than 1
- (c) Just one
- (d) Zero
41. A supply curve passing through any point on Y axis (Price) will have elasticity
- (a) Unity
- (b) Less than 2
- (c) More than 1
- (d) Zero
42. Goods which are perfect substitute of each other will have rate of substitution
- (a) Unity
- (b) Less than 2
- (c) More than 1
- (d) Zero
43. Goods which are perfect substitute of each other will have elasticity of substitution....
- (a) Unity
- (b) Less than 2
- (c) More than 1
- (d) Infinite
44. Goods which are not perfect substitute of each other but have to be consumed in a fixed ratio will have rate of substitution
- (a) Unity
- (b) Less than 2
- (c) More than 1
- (d) Zero
45. Goods which are not perfect substitute of each other but have to be consumed in a fixed ratio will have elasticity of substitution
- (a) Unity
- (b) Less than 2
- (c) More than 1
- (d) Zero
46. if a dealer is prepared to supply 1000 sets of a 29" Color TV if the price is Rs. 12,000 per set, however if the price rises to Rs.

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- 15,000 he is prepared to supply 1,500 pieces. The elasticity of supply of TV set is
- (a) 1  
(b) 2  
(c) 0.75  
(d) 1.4
47. In question No. 46 if at Rs. 15,000, the dealer is prepared to supply on 1250 sets of TV the elasticity of supply is
- (a) 1  
(b) 2  
(c) 0.75  
(d) 1.4
48. In question No. 46 if a price Rs. 15,000 the dealer is prepared to supply only 1100 TV sets, the elasticity of supply is
- (a) 1  
(b) 2  
(c) 0.4  
(d) 1.5
49. Tea and Coffee are perfect substitute of each other, given the price of Tea and Coffee being Rs. 100 and Rs. 200 per Kg. a consumer is prepared to buy 3 kg. of each. If the price of tea remain same and the price of Coffee rises to Rs. 400 per kg. the demand for Tea goes to 6 Kg. and that of Coffee falls to 1 Kg. The elasticity of substitution between Tea and Coffee is
- (a) 1  
(b) 4  
(c) 5  
(d) 3
50. Select the odd one
- (a) Consumer taste  
(b) Price of the goods  
(c) Change in population  
(d) Increase in price of product
51. Select the odd one
- (a) Price of the product  
(b) Cost of production  
(c) No. of suppliers  
(d) St. duties
52. X a consumer spends his entire income on two commodities A and B. If price of A increase by 10% and his expenditure on items B remains same, then the price elasticity of item A is
- (a) 1  
(b)  $<1$   
(c)  $>1$   
(d)  $\geq$
53. In question No. 52 if the price of item No. A instead of increasing falls by 25% and still his total expenditure as well expenditure on item B remains same, the price elasticity of A will be
- (a) 1  
(b)  $<1$   
(c)  $>1$   
(d)  $\geq$
54. An individual is spending his entire income on two items A and B equally. If income elasticity of A is 4 what is income elasticity of B
- (a) 4  
(b) 2  
(c) 3  
(d) 1
55. If an individual is spending his entire income on two items A and B in the ratio of 60:40. If income elasticity of A is 5 what is income elasticity of B
- (a) 4  
(b) 2  
(c) 5  
(d) 1
56. If prices of petrol rises from Rs. 40 to Rs. 48 per lit, the demand for cars falls 60 per month to 45 per month, the cross elasticity of petrol and car is
- (a) 1.5  
(b) 1.25  
(c) 1.0  
(d) 1.59
57. If prices of Eggs rises from Rs. 25 per

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- dozen to Rs. 30 per dozen, the demand for vegetable burger increases from 30 per day to 40 per day, then the cross elasticity of eggs and vegetable burger is
- (a) 1.5  
(b) 1.25  
(c) 1.65  
(d) 1.86
58. Cross elasticity of a nearly perfect substitute products will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
59. Cross elasticity of unrelated products will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
60. Cross elasticity of complementary products will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
61. If two goods are perfect substitutes for one another, the elasticity of substitution will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
62. If two goods are not substitutes at all for one another, the elasticity of substitution will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
63. If two goods are perfect substitutes for one others, the elasticity of substitution will be  
(a) Infinite  
(b) Zero  
(c)  $>1$   
(d)  $<1$
64. If the disposal income of a household increases by 10% and the demand for bread falls by 5%. The income elasticity of bread is  
(a) 0.5  
(b) -0.5  
(c) 1.0  
(d) -1.0
65. In question No. 64 bread can be considered as  
(a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
(d) Normal goods
66. If the disposal income of a household increase by 10% and the demand for X commodity increase by 25%. The income elasticity of X is  
(a) 0.5  
(b) -0.5  
(c) 2.5  
(d) -2.5
67. In question No. 66 X can be considered as  
(a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
(d) Normal goods
68. If the disposal income of a household increase by 10% and the demand for X commodity increase by 10%. The income elasticity of X is  
(a) 1.5  
(b) 0.5  
(c) 1.5  
(d) 1.0
69. In question No. 68 X can be considered as  
(a) Essential goods  
(b) Luxury goods  
(c) Inferior goods  
(d) Normal goods



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70. If the disposal income of a household increase by 10% and the demand for X commodity remains same. The income elasticity of X is
- (a) 0
  - (b) 0.5
  - (c) 0.5
  - (d) 2.5
71. In question No. 70 X can be considered as
- (a) Essential goods
  - (b) Luxury goods
  - (c) Inferior goods
  - (d) Normal goods
72. Which of these would lead to increase in quantity supplied at a given price
- (a) Increase in VAT
  - (b) Increase in excise duty
  - (c) Increase in import duty
  - (d) Reduction in levies
73. Which of these would lead to decrease in quantity supplied at a given price
- (a) Decrease in VAT
  - (b) Decrease in excise duty
  - (c) Decrease in import duty
  - (d) Imposition of higher levies
74. The income elasticity of demand of inferior goods is generally
- (a)  $>1$
  - (b)  $<1$
  - (c)  $<0$
  - (d)  $=0$
75. The income elasticity of demand of normal goods is generally
- (a)  $>1$
  - (b)  $<1$
  - (c)  $<0$
  - (d)  $>0$
76. The cross elasticity of complementary goods is generally
- (a)  $>1$
  - (b)  $<1$
  - (c)  $<0$
  - (d)  $=0$
77. The cross elasticity of substitute goods is generally
- (a)  $>1$
  - (b)  $<1$
  - (c)  $<0$
  - (d)  $>0$
78. The elasticity of demand curve with a constant slope
- (a) Increases at higher price
  - (b) Decrease at higher price
  - (c) Increase at lower price
  - (d) Remains constant
79. The elasticity of a demand curve with a constant slope
- (a) Decreases at lower price
  - (b) Decrease at higher price
  - (c) Increase at lower price
  - (d) Remains constant
80. A perfectly inelastic supply curve will be
- (a) Parallel to Y axis or a vertical line
  - (b) Parallel to X axis
  - (c) U shaped
  - (d) Downward sloping
81. A perfectly elastic supply curve will be
- (a) Parallel to Y axis or a vertical line
  - (b) Parallel to X axis
  - (c) U shaped
  - (d) Downward sloping

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### THEORY OF PRODUCTION (RETURNS TO SCALE)

1. Marginal product is....
  - (a) Rate at which total production changes with change in variable input
  - (b) Rate at which total production changes with change in total cost
  - (c) Rate at which total production changes with change in fixed cost
  - (d) None
2. Total output is maximum when
  - (a)  $MP = 0$
  - (b) MP is increasing
  - (c) MP is decreasing
  - (d) MP is constant
3. Law of variable proportion applies....
  - (a) When all inputs are variable
  - (b) When all inputs are fixed
  - (c) Some inputs are fixed and some are variable
  - (d) All the three
4. Law of returns to scale applies when....
  - (a) All inputs cost are variable
  - (b) All input cost are fixed
  - (c) All cost are partly fixed and partly variable
  - (d) None
5. ---enunciated the law of returns in the theory of production
  - (a) JR Hicks
  - (b) Alfred Marshall
  - (c) Samulson
  - (d) Recardo
6. Which of the following is/are the main causes of increasing returns to scale
  - (a) Division of labour
  - (b) Indivisibility of factors of production
  - (c) Specialization
  - (d) All the three
7. Law of increasing returns states that.....
  - (a) Additional units of variable input causes increase in production at increased rate
  - (b) Additional unit of variable input causes increase in total production
  - (c) Additional unit of fixed input causes increase in production at increased rate
  - (d) Additional unit of total input cause increase in total output at increased rate
8. An isoquant joins all factor inputs which....
  - (a) Yield same level of output
  - (b) Give same marginal utility
  - (c) Have same marginal cost
  - (d) Have same Average cost
9. Which of these is/are characteristic of an isoquant
  - (a) Convex to origin
  - (b) Negative sloped
  - (c) Never cross each other
  - (d) All the three
10. An ISO cost curve shows all combination of.....
  - (a) Variable and fixed factor inputs which a firm can purchase given the level of output and factor price
  - (b) Variable inputs which give increased production with increase in factor input supply
  - (c) Fixed inputs which give same level of output at the same level of factor cost
  - (d) None
11. At the point of equilibrium
  - (a) Slope of Iso quant=Slop of Iso cost line
  - (b) Slope of Iso quant<Slop of Iso cost line
  - (c) Slope of Iso quant>Slop of Iso cost line
  - (d) None
12. Isocline is the.....
  - (a) Locus of points on different isoquant at which MRTS or slope is constant
  - (b) Locus of points on different Isoquant at which MRTS or slope is falling
  - (c) Locus of points on different Isoquant at which MRTS or slope is increasing
  - (d) None of these
13. MRTS of LK refers to.....
  - (a) Amount of capital that a firm can give up by increasing the amount of labour by one unit and remain in the same Isoquant

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- (b) Amount of capital that a firm can give up by increasing the amount of capital by one unit and remain in the same Isoquant
- (c) Amount of capital that a firm can give up by increasing the amount of labour by one unit and reach higher Isoquant
- (d) Amount of capital that a firm can give up by increasing the amount of capital by one unit and reach higher Isoquant
14. Slope of Isoquant is equal to....
- (a) Marginal rate of technical substitution between the factor inputs
- (b) Relative price of each factor inputs
- (c) Demand of each factor input
- (d) Supply of each factor input
15. Slope of Budge line is equal to....
- (a) Marginal rate of substitution between the factor inputs
- (b) Ration of price of factor inputs
- (c) Demand of each factor input
- (d) Supply of each factor input
16. The following tables shows the combination of X and Y two factor inputs which are on the same Isoquant line
- | Combination | X(quantity) | Y(quantity) |
|-------------|-------------|-------------|
| A           | 1           | 12          |
| B           | 2           | 8           |
| C           | 3           | 5           |
| D           | 4           | 7           |
- The Marginal rate of substitution for C combination is
- (a) 4
- (b) 3
- (c) 2
- (d) 1
17. The Marginal rate of substitution for combination B is
- (a) 4
- (b) 3
- (c) 2
- (d) 1
18. The Marginal rate of substitution for combination D is
- (a) 4
- (b) 3
- (c) 2
- (d) 1
19. If factor inputs are perfect substitute for each other the MRTS will be-
- (a) Constant
- (b) Zero
- (c) Increasing
- (d) Decreasing
20. The slope of Isoquant measures
- (a) Returns to scale
- (b) The Marginal rate of substitution
- (c) Marginal productivity
- (d) Input output ratio
21. If factor inputs are complementary to each other the MRTS will be-
- (a) Constant
- (b) Zero
- (c) Increasing
- (d) Decreasing
22. If factor inputs are perfect substitute for each other the Isoquant will be
- (a) Straight to X axis to constant
- (b) Concave to origin
- (c) Right angled straight line
- (d) Parallel to Y axis
23. If Isoquant curve is to be concave to the origin it would implies that
- (a) MRTS is increasing
- (b) MRTS is decreasing
- (c) MRTS is constant
- (d) MRTS is zero
24. Diminishing MRTS is due to
- (a) Increasing returns to scale
- (b) Decreasing returns to scale
- (c) Constant returns to scale
- (d) None
25. The slope of the total production curve measures
- (a) Average production
- (b) Minimum production

