



PAPER 6 FINANCIAL ACCOUNTING



INDEX FINANCIAL ACCOUNTING

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1. Retiring a bill under rebate means payment of the bill before due date
(a) True
(b) False

[PP Dec 2016]

2. A bill of exchange drawn on 12th April, 2017 for four months, the date of maturity will be
(a) 14th August, 2017
(b) 15th August, 2017
(c) 13th August, 2017
(d) 16th August, 2017

[PP June 2017]

3. The Accommodation bill is drawn
(a) To finance actual purchase or sale of goods
(b) To facilitate trade transmission.
(c) When both parties are in need of funds
(d) None of the above

[PP. Dec. 2017 & MQP June 2023]

4. Match the items in Column I with the most appropriate items in Column II. State the item no. only

Item Column I	Item	Column II
Noting Charges	(A)	Insurance Claims
	(B)	Bills of Exchange

- (a) Insurance Claims
(b) Bills of Exchange
(c) only a
(d) All of the above.

[PP Dec. 2017]

5. A promissory note can be made payable to the bearer
(a) True
(b) False

[PP Dec. 2018]

6. If Ram's acceptance which was endorsed by us in favour of Saleem is dishonoured, then the amount will be debited in our books to
(a) Saleem
(b) Ram
(c) Bills Receivable Account
(d) None of the above

[PP June. 2019 Module]

7. Match the items in Column I with the most appropriate items in Column II. State the item

Item Column I	Item	Column II
Endorsement	(A)	Bills Payable
	(B)	Bills Receivable

- (a) Bills Payable
(b) Bills Receivable

8. _____ can be made payable to the bearer.
(a) Bills Receivable
(b) Bills Payable
(c) both
(d) None of the above

9. A Bill of Exchange cannot be
(a) Endorsed
(b) Crossed
(c) None of these
(d) Accepted

[PP. Dec. 2021]



10. Bills payable honoured during the year, will be debited to
(a) None of these.
(b) Creditors account
(c) Bills payable account
(d) Cash account

[PP Dec. 2021]

11. X draws a bill on Y. Y accepts the same. Can Y endorse the bill to Z?
(a) Yes
(b) No

[PP Dec. 2021]

12. A Bill of 10,000 is renewed. The drawee pays 3,000 as part amount of payment amount of interest charged is 200. The value of new bill is
(a) 7200
(b) 7400
(c) 7100
(d) 7600

[PP Dec. 2022]

13. Rebate is calculated for period the pe between date of
(a) Payment and maturity date
(b) Drawing and payment of bill
(c) Drawing and maturity date
(d) None of the above

[PP July 2023]

14. Match the items in Column I with the most appropriate items in Column II. State the item

Item Column I	Item	Column II
Protesting	(A)	Consignment
	(B)	Bills Receivable

- (a) Consignment
(b) Bills Receivable

[PP July 2023]

15. The person to whom bill is endorsed is known as.
(a) Endorsee
(b) Drawee
(c) Drawer
(d) None of the above

16. If the date of maturity of a bill is a holiday, then the bill will mature on:
(a) Next working day
(b) Preceding working day.
(c) Holiday itself.
(d) Other agreed day.

17. The date of maturity of bill is 10th October, 2009. The Government of India suddenly declared 10th October, 2009 as the holiday under the Negotiable Instruments Act, then the bill will mature on -
(a) 9th October, 2009
(b) 10th October, 2009.
(c) 12th October, 2009.
(d) 11th October, 2009.

18. On 1st January, 2024, Vimal sold goods worth 20,000 to Renu and drew a bill on Renu for 3 months. Renu accepted the bill and returned it to Vimal who discounted the bill with bank on 4th February, 2024 @ 15% per annum. The discounting charges will be:
(a) 3,000
(b) 750
(c) 500
(d) None of the three.

19. Kuntal draws a bill on shyam for 7,000. Kuntal endorsed it to Ram. Ram endorsed it to Rahim. The payee of the bill will be:
(a) Kuntal
(b) Ram
(c) Shyam
(d) Rahim



20. Making payment before due date of the bill is called

- (a) Endorsement of bill
- (b) Renewal of bill
- (c) Retirement of bill
- (d) Rediscounting of bill

21. X draws a bill on Y for 20,000 for 3 months on 01.01.2024. The bill is discounted with banker at a charge of 100. At maturity the bill return dishonoured. In the books of X, for dishonour, the bank account will be credited by

- (a) 19,900
- (b) 20,000
- (c) 20,100
- (d) 19,800

22. A draws a bill on B for Rs 30,000. A wants to endorse it to C in settlement of Rs 35,000 at 2% discount with the help of B's acceptance and balance in cash. How much cash A will pay to B?

- (a) 4,300
- (b) 4,000
- (c) 4,100
- (d) 5,000

23. Bobby sold goods worth 25,000 to Bonny. Bonny immediately accepted a bill on 1.11.09, payable after 2 months. Bobby discounted this bill @ 18% p.a. on 15.11.09. On the due date Bonny failed to discharge the bill. Later on Bonny became insolvent and 50 paise is recovered from Bonny's estate. How much amount of bad debt will be recorded in the books of Bobby?

- (a) 12,500
- (b) 9,437
- (c) 11,687
- (d) 13,650

24. Ram's acceptance to Dinesh for Rs 8,000 renewed for 3 months on the condition that Rs 4,000 be paid in cash immediately and the remaining amount will carry interest @ 12% p.a. The amount of interest will be

- (a) 120
- (b) 80
- (c) 90
- (d) 160

25. A drew a bill on B for 50,000 for 3 months. Proceeds are to be shared equally. A got the bill discounted at 12% p.a. and remits required proceeds to B. The amount of such remittance will be

- (a) 24,250
- (b) 25,000
- (c) 16,167
- (d) 32,333

26. Noting charges are paid at the time of..... of a bill.

- (a) Retirement
- (b) Renewal
- (c) Dishonour
- (d) None of the above

27. A bill of 12,000 was discounted by A with the banker for 11,880. At maturity, the bill returned dishonoured, noting charges R 20. How much amount will the bank deduct from A's bank balance at the time of such dishonour?

