Part A – Fundamentals of Accounting

1. Deewali advance given to an employee is ___
   a) Revenue Expenditure
   b) Capital Expenditure
   c) Deferred Revenue Expenditure
   d) Not an Expenditure

2. The amount of depreciation charged under Annuity method _______
   a) Remains Fixed for all the years
   b) Decreases every year
   c) Increases every year
   d) Recalculated every year

3. Manu’s acceptance to Rishi of Rs.12,000 is retired two months before the due date at discount of 10% p.a. In the books of Rishi the journal entry will be _______
   a) Cash A/c Dr. 10,800
      Discount A/c Dr. 1,200
      To B/R A/c 12,000
   b) Manu’s A/c Dr. 10,800
      Discount A/c Dr. 1,200
      To B/R A/c 12,000
   c) Cash A/c Dr. 11,800
      Discount A/c Dr. 200
4. The debit balance in the bank columns of cash book indicates _______
   a) Total amount withdrawn from bank
   b) Total amount deposited in bank
   c) Cash at bank
   d) Bank overdraft

5. Securities premium account cannot be utilized for _______
   a) Financing the redemption of preference shares
   b) Issue of bonus shares
   c) Financing the premium payable on redemption of preference shares
   d) Writing off preliminary expenses

6. At the end of the accounting year nominal accounts are _______
   a) Balanced and transferred to the P & L A/c
   b) Not balanced and transferred to P & L A/c
   c) Not balanced and transferred to balance sheet
   d) Balanced and transferred to balance sheet

7. Which accounting concept satisfy the valuation criteria _______
   a) Going concern, Realisation, Cost
   b) Going concern, Cost, Dual aspect
   c) Cost, Dual aspect, Conservatism
   d) Realisation, Conservatism, Going concern
8. Mukesh sold goods to Suresh at an invoice price of Rs. 6,00,000 at cost plus 25%. 1/4 th of the goods are lost in transit. Insurance claim of Rs.72,000 is received. What is the amount of abnormal loss to be debited to P & L a/c?

a) Rs.1,20,000 b) Rs.48,000  
c) Rs.72,000 d) Rs.1,50,000

9. _____ is a non-historical cost method and is also called as Retail inventory method.

a) LIFO method  
b) Adjusted selling price method  
c) Average price method  
d) Standard price method

10. In the absence of agreement between the partners, on the death of a partner, his legal representatives are entitled to ________.

a) Profits till death, JLP, Interest on capital, Revaluation profit, Goodwill  
b) Profits till death, JLP, Interest on capital, Goodwill  
c) Profits till death, Capital, JLP, Revaluation profit, Goodwill  
d) Profits till death, Interest on capital, Goodwill

11. The cost of an Asset is Rs.1,20,000. The scrap value will be 25% at end of 10 years. If straight line method of depreciation is followed, the rate of depreciation is _______

a) 10% b) 9% c) 8.5% d) 7.5%

12. Trial balance is a statement which shows ___________ of all accounts.
a) Debit or Credit balances
b) Balances and Totals
c) Positive and Negative balances
d) Opening and Closing balances

13. Premium on redemption of debentures is _____ a/c.
   a) Personal b) Nominal
c) Real d) None of the above

14. Correct sequence as per the order of permanency?
   (i) Trade Receivables (ii) Patents (iii) Machinery (iv) Cash in hand
   a) (i), (ii), (iii), (iv) b) (ii), (iii), (i), (iv)
c) (i), (iii), (iv), (ii) d) (iii), (ii), (i), (iv)

15. A & B are partners in a firm in the ratio of 5:3. C is admitted as a new partner. He gets 1/4 th of A’s share and 1/5 th of B’s share. The new profit sharing ratio is ______
   a) 19:08:09 b) 20:15:9
c) 75:45:37 d) None of the above

16. If the shares are forfeited, the share capital account is debited by ______
   a) Called up value of shares
   b) Paid up value of shares
c) Face value of shares
d) Issue price of shares