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- (c) Marginal production  
(d) Maximum production
26. A fixed cost is one which  
(a) Cannot be varied in the short run  
(b) Can be varied in the very short run  
(c) Cannot be varied under any conditions  
(d) Is difficult to control
27. A Rational manufacturer firm will always operate --- stage of production  
(a) 1st  
(b) 2nd  
(c) 3rd  
(d) Any of these
28. If a production function is homogenous of degree one it implies that  
(a) There are increasing return to scale  
(b) There are decreasing returns to scale  
(c) There are constant returns to scale  
(d) None of these
29. If a firm doubles its inputs and output increases by one and half times then the production function exhibit  
(a) Decreasing returns to scale  
(b) Increasing returns to scale  
(c) Constant returns to scale  
(d) Decreasing cost industry
30. If a firm doubles its inputs and output increases by two and half times then the production function exhibits  
(a) Decreasing returns to scale  
(b) Increasing returns to scale  
(c) Constant returns to scale  
(d) Decreasing cost industry
31. Which of these is/are exception to the law of Diminishing Marginal utility  
(a) Rare things  
(b) Misers  
(c) Drunkards  
(d) All the three
32. ... Said the tendency of law of diminishing marginal utility is so widely prevalent that it would not be wrong to call it a universal law
- (a) Prof. Taussing  
(b) Dr. Marshall  
(c) Gossen  
(d) Leftwitch
33. The law of equilibrium marginal utility was propounded by-  
(a) Prof. Taussing  
(b) Dr. Marshall  
(c) Gossen  
(d) Leftwitch
34. Who calls law of equilibrium marginal utility as law of equi-marginal utility  
(a) Prof. Taussing  
(b) Dr. Marshall  
(c) Gossen  
(d) Leftwitch
35. Who calls law of equilibrium marginal utility as law of maximum satisfaction  
(a) Prof. Taussing  
(b) Dr. Marshall  
(c) Gossen  
(d) Leftwitch
36. Who calls law of equilibrium marginal utility as law of substitution  
(a) Prof. Taussing  
(b) Dr. Marshall  
(c) Gossen  
(d) Leftwitch
37. Tea and Milk are---  
(a) Close substitute products  
(b) Complementary to each other  
(c) Unrelated products  
(d) Alternative products
38. Which of these is an example of explicit cost  
(a) Wages  
(b) Depreciation  
(c) Interest on capital introduced by the proprietor  
(d) All the three
39. The theory of excess capacity was propounded by--  
(a) Hicks



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- (b) Giffens
  - (c) Chamberlin
  - (d) Recardo
40. Who regards fixed costs as supplementary cost
- (a) Keynes
  - (b) Adam Smith
  - (c) Chamberlin
  - (d) Marshall
41. The terms private and social cost were first used by--
- (a) Keynes
  - (b) Adam Smith
  - (c) Chamberlin
  - (d) Marshall



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### THEORY OF COST OF PRODUCTION

1. Explicit cost refers to
  - (a) Actual expenses of the firm to purchase or hire input it needed
  - (b) Actual and notional expenses of the firm to purchase or hire input it needed
  - (c) Notional expenses of the firm to purchase or hire input it needed
  - (d) All the three
2. Implicit cost refers to.....
  - (a) Value of inputs owned by the firm and used in its own manufacturing process
  - (b) Value of inputs or services purchased from outside and used in its own manufacturing process
  - (c) Value of inputs owned by the firm and sold to others
  - (d) Value of inputs or services for which no payments were made to outside
3. Which of these costs will increase or decrease with increase or decrease in production
  - (a) Marginal cost
  - (b) Fixed costs
  - (c) Financial costs
  - (d) All the three
4. If a firms cost of raw material increase then
  - (a) Market price of the final product will also increase
  - (b) Equilibrium level of quantity also increases
  - (c) Marginal cost curve will shift upward
  - (d) Marginal cost curve will shift downward
5. If a firms cost of raw material decreases then
  - (a) Marginal cost curve will shift downward
  - (b) Marginal cost curve will shift upward
  - (c) Market price will go down
  - (d) Market price will go up
6. Which of the following cannot be described as an explicit cost
  - (a) Notional rent of self-occupied building
  - (b) Interest on loan raised from bank for business purpose
  - (c) Payment of wages to the workers employed
  - (d) Normal profit on capital employed
7. Which of these can be described as Implicit cost
  - (a) Notional rent of self-occupied building
  - (b) Electricity charges paid to electricity board
  - (c) Payment of wages to the workers employed
  - (d) Rent of the factory building
8. Which of the following is a sunk cost
  - (a) The cost of plant and machinery installed five years ago become redundant due to change in production technology
  - (b) Payment of arrears of income-tax liability
  - (c) Retrenchment compensation paid to the staff
  - (d) Minimum bonus payment to industrial workers
9. The law of diminishing returns applies in.....
  - (a) Short run
  - (b) Long run
  - (c) Very short run
  - (d) All the time period
10. If total production increases in the short run, the total cost will also.....
  - (a) Increase due to increase in fixed cost
  - (b) Increase due to increase in variable cost
  - (c) Increase due to increase in total cost
  - (d) Remain constant
11. A firm total cost is not dependent upon which of the following
  - (a) Maximum retail price of the final product
  - (b) Taxes
  - (c) Input output ratio
  - (d) Cost of inputs

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12. Marginal cost is defined as.....
- (a) Change in total cost due to addition of one unit
  - (b) Total cost divided by additional unit
  - (c) Total cost divided by total units produced
  - (d) Total sales/Total production

13. The positively sloped part of long run cost curve of a firm is due to
- (a) Economics of scale
  - (b) Diseconomies of scale
  - (c) Diminishing returns to scale
  - (d) Marginal utility theory

14. The negatively sloped part of long run cost curve of a firm is due to
- (a) Increase in production due to specialization and division of labour
  - (b) Diseconomies of scale
  - (c) Diminishing returns to scale
  - (d) Marginal utility theory

15. Which of the following statement is true about average cost function
- (a)  $ATC = AFC - AVC$
  - (b)  $AVC = AFC + ATC$
  - (c)  $AFC = ATC + AVC$
  - (d)  $ATC = AFC + AVC$

16. The output and cost pattern of a product are given below

Output (q)	0	1	2	3	4	5
Total in Rs. cost (Tc)	30	42	53	63	75	88

From the above details what is the fixed cost or sunk cost

- (a) Rs. 30
  - (b) Rs. 17.5
  - (c) Rs. 22
  - (d) Rs. 35
17. In question No. 16 the marginal cost of producing 2<sup>nd</sup> unit is
- (a) Rs. 17.5
  - (b) Rs. 11
  - (c) Rs. 14

- (d) Rs. 11

18. In question No. 16 the average fixed cost of producing 3 units is

- (a) Rs. 17.5
- (b) Rs. 15
- (c) Rs. 10
- (d) Rs. 14

19. In question No. 16 the average total cost of producing 3 units is

- (a) Rs. 14.5
- (b) Rs. 15.5
- (c) Rs. 13
- (d) Rs. 21

20. The relationship between the labour hour worked and total output relationship in respect of a product is given below

Hours of labour worked	Total output	Marginal/incremental output
0	0	0
1	50	50
2		60
3	175	
4		65
5	300	
6	355	55
7	350	-5
8	340	-10

From the above details what is the average output per hour when 2 hours of labour are deployed

- (a) 55
  - (b) 50
  - (c) 60
  - (d) 65
21. In question No. 2 what is the total output when 2 hours of labour are deployed
- (a) 155
  - (b) 110
  - (c) 100
  - (d) 165
22. In question No. 20 what is the marginal

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- output for the 3<sup>rd</sup> hours of labour  
(a) 55  
(b) 50  
(c) 60  
(d) 65
23. In question No. 20 what is the marginal output for the 5<sup>th</sup> hours of labour  
(a) 55  
(b) 50  
(c) 60  
(d) 65
24. In question No. 20 what is the average output for 5 hours of labour  
(a) 55  
(b) 50  
(c) 60  
(d) 65
25. In question No. 20 the firm remains in the stage of increasing returns to scale up to level of labour hours  
(a) 2 labour hours  
(b) 3 labour hours  
(c) 4 hrs  
(d) 6 hrs.
26. In question No. 20 the firm remains in the stage of constant returns to scale upto level of labour hours  
(a) 2 labour hours  
(b) 3 labour hours  
(c) 4 hrs  
(d) 6 hrs.
27. In question No. 20 the firm enter diminishing returns to scale from -- labour hours  
(a) 2 labour hours  
(b) 3 labour hours  
(c) 4 hrs  
(d) 6 hrs.
28. In question No. 20 the firm should continue deploy additional labour hours upto  
(a) 2 labour hours  
(b) 3 labour hours  
(c) 4 hrs  
(d) 6 hrs.
29. In question No. 20 the optimum level of output of the firm is  
(a) 355 units  
(b) 350  
(c) 340 hrs.  
(d) 300
30. In question No. 20 if the firm continue to operate beyond 6 labour hours as the labour cannot be declared surplus – the firms should --- to increase the output  
(a) Increase fixed input  
(b) Retrench the surplus labour  
(c) Outsource the work  
(d) All the three
31. Which of the following curve cannot take U shape  
(a) AVC  
(b) AC  
(c) AFC  
(d) MC
32. When a firm enters the law of diminishing returns to scale  
(a) TVC curve begins to fall at an increasing rate  
(b) TVC curve begins to increase at an increasing rate  
(c) TVC curve begins to fall at a decreasing rate  
(d) TVC curve begins to increase at a decreasing rate
33. Which of these curve never touch X axis  
(a) AVC  
(b) AFC  
(c) TC  
(d) MC
34. Total cost is the arithmetic sum of  
(a) AFC and AVC  
(b) FC and Variable cost  
(c) Marginal cost and variable cost  
(d) Sunk cost and fixed cost
35. Which of these is not a fixed cost