- (a) 12,000
- (b) 11,880
- (c) 12,020
- (d) 1,900



28. Our acceptance to Mr. A for 8,000 renewed for 3 months on the condition that 2,000 is paid in cash immediately and the bill for remaining balance to carry out interest at 18% p.a. The amount of the renewed bill of exchange will be

- (a) 6,270
- (b) 8,270
- (c) 8,000
- (d) None of the three

29. Mohit, the acceptor of the bill has to honour a bill on 31st March 2010. Due to financial crisis, he is unable to pay the amount of bill of 20,000. Therefore, he approaches Rohit on 20th March 2010 for extension of bill for further 3 months. Rohit agrees to extend the credit period by drawing a new bill for R 21,000 together with interest of 1,000 in cash. In this case, old bill of 20,000 will be considered as

- (a) Discounted
- (b) Dishonoured
- (c) Cancelled
- (d) Retired

30. A draws a bill on B for 30,000 for mutual accommodation. A discounted that bill for 16,000 from bank and remitted 14,000 to B. On due date A will send to B

- (a) 14,000
- (b) 14,500
- (c) 15,000
- (d) 15,500

31. On 1st January 2024 Nisha draws a bill for 5,000 on Disha for 3 months for mutual accommodation. On the same day, Disha draws a bill for 6,000 on Nisha for 4 months. Both the bills were discounted with the bank for 4,850 and 5,700 respectively. 500 OT the receipt was sent to the other party. First bill was met on its due date. On the maturity date of Nisha's acceptance, Disha will send-

- (a) 3,000
- (b) 2,850
- (c) 2,425
- (d) 2,500

32. Shiva received a bill for 58,550 from Vijay and endorsed it in favour of Makkhu. On the date of maturity, the bill was dishonoured and for it noting charges of 450 paid by holder. In this case Shiva will debit-

- (a) Vijay by 58,550
- (b) Vijay by 58,100
- (c) Vijay by 59,000
- (d) Noting charges account by 450

33. Shiva draws a bill on Sanat on 25th October, 2021 for 90 days, the maturity date of the bill will be _____.

- (a) 25th February, 2022
- (b) 30th January, 2022
- (c) 25th January, 2022
- (d) 28th Feb, 2022

[MQP Dec 2023, Dec 2024]



34. X draws a bill on Y for ₹1,80,000 for mutual accommodation in the ratio of 2:1. X got it discounted for ₹1,69,200 and remitted 1/3rd of the proceeds to Y. How much money should be remitted by X to Y at the time of maturity so as to enable Y to honour the bill?

- (a) ₹ 1,20,000
(b) ₹ 1,15,200
(c) ₹ 1,16,800
(d) ₹ 1,20,400

[MQP Dec 2024, Module, PP Dec 2024]

35. An Inland Bill is payable only in one country and not in any other foreign country.

- (a) True
(b) False
(c) Partly true Partly False
(d) None.

[Module]

36. A bill of exchange drawn on April 12, 2022 as payable 3 months after sight was accepted on April 13, 2022. The bill's date of maturity will be _____.

[Module]

ANSWER KEY

1. a	2. a	3. c	4. b	5. b	6. b	7. b	8. a	9. b	10. c
11. b	12. a	13. a	14. b	15. a	16. b	17. d	18. c	19. d	20. c
21. d	22. a	23. a	24. a	25. a	26. c	27. c	28. a	29. c	30. c
31. a	32. c	33. c	34. a	35. a	36. 1 July 16, 2022				

1. If any stock is taken by a co-venturer, it will be treated as
(a) an income of the joint venture
(b) an expense of the joint venture
(c) to be ignored from joint venture
(d) it will be treated in the personal books of the co-venturer

[MQP June 2023, Module]

2. The parties of joint venture is called.

- (a) Co-venturers
(b) Joint-venturers
(c) Partners
(d) None of above

3. Memorandum joint venture account is prepared to find out amount due from co-venture

- (a) True
(b) False

4. The relationship between Co-venturers is that of _____

- (a) Co-owners
(b) Owners
(c) Partners
(d) None of above

5. Peeru and Simu are entered in the business of buy and sale of food grain for a period of one year and sharing the profit in the ratio of 3:2, this agreement is a

- (a) Partnership
(b) Consignment
(c) Joint-venture
(d) Lease

6. Memorandum Joint Venture Account is prepared when

- (a) the separate set of books is maintained for Joint Venture
(b) the each Co-venturer keeps records of all transactions
(c) the each Co-venturer keeps records of their own transactions only
(d) All of the above cases

[MQP Dec 2024, Module]

7. A and B enter into a joint venture sharing profit and losses in the ratio of 3:2. A purchased goods costing 2,00,000. B sold 95% goods for 2,50,000. A is entitled to get 1% commission on purchase and B is entitled to get 5% commission on sales. A drew a bill on B for an amount equivalent to 80% of original cost of goods. A got it discounted at 1,50,000. What is A's share of profit?

- (a) 15,300
(b) 21,300
(c) 18,900
(d) None of the above

8. Which of these terms/concepts are not relevant to a joint venture

- (a) Co-venturers
(b) Temporary partnership
(c) Principal and agent relationship
(d) Sharing profit and loss of joint ventures

9. Goods sold by other co-venturer is debited to

- (a) Joint Venture Account
(b) Other Co-venturer's Personal Account
(c) Joint Bank Account
(d) None of the above

[PP Dec 2022]

**10. The parties to joint venture is called**

- (a) Co-venturers
- (b) Partners
- (c) Principal & Agent
- (d) Friends

11. Capital Accounts of the co-venturers are of the nature of

- (a) Personal Account
- (b) Nominal Account
- (c) Real Account
- (d) None of the above

12. Which of the following is/ are the basic features of a Joint Venture

- (a) The profit or loss on joint venture is shared between the co-venturers in the agreed ratio
- (b) The co-venturers may or may not contribute initial capital
- (c) The JV is dissolved once the purpose of the business is over
- (d) All of the above

13. Joint venture account is a

- (a) Personal Account
- (b) Real Account
- (c) Nominal Account
- (d) None of the above

14. Memorandum Joint Venture Account is prepared

- (a) for determining the amount due to co-venturer
- (b) for determining the amount due from co-venturer
- (c) for ascertaining the profit/ loss on venture
- (d) None of the above

15. If a venturer draws a bill on his co-venturer and if the drawer discounts the bill with same set of books maintained, the discounting charges will be borne by

- (a) The drawer of the bill
- (b) The drawee of the bill
- (c) The discounting charges will be recorded in memorandum account
- (d) The discounting charges will be borne by bank

16. A and V enter into a joint venture to sell a consignment of biscuits sharing profits and losses equally. A provided biscuits from stock 10,000. He paid expenses amounting to 1,000. V incurred further expenses on carriage 1,000. He received cash for sales 15,000. He also took over goods to the value of 2,000. The profit on joint venture will be

- (a) 3000
- (b) 5000
- (c) 6000
- (d) 3500

17. Ram and Shyam enter into a joint venture. Both of them deposited K65,000 and 32,500 respectively into a joint venture. Goods were purchased for 75,000 and expenses amounting K10,950 were incurred. Goods sold for 90,000 and goods unsold were taken over by Ram at an agreed value of K2,700. The profit on joint venture is:

- (a) 17700
- (b) 4500
- (c) 4050
- (d) 6750

18. Typewriter A and B enter into a joint venture for purchase and sale of Typewriter. A purchased B sold it at 20% costing margin 1,00,000. Repairing expenses * 10,000, printing expenses 10,000. on selling price. The sales value will be

- (a) 125000
- (b) 150000
- (c) 100000



- (d) 140000

19. A and B enter into a joint venture to underwrite the shares of K Ltd. @ 5% underwriting commission. K Ltd. make an equity issue of 1,00,000 equity shares of 10 each. 80% of the issue are subscribed by the party. The profit sharing ratio between A and B is 3:2. The balance shares not subscribed by the public, purchased by A and B in profit sharing ratio. How many shares to be purchased by A?