17. If the goods are sent on Sale or Return basis frequently, the trader prepares ______
a) Sale or Return Journal with 4 main columns
b) Sale or Return Journal with 2 main columns
c) Cash book
d) Sale or Return ledger

18. A, B and C are partners in a firm in the ratio of 3:2:1. A retired and the firm received Rs.1,52,500 towards JLP, which is appearing in the balance sheet at Rs.1,80,000. Cash a/c is debited and JLP a/c is credited with Rs.1,52,500. What will be the treatment for the balance left in JLP a/c?

a) Credited to Partners current a/c’s in their profit sharing ratio
b) Debited to Revaluation a/c
c) Debited to Partners current a/c’s in their profit sharing ratio
d) Either (b) or (c)

19. The subscribed share capital of X Ltd. is Rs.90,00,000 divided into shares of Rs.100 each. There were no calls in arrears till the final call was made. The final call was paid on 85,000 shares. The calls in arrears was Rs.1,25,000. The final call money per share is Rs. _______

a) 25 b) 20 c) 75 d) 125

20. Preference shares of Rs.9,00,000 are redeemable by issuing 3000 shares of Rs.100 each at Rs.140. The amount to be transferred to CRR is __________

a) Rs.6,00,000 b) Rs.4,20,000
c) Rs.5,00,000 d) Rs.3,80,000

21. Which of the following is not a foreign bill?

a) A bill drawn outside India and payable in India
b) A bill drawn in India and payable outside India
c) A bill drawn by a person resident outside India and payable outside India
d) None of the above

22. A contingent asset is ________

a) Usually disclosed in the financial statements
b) Usually disclosed in the notes to accounts
c) Usually disclosed in the reports of approving authority
d) Not disclosed anywhere

23. All the following statements are correct except

a) Trial balance is a statement and not an account
b) Trial balance is prepared at the end of the year
c) Trial balance is not a concluding proof of arithmetical accuracy
d) Trial balance is tallied if a transaction is posted twice in the ledger

24. When the record of transactions relating to Joint Venture are made in books of
one co-venturer, then the venturer records his share of investment in the joint
venture by ________

a) Debiting to cash a/c
b) Crediting to cash a/c
c) Crediting to co-venturer’s personal a/c
d) No entry is required

25. In case of ______ the period of bill commences from the date of acceptance of
the bill.

a) Bill after date b) Bill after sight
c) Bill at sight d) None of the above
26. A & B are partners in the ratio of 3:2. They admitted C as a new partner with Rs.35,000 against his capital and Rs.15,000 against goodwill. C could bring in Rs.45,000 only. What is the treatment, if the new profit sharing ratio is 1:1:1?

a) A & B will be credited by Rs.8,000 and Rs.2,000 respectively
b) A further amount of Rs.5,000 is credited to capital accounts of A & B
c) Both (a) & (b) d) None of the above

27. The directors of K Ltd. made the final call of Rs.20 per share on 15-Sep-2014, indicating the due date of payment as 30-Sep-2014. Mr. F, a holder of 8,000 shares paid the call money on 15-Nov-2014. Calculate the interest on calls in arrears.

a) Rs.800 b) Rs.1,000
c) Rs.1,200 d) Rs.1,333

28. Any, Tom & Bob are partners in the ratio of 2:2:1. Tom dies in Feb, 2014. They have taken life insurance policies, the premiums of which are debited to P & L a/c.