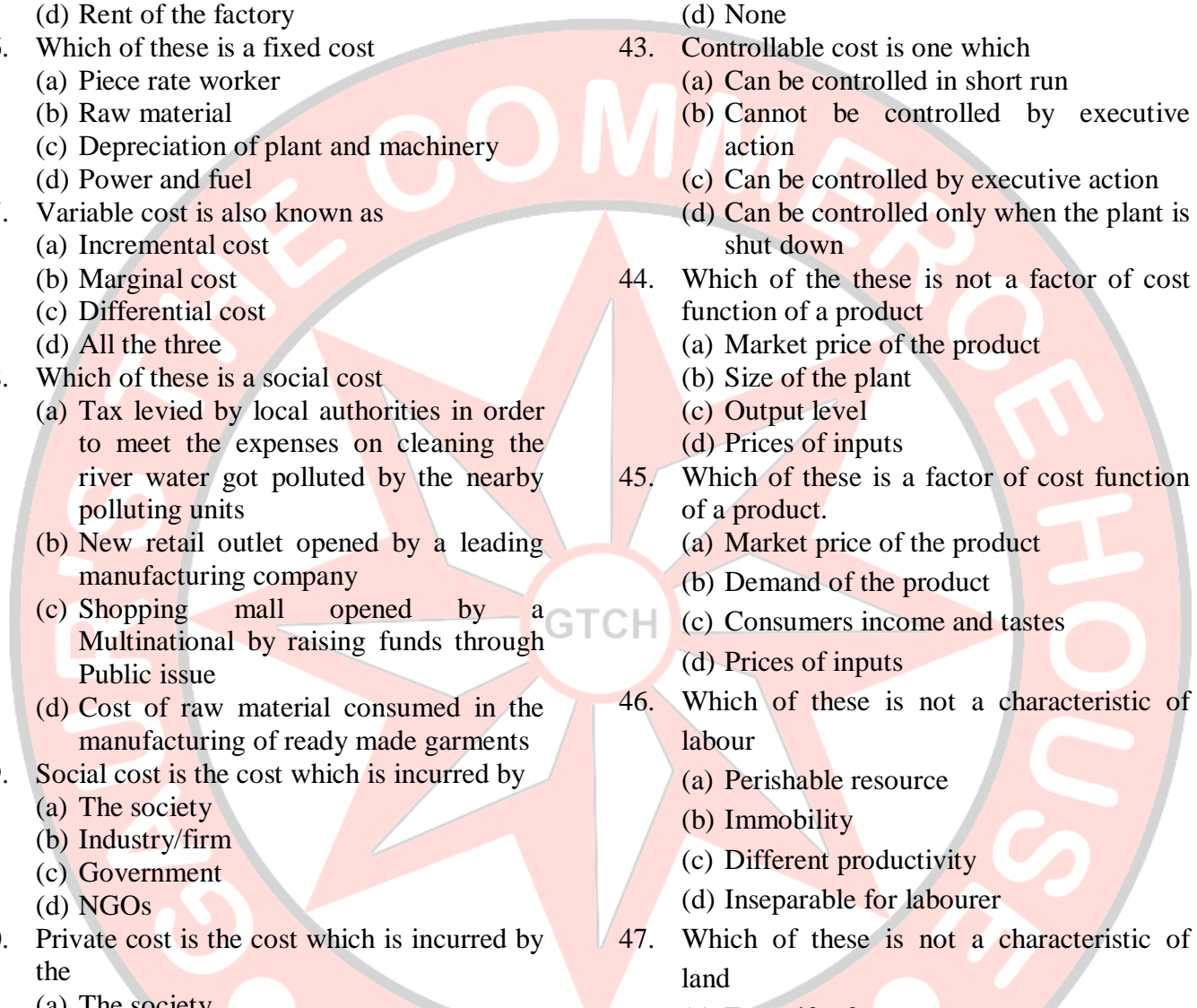


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- 
- (a) Salary and wages of administrative staff  
(b) Salary and wages of casual labour  
(c) Remuneration of Manager Production  
(d) Rent of the factory
36. Which of these is a fixed cost  
(a) Piece rate worker  
(b) Raw material  
(c) Depreciation of plant and machinery  
(d) Power and fuel
37. Variable cost is also known as  
(a) Incremental cost  
(b) Marginal cost  
(c) Differential cost  
(d) All the three
38. Which of these is a social cost  
(a) Tax levied by local authorities in order to meet the expenses on cleaning the river water got polluted by the nearby polluting units  
(b) New retail outlet opened by a leading manufacturing company  
(c) Shopping mall opened by a Multinational by raising funds through Public issue  
(d) Cost of raw material consumed in the manufacturing of ready made garments
39. Social cost is the cost which is incurred by  
(a) The society  
(b) Industry/firm  
(c) Government  
(d) NGOs
40. Private cost is the cost which is incurred by the  
(a) The society  
(b) Industry/firm  
(c) Government  
(d) NGOs
41. Negative externality arises when  
(a) Social cost is more than the private cost  
(b) Social cost is less than the private cost  
(c) Social cost equals the private cost  
(d) None
42. Positive externality arises when  
(a) Social cost is more than the private cost  
(b) Social cost is less than the private cost  
(c) Social cost equals the private cost  
(d) None
43. Controllable cost is one which  
(a) Can be controlled in short run  
(b) Cannot be controlled by executive action  
(c) Can be controlled by executive action  
(d) Can be controlled only when the plant is shut down
44. Which of these is not a factor of cost function of a product  
(a) Market price of the product  
(b) Size of the plant  
(c) Output level  
(d) Prices of inputs
45. Which of these is a factor of cost function of a product.  
(a) Market price of the product  
(b) Demand of the product  
(c) Consumers income and tastes  
(d) Prices of inputs
46. Which of these is not a characteristic of labour  
(a) Perishable resource  
(b) Immobility  
(c) Different productivity  
(d) Inseparable for labourer
47. Which of these is not a characteristic of land  
(a) Free gift of nature  
(b) Fixed supply  
(c) Complete mobility  
(d) Heterogeneity in productivity
48. Labour supply curve is  
(a) Backward sloping  
(b) Upward sloping  
(c) Downward sloping

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- (d) Straight line
49. With increase in wage rate beyond a point, labour supply decrease due to
- (a) Health reasons
  - (b) Lack of work
  - (c) Preference for leisure
  - (d) Fall in demand
50. Which of these types of labour will not be regarded as economic activity of labour under economics
- (a) A person ironing his own cloth at his home
  - (b) A person working in any factor
  - (c) Railway porter carrying luggage on payment of his labour charges
  - (d) A person working as waiter in a Restaurant
51. In the short run which of the following is fixed
- (a) Labour
  - (b) Capital
  - (c) Raw material
  - (d) None
52. The slope of total variable cost curve equals....
- (a) AVC
  - (b) MC
  - (c) AC
  - (d) MPP
53. In the short run, diminishing marginal returns is implied by
- (a) Rising MC
  - (b) Falling MC
  - (c) Rising AVC
  - (d) Constant TC
54. Total variable cost curve is explained by
- (a) Law of the diminishing marginal returns
  - (b) The price of the variable inputs
  - (c) Production function
  - (d) All the three
55. TVC curve begins to--- with the onset of diminishing returns
- (a) Rise at an increasing rate
  - (b) Rise at a decreasing rate
  - (c) Fall at an increasing rate
  - (d) Stabilize
56. TVC curve begins to--- with the onset of increasing returns
- (a) Rise at an increasing rate
  - (b) Rise at a decreasing rate
  - (c) Fall at an increasing rate
  - (d) Stabilize
57. Which of the following cannot be U shaped curve
- (a) AFC curve
  - (b) AC curve
  - (c) AVC curve
  - (d) AMC curve
58. Discrepancies between private cost and social cost give rise to
- (a) Externalities
  - (b) Marginal utility
  - (c) Extravagance
  - (d) Consumer dissatisfaction
59. Long run supply curve of a constant cost industry is
- (a) Horizontal line at a price that is equal to the long run minimum average cost of production
  - (b) Horizontal line overlapping X axis
  - (c) Vertical line at mid of X axis
  - (d) Vertical line overlapping Y axis

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60. Long run supply curve of a increasing cost industry is
- (a) Horizontal line overlapping X axis
  - (b) Upward sloping line
  - (c) Downward sloping line
  - (d) Vertical line
61. Long run supply curve of a decreasing cost industry is
- (a) Downward sloping curve
  - (b) Upward sloping curve
  - (c) Straight line parallel to X axis
  - (d) Straight line parallel to Y axis
62. A firm in a Constant cost industry expands its production
- (a) At the same cost of production
  - (b) With increased production cost
  - (c) With reduced production cost
  - (d) None
63. A firm in a decreasing cost industry expands its production
- (a) At the same cost of production
  - (b) With increased production cost
  - (c) With reduced production cost
  - (d) None
64. A firm in a Increasing cost industry expands its production
- (a) At the same cost of production
  - (b) With increased production cost
  - (c) With reduced production cost
  - (d) None
65. An increasing cost industry experiences
- (a) Economics of scale
  - (b) Diseconomies of scale
  - (c) Positive externalities
  - (d) Resource crunch
66. A decreasing cost industry experiences
- (a) Economics of scale
  - (b) Diseconomies of scale
  - (c) Positive externalities
  - (d) Resource crunch
67. In economics, in the long run all the cost.....
- (a) Are fixed
  - (b) Are variable
  - (c) Except labour are variable
  - (d) Are non controllable
68. In economic theory, in the short run all the cost are.....
- (a) Fixed
  - (b) Variable
  - (c) Controllable
  - (d) Semi variable
69. Marginal cost curve is
- (a) Positively sloped
  - (b) Negatively sloped
  - (c) Parallel to X axis
  - (d) Parallel to Y axis
70. Marginal cost can be equal to Average variable cost when
- (a) Average variable cost is falling
  - (b) Average variable cost is increasing
  - (c) Average variable cost is constant
  - (d) Under any of the above situations
71. Which of the following is an internal economy of scale
- (a) Procurement of raw material in bulk quantity at reduced rate due to increase in size of production
  - (b) Increase in labour force leading to increase in production at higher cost
  - (c) Getting finance from a newly opened bank at reduced rate

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- (d) Reduction in transportation cost due to shifting of Railway station near the factory



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### CONSUMER EQUILIBRIUM

Level of

1. Law of diminishing Marginal utility state that  
(a) With successive increase in consumption of additional unit marginal utility also increase  
(b) With successive increase in consumption of additional unit marginal utility also decreases  
(c) With successive increase in consumption of additional unit marginal utility remain constant  
(d) None
2. Limitation of Cardinal approach of Marginal utility theory is/are that  
(a) Marginal utility is not measurable  
(b) MU is not additive  
(c) It makes unrealistic assumptions  
(d) All
3. Basic assumptions of ordinal approach is/are....  
(a) Rank different combination of goods  
(b) Consumer behaviour is constant  
(c) Consumers have preferences  
(d) All the three
4. Which of these is not a property of Indifference curve  
(a) Slope downward left to Right  
(b) Cross each other  
(c) Convex to origin  
(d) Higher indifference curve shows higher level of satisfaction
5. Budget line shows.....  
(a) Combination of two commodities that a consumer can buy within same budget  
(b) Combination of two commodities that a producer can produce at same cost  
(c) Combination of two commodities that a consumer can consume to have same utility  
(d) All the three
6. Indifference curve shows.....  
(a) Various combinations of two consumer satisfaction  
(b) Various combinations of two commodities that a consumer can buy  
(c) Various combinations of two goods that give same value for money  
(d) Various combinations of two goods that give same level of consumer surplus
7. Supply refers to the quantity which a firm is.....  
(a) Willing to produce at a given price  
(b) Willing to supply at a given price  
(c) Willing to store at a given price  
(d) Willing to order at a given price
8. The difference between the positive and normative in economics is that  
(a) Positive economics start with statement in affirmative mode whereas normative in negative mode  
(b) Positive economics concerns matter of fact, whereas normative concerns matter of opinion  
(c) In positive economics answer is yes whereas in normative there is no answer to the problem  
(d) All the three
9. Opportunity cost is  
(a) Benefit forgone by not putting the resources to their next best alternative use  
(b) Profit forgone by not putting resources to available use  
(c) Actual price paid for the resources  
(d) Implicit cost of resources
10. Any point beyond the PPF is not attainable due to  
(a) Resource or technological constraints  
(b) Lack of sufficient demand  
(c) Lack of working capital  
(d) Lack of labour force
11. An Engel curve is  
(a) A type of demand curve which is angular