- (a) 80000 shares
- (b) 72000 shares
- (c) 12000 shares
- (d) 8000 shares

20. A and B entered into a Joint Venture. Purchased goods costing 2,00,000, B sold 4/5th of the same for R 2,50,000. Balance goods were taken over by Bat cost less 20%. If same set of books is maintained, find out profit on venture

- (a) 82000
- (b) 90000
- (c) 50000
- (d) Nil

21. If unsold goods costing R 20,000 is taken over by Venturer at 15,000, the Joint Venture A/c will be credited by:

- (a) 20000
- (b) 15000
- (c) 5000
- (d) Nil

22. In a joint venture between A and B, A purchased goods costing 42,500. B sold goods costing R 40,000 at 50,000. Balance goods were taken over by A at same gross profit percentage as in case of sale. The amount of goods taken over by A will be:

- (a) 3125

- (b) 2500
- (c) 3000
- (d) None of the above

23. Memorandum Joint venture account is a

- (a) Personal account
- (b) Real account
- (c) Nominal account
- (d) None of the above

24. Generally, when the size of the venture is _____ the co-venturers keep separate set of books of account for the joint venture.

- (a) Small
- (b) Medium
- (c) Large
- (d) All of the above

25. In a Joint venture between A and B, A, on purchase of goods, spend 2,000 on freight, 1000 as godown rent, and also raised a loan from bank of 50,000 at 18%% p.a. repayable after 1 month. B spend 5,000 as selling expenses and he also raised a loan from bank of 1,50,000 at 18% repayable after 2 months. The total expenses of Joint venture other than purchases will be

- (a) 8000
- (b) 8250
- (c) 5250
- (d) 13250

26. Ram in a joint venture with Shyam purchased goods costing 20,000 and sends to Shyam for sale incurring 1,000 on freight. Shyam took the delivery and paid R 500 as carriage. He sold the goods costing * 18,000 for 25,000 and kept the remaining goods at cost price. Sharing equal profits of the venture, amount to be paid by Shyam to Ram will be:

- (a) 25000



- (b) 22250
(c) 23750
(d) 24500

27. Joint Venture with XYZ Account, is opened

- (a) When separate set of books is maintained for joint venture.
(b) When not maintaining separate set of books for joint venture but every Co-venture keeps record his own transaction only
(c) When not maintaining separate set of books for joint venture but every Co-venture keeps complete record of all the transactions.
(d) In all the above situations, (A), (B) and (C).

28. P and Q enter into a joint venture sharing profit and losses in the ratio of 3:2. P purchased goods costing ₹ 2,00,000. Q sold 95% goods for ₹ 2,50,000. P is entitled to get 1% commission on purchase and Q is entitled to get 5% commission on sales. P drew a bill on Q for an amount equivalent to 80% of original cost of goods. P got it discounted at ₹ 1,50,000. What is P's share of profit?

- (a) ₹ 15,300
(b) ₹ 21,300
(c) ₹ 18,900
(d) None of the above

[MQP June 2024]

29. The share of profit of a co-venturer maintaining only her/ his own transactions is _____.

- (a) Debited to Joint Venture Account
(b) Debited to other co-venturer's personal account
(c) Debited to Profit & Loss Account
(d) None of the above

[Module]

30. A joint venture has a definite life.

- (a) True
(b) False
(c) Partly True Partly False
(d) None

[Module]

FILL IN THE BLANKS

31. When separate sets of books are maintained for a joint venture, goods are taken-over by a co-venturer is credited to _____ account.

[Module]

32. Partners in a joint venture business are called _____.

[Module]



ANSWER KEY

1. A	2. A	3. B	4. A	5. C	6. C	7. D	8. C	9. B	10. A
11. A	12. D	13. C	14. C	15. C	16. B	17. D	18. B	19. C	20. A
21. B	22. A	23. C	24. C	25. D	26. C	27. B	28. B	29. B	30. A

FILL IN THE BLANKS

31.	Joint Venture
32.	Co-venturers



1. A fire damaged the premises of a trader resulting in loss of stock of 1,10,000. The goods salvaged from fire was 40,000. The policy was for 50,000 eligible for average clause. Decided the quantum of claim to be lodged with the insurance company.
- 31818
 - 32000
 - 34000
 - None

2. The godown of Kodiak Ltd. was engulfed in fire on 31st May, 2015 as a result of which a part of stock burnt to ashes. The stock was covered by Fire Policy for 200000 subject to Average Clause. The records of the company revealed the following particulars. Actual Value of Stock as on 31.05.2015: The Value of Salvaged Stock: 90,000 You are required to ascertain the amount of claim to be lodged with the Insurance Company
- 155000
 - 160000
 - 170000
 - 180000

3. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I		Column II
(i)	Average Clause	(A)	Insurance W
		(B)	Bills of Exchange

- Insurance
- Bills of Exchange
- Both
- None

4. Average clause is applicable in case of under Insurance
- True
 - False
5. The main objective of average clause contained in a fire insurance policy is to
- Encourage full Insurance
 - Discourage full Insurance
 - Encourage under Insurance
 - Encourage full Insurance and Discourage under Insurance

6. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I		Column II
(i)	Indemnity period	(A)	Insurance
		(B)	Bills of Exchange

- Insurance
- Bills of Exchange
- Both
- None

7. In case of Loss of Profit Policy, Gross Profit is the sum of Net Profit plus _____ Standing Charges
- Insured.
 - Uninsured.
 - both.
 - None of the above
8. A business takes a.....insurance policy to cover the claims for loss of stocks and loss of profit.
- Life insurance
 - Car insurance
 - Fire
 - health insurance

9.clause is applicable in case of under insurance
- Normal
 - Average
 - Actual
 - Standard

10. The stock which is rescued from fire is
- Scrap
 - Salvage
 - Defective
 - Short goods

11. The main objective of average clause contained in a fire insurance policy is to
- Encourage full Insurance
 - Discourage full Insurance
 - Encourage under Insurance
 - Encourage full Insurance and Discourage under Insurance

12. Gross profit can be calculated as
- Net profit + insured standing charges.
 - Net profit - Insured standing charges.
 - Net profit + standing charges
 - Net Profit - Standing Charges

13. The value of stock on the date of fire can be ascertained by preparation of a..... Account
- Trading
 - Profit and Loss
 - Memorandum Trading
 - Memorandum Profit and Loss

14. The Memorandum trading account is prepared for the period from
- 1st January to 31st December
 - 1st April to 31st March
 - Opening date of accounting year to the date of fire.
 - Opening date of accounting year to closing date of accounting year

15. The difference between standard turnover and actual turnover during Indemnity period is called
- Actual sales
 - Short Sales
 - Total Sales
 - None of the above

16. Stock of goods destroyed by fire is 4,00,000 and stock salvaged 30,000, value of policy is 3,00,000. The amount of claim if there is an average clause will be
- 3,00,000
 - 3,70,000
 - 2,77,500
 - 4,00,000

17. Prakash sells goods at 25% on sales. His sales were 10,20,000 during the year. However, he sold damaged goods for 20,000 costing 30,000. This sale is included in 10,20,000. The amount of gross profit is
- 1,90,000
 - 2,50,000
 - 2,40,000
 - 2,00,000

18. State which of the following statement is false:
- Salvage of stock means stock saved during accident
 - Unusual items and defective items are separate underinsurance claim.
 - Defective items means goods which cannot fetch the usual rate of gross profit.
 - Average clause is applicable in case of under insurance.