<table>
<thead>
<tr>
<th>Partners</th>
<th>Policy value</th>
<th>Surrender value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any</td>
<td>4,00,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Tom</td>
<td>7,00,000</td>
<td>70,000</td>
</tr>
<tr>
<td>Bob</td>
<td>5,00,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

How much amount is paid to the legal representatives of Tom?

a) Rs.7,90,000 b) Rs.2,80,000
c) Rs.3,16,000 d) Rs.7,00,000

29. A trader has made a sale of Rs.75,500 out of which cash sales amounted to Rs.25,500. He showed trade receivables on 31-3-2014 at Rs.25,500. Which concept is followed by him?
30. M/S Daga & Co. installed a machinery on 01-01-2007 at a cost of Rs.5,00,000. Useful life of the machine is estimated at 10 years. Depreciation is charged under straight line method. In December, 2013, they found that the machine became obsolete and could not be used. It was sold for Rs.50,000. There will be _______

a) Capital loss of Rs.1,50,000
b) Revenue loss of Rs.1,00,000
c) Capital loss of Rs.1,00,000
d) Revenue loss of Rs.1,50,000

31. The balances of M/s Nagarjuna Traders are as follows: Capital Rs. 9,00,000; Computers Rs. 1,30,000; Machinery Rs.4,50,000; Furniture Rs.1,50,000; Investments Rs.3,00,000; Salaries Rs.2,10,000; Sales Rs.16,00,000; Patents Rs.1,20,000; Freight Rs.1,21,000; Purchases Rs.9,15,000; Rent Rs.28,000; Cash in hand Rs.48,000; Bank overdraft Rs.20,000; Creditors Rs.1,00,000; Debtors Rs.1,48,000; the total of trial balance is _______

a) Rs.26,40,000  b) Rs.24,99,000
c) Rs.26,20,000  d) Rs.25,12,000

32. Kiran, Bittoo and Shravan are partners in a firm. Kiran withdrew Rs.5,000 in beginning of every month, where as Bittoo and Shravan withdrew Rs.2,000 and Rs.3,000 respectively at the end of every month. Calculate interest on drawings at 10% p.a. for the year ended 31st March, 2014.

Kiran Bittoo Shravan

a) Rs.6,000, Rs.2,400, Rs.3,600
b) Rs.2,750, Rs.1,300, Rs.1,950
c) Rs.3,000, Rs.1,200, Rs.1,800

d) Rs.3,250, Rs.1,100, Rs.1,650

33. A company took a loan of Rs.10,00,000 from ICICI bank at an interest of 15% p.a. 14% debentures of Rs.15,00,000 were issued as collateral security. The bank is entitled to get interest on _________

a) Rs.10,00,000 only  
b) Rs. 15,00,000 only  
c) Both (a) & (b)  
d) None of the above

34. Neelam sold goods for Rs.40,000 on 1-5-14 on a credit of 3 months to Kamala. Out of that 40% only could be received from her estate as she became insolvent. What is the amount of bad debt?

a) Rs.30,000  
b) Rs. 24,000  
c) Rs.28,000  
d) Rs.25,000

35. A firm has reported a profit of Rs.1,47,000 for the year ended 31-3-2014 after taking into consideration the following items.
(i) The cost of an asset Rs.23,000 has been taken as an expense
(ii) The firm anticipated a profit of Rs.12,000 on the sale of an old furniture
(iii) Salary of Rs.7,000 outstanding for the year has not been taken into account.
(iv) An asset of Rs.85,000 was purchased for Rs.75,000 and was recorded in the books at Rs.85,000.

What is the correct amount of profit to be reported in the books?

a) Rs.1,47,000  
b) Rs. 1,51,000  
c) Rs.1,63,000  
d) Rs.1,41,000

36. The credit balance as per cash book is Rs.15,000. Cheques amounting to Rs.2,750 were deposited in bank but not yet collected. Cheques of Rs.4,000 were issued, but not yet presented for payment. A dividend of Rs.250 was collected and
a premium of Rs.1,500 was paid by bank under standing instructions. The balance as per Pass Book will be _______

a) Rs.15,000 Dr. b) Rs. 17,750 Cr.
c) Rs.16,000 Dr. d) Rs.14,250 Cr.