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- (b) A type of demand curve named after Prof Engel  
(c) Upward sloping demand curve  
(d) Flat demand curve
12. If Income elasticity is negative the goods are  
(a) Superior goods  
(b) Close complementary goods  
(c) Luxury goods  
(d) Inferior goods
13. In the short run, the demand tends to be  
(a) Highly elastic  
(b) Less elastic  
(c) Volatile  
(d) Zero elastic
14. In long run, the demand has a tendency to show  
(a) High elasticity  
(b) Stability  
(c) Zero elasticity  
(d) Fluctuation
15. Consumer surplus means  
(a) Difference between a sum consumer had in his Bank a/c and what he spend from it  
(b) Difference between what a consumer is willing to spend for a product and what he actually pays for it  
(c) Difference between what a producer is willing to sell and what he actually sold  
(d) Difference between what a firm is willing to pay for a factor production and what it pays for it
16. If two products are perfectly complementary to each other, their indifference curve will be  
(a) L shaped  
(b) Straight line  
(c) U shaped  
(d) I shape
17. A price expansion path is  
(a) Nothing but a supply curve  
(b) Equal cost curve
- (c) A curve line connects points of tangency between budget line and utility maximizing indifference curve  
(d) None
18. In a..... economy, the central problems is solved by market forces  
(a) Socialistic  
(b) Mixed  
(c) Market  
(d) Regulated
19. .... is the cost which is continued to be incurred even if the business is closed for some time  
(a) Variable cost  
(b) Marginal cost  
(c) Fixed cost  
(d) Finance cost
20. If a product has no substitutes its demand  
(a) Will be highly elastic  
(b) Will be perfectly inelastic  
(c) Will be unity elastic  
(d) None
21. A market can be described as  
(a) The mechanism by which prices adjust to reconcile the allocation of resources  
(b) Physical place where buyers and sellers can meet  
(c) Big MAL or Shopping centre  
(d) All the three
22. The quantity consumed of product X and utility derived by the consumer Y are given below

Unit consumed	Marginal utility derived	Total utility
0	0	0
1	10	10
2		19
3	8	
4		33
5	4	
6		37
7		35

What is the marginal utility while

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consuming 2<sup>nd</sup> unit of product X

- (a) 8
- (b) 9
- (c) 7
- (d) 5

23. In question No. 22 total utility consumed from consumption of 5 units is

- (a) 33
- (b) 37
- (c) 35
- (d) 30

24. In question No. 22 total utility consumed from consumption of 6 units is

- (a) 3
- (b) 7
- (c) 0
- (d) 2

25. In question No. 22 total utility consumed from consumption of 7 units is

- (a) 3
- (b) 7
- (c) 0
- (d) -2

26. In question No. 22 the point of saturation is ..... units

- (a) 8
- (b) 9
- (c) 6
- (d) 5

27. In question No. 22 maximum utility derived by the consumer is

- (a) 33
- (b) 37
- (c) 35
- (d) 30

28. Table given below gives the marginal utility derived by a consumer from consumption of X and Y

Unit consumed	Marginal utility X	Marginal utility Y
1	18	21
2	16	18
3	14	16

4	13	13
5	12	9
6	10	8
7	8	7

If the unit price of product X is Rs. 1.5 and product Y is Rs. 2, the consumer equilibrium is reached at -- of X and -- of Y

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

29. In question No. 28 the total utility derived by the consumer at the level of equilibrium is

- (a) 120
- (b) 128
- (c) 110
- (d) 109

30. In question No. 28 if the unit price of X increases to Rs. 2 and the price of Y remains same the equilibrium level will be -- of X and -- of Y

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

31. In question No. 30 the total utility derived by the consumer at the equilibrium level is

- (a) 50
- (b) 57
- (c) 54
- (d) 49

32. Indifference curve are convex to the origin due to

- (a) Diminishing Marginal rate of substitution
- (b) Increasing Marginal rate of substitution
- (c) Constant return to scale
- (d) Increasing returns to scale

33. Indifference curves cannot be a straight line

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as it would implies

- (a) Constant Marginal rate of substitution
- (b) Increasing Marginal rate of substitution
- (c) Increasing return to scale
- (d) None

34. If Indifference curves concave to the original it would implies

- (a) Constant Marginal rate of substitution
- (b) Increasing Marginal rate of substitution
- (c) Increasing return to scale
- (d) None

35. Table below shows different combination of two products X and Y which are on the same indifference curve

Combination	X	Y
A	1	12
B	2	8
C	3	5
D	4	3
E	5	1
F	6	0

Marginal rate of substitution for combination C is

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

36. Marginal rate of substitution for combination D is

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

37. Marginal rate of substitution for combination E is

- (a) 3

(b) 4

(c) 2

(d) 1

38. Indifference curve will be a right angled straight line only when the goods are

- (a) Perfectly complementary to each other
- (b) Close substitute
- (c) Totally unrelated
- (d) None

39. Higher indifference curve indicates

- (a) Higher level of satisfaction combination
- (b) Higher cost
- (c) Lower cost
- (d) Lower level of satisfaction

40. Lower indifference curve indicates

- (a) Higher level of satisfaction combination
- (b) Higher cost
- (c) Lower cost
- (d) Lower level of satisfaction combination

41. Indifference curve cannot intersect each other because

- (a) Two different satisfaction line cannot have a common point
- (b) Technically impossible to draw such lines
- (c) Of operation of marginal utility theory
- (d) Of operation of increasing cost theory

42. Producer surplus is the difference between

- (a) Total revenue and total variable cost
- (b) Total revenue and total cost
- (c) Normal cost and actual cost
- (d) Normal price and actual price

43. The table below show the Marginal utility derived at different level by a consumer

Quantity Purchased	Marginal utility (Utl's)	Price in Rs. per unit
--------------------	--------------------------	-----------------------

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1	18	8
2	15	8
3	13	8
4	10	8
5	8	8

What is the consumer surplus when the consumer purchase 1 unit

- (a) 10  
(b) 8  
(c) 6  
(d) 5
44. In question No. 43 what is the Consumer surplus when he buy 3 units is  
(a) 20  
(b) 28  
(c) 22  
(d) 15
45. In question No. 43 what is the Consumer surplus when he buy 5 units is  
(a) 20  
(b) 24  
(c) 22  
(d) 15
46. In question No. 43 the maximum Consumer surplus that a consumer can derive is  
(a) 20  
(b) 24  
(c) 22  
(d) 15
47. In question No. 43 how long the consumer should buy the commodity in question  
(a) 5 units  
(b) 8 units  
(c) 6 units  
(d) 1 units
48. Indifference curve shows combinations of -  
-- commodities giving same level of satisfaction  
(a) 1  
(b) 2  
(c) 3  
(d) 4
49. Given the budget line a consumer will try to opt for--- level of indifference curve  
(a) Higher  
(b) Lower  
(c) Same  
(d) None
50. With decrease in budget a consumer equilibrium will be at--- indifference curve  
(a) Higher  
(b) Lower  
(c) Same  
(d) None
51. In short run producer surplus is  
(a) Zero  
(b) Greater than economic profit  
(c) Equal to economic profit  
(d) Less than economic profit
52. In the long run producer surplus is  
(a) Zero  
(b) Greater than economic profit  
(c) Equal to economic profit  
(d) Less than economic profit
53. Who propounded Kinked demand curve hypotheses  
(a) Grossen  
(b) Leftwich  
(c) Sweezy  
(d) Dr. Marshall
54. An Oligopoly firm is known for-  
(a) Price rigidity  
(b) Price discrimination  
(c) Fair price policy

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- (d) Price flexibility
55. .... Curve never touch X axis
- (a) AFC
  - (b) TFC
  - (c) TVC
  - (d) MC



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### PRICE DETERMINATION UNDER DIFFERENT MARKETS

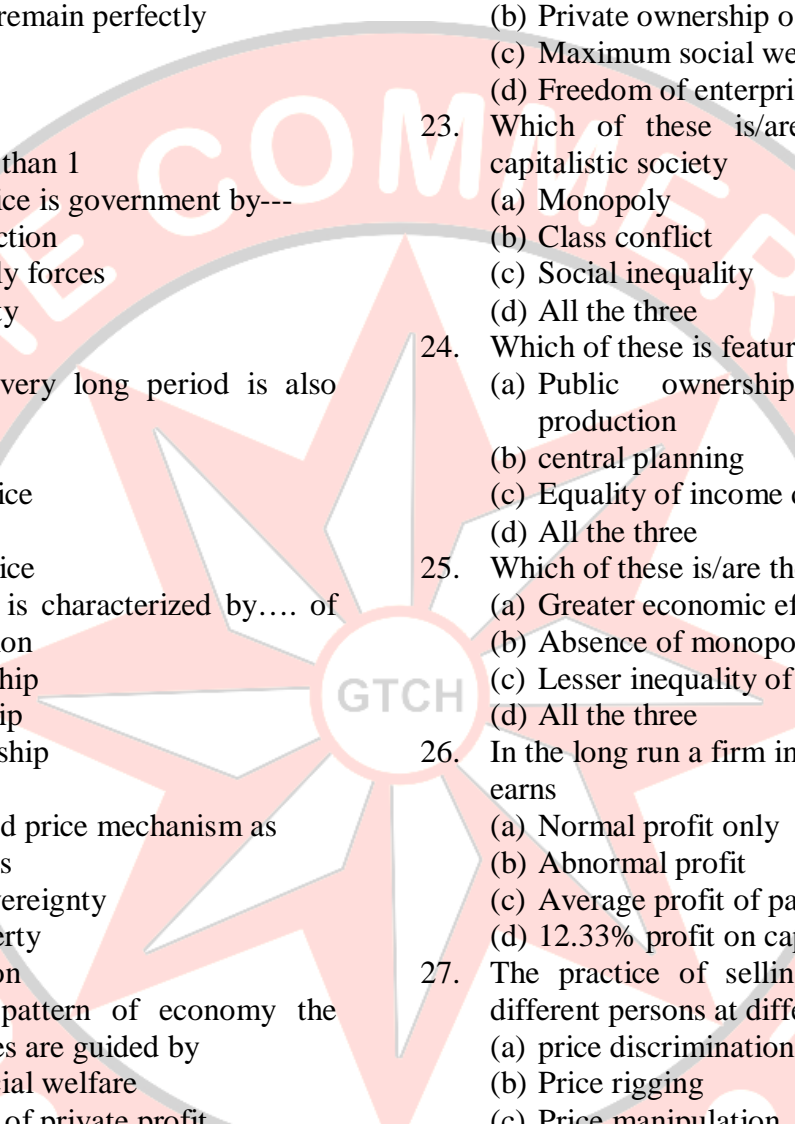
1. Which of the following is/are an essential feature of a market
  - (a) Buyers
  - (b) Sellers
  - (c) Price
  - (d) All the three
2. Which of these is not an essential feature of a market
  - (a) Buyers
  - (b) Sellers
  - (c) Commodity
  - (d) Building with loading and unloading facilities
3. Which of the following is/are the characteristic of a monopolistically competitive market
  - (a) No restriction on exit and entry
  - (b) Many sellers
  - (c) product differentiation
  - (d) All the three
4. Homogenous products faces--- elasticity of demand
  - (a) Infinite
  - (b) 0
  - (c)
  - (d)  $<1$
5. Which of the following is/are the main approaches
  - (a) Classical Economists
  - (b) Australian approach
  - (c) Marshall approach
  - (d) All the three
6. Which of the following is not a main approaches to Pricing of commodities
  - (a) Classical Economists
  - (b) Australian approach
  - (c) Marshall approach
  - (d) Neo classical economist
7. Who of the following is not a classical economist
  - (a) Adam Smith
  - (b) Marshall
  - (c) JR Hicks
  - (d) Samulson
8. Adam smith put forwarded two theories of price determination--- and.....
  - (a) Marginal utility, cost of production
  - (b) Labour theory, cost of production
  - (c) Labour theory, Marginal utility
  - (d) Opportunity cost, social cost
9. Which of the following is/are the defects of classical theory of price determination
  - (a) Price of rare collection have no relation to cost of production
  - (b) In the case of joint products, cost of production is not easily determinable
  - (c) It ignored other factors
  - (d) All the three
10. Who is/are the main advocate of Australian approach of price determination
  - (a) Menger
  - (b) Wieger
  - (c) Bohm Bawork
  - (d) All the three
11. Australian approach is also know as
  - (a) Psychological approach
  - (b) Subjective approach
  - (c) Both
  - (d) None
12. According to Marshall approach price is determined by
  - (a) Interaction of buyers and sellers
  - (b) Utility
  - (c) Cost of production
  - (d) Price of close substitute products
13. If there is simultaneous fall in consumers disposal income as well number of suppliers of a product in the market, the
  - (a) Equilibrium quantity will decrease
  - (b) Equilibrium price will decrease
  - (c) Equilibrium price will go up
  - (d) Equilibrium quantity will increase
14. According to Australian approach price is determined by
  - (a) Variable cost of production
  - (b) Utility of the product