19. In a loss of profit, net Profit, Insured Standing Charges, Uninsured Standing Charges and Rate of Gross Profit for the last financial year are 6,20,000; 2,60,000; * 80,000; and 25% respectively. If the firm incurred additional expenses amounted to 85,000 which reduced the loss in turnover of 3,50,000, then admissible amount for claim of additional expenses will be

- (a) 85,000
(b) 77,917
(c) 21,250
(d) 87,500

20. Salvage of stock means stock saved during accident.

- (a) True
(b) False

21. Unusual item and defective item is separate under insurance claim

- (a) True
(b) False

22. Defective items mean goods which cannot fetch the usual rate of gross profit.

- (a) True
(b) False

23. Average clause is applicable in case of under insurance.

- (a) True
(b) False

24. A memorandum trading account is to be prepared to ascertain the value of stock on the date of fire.

- (a) True
(b) False

25. A marine insurance policy is taken to cover the claims for loss of stock.

- (a) True
(b) False

26. The amount paid by insured to insurer as a consideration is known as premium.

- (a) True
(b) False

27. Gross profit must always be calculated as a percentage on purchase.

- (a) True
(b) False

Fill in the Blanks:

28. Standard turnover corresponds with the _____ period.

29. Under insurance claim 'Standing charges' means _____ Standing charges only.

30. If the policy value is _____ the value of stock lost, is called over insurance.

31. In case of Loss of Profit Policy, Gross Profit is the sum of Net Profit plus _____ Standing Charges.

32. If value of stock on the date of fire is ₹4,29,000, salvage is ₹15,70,000 then stock destroyed by fire will be _____

33. Goods costing ₹1,00,000 were insured for ₹50,000. Out of these goods, 3/4th are destroyed by fire. The amount of average clause will be _____.

34. Loss of stock is calculated by deducting _____ from book value of stock as on date of fire.

35. The difference between the value of stock on the date of fire and stock salvaged is _____.

ANSWER KEY

1. A	2. A	3. A	4. A	5. D	6. A	7. A	8. C	9. B	10. B
11. D	12. A	13. C	14. C	15. B	16. C	17. C	18. B	19. B	20. A
21. B	22. A	23. A	24. A	25. B	26. A	27. B			

FILL IN THE BLANKS

28.	indemnity
29.	insured
30.	more than
31.	Insured
32.	₹2,71,500
33.	₹37,500
34.	Stock salvaged
35.	Claim for loss of stock



1. From the following particulars, calculate the value of unsold goods on consignment:

Particulars	Amount
Goods sent on consignment	330000
Consignor's expenses	13000
Consignee's non-recurring expenses	7000
Consignee's recurring expenses	3500
Goods sold by consignee (1000 kgs.)	350000
Wastage treated as normal (100 kgs.)	--

- (a) 100000
(b) 110000
(c) 120000
(d) None of the above

[PP Dec. 2013]

2. Ajay of Jaipur sent goods of 2,50,000 to Vijay of Mumbai on consignment. Ajay paid 8,500 as railway freight and 4,240 as insurance. 2% goods are damaged in the Vijay's godown due to normal circumstances. Vijay incurred cartage 5,140 and selling expenses 14,700. Calculate the value of stock of unsold 15%, of goods sent to Vijay.

- (a) 41,002
(b) 42000
(c) 45000
(d) 46000

[PP Dec. 2014]

3. 3,25,000 is total cost of 6500 units. consignor's expenses are 65,000, units lost in transit was 700 units and consignee's non-recurring expenses amounted to 4,300, what will be the value of stock?

- (a) 325300
(b) 350000
(c) 365000
(d) None of the above

4. Match the items in Column I with the most appropriate items in Column II. State the item no. only

Column I	Item	Column II
Account Sales	(A)	Consignment Accounting
	(B)	Branch Accounting

- (a) Consignment Accounting
(b) Branch Accounting

[PP Dec. 2016, Dec. 2018]

5. Del-credere commission allowed to consignee

- (a) for making cash sales
(b) for making credit sales
(c) for making extra sales
(d) for undertaking risk of bad debts

[PP June 2017]

6. Del credere commission is allowed to consignee for making credit sales

- (a) True
(b) False

[PP Dec. 2017]

7. X sent out goods costing 80,000 to Y so as to show 20% profit on invoice price. 40% of the goods were lost in transit. 60% of the goods received by consignee was sold at 25% above invoice price. Rate of commission is 10% on sales at invoice price plus 50% of the surplus over invoice price. Calculate the commission due to Y.

- (a) 8100
(b) 9100



- (c) both
(e) None of the above

8. At the time of goods sent to consignee, the proforma invoice is prepared by

- (a) Consignor
(b) Consignee
(c) Both
(d) None

9. The balance in consignment account shows

- (a) Amount receivable from consignee
(b) Amount payable to consignee
(c) Profit/ loss on consignment
(d) Closing stock with consignee

[Module]

10. Match the items in Column I with the most appropriate items in Column II. State the item no. only

Item - Column I	Item	Column II
Proforma Invoice	(A)	Consignment Accounting
	(B)	Hire Purchase

- (a) Consignment Accounting
(b) Hire Purchase

11. Normal loss of goods sent on consignment is shown in Consignment Account

- (a) True
(b) False

12. The relation between Consignee and Consignor is that of

- (a) Agent and Principal
(b) Principal and Agent
(c) Drawer and Drawee
(d) None of the above

[PP July 2023]

13. Which of the following commission is allowed by the consignor to the consignee to encourage the consignee for putting-up hard work in introducing new product in the market
- (a) Del-credere Commission
(b) Over-riding Commission
(c) Hard work Commission
(d) Ordinary Commission

[MQP DEC 2024, Module]

14. _____ property may be the subject matter of consignment

- (a) Movable
(b) Immovable
(c) Either (a) or (b)
(d) None of the above

15. 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

[PP Dec. 2022]

16. Which class of account is Consignment Account?

- (a) Personal Account
(b) Real Account
(c) Representative Personal Account
(d) Nominal Account

[PP July 2023, Module]



17. K of Kanpur sent out certain goods to D of Delhi at cost plus 25%. 3/4th of the goods received by D is sold at 4,70,250 at 10% above invoice price. Invoice value of goods sent out is

- (a) 4, 75,000
- (b) 5,64,300
- (c) 6,27,000
- (d) 5,70,000

[PP July 2023]

18. A proforma invoice is sent by

- (a) Consignee to Consignor
- (b) Consignor to Consignee
- (c) Debtors to Consignee
- (d) Debtors to Consignor

19. Del credere commission is allowed to consignee

- (a) for making cash sales
- (b) for making credit sales
- (c) for making extra sales
- (d) for undertaking risk of bad debts

[MQP JUNE 2023]

20. Which of the following statement is not true:

- (a) If del-credere commission is allowed, bad debt will not be recorded in the books of consignor
- (b) If del-credere commission is allowed, bad debt will be debited in consignment account
- (c) Del-credere commission is allowed by consignor to consignee
- (d) Del-credere commission is generally given to promote credit sales

21. Which of the following commission is allowed by the consignor to the consignee to encourage the consignee for putting-up hard work in introducing new product in the market?