37. Goods costing Rs.50,000 were stolen. Insurance company accepted a claim of Rs.40,000. The appropriate journal entry is ___

a) Loss by theft a/c Dr. 50,000 To Sales a/c 50,000
b) Outstanding insurance claim a/c Dr. 40,000 Profit & Loss a/c Dr. 10,000 To Purchases a/c 50,000
c) Loss by theft a/c Dr. 40,000 To Purchases a/c 40,000
d) Profit & Loss a/c Dr. 10,000 To Purchases a/c 10,000

38. Depreciation fund given in the balance sheet is ________

a) Credited to old partners in their old profit sharing ratio
b) Debited to old partners in their old profit sharing ratio
c) Credited to all partners in the new profit sharing ratio
d) None of the above

39. In which of the following cases, accounting estimates are needed?

a) Employs benefit schemes
b) Impairment of losses
c) Inventory obsolescence
d) All of the above

40. The process of recording financial data upto trial balance is________
a) Book keeping b) Classifying
c) Summarising d) Analising

41. Average profit = Rs.3,72,000 Normal rate of return = 12% Total assets = Rs.68,00,000 Outside liabilities = Rs.42,00,000 Calculate the value of goodwill under capitalisation method.

   a) Rs.5,00,000 b) Rs.6,00,000
c) Rs.7,00,000 d) Rs.8,00,000

42. M/s Ghulati & Sons made the following sales Sold to M/s Guptha & Co. on credit 30 shirts @ Rs.180 per shirt 20 trousers @ Rs.100 per trouser Sold furniture to M/s Shewag & Co. on credit Rs.8,000 Sold to M/s Jain & Co. 50 shirts @ Rs.190 per shirt for cash Sold to M/s Cheap stores 13 overcoats @ Rs.490 per overcoat Trade discount 10%, Cash discount 2%, Sales tax 10% . The total of sales book is _____

   a) Rs.13,632.30 b) Rs.22,849
c) Rs.23,828 d) Rs.14,632

43. X.Ltd issued 15% , 50,000 debentures of Rs.100 each at 10% premium, which are redeemable at 20% premium after 10 years. The loss on issue of debentures to be written off every year will be ______

   a) Rs.50,000 b) Rs.1,00,000
c) Rs.2,00,000 d) Rs.1,50,000

44. A & B entered into a joint venture. A contributed Rs.2,00,000 for goods and Rs.15,000 expenses. B supplied goods of Rs.56,000 and paid expenses of Rs.2,000. B sold the goods for Rs.4,00,000. B is allowed a commission of 10%. Profit sharing is 3:2. How much amount B has to remit to A in full settlement of account?
45. On 01-04-2005, 5% cumulative preference share capital is Rs.2,00,000 Equity share capital is Rs.5,00,000. During the years 2004-05 and 2005-06 the dividend declarations totaled Rs.8,000 and Rs.16,000 respectively. What is the amount of dividend paid to the equity share holders for the year 2005-06?

a) Rs.4,000 b) Rs.5,000
c) Rs.10,000 d) Rs.12,000

46. Rohit carrying on real estate business sold a piece of land for Rs.4,00,00,000 (cost Rs.3,50,00,000) then the type of receipt is ______ nature and profit on sale is ______

a) Capital & transferred to capital reserve
b) Revenue & transferred to P & L a/c
c) Capital & transferred to P & L a/c
d) Revenue & transferred to general reserve

47. A bill receivable of Rs.2,500 is received from a customer in full settlement of Rs.2,700. On dishonor of this bill, the entry will be passed in ______

a) Purchases book b) Bills receivable book
c) Journal proper d) None of the above