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- 
- (c) Cost of production  
(d) Price of close substitute products
15. Very short period is the market condition where the supply remain perfectly  
(a) Elastic  
(b) Inelastic  
(c) Unit elastic  
(d) Elasticity less than 1
16. In the long run price is government by---  
(a) Cost of production  
(b) Demand supply forces  
(c) Marginal utility  
(d) None
17. Price under the very long period is also called....  
(a) Secular price  
(b) penetration price  
(c) Normal price  
(d) Discounted price
18. Capitalist system is characterized by.... of means of production  
(a) Social ownership  
(b) State ownership  
(c) Private ownership  
(d) All the three
19. Adam Smith called price mechanism as  
(a) Invisible hands  
(b) Consumer sovereignty  
(c) Consumer liberty  
(d) Price regulation
20. In a socialistic pattern of economy the economic activities are guided by  
(a) Maximum social welfare  
(b) Maximization of private profit  
(c) Employment generation  
(d) All the three
21. In a socialistic pattern of economy the problem of allocation of resources is addressed by  
(a) Market forces  
(b) Administrative Price Mechanism  
(c) Mutually by producers and consumers  
(d) Central Bank
22. Which of these is/are no the feature of a capitalistic economy  
(a) Price mechanism  
(b) Private ownership of resources  
(c) Maximum social welfare objective  
(d) Freedom of enterprise
23. Which of these is/are a demerits of a capitalistic society  
(a) Monopoly  
(b) Class conflict  
(c) Social inequality  
(d) All the three
24. Which of these is feature of socialism  
(a) Public ownership of means of production  
(b) central planning  
(c) Equality of income distribution  
(d) All the three
25. Which of these is/are the merit of socialism  
(a) Greater economic efficiency  
(b) Absence of monopolistic Conditions  
(c) Lesser inequality of income  
(d) All the three
26. In the long run a firm in perfect competition earns  
(a) Normal profit only  
(b) Abnormal profit  
(c) Average profit of past five years  
(d) 12.33% profit on capital employed
27. The practice of selling same product to different persons at different price is called  
(a) price discrimination  
(b) Price rigging  
(c) Price manipulation  
(d) Price justification
28. Which of these is not a cause of price discrimination  
(a) Ignorance of consumer  
(b) Place differentiation  
(c) Variation in quality  
(d) Tax differentiation
29. Bilateral monopoly arises when-a-seller faces- buyer

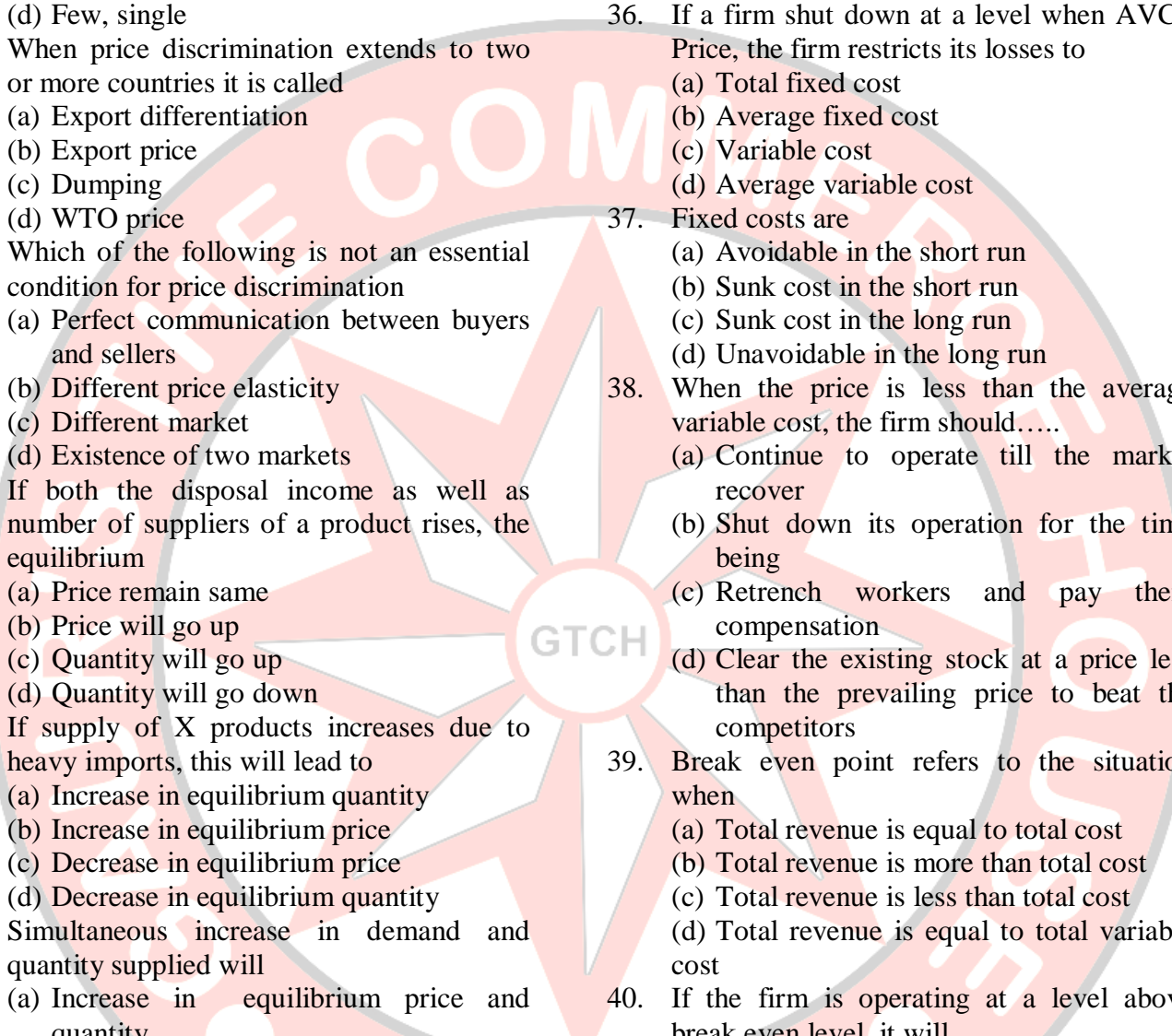


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- 
- (a) Single, single  
(b) Single, few  
(c) Few, few  
(d) Few, single
30. When price discrimination extends to two or more countries it is called  
(a) Export differentiation  
(b) Export price  
(c) Dumping  
(d) WTO price
31. Which of the following is not an essential condition for price discrimination  
(a) Perfect communication between buyers and sellers  
(b) Different price elasticity  
(c) Different market  
(d) Existence of two markets
32. If both the disposal income as well as number of suppliers of a product rises, the equilibrium  
(a) Price remain same  
(b) Price will go up  
(c) Quantity will go up  
(d) Quantity will go down
33. If supply of X products increases due to heavy imports, this will lead to  
(a) Increase in equilibrium quantity  
(b) Increase in equilibrium price  
(c) Decrease in equilibrium price  
(d) Decrease in equilibrium quantity
34. Simultaneous increase in demand and quantity supplied will  
(a) Increase in equilibrium price and quantity  
(b) Decrease equilibrium price and quantity  
(c) Increase equilibrium price but decrease quantity  
(d) Decrease equilibrium price but increase quantity
35. A firm faces the shut down situation when  
(a) Price is less than average variable cost  
(b) Price is more than the average variable cost  
(c) Price is equal to fixed cost  
(d) Price is more than the average fixed cost
36. If a firm shut down at a level when  $AVC > \text{Price}$ , the firm restricts its losses to  
(a) Total fixed cost  
(b) Average fixed cost  
(c) Variable cost  
(d) Average variable cost
37. Fixed costs are  
(a) Avoidable in the short run  
(b) Sunk cost in the short run  
(c) Sunk cost in the long run  
(d) Unavoidable in the long run
38. When the price is less than the average variable cost, the firm should.....  
(a) Continue to operate till the market recover  
(b) Shut down its operation for the time being  
(c) Retrench workers and pay them compensation  
(d) Clear the existing stock at a price less than the prevailing price to beat the competitors
39. Break even point refers to the situation when  
(a) Total revenue is equal to total cost  
(b) Total revenue is more than total cost  
(c) Total revenue is less than total cost  
(d) Total revenue is equal to total variable cost
40. If the firm is operating at a level above break even level, it will  
(a) Even net profit on the quantity in excess of break even level quantity at the rate of contribution margin  
(b) Earn net profit on the total quantity sold at the rate of contribution margin  
(c) Incur loss on the quantity in short of break even level quantity at the contribution margin  
(d) Incur loss on the quantity in excess of

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- break even level quantity at the contribution margin
41. If the firm is operating at a level below break even level, it will
- (a) Even net profit on the quantity in excess of break even level quantity at the rate of contribution margin
  - (b) Earn net profit on the total quantity sold at the rate of contribution margin
  - (c) Incur loss on the quantity in short of break even level quantity at the contribution margin
  - (d) Incur loss on the quantity in excess of break even level quantity at the contribution margin
42. A firm that break even after all the economic costs are paid is earning
- (a) Economic profit
  - (b) Accounting profit
  - (c) Normal profit
  - (d) Super normal profit
43. A firm that make profit in excess of normal profit is earning
- (a) Economic profit
  - (b) Costing profit
  - (c) Normal profit
  - (d) Super normal profit
44. A monopoly may be self perpetuating when profits are used for.....
- (a) Further expansion
  - (b) Research and development
  - (c) Cost saving
  - (d) All the three purposes
45. A natural monopoly has declining --- over large range of output
- (a) Long run average cost
  - (b) Short run average cost
  - (c) Long run total cost
  - (d) Long run marginal cost
46. In a perfect price discrimination situation the consumers are left with --- consumer surplus
- (a) Maximum
  - (b) Normal
  - (c) Little
  - (d) Minimum
47. Perfect price discrimination means that every customer
- (a) Pays what he thinks the product is worth
  - (b) Pay whatever he had in his pocket
  - (c) Pay whatever he can afford to pay
  - (d) Pay whatever he think is reasonable to pay
48. A monopoly based on ownership or control of manufacturing method is known as
- (a) Natural monopoly
  - (b) Technological monopoly
  - (c) Statutory monopoly
  - (d) Geographical monopoly
49. A monopoly based on size and market strength is known as
- (a) Natural monopoly
  - (b) Technological monopoly
  - (c) Statutory monopoly
  - (d) Geographical monopoly
50. A monopoly based on sole state ownership of production and distribution network is known as
- (a) Natural monopoly
  - (b) Technological monopoly
  - (c) Government monopoly
  - (d) Geographical monopoly
51. The market state that satisfy all the essential features of a perfect competitive market except identity of product is known as
- (a) Oligopoly
  - (b) Duopoly
  - (c) Monopoly
  - (d) Monopolistic competition
52. .... may start a price war in order to grab a larger share of market
- (a) Oligopoly
  - (b) Duopoly