- (a) Del-credere Commission
- (b) Over-riding Commission
- (c) Hard work Commission
- (d) Ordinary Commission

22. The additional commission payable to the consignee for taking over additional responsibility of collecting money from customers is known as

- (a) Del-Credere Commission
- (b) Ordinary Commission
- (c) Over-riding Commission
- (d) None of the above

23. The owner of the consignment stock is

- (a) Consignor
- (b) Consignee
- (c) Debtors
- (d) None

24. The unsold stock on consignment is valued at

- (a) Original cost of the goods
- (b) Original cost + All expenses incurred by both Consignor and Consignee
- (c) Original cost + Non recurring expenses incurred by Consignor
- (d) Original cost + Non recurring expenses incurred by both Consignor and Consignee

25. Consignment stock is recorded at

- (a) Cost Price
- (b) Net Realisable value
- (c) Selling Price
- (d) Lower of (a) and (b)

26. In the books of consignor, the profit of consignment will be transferred to

- (a) General Trading A/c
- (b) General P/L A/c
- (c) Drawings A/c
- (d) None of the above

27. Goods costing 4,80,000 were sent on consignment basis. Goods are invoiced at 125% of the cost price. The invoice price and the loading will be:

- (a) 6,00,000 and 1,00,000
- (b) 5,00,000 and 1,00,000.
- (c) 6,00,000 and 1,20,000.
- (d) 5,00,000 and 1,20,000.

28. X sent out certain goods to Y of Delhi. 1/10 of the goods were lost in transit. Invoice value of goods lost 12,500. Invoice value of goods sent out on consignment will be:

- (a) 120,000
- (b) 125,000
- (c) 140,000
- (d) 500,000

29. X of Kolkata sends out goods costing 3,00,000 to Y of Mumbai at cost + 25% Consignor's expenses 5,000. 1/10th of the goods were lost in transit. Insurance claim received 3,000. The net loss on account of abnormal loss is

- (a) 27,500
- (b) 25,500
- (c) 30,500
- (d) 27,000

30. P of Faridabad sent out goods costing 45,000 to Y of Delhi at cost + 33-1/3 %. 1/10th of goods were lost in transit. 2/3rd of the goods received are sold at 20% above invoice price. The amount of sale value will be:

- (a) 54,000
- (b) 43,200
- (c) 60,000
- (d) 36,000

31. X of Kolkata sends out goods costing 1,00,000 to consignee Y of Delhi. 3/5th of the goods were sold by consignee for 70,000. Commission 2% on sales plus 20% of gross sales less all commission exceeds cost price. The amount of Commission will be

- (a) 2,833
- (b) 2,900
- (c) 3,000
- (d) 2,800

32. Rahim of Kolkata sends out 1,000 boxes to Ram of Delhi costing 100 each at an Invoice Price of 120 each. Goods sent out on consignment to be credited in general trading account will be:

- (a) 1,00,000
- (b) 1,20,000
- (c) 20,000
- (d) None of the above

33. Deepak consigned 100 sets of TVs to Sudeep @10,000 each. 5 TVs were damaged in transit due to unavoidable reason whose price was adjusted in the remaining TVs. The new price of each TV will be

- (a) 10,000
- (b) 10,200
- (c) 15,000
- (d) 10,526

34. Abnormal loss on consignment is credited to

- (a) Profit and Loss account
- (b) Consignee's account.
- (c) Consignment account
- (d) None of the three.



35. C Ltd, recorded the following information as on March 31, 2010

Stock as on April 01, 2009	80,000
Purchases	1,60,000
Sales	2,00,000

It is noticed that goods worth 30,000 were destroyed due to fire. Against this, the insurance company accepted a claim of 20,000. The company sells goods at cost plus 33-1/3 %. The value of closing taking into account inventory, after the above transactions is,

- (a) 10000
- (b) 30000
- (c) 100000
- (d) 60000

36. _____ is unavoidable and should be spread over the entire consignment while valuing consignment stock.

- (a) Abnormal loss
- (b) Normal loss
- (c) Extra-ordinary loss
- (d) None of the above

37. Sujal consigned goods costing 2,50,000 to Mridul on 1st January 2010 by incurring 20,000 on freight. Some goods were lost in transit. For remaining goods Mridul spend 15,000 to take the delivery including storage charges. During the quarter, Mridul sold 3/4 of the goods received by him for 3,00,000 and charged commission @10% on it to Sujal. At the end of the quarter, Sujal asked the details of goods lost, sold, expenses commission and balance due to him along with the consignment stock from Mridul. As desired, Mridul sent the periodical detail statement commonly known as

- (a) Account statement
- (b) Account sales
- (c) Statement of affairs
- (d) Summary statement

38. X of Kolkata sent out 2,000 boxes costing 100 each with the instruction that sales are to be made at cost + 45%. X draws a bill on Y for an amount equivalent to 60% of sales value. The amount of bill will be

- (a) 1,74,000
- (b) 200000
- (c) 290000
- (d) 120000

39. A consignee sold goods costing R 50,000 at a profit of 10,000. Out of total sales, 30% was credit sale. As per the agreement the consignee will get 5% ordinary commission, 2% del-credere commission on credit sale and 3% overriding commission on amount in excess of cost price. The amount of commission will be

- (a) 3360
- (b) 3660
- (c) 4500
- (d) 3000

40. Expenses incurred by the consignor on sending the goods to the consignee is 1,000 for insurance, 1,500 on freight and R500 on packing the goods. While expenses incurred by the consignee on behalf of the consignment are 800 on octroi, 600 as godown charges and 1,200 as selling expenses. The amount to be excluded while calculating consignment stock will be:

- (a) 2600
- (b) 600
- (c) 1200
- (d) 1800



41. 1,000 Kg. of Mangoes were consigned to a wholesaler, the cost being 400 freight. Loss of 15% of Mangoes is unavoidable., 750 kgs. were sold by the consignee. The remaining stock of 100 kg. will be valued at

- (a) 300
- (b) 500
- (c) 400
- (d) None of the above.

42. Goods of the invoice value of ₹ 2,40,000 sent out to consignee at 20% profit on cost the loading amount will be _____.

- (a) ₹ 40,000
- (b) ₹ 48,000
- (c) ₹ 50,000
- (d) None

[MQP JUNE 2024]

43. Which of the following is true in respect of the pro-forma invoice?

- (a) It is a document sent by the consignor to the consignee
- (b) Only the details of the goods returned are recorded in this document.
- (c) It acts as an evidence of the remittance of money on consignment basis.
- (d) None of the above

[MQP DEC 2024]

44. P sends 1,000 bags to Q costing ₹400 each at an invoice price of ₹500 each. The costs incurred were: P's expenses ₹4,000, Q's expenses ₹1,000 (non-selling) and ₹2,000 (selling); 800 bags were sold by Q. What is the value of Consignment Stock at invoice price?