48. A trader has credited certain items of sales on approval aggregating Rs.60,000 to Sales Account. Of these, goods of the value of Rs. 16,000 have been returned and taken into Inventories at cost Rs.8,000 though the record of return was omitted in the accounts. In respect of another parcel of Rs.12,000 cost being Rs.6,000 the period of approval did not expire on the closing date. Cost of goods lying with customers should be
49. Physical verification of inventory was done on 23rd June. The value of inventory was Rs.4,80,000. Following transactions took place between 23rd June and 30th June:
1. Out of goods sent on consignment, goods costing Rs. 24,000 were unsold.
2. Purchases of Rs.40,000 were made, out of which goods worth Rs.16,000 were delivered on 5th July.
3. Sales were Rs.1,36,000, which include goods worth Rs.32,000 sent on approval. Half of these goods were returned before 30th June, but no intimation is available regarding the remaining goods. Goods are sold at cost plus 25%. However, goods costing Rs.24,000 had been sold for Rs.12,000. You want to determine the value of inventory on 30th June. You start with physical inventory on 23rd June.
   Cost of Normal Sales = _______.
   a) 73,600 b) 80,000 c) 1,08,800 d) 99,200

50. Which of the following statements is/are false? I. The term ‘depreciation’, ‘depletion’ and ‘amortization’ convey the same meaning.
    II. Provision for depreciation A/c is debited when provision for depreciation A/c is created.
    III. The main purpose of charging the profit and loss A/c with the amount of depreciation is to spread the cost of an asset over its useful life for the purpose of income determination.
   a) Only I) above b) Only II) above
   c) Only III) above d) All I) II) & III) above

51. On 27-03-14 four cheques of Rs.16,000, Rs.14,000, Rs.32,000, and Rs.23,000 were deposited in bank, out of which cheque of Rs.16,000 only was collected upto 31st March. Two cheques of Rs.23,000 and Rs.32,000 were collected on 4th April.
An other cheque was not signed properly and was returned. What are the items to be taken in the B.R.S?

a) Rs.14,000, Rs.32,000, Rs.23,000
b) Rs.14,000, Rs.32,000, Rs.23,000, Rs.16,000
c) Rs.32,000, Rs.23,000 d) Rs.14,000

52. On 1st April, 2013, Rakesh started business with Rs.1,20,000 and took a loan Rs.50,000 from Ramesh. During the year earned a profit of Rs.20,000 and introduced further capital of Rs.30,000. His drawings during the year amounted to Rs.10,000. He paid Rs.10,000 to Ramesh during the year as part payment of loan on 31st March, 2014 his total assets amounted to Rs.2,30,000. Find out the amount of outside liabilities.

a) Rs.70,000 b) Rs.80,000
c) Rs.30,000 d) Rs.40,000

53. S Ltd. follows perpetual inventory system. On March 31 of every year, the company undertakes physical Inventory verification. On March 31, 2011, the value of Inventories as per the records differed from the value as per the physical Inventory. On scrutiny, the following differences were noticed: Goods purchased for Rs.10,000 were received and included in the physical Inventory but no entry was made in the books. Goods costing Rs.30,000 were sold and entered in the books but the Inventory is yet to be delivered. Goods worth Rs.5,000 are returned to the suppliers but is omitted to be recorded. If the inventory is valued in the books at Rs.1,50,000, the value of the physical inventory is

a) Rs.1,11,000 b) Rs.1,89,000
c) Rs.1,85,000 d) Rs.1,59,000.

54. Consider the following for Alpha Co. for the year 2009-10:

Cost of goods available for sale Rs.1,00,000 Total Sales Rs.80,000 Opening
inventory of goods Rs.20,000 Gross profit margin 25%

Closing inventory of goods for the year 2009-10 was

a) Rs.80,000 b) Rs.60,000
c) Rs.40,000 d) Rs.36,000

55. Which of the following statements is false

a) Reserve is an appropriation of profits
b) Provision for tax still not paid is a reserve
c) Capital reserve is created out of capital profits d) None of the above

56. Trial balance of a trader shows the following balances Opening Inventory Rs.9600 Purchases less returns Rs.11850 Salaries Rs.3200 Wages Rs.750 Commission on Purchases Rs.200 Carriage outwards Rs.300 Sales Rs.24900 Closing Inventory Rs.3500 Carriage on purchases Rs.1,000 Gross profit will be

a) Rs. 5,000 b) Rs. 6500
c) Rs. 3250 d) Rs. 3200