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- (c) Monopoly  
(d) Monopolistic competition
53. In the short run if the price is above the average total cost in a monopolistic competitive market, the firm makes  
(a) Profits and new firms join the market  
(b) Profit and bar entry to new firms  
(c) Makes losses and exit the market  
(d) Quick profit and disappears
54. Which of these is not associated with a monopolistic competitive market-  
(a) Product differentiation  
(b) Price differentiation  
(c) Long run economic profit  
(d) Free entry and exit opportunity
55. The ideal level of operation for a pure monopoly firm is the level where  
(a) TR and STC curve are parallel to each other  
(b)  $TR=TC$   
(c)  $TR=Total\ variable\ cost$   
(d) TR is less than STC
56. When the Demand curve of a pure monopoly firm is elastic, MR will be  
(a) Negative  
(b) Positive  
(c) Zero  
(d) Any of these
57. In short run a monopolistic competition firm will be in equilibrium where  
(a) MR curve intersect SMC curve from above  
(b) MR curve intersect SMC curve from below  
(c)  $MC=AR$   
(d) MR curve intersect SMC from below and P is equal to or more than AVC
58. In a pure monopoly firm a firm can make abnormal profit at the long run equilibrium level due to  
(a) Price discrimination  
(b) Cost effectiveness  
(c) Banned entry of new firms  
(d) Sales promotion
59. In the short run an oligopolistic firm will  
(a) Make profits  
(b) Incur losses  
(c) Just break even  
(d) Any of these three are possible
60. In the long an oligopolistic firm making profit will survive only when  
(a) It restrict or ban fresh entry of firms  
(b) It maintain price at the same level  
(c) Reduce cost  
(d) Expand its size
61. A monopoly firm makes more profit because  
(a) It has ability to choose among price and output combination  
(b) It can discriminate price  
(c) It leave the consumer with no consumer surplus  
(d) It acts as a market leader
62. Super normal profits occurs when  
(a) Average revenue is more than average cost  
(b) Total revenue is maximum  
(c) Total cost is minimum  
(d) MC is equal to MR
63. In economic total cost take care of....  
(a) Explicit costs  
(b) Implicit cost  
(c) Owners reward  
(d) All the three
64. .... has excess production capacity in the long run  
(a) Perfect competition market  
(b) Monopolistic competition market  
(c) Oligopolistic market  
(d) None
65. Oligopoly market is known for....  
(a) Price flexibility  
(b) Price rigidity  
(c) price discrimination  
(d) All the three

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66. An oligopoly market is reluctant to change price because of  
(a) Fear of setting price warfare  
(b) Quality consideration  
(c) Price being too low to reduce them further  
(d) Feat of impairment of broad image
67. In a competitive market--- is the price maker  
(a) Firm  
(b) Industry  
(c) Consumer  
(d) Trade association
68. In a competitive market--- is the price taker  
(a) Firm  
(b) Industry  
(c) Consumer  
(d) Trade association
69. A competitive firm maximizes its total profit when.....  
(a) Average cost equal average realization  
(b) Marginal cost equals Price  
(c) Total revenue is the maximum  
(d)  $MR=AR$
70. The term increasing cost industry means  
(a) In which the price of one or more inputs increase with increase in production  
(b) In which the price of one or more inputs increase with increase in production  
(c) In which the price of one or more inputs increase with decreases in production  
(d) In which the price of one or more inputs remain same with increase in production
71. The term decreasing cost industry means  
(a) In which the price of one or more inputs increase with increase in production  
(b) In which the price of one or more inputs decrease with increase in production  
(c) In which the price of one or more inputs increase with decreases in production  
(d) In which the price of one or more inputs remain same with increase in production
72. Which of the following may not lead to monopoly power  
(a) Patents and trademarks  
(b) Economics of scale  
(c) Exclusive control over factor inputs supply  
(d) High prices
73. A Monopoly's demand curve is  
(a) Same as its average revenue curve  
(b) Same as its supply curve  
(c) Same as its cost curve  
(d) Same as that of the factor inputs
74. A monopoly firm will maximize total profit at the level where  
(a) Difference between total revenue and total cost is maximum  
(b) Marginal revenue is the maximum  
(c) Marginal revenue is the minimum  
(d)  $MC$  is equal to  $MR$
75. A monopoly firm generally prefers not to charge more due to  
(a) Fear of fall in total revenue  
(b) Fear to Govt. control and interference  
(c) Increasing tax liability  
(d) Fear of fresh entry of new firms
76. If a monopolist is operating in the elastic portion of its demand curve then  
(a) Increase in price will increase total revenue  
(b) Increase in price will decrease its total revenue  
(c) It is prone to lose its monopoly any time  
(d) Will never achieve maximum profit
77. If a monopolist is operating in the inelastic portion of its demand curve then  
(a) Increase in price will increase total revenue  
(b) It implies a negative  $MR$  and  $MC$   
(c) It is prone to lose its monopoly any time  
(d) Will never achieve maximum profit
78. A Monopolistically competitive firm



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choose the quantity at which its Marginal Cost equal its

- (a) Marginal Revenue
- (b) Average cost
- (c) Average Revenue
- (d) Price

79. Which of them is a characteristic of a price taker

- (a)  $MR = Price$
- (b)  $AR = MR$
- (c)  $TR = PXQ$
- (d) All the three

80. Which of these is/are a correct statement

- (a) Accounting profit is total revenue less explicit cost
- (b) For calculating economic profit only explicit cost are taken into account
- (c) In economic remuneration of the entrepreneur is not taken as an item of cost
- (d) Marginal revenue is change in revenue divided by change in output

81. The table given below shows the demand and supply position of eggs at various prices

Price (Rs. per dozen)	Daily Demand	Daily supply
16	3000	2300
17	2950	2350
18	2850	2475
19	2750	2525
20	2600	2600
21	2500	2650
22	2450	2700
23	2400	2750
24	2350	2800

What will be the equilibrium price

- (a) Rs. 19
- (b) Rs. 20
- (c) Rs. 21
- (d) Rs. 23

82. In question No. 81 what is the equilibrium quantity of demand and supply

- (a) 2525
- (b) 2600
- (c) 2650
- (d) 2725

83. Under perfect market conditions an Industry is said to be in equilibrium where

- (a) Total output is equal to total demand
- (b) Profit is maximum
- (c) Where the total revenue is maximum
- (d) Where total average cost is the minimum

84. Under perfect market conditions a firm is said to be in equilibrium where

- (a) Total output is equal to total demand
- (b) Profit is maximum
- (c) Where the total revenue is maximum
- (d) Where total average cost is the minimum

85. Under perfect market conditions the supply curve of a firm is represented by

- (a) MC curve
- (b) MR curve
- (c) AR curve
- (d) AC curve

86. Long-term equilibrium of an Industry under a perfectly market conditions is achieved when

- (a) All the firms are earning normal profit
- (b) All the firms are in equilibrium
- (c) There is not further entry or exist of firms from the industry
- (d) All the three

87. Which of the following statement is true

- (a) In perfect competition Average and Marginal revenue are identical
- (b) In perfect competition Average and Marginal cost are identical
- (c) In perfect competition Average price and Marginal cost are identical
- (d) In perfect competition only normal profit can be earned by a firm

88. For a monopoly firm market demand curve is

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- (a) Marginal revenue curve itself  
(b) Average Revenue curve itself  
(c) Marginal cost curve  
(d) None
89. Which of the following statement is true  
(a) For a monopoly firm AR can be zero or  
(b) For a monopoly firm MR can be zero or even negative  
(c) For a monopoly firm MR and AR are identical  
(d) For a monopoly firm MR and AR are positive sloped
90. For a monopoly firm the MR curve  
(a) Overlaps AR curve  
(b) Is above the AR curve  
(c) Lies half way between AR curve and the Y axis  
(d) Is parallel to X axis
91. A monopoly is characterized by  
(a) Limited entry and exit opportunity  
(b) Single supplier  
(c) Few customers  
(d) All the three
92. Which of the following faces a downward sloping demand curve  
(a) Firm is a competitive market  
(b) Firm in a monopoly market  
(c) Both  
(d) None
93. Average Revenue of a monopolist firm is  
(a) Always more than the Marginal revenue  
(b) Always less than the Marginal revenue  
(c) Equal to marginal revenue  
(d) Any of the above three possible
94. Demand curve of an Oligopoly firm is characterized by  
(a) Horizontal to X axis  
(b) Kink at the price  
(c) U shaped curve  
(d) A liner line
95. Kinked demand curve hypothesis was propounded by  
(a) An American economist Sweezy  
(b) Alfred Marshall  
(c) JR Hicks  
(d) None
96. Which of these are the features of a oligopoly market structure  
(a) Few buyers and sellers  
(b) Many buyers and sellers  
(c) Interdependency in decision making  
(d) Horizontal demand curve
97. In what way an oligopoly firm is similar to a monopoly firm  
(a) Downward sloping demand curve  
(b) Inability to influence market price  
(c) Guided by  $MC=MR$  principle in pricing  
(d) Elastic demand curve
98. Which of the following is not a characteristic of a monopolistically competitive market  
(a) No restriction on exist and entry  
(b) Many sellers  
(c) Product differentiation  
(d) Long run surplus profits
99. The term Competition in Monopolistic competition means  
(a) Many sellers likes in competitive market but dealing in differential products  
(b) Not many sellers but no restriction on entry and exit of firms  
(c) Many sellers but few buyers  
(d) All the three
100. If in the short run price in the Monopolistic competition market is above the average cost it means that the firm is making  
(a) Profit and new firms will enter the market  
(b) Profit and new firms will not enter the market  
(c) Profit and the existing firms will exit the market  
(d) Losses and new firms will enter the market

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- 101 Which of the following statement is true  
(a) Monopolist are price takers  
(b) Monopoly firm earn abnormal profits  
(c) A Monopoly firm faces straight demand line  
(d) Supply curve of a monopoly firm is positive sloped
- 102 What will happen if a firm in perfect competitive market, increases its output by 50%  
(a) Total sales revenue will also increase by 50%  
(b) Selling price will come down by 50%  
(c) Total sales revenue will decrease by 50%  
(d) Profit will increase by 25%
- 103 ...it is the form of the market in which the only seller of a commodity has full control over the prices  
(a) Monopoly  
(b) Pure monopoly  
(c) Simple monopoly  
(d) All the three
- 104 The concept of pure competition was propounded by-  
(a) Prof. Chamberlin  
(b) Spencer  
(c) Recardo  
(d) Hicks
- 105 The price that comes to prevail in the very short period is called-  
(a) Market Price  
(b) Shadow price  
(c) Short run price  
(d) Secular price
- 106 The price that prevail in the long run is called-  
(a) Normal price  
(b) Shadow price  
(c) Short run price  
(d) Secular price
- 107 ... is the difference between output and the value of intermediate consumption during an accounting year  
(a) Value added  
(b) Addition  
(c) Increase  
(d) Growth
- 108 Stock of both man made goods as well as natural resources like capital is called-  
(a) National wealth  
(b) National stock  
(c) National capital  
(d) National resources
- 109 ... is the price at which price is equal to Average variable cost  
(a) Break even point  
(b) Shut down point  
(c) No loss no gain level  
(d) All the three
- 110 In a mixed economy how prices are regulated by the Government-  
(a) Price control  
(b) Rationing  
(c) Distribution control  
(d) All the three
- 111 Externalities are also called--  
(a) Spill over  
(b) Shadow prices  
(c) Social cost  
(d) External cost
- 112 ... is a situation when more of one commodity can be produced without sacrificing the output of another commodity?  
(a) Social efficiency  
(b) Production efficiency  
(c) Distribution efficiency  
(d) All the three
- 113 ....refers to increase in welfare of one individual without decreasing the welfare of another individual  
(a) Social efficiency  
(b) Production efficiency  
(c) Distribution efficiency