- (a) ₹1,01,000
- (b) ₹1,01,800
- (c) ₹1,01,400
- (d) ₹1,02,000

[PP Dec. 24]

45. Consignment Debtors Account is always maintained in the books of the consignor

- (a) True
- (b) False

46. Proforma Invoice is a document sent by the consignor to the consignee.

- (a) True
- (b) False

Fill in the Blanks:

47. The party who sends the goods on consignment basis is referred to as the _____.

48. Commission is due to the consignee from the consignor for rendering of regular activities associated with the consignment business is called _____ commission

49. If cash sales are ₹25,000, credit sales are ₹75,000 and consignee's del credere commission is 10%, the amount of del credere commission will be _____.

50. _____ expenses are included while computing the value of stock on consignment.

51. The relation between Consignee and Consignor is that of _____.



ANSWER KEY

1. A	2. A	3. A	4. A	5. D	6. B	7. A	8. C	9. C	10. A
11. B	12. A	13. B	14. A	15. A	16. D	17. D	18. B	19. D	20. B
21. B	22. A	23. A	24. D	25. D	26. B	27. A	28. B	29. A	30. B
31. A	32. A	33. D	34. C	35. D	36. B	37. B	38. A	39. B	40. D
41. C	42. A	43. A	44. C	45. B	46. A	47.	48.	49.	50.

Fill in the Blanks:

47	Consignor
48	Ordinary
49	10,000
50	Non-recurring
51	Agent and Principal



- In a hire purchase system of maintaining accounts, when there is default in making payments in appropriate time, the owner takes back the of the goods.
 - Possession
 - ownership
 - Both
 - None
- Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay 7,500 down, 10000 at the end of first year, 7500 at the end of second year, and 12,500 at the end of third year.
Interest is charged at 12% per annum, The interest payable with the instalment at the end of second year will be
 - 900
 - 1,999
 - 804
 - 1,760
- 30,000 is the annual instalment to be paid for three years (given present value of an annuity of 1 p.a. @ 5% interest is 2.7232). Ascertain the cash price in case of Hire Purchase.
 - 81696
 - 92000
 - 94000
 - 98000
- Excess of hire purchase price over cash price is known as
 - Instalment
 - Cash down payment
 - Interest
 - Capital value of asset

[MQP JUNE 2024]

- Madhu purchased a machinery on hire purchase basis on 1st April, 2014. 75,000 was paid immediately and the remaining amount was to be paid in three annual instalments of 100000 each. Interest rate is 15% per annum, Calculate the cash price.
 - 303323
 - 304000
 - Both
 - none of above
- Arti Ltd. purchased a machine on hire purchase system for a cash price 5,00,000 to be paid as 78,700 cash down and the balance by three equal annual installment of each. If interest is charged @ 20% per annum then amount of interest payable in second instalment will be
 - 1,00,000
 - 61112
 - 33328
 - 84260

[MQP DEC 2024]

- GOPI purchased a plant on hire purchase system from GOPAL on 01.04.2015. The hire purchase rate was settled at 72,000, payable at 22,000 on 01.04.2015 and 25,000 at the end of two successive years. Interest was charged @ 5% P.A. (Given PYI FA (at 5%, 2 years) = 1.8594). Ascertain the cash price of the plant.:
 - 68485
 - 67852
 - 260000.
 - None of the above



8. Ms. Sonali purchased a LCD TV on hire purchase system from Menz Enterprise on The hire purchase rate was settled at payable at 45,000 on 01.03.2016 and 25,000 at the end of three successive years. Interest was charged @ 6% P.A. (Given: PVIFA at 6% 3 years = 2.6730 Compute the Cash Price of LCD-TV.
- (a) 111825
(b) 120000
(c) 150000
(d) 200000

9. Match the items in Column with the most appropriate items in Column II. State the item no. only:

Column I	Column II
(i) Repossession of goods	(A) Hire Vendor
	(B) Hire Purchaser

- (a) Hire Vendor
(b) Hire Purchaser
(c) Both
(d) None

10. Interest charged by vendor in Hire Purchase System, is calculated on the basis of
- (a) Outstanding hire purchase price
(b) Outstanding cash price
(c) Instalment amount
(d) Cost price of the asset
- [MQP JUNE 2023]

11. Match the items in Column with the most appropriate items in Column II. State the item no. only:

Column I	Column II
(i) partial Repossession	(A) Branch
	(B) Hire Purchase

- (a) Branch
(b) Hire Purchaser
(c) Both
(d) None

12. KCS purchased a machine from JPS on hire purchase system, whose cash price was 8,64,000. 2, 16,000 being paid on delivery and balance in three annual instalments Of 2,88, each. The amount of interest included in first instalment would be.
- (a) 72000
(b) 57600
(c) 108000
(d) 36000

13. A machinery was purchased on Hire Purchase System. Its cash price was 520000 which was payable in annual instalments of 1,80,000 each including interest @ 15 per cent per annum. The amount of interest included in 2nd Instalment would be
- (a) 62700
(b) 145100
(c) 150000
(d) all of the above

14. In hire purchase System cash price plus interest is known
- (a) Hire purchase charges.
(b) Capital value of asset.
(c) Hire purchase price of assets.
(d) Book value of asset
- [MQP DEC 2024 & Module]

15. In the hire purchase system interest charged by vendor is calculated on the basis of
- (a) Outstanding Cash Price
(b) Hire Purchase Price
(c) Instalment amount
(d) None of the above

[Module]



16. In Hire Purchase system cash price plus interest is known as
- (a) Capital value of asset
(b) Book value of asset
(c) Hire purchase price of asset
(d) Hire purchase charges

17. Excess of hire purchase price over cash price is known as
- (a) Installment
(b) Cash down payment
(c) Interest
(d) Capital value of asset
- [MQP DEC 2024 & Module]

18. In case of Hire-Purchase the total sum payable by the hire-purchaser as per terms in order to complete the transactions is
- (a) Net Cash Price
(b) Net Hire-Purchase Charges
(c) Hire-Purchase Price
(d) Cash Price Instalment.

19. When an asset is acquired on the hire purchase system, the asset account is debited with of the assets in the books of the hire purchaser.
- (a) Hire purchase price
(b) Cash Price
(c) Instalment Price
(d) None of the above

20. Shiva purchased a laptop on hire-purchase system. As per terms, he is required to pay 7,500 down, * 10,000 at the end of first year, 7,500 at the end of second year, and 12,500 at the end of third year. Interest is charged at 12% per annum. The interest payable with the installment at the end of second year will be
- (a) 900
(b) 1,999

- (c) 804
(d) 1,760

21. KCS purchased a machine from JPS on hire purchase system, whose cash price was 8,64,000. 2,16,000 being paid on delivery and balance in three annual instalments of 2,38,000 each. The amount of interest included in first installment would be
- (a) 72,000
(b) 57,600
(c) 1,08,000
(d) 36,000

22. Arti Ltd. purchased a machine on hire purchase system for a cash price 5,00,000 to be paid as 78,700 cash down and the balance by three equal annual installments of 2,00,000 each. If interest is charged @ 20% per annum then amount of interest payable in second installment will be
- (a) 1,00,000
(b) 61,112
(c) 33,328
(d) 84,260

23. Which of the following is not a step under Partial Repossession
- (a) Calculate Book value of Goods Repossessed
(b) Calculate Agreed Value of Goods Repossessed
(c) Loss on default = Book Value + Agreed Value
(d) None of the above



24. The substance of the transactions gets preference over legal position. The transactions and events recorded in the books of account and presented in the financial statements, should be governed by the substance of such transactions and not merely by their legal form as per the concept of

- (a) Faithful representation.
- (b) Substance over form.
- (c) Neutrality.
- (d) Fair disclosure.

25. Down payment plus instalments including interest is termed as Outstanding

- (a) cash price
- (b) trade price
- (c) Hire-purchase price
- (d) Book value

[MQP JUNE 2024]

26. In the hire purchase system interest charged by vendor is calculated on the basis of _____.

- (a) Outstanding cash Price
- (b) Hire purchase Price
- (c) Installment amount
- (d) None of the above

[MQP DEC 2023]

27. KCS purchased a machine from JPS on hire purchase system, whose cash price was ₹ 8,64,000. ₹ 2,16,000 being paid on delivery and balance in three annual installments of ₹ 2,88,000 each. The amount of interest included in first installment would be _____.

- (a) ₹ 72,000
- (b) ₹ 57,600
- (c) ₹ 1,08,000
- (d) ₹ 36,000

[MQP DEC 2023/June 2024]

28. On 1.1.2024 Mr. X took delivery from Mr. Y of 5 machines on a hire purchase system. ₹ 4,000 being paid on delivery and the balance in five instalments of ₹ 6,000 each, payable annually on 31st December. The vendor company charges 5% interest p.a. on yearly balances. The cash price of 5 machines was ₹ 30,000. Calculate the interest per annum _____.

- (a) ₹ 4000
- (b) ₹. 3000
- (c) ₹. 2000
- (d) None of Above

[MQP DEC 2024]

29. The buyer gets immediate possession but not ownership of the asset under installment payment system on signing of contract.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

30. The possession and ownership of the asset is immediately transferred to the buyer under Hire- purchase system on signing the contract.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

31. Down payment plus installments including interest is termed as cash price.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above



32. The Hire-purchaser records the asset at Hire-purchase price

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

33. Repossession of the asset is done by Hire-vendor due to non-payment of installments in due time.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

34. Hire purchase price = Cash price + Total Interest

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

35. In hire purchase system, ownership of the goods passes from the seller to the buyer only when the full and final payment is made.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

36. The difference between the hire purchase price and cash price of the asset is known as Total Interest.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

37. There is no difference between hire purchase and installment purchase system.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

38. Each installment is treated as hire charges till the last installment is paid.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

FILL IN THE BLANKS

39. Selling price under Hire-purchase basis is _____ than selling price under cash basis.

40. In case of a Hire-purchase sale the act of revival of custody of the asset is called _____.

41. The buyer gets possession and ownership of the asset under _____ system right from signing the contract.

42. Under Hire- purchase system ownership of the asset is transferred as soon as _____ last installment is paid.

43. Every installment paid under Hire-purchase system consists of partly _____ and partly interest charge.

44. A machinery was purchased on Hire Purchase System. Its cash price was ₹ 5,20,000 which was payable in annual installments of ₹ 1,80,000 each including interest @ 15 per cent per annum. The amount of interest included in 2nd installment would be _____.

45. The persons who obtained delivery of possession of goods from the owner under the hire purchase agreement is known as _____.

46. The difference between the net hire purchase price and net cash price of the goods is termed as _____.



47. When an asset is acquired on hire purchase system, the asset account is debited with _____ of the asset in the book of the hire purchaser.
48. The initial amount paid in hire purchase system is called _____.

ANSWER KEY

1. A	2. B	3. A	4. C	5. A	6. B	7. A	8. A	9. A	10. B
11. B	12. C	13. A	14. C	15. A	16. C	17. C	18. C	19. B	20. B
21. C	22. B	23. C	24. B	25. C	26. A	27. C	28. A	29. B	30. B
31. B	32. B	33. A	34. A	35. A	36. A	37. B	38. A		

FILL IN THE BLANKS

39.	more
40.	repossession
41.	installment
42.	last
43.	capital payment
44.	₹ 62,700
45.	Hirer
46.	Hire purchase charges
47.	Cash price
48.	Down payment



1. In Branch Accounting system, the Branch prepares the periodic returns based on which the accounting records are maintained at the office

(a) Head
(b) Branch
(c) Both
(d) none of above

2. Branch Stock Account is always prepared at cost price

(a) True
(b) False

3. When the goods are returned by branch, goods sent to branch account will be debited in the books of head office

(a) True
(b) False

4. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I		Column II
(i)	Remittance in Transit	(A)	Branch Adjustments
		(B)	Departmental Accounts

(a) Branch Adjustments
(b) Departmental Accounts
(c) Both
(d) none of above

5. Goods in transit is recorded in the books of _____

(a) H.O.
(b) Both H.O. & Branch
(c) Both
(d) none of above

6. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I		Column II
(i)	Debtors Method Of Accounting	(A)	Departmental Accounts
		(B)	Branch Accounts

(a) Departmental Accounts
(b) Branch Accounts
(c) Both
(d) None

7. Branch account is prepared in the books of Head office under debtors' method of accounting

(a) True
(b) False

8. From the information of Amba Ltd. received from its branch — AB, calculate the invoice price of goods sent to branch and Profit included thereon. Goods received from H.O. (Amba Ltd.) = 100000
Goods in transit from H.O. = 50000
Goods are invoiced to branch at cost plus 25%.

(a) 150000
(b) 200000
(c) 100000
(d) 500000

9. Average exchange rate is applicable for in case of foreign branch..

(a) fixed assets
(b) revenue items
(c) Both
(d) None



10. AAC Ltd. with its Head Office in Delhi invoices goods to its Branch at Mumbai at 20% less than the catalogue price which is cost plus 50% with instructions that each sales are to be made at invoice price and credit sales at catalogue price.:

Opening Stock at Branch at its cost	12,000
Goods sent to Branch (at cost to H.O.)	140000
Goods received by Branch till close of the year	138000
Cash Sales	46,000
Credit Sales	100000
Stock lost by fire (at cost)	2,500

Calculate the amount of Closing Stock at Branch-Mumbai.