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- (d) All the three
- 114 ... is a situation in which it is not possible to make someone better off without making someone worse off
- (a) Social efficiency  
(b) Production efficiency  
(c) Distribution efficiency  
(d) Pareto efficiency
- 115 .... is the price at which demand for a commodity is equal to its supply
- (a) Normal price  
(b) Equilibrium price  
(c) Short run price  
(d) Secular price
- 116 ...refers to a market where goods and services are brought and sold
- (a) Goods market  
(b) Factor market  
(c) Normal market  
(d) Hatt
- 117 ....refers to a market where services of factors of production are brought and sold
- (a) Goods market  
(b) Factor market  
(c) Normal market  
(d) Hatt
- 118 ...refers to those prices which are expressed in terms of equilibrium prices of intrinsic value of factors or goods
- (a) Normal price  
(b) Shadow price  
(c) Short run price  
(d) Secular price
- 119 Who said a pure monopoly firm is one that produces such a commodity as has no effective substitute in the production of other firms
- (a) Boulding  
(b) Adam Smith  
(c) Chamberlin  
(d) Marshall
- 120 Who divided the degree of price discrimination into three categories
- (a) Prof. Pigou  
(b) Boulding  
(c) Ferguson  
(d) Lipsey
- 121 When a monopolist charges different prices to each customer it is called price discrimination of--
- (a) First order  
(b) Second order  
(c) Third order  
(d) Fourth order
- 122 When a monopolist charges different prices for different units of the same commodity, it is called price discrimination of--
- (a) First order  
(b) Second order  
(c) Third order  
(d) Fourth order
- 123 When a monopolist divides the market into two or more groups and charges different prices from each groups, it is called price discrimination of--
- (a) First order  
(b) Second order  
(c) Third order  
(d) Fourth order
- 124 Which of these can be consequences of a monopoly
- (a) Consumers exploitation  
(b) Inefficient allocation of resources  
(c) Technical inefficiency  
(d) All the three
- 125 The demand curve of a Monopoly firm is--
- (a) Same that of a firm in a perfect competition  
(b) Same as that of the total market demand  
(c) Non-exist  
(d) Perfectly elastic
- 126 In a perfect competitive market price determines--
- (a) What to buy



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- (b) What to produce
  - (c) Both
  - (d) None
- 127 Total profit of a firm in a perfect competitive market is-
- (a) Total revenue less total cost
  - (b) Marginal revenue less marginal cost
  - (c) Total revenue less marginal cost
  - (d) Total revenue less variable cost



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### NATIONAL INCOME ACCOUNTING

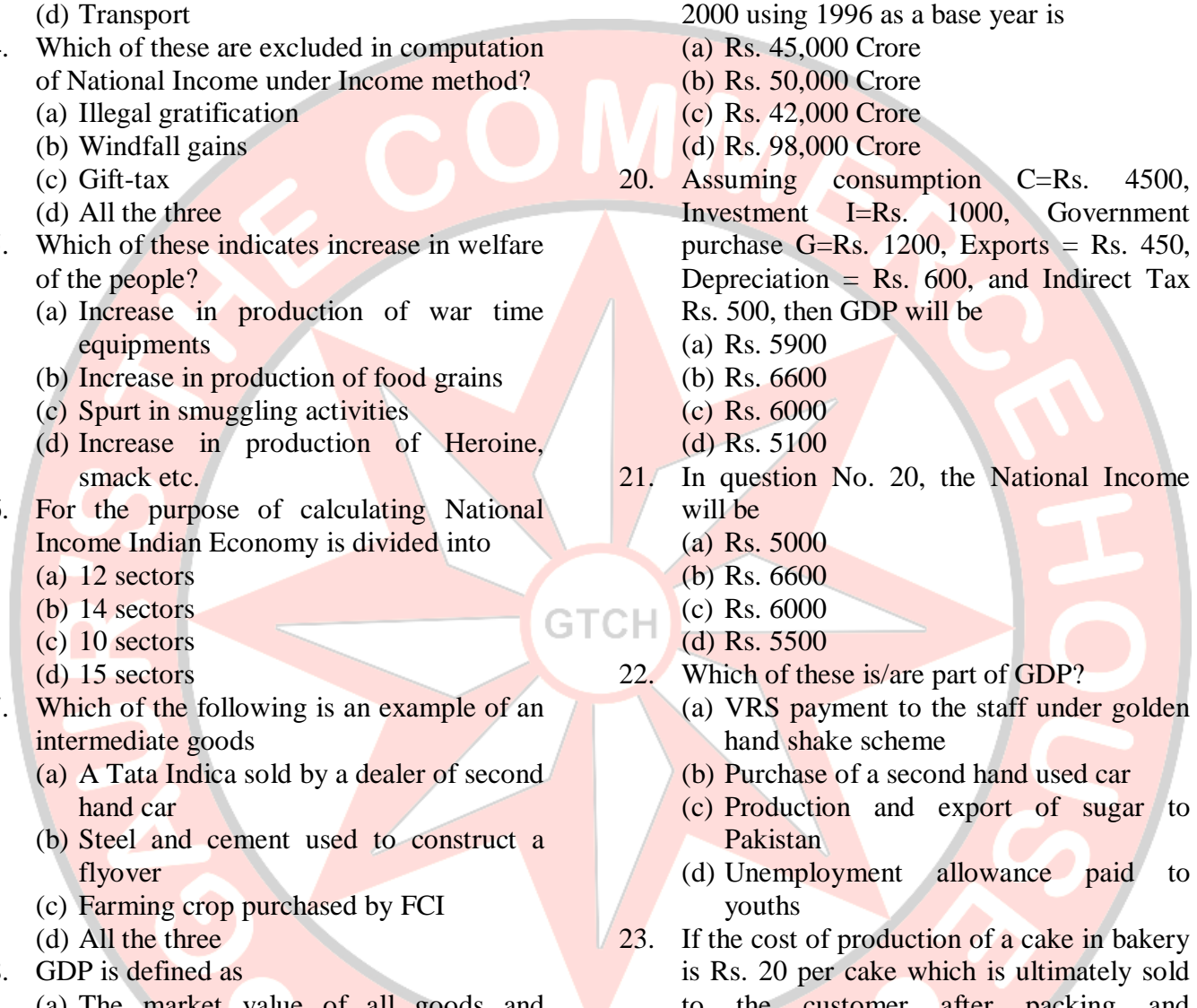
1. National Income is the--- of all the goods and services produced by a country during a period of year
  - (a) Physical quantity
  - (b) Money value
  - (c) \$value
  - (d) All the three
2. GDP is the money value of final goods and serviced produced in the --- of a country during an accounting year
  - (a) Domestic territory
  - (b) Political territory
  - (c) SEZ area
  - (d) FTZ area
3. Which of these is/are included in the domestic territory of a country?
  - (a) Territory lying within the political frontier, including territorial water of the country.
  - (b) Ships and aircrafts operated by the residents of the country between two or more countries
  - (c) Fishing vessels, Oil and natural gas rigs and floating platforms
  - (d) All the three
4. Choose the correct statement
  - (a)  $GDP_{at\ fc} = GDP_{mp} - IT + S$
  - (b)  $GDP_{at\ fc} = GDP_{mp} - IT - S$
  - (c)  $GDP_{at\ fc} = GDP_{mp} + IT + S$
  - (d)  $GDP_{at\ fc} = GDP_{mp} + IT - S$
5. Which of the following equation is correct
  - (a)  $NDP = GDP - \text{Depreciation}$
  - (b)  $NDP = GDP + \text{Depreciation}$
  - (c)  $NDP = GDP - \text{Depreciation} - \text{subsidy}$
  - (d)  $NDP = GDP - \text{Depreciation} + \text{subsidy}$
6. Which of the following equation is correct?
  - (a)  $GNP = GDP + \text{Net factor income from abroad}$
  - (b)  $GNP = GDP + \text{Gross factor income from abroad}$
  - (c)  $GNP = GDP - \text{Net factor income from abroad}$
  - (d)  $GNP = GDP - \text{Gross factor income from abroad}$
7. Which of these items are excluded in the computation of National Income under value added method?
  - (a) Own acquired fixed assets by the Government enterprises, Govt. and household
  - (b) Production for self-consumption
  - (c) Imputed rent for own occupied house
  - (d) All the three
8. Which of these are excluded in computation of National Income under value added method?
  - (a) Sale of second-hand machine
  - (b) Brokerage and commission earned by dealers of second-hand goods
  - (c) Both
  - (d) None
9. Which of these is/are a transfer payment(s)?
  - (a) Pension
  - (b) Scholarship
  - (c) Unemployment allowance
  - (d) All the three
10. In agricultural sector net value added is estimated by
  - (a) Income method
  - (b) Expenditure method
  - (c) Production method
  - (d) All the three
11. In small sector net value added is estimated by
  - (a) Income method
  - (b) Expenditure method
  - (c) Production method
  - (d) Survey method
12. In construction sector net value added is estimated by
  - (a) Income method
  - (b) Expenditure method
  - (c) Production method
  - (d) Survey method
13. Which of these are not included in territory sector?

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- 
- (a) Banking  
(b) Insurance  
(c) Agriculture  
(d) Transport
14. Which of these are excluded in computation of National Income under Income method?  
(a) Illegal gratification  
(b) Windfall gains  
(c) Gift-tax  
(d) All the three
15. Which of these indicates increase in welfare of the people?  
(a) Increase in production of war time equipments  
(b) Increase in production of food grains  
(c) Spurt in smuggling activities  
(d) Increase in production of Heroine, smack etc.
16. For the purpose of calculating National Income Indian Economy is divided into  
(a) 12 sectors  
(b) 14 sectors  
(c) 10 sectors  
(d) 15 sectors
17. Which of the following is an example of an intermediate goods  
(a) A Tata Indica sold by a dealer of second hand car  
(b) Steel and cement used to construct a flyover  
(c) Farming crop purchased by FCI  
(d) All the three
18. GDP is defined as  
(a) The market value of all goods and services produced in the domestic economy during the year  
(b) Current value of all the capital goods produced in the country.  
(c) Sum of goods and services exported during the year  
(d) All the capital goods and consumable goods produced and sold during the year
19. If in 2000 nominal GDP is = Rs. 70000 Crore and the prices in 2000 were 40% more than in 1996, then the real GDP in 2000 using 1996 as a base year is  
(a) Rs. 45,000 Crore  
(b) Rs. 50,000 Crore  
(c) Rs. 42,000 Crore  
(d) Rs. 98,000 Crore
20. Assuming consumption  $C$ =Rs. 4500, Investment  $I$ =Rs. 1000, Government purchase  $G$ =Rs. 1200, Exports = Rs. 450, Depreciation = Rs. 600, and Indirect Tax Rs. 500, then GDP will be  
(a) Rs. 5900  
(b) Rs. 6600  
(c) Rs. 6000  
(d) Rs. 5100
21. In question No. 20, the National Income will be  
(a) Rs. 5000  
(b) Rs. 6600  
(c) Rs. 6000  
(d) Rs. 5500
22. Which of these is/are part of GDP?  
(a) VRS payment to the staff under golden hand shake scheme  
(b) Purchase of a second hand used car  
(c) Production and export of sugar to Pakistan  
(d) Unemployment allowance paid to youths
23. If the cost of production of a cake in bakery is Rs. 20 per cake which is ultimately sold to the customer after packing and transporting to the retail shops at Rs. 25 per cake. The value added is  
(a) Rs. 5  
(b) Rs. 20  
(c) Rs. 25  
(d) Rs. 4
24. In a closed economy  
(a)  $GDP = GNP$   
(b)  $GDP > GNP$

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- (c)  $GDP < GNP$   
(d) All the three are possible
25. In an open economy  
(a)  $GDP = GNP$   
(b)  $GDP > GNP$   
(c)  $GDP < GNP$   
(d) All the three are possible
26. Which of these is an example of a transfer payment?  
(a) Profit  
(b) Retirement pension  
(c) Rent  
(d) Transportation and freight charges
27. GDP can be defined as sum of the market value of the....  
(a) Final manufactured goods and services  
(b) Intermediate goods  
(c) Goods and services exported  
(d) Sub-standard goods and discarded services
28. A ready garment factory pays Rs. 100 for suit length and Rs. 5 for cotton thread purchased and Rs. 50 to the labour for stitching the suit which he sells in the market for Rs. 750. His contribution to GDP is  
(a) Rs. 595  
(b) Rs. 750  
(c) Rs. 600  
(d) Rs. 700
29. Which of these would not be part of GDP?  
(a) Sale of Intermediate goods  
(b) Income for illegal betting  
(c) Household services rendered by a house-wife in her family  
(d) All the three
30. Real GDP is measured in.... prices  
(a) Base year  
(b) Current year  
(c) 1980  
(d) 2000
31. Nominal GDP is measured in ....prices  
(a) Base year  
(b) Current year  
(c) 1980  
(d) 2000
32. The value of plant and machinery used and worn out in the manufacturing of goods and services is known as  
(a) Transfer payments  
(b) Intermediate goods  
(c) Depreciation  
(d) Gross block
33. Which of these is not a part of GDP for the year 2006?  
(a) Earning of an International fashion show organized in Delhi  
(b) Sale of ticket for Republic day parade.  
(c) Fee of a practising Chartered Accountant  
(d) A house built in 2000 and first sold in 2006
34. If GDP exceeds GNP the possible reasons could be  
(a) Foreigners are earning more in India than Indians are earning in foreign countries  
(b) High incidence of plant and machinery wear out  
(c) Indian are earning more in foreign countries than foreigners earnings in India  
(d) None
35. Real GDP is a crude measure of national welfare because it excludes.....  
(a) Depreciation  
(b) Voluntary services not paid for  
(c) Export earnings  
(d) Intermediate production
36. Leakages from the circular flow are  
(a) Savings, taxes, net of subsidies, imports  
(b) Consumption, taxes and exports  
(c) Investment, subsidy, imports  
(d) Depreciation, savings, subsidy
37. Injection into the circular flow are  
(a) Investment



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- (b) Government spending  
(c) Exports  
(d) All the three
38. Which of the following is a part of GNP  
(a) Service rendered by a house wife at her home  
(b) Dance performance given by X at the wedding ceremony of his friend  
(c) Profit earned on day to day trading of shares  
(d) Export proceed from sale of final goods
39. Which of these is not a part of GNP?  
(a) Production of food grains  
(b) Construction of Railway bridges  
(c) Expansion of Metro Railway in all the Metro city  
(d) Income earned through sale of old residential flats at premium in gray market
40. .... is an index of price change for goods and services including in GDP  
(a) Price index  
(b) Sensex  
(c) GDP deflator  
(d) None
41. What are official reserve transaction balance?  
(a) International reserves owned by Government or other Government agencies.  
(b) International reserves owned by star trading houses.  
(c) GDR of blue chip companies.  
(d) Balance held in swiss bank a/c
42. International reserves includes  
(a) Government holding of gold  
(b) Balance in International Monetary Fund  
(c) Foreign currency Reserves  
(d) All the three
43. In an open economy DP is the sum of  
(a) Consumption, Gross Investment, Government expenditure, Net export  
(b) Consumption, Gross Investment, Government expenditure, Net Import  
(c) Consumption, Gross Investment, Government Subsidy, Net export  
(d) Consumption, Gross Investment, Net export, Personal saving
44. Which of these is a leakage from circular flow?  
(a) Saving  
(b) Indirect Tax  
(c) Consumption  
(d) Subsidy
45. Which of these is/are not a component of gross Investment.  
(a) Commercial and Residential construction  
(b) Change in business inventory held  
(c) Purchase of merchandise and equipments.  
(d) None
46. From the following equation estimated consumption when disposal income is Rs. 1000 is  $C = Rs. 300 + 0.80Y_d$   
(a) Rs. 1000  
(b) Rs. 1100  
(c) Rs. 900  
(d) Rs. 800
47. The vital data of a country are given below:  
GNP at MP = Rs. 99,000, Net factor income abroad = (-) 560  
Capital consumption allowance = Rs. 6100, Net indirect tax = Rs. 8470  
From the above, estimate of GNP at factor cost =  
(a) Rs. 90,530  
(b) Rs. 91,000  
(c) Rs. 89,990  
(d) Rs. 93,100
48. Based on the data given in question No. 47. NNP at factor cost  
(a) 84,430  
(b) 87,000  
(c) 86,540  
(d) 88,000

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49. Based on the data given in question No. 47. NNP at FC  
(a) 84,430  
(b) 87,000  
(c) 84,990  
(d) 88,000
50. Based on the data given in question No. 47. NDP at MP  
(a) 84,430  
(b) 93,460  
(c) 86,540  
(d) 88,000
51. Which of the following statement is true?  
(a) Value added = total sales + closing stock of finished goods – opening stock of finished goods – total expenditure on raw material intermediate goods.  
(b) Value added = total sales + closing stock of finished goods and semi finished goods – total expenditure on raw material intermediate goods.  
(c) Value added = total sales + closing stock of finished goods and semi finished goods – opening stock of finished goods and semi finished goods – total expenditure on raw material intermediate goods.  
(d) Value added = total sales + closing stock of finished goods and semi finished goods – opening stock of finished goods and semi finished goods – total expenditure on raw material intermediate goods.
52. True value added  
(a) Value added-depreciation  
(b) Value added-depreciation-tax  
(c) Value added-interest-tax  
(d) Value added-depreciation-interest
53. If Normal GDP is 11% and Real GDP is 6% then the difference of 5% represent  
(a) Depreciation  
(b) Rate of inflation  
(c) Rate of interest  
(d) Tax burden
54. Give Real GDP of 6.5% and rate of inflation of 5.5% nominal GDP will be....  
(a) 12%  
(b) 10%  
(c) 10.5%  
(d) 9.5%
55. Given Real GDP 8.25%, Nominal GDP 11.25% Rate of inflation will be  
(a) 2.5%  
(b) 3%  
(c) 4.25%  
(d) 3.5%
56. New National income series released by CSO takes-as base year  
(a) 1980-81  
(b) 1993-94  
(c) 1999-00  
(d) 1988-90
57. If we add- to net domestic production we get GDP  
(a) Depreciation  
(b) Direct tax  
(c) Indirect tax  
(d) Interest payment
58. If we add- to national income we get NDP  
(a) Depreciation  
(b) Net foreign factor income  
(c) Indirect-tax  
(d) Transfer payment
59. Which of these method of measuring National income is used in the transport communication and storage sector  
(a) Value added method  
(b) Income method  
(c) Expenditure method  
(d) None
60. Which of these method of measuring National income is used in the real estate, ownership and dwelling and business services sector  
(a) Value added method  
(b) Income method

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- (c) Expenditure method  
(d) None
61. Which of these method of measuring National income is used in the Trade, Hotels and Restaurants sector  
(a) Value added method  
(b) Income method  
(c) Expenditure method  
(d) None
62. Which of these method of measuring National income is used in the Public administration and defence sector  
(a) Value added method  
(b) Income method  
(c) Expenditure method  
(d) None
63. Which of these method of measuring National income is used in the unregistered manufacturing sector  
(a) Value added method  
(b) Income method  
(c) Expenditure method  
(d) None
64. Which of these is included in Primary sector  
(a) Fishing  
(b) Construction  
(c) Public administration and defence  
(d) Electricity, gas and water supply
65. Which of these included in the secondary sector.  
(a) Fishing  
(b) Construction  
(c) Public administration and defence  
(d) Electricity, gas and water supply
66. Which of these included in the tertiary sector.  
(a) Fishing  
(b) Construction  
(c) Public administration and defence  
(d) Electricity, gas and water supply
67. ...is the personal income minus personal income tax and miscellaneous receipts of Government administrative departments.  
(a) Surplus income  
(b) Disposal income  
(c) Expendable income  
(d) Residual income
68. Who said "Disposal income is the income remaining with the individual after deduction of the taxes levied against their income and their property by the Government.  
(a) Peterson  
(b) Robertson  
(c) Lipsey  
(d) Dernburg
69. Who said "Personal income is the income actually received by persons from all sources in the form of current transfer payments and factor income."  
(a) Peterson  
(b) Robertson  
(c) Lipsey  
(d) Dernburg
70. Who said "Gross Domestic product at market price is defined as the market value of the output of final goods and services currently produced in the domestic territory of a country during an accounting year".  
(a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
71. Who said "Gross National product at market value is the sum total of market value of all final goods and services produced during a year by domestically owned resources."  
(a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
72. Who defined Net National product at

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- market price "Net National product at market value is the sum of total of market value of all final goods and services produced by an economy during an accounting year and net factor income from abroad".
- (a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
73. Who defined Net domestic product at market price as "Net domestic product at market price is the market value of net output of final goods and services produced in the domestic territory of a country by its normal residents and non-residents during an accounting year".
- (a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
74. Which of these is/are not included in net domestic product at factor cost.
- (a) Wages or compensation of employees  
(b) Rent, interest, profits or operating surplus  
(c) Mixed Income  
(d) None
75. Income earned by small enterprises, traders and self-employed persons is called-
- (a) Mixed income  
(b) Petty income  
(c) Dual income  
(d) Negligible income
76. Who defined Gross domestic product at factor cost as "The Gross domestic product at factor cost is the sum of wages, rent interest and profit earned by the normal residents in the domestic territory of the country and the consumption of capital during an accounting year"
- (a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
77. Who defined National Income or net national income at factor cost as "Net income at factor cost is the factor income accruing to the residents of the country during a year. It is the sum of domestic factor income and net factor income from abroad"
- (a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
78. Who defined injection into circular flow as "An injection into circular flow is income received by a sector, that does not arise from the spending of other sector"
- (a) Peterson  
(b) Spenser  
(c) Lipsey  
(d) Dernburg
79. ...is an expenditure on goods and services produced in the domestic territory but not used by the domestic household for consumption purpose.
- (a) Injection  
(b) Withdrawal  
(c) Investment  
(d) Consumption
80. ....is that part of national income that are not used by households to buy domestic consumer goods.
- (a) Injection  
(b) Withdrawal  
(c) Investment  
(d) Consumption
81. Which of these is a correct statement.
- (a) In the long run a firm in perfect competition earns only normal profit.  
(b) A firm in perfect competitive market can raise its revenue by reducing price.  
(c) In a perfect competitive market firm is the price maker



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- (d) Firms in perfect competitive market  
sells non-homogenous products.



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### BALANCE OF PAYMENT AND EXTERNAL DEBTS

1. ---is a record of all economic transaction between the residents of one country and the residents of the rest of the world
  - (a) Balance of payment
  - (b) Balance of trade
  - (c) Balance of current account
  - (d) Balance of capital account
2. Which of these measures will reduce deficit on the current account of the balance of payments through the use of fiscal policy?
  - (a) Increase in Direct Taxation
  - (b) Imposing import quota
  - (c) Raise interest rate
  - (d) Raise custom duty
3. Depreciation of current is most likely to help augment balance payment on current account when
  - (a) Interest rates are high
  - (b) There is high incidence of unemployment
  - (c) The country is experiencing price inelastic demand for its exports
  - (d) Price elasticity for imports is more than one
4. ---is the difference between value of goods sold to foreign and value of good imported from foreign country.
  - (a) Balance of payment
  - (b) Balance of trade
  - (c) Balance of current account
  - (d) Balance of capital account
5. Balance of unrequited transfer includes--
  - (a) Gifts
  - (b) Donations
  - (c) Receipts and payments to foreign countries
  - (d) All the three
6. Balance of payment on current account excludes
  - (a) Borrowing and lending
  - (b) Borrowing only
  - (c) Lending only
  - (d) None
7. Which of the following is not a non-factor input
  - (a) Raw material
  - (b) Energy
  - (c) Depreciation
  - (d) Wages
8. Non-factor inputs are known as
  - (a) Immediate consumption
  - (b) Intermediate consumption
  - (c) Future consumption
  - (d) Past consumption
9. Balance of Capital Account deals with
  - (a) Debts and claims
  - (b) Earning and expenditure
  - (c) Foreign outgoing and incoming only
  - (d) Interest obligations only
10. Balance of payment accounts are prepared on
  - (a) Double account basis
  - (b) Double entry system basis
  - (c) Single entry system basis
  - (d) None of these
11.
  - (a)
  - (b)
  - (c)
  - (d)