- (a) 51000
(b) 61000
(c) 75000
(d) 80000

11. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I	Column II
(i)	Stock & debtors method	(A) Departmental Accounts
		(B) Branch Accounts

- (a) Departmental Accounts
(b) Branch Accounts
(c) Both
(d) None

12. Expenses incurred by branch out of petty cash balance are debited to branch account by the head office.
(a) True
(b) False

13. In the Stock and Debtors Method of accounting, balance of Branch Stock Account shows either Cross Profit or Gross Loss

- (a) True
(b) False

14. Under Debtor system of maintaining Branch Account Depreciation does not appear in Branch Account,

- (a) True
(b) False

15. A branch which does not keep the full system of accounting is known as:

- (a) Dependent Branch
(b) Independent Branch
(c) Branch
(d) None

[PP July 2023]

16. Independent Branch meant when separate account are maintained by:

- (a) Head Office.
(b) Branch
(c) Both
(d) None of these

17. Branches no keeping full system of accounting is called _____

- (a) Dependent Branch
(b) Independent Branch
(c) Simple Branches
(d) None of the above

18. The account for the dependent branches is maintained only in the books of

- (a) Branch
(b) Head office
(c) Both
(d) None of the above



19. Goods are sent to the Branch at cost plus 25%. The loading on invoice price is

- (a) 20%
(b) 25%
(c) 30%
(d) None of the above

20. For Sales Return at Branch, in case of dependent branches, entry to be passed in HO books,

- (a) Debit Branch Debtors A/c, Credit Branch Stock A/c.
(b) Debit Branch Stock A/c, Credit Branch Debtors A/c
(c) Debit Sales A/c, Credit Branch Debtors A/c.
(d) Debit Sales A/c, Credit Branch Stock A/c.

21. Which one is/ are the method/s of Accounting for Branches

- (a) Final Accounts Method;
(b) Debtors Method and
(c) Stock and Debtors Method
(d) All of the above

22. Which account is used for transactions concerned with head office supplying resources to the branch?

- (a) Capital account
(b) Current account
(c) Branch account
(d) Joint venture account

23. The system in which profit and loss made by the branch is determined by preparing branch trading and profit and loss account at cost price

- (a) Stock and debtors Method
(b) Final Account Method
(c) Debtors Method
(d) All of the above

24. Cost of goods returned by branch will have the following effect

- (a) Goods Sent to Branch account will be debited
(b) Branch Stock Account will be credited
(c) Both a and b
(d) Either a or b

25. Under Branch accounting Debtors System, closing balance of liabilities are recorded in

- (a) Credit Side
(b) Debit Side
(c) Any of the above
(d) None of the above

26. Which of the following is not a method of Branch Accounting

- (a) Debtors Method or Synthetic Method
(b) Stock Debtors method or Analytical Method
(c) Final Accounts Method (Cost Basis)
(d) Creditors Method or Synthetic Method

[MQP JUNE 2024]

27. The Foreign Currency receivables as per books of accounts 10,000\$ USD= ₹80, ₹8,00,000 accounted on 09-Feb-2023. On 31-Mar-2023, The USD= INR 82 then what is the amount of Foreign Currency Receivables to be reported on 31-Mar-2023 balance sheet as Assets

- (a) 2000
(b) (2000)
(c) 82000
(d) 80000

[MQP JUNE 2024]



28. For apparent profit or loss (i.e. difference between sales price and invoice price), journal entry is passed involving Branch Stock A/c and Branch Stock Adjustment A/c.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

29. Under Stock Debtors System of Branch Accounting, Branch Stock A/c is maintained at cost price

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

30. The objective of keeping Branch Stock A/c at invoice price under Stock Debtors System is to ensure control over stock.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

31. Branch Stock Adjustment A/c is used to record the loading on stock and on goods sent and to record the apparent profit or loss.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

32. Under Final Accounts method, profit or loss of any branch is ascertained by preparing Branch Profit and Loss Account in place of Branch Account.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

33. Under Debtors System of maintaining branch accounts, depreciation does not appear in Branch Account.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[PP July 2023]

34. Stock debtor's system of maintaining branch account is used for independent branch.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

35. For independent branch, incorporation of branch trial balance is required.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

36. Branch Account prepared under Debtors Method of Branch Accounting is a nominal account.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[PP July 2023]

37. State which of the following statements is correct.

- (a) Stock Debtors System of maintaining Branch Account is used for independent branch.
- (b) The buyer gets immediate possession but not ownership of the asset under Installment Payment.
- (c) Unusual items and defective items are separate under insurance claims.
- (d) Operation lease is a Revocable contract.

[PP Dec 2024]



FILL IN THE BLANKS

38. In branch accounts, in debtor's system, opening balances of assets are _____ to branch account.

39. A branch which keeps complete records of _____ all accounting transactions are called _____.

40. A branch which does not keep the full system of accounting is known as _____.

41. Stock and debtor system is popularly known as _____.

42. Branch account is prepared to ascertain _____ of the branch.

43. The system in which profit and loss made by the branch is determined by preparing branch trading and profit & loss account at cost price is _____.

44. The account prepared for the ascertaining the amount of gross profit earned by the branch under stock and debtor system is _____.

45. The account prepared to adjust the loading included in the value of opening and closing stock at branch is termed as _____.

46. The account prepared in the same way as that when goods are invoice at cost, except that all entries are made at invoice price is termed as _____.

47. The goods sent by the head office may be either at _____ or cost plus profit

**ANSWER KEY**

1. A	2. B	3. A	4. A	5. A	6. B	7. A	8. A	9. B	10. A
11. B	12. B	13. A	14. A	15. A	16. B	17. A	18. B	19. A	20. B
21. D	22. C	23. B	24. C	25. B	26. D	27. C	28. A	29. B	30. A
31. A	32. A	33. A	34. B	35. A	36. A	37. D			

FILL IN THE BLANKS

38.	Debited
39.	Independent branch
40.	Dependent branch
41.	Analytical Method
42.	Profit and loss
43.	Final account methods
44.	Branch adjustment account
45.	Stock reserve and surplus account
46.	Branch stock account
47.	Cost price



1. The goods are transferred from Department X to Department Y at selling price which includes a profit of 25% on cost. Stock valued at 65,000 in Department Y, and then amount of unrealized profit will be

(a) 16,250
(b) 13,000
(c) 21,667
(d) None of the above

2. At the time of preparation of departmental profit and loss account discount received is allocated among various departments on the basis of departmental sales

(a) True
(b) False

3. Advertisement expenses are apportioned among departments in the proportion of
- (a) Sales of each department
(b) Purchases of each department
(c) NO. Of units sold by each department
(d) Cost of sales of each department

[MQP JUNE 2023]

4. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I	Column II
(i)	Provision for unrealized profit	(A) Interdepartmental transfer at invoice price
		(B) Branch Accounting

(a) Interdepartmental transfer at invoice price
(b) Branch Accounting
(c) Both
(d) none of above

5. Canteen expenses are apportioned among departments in the proportion of
- (a) Departmental floor space
(b) Departmental direct wages
(c) Departmental sales
(d) Departmental No. of employees

6. Match the items in Column I with the most appropriate items in Column II. State the item no. only:

	Column I	Column II
(i)	Basis of Apportionment of	(A) Departmental Accounts
		(B) Branch Accounts

(a) Departmental Accounts
(b) Branch Accounts
(c) Both
(d) None

7. Bad debts are apportioned among departments in the proportion of

(a) Sales of each department
(b) Number of units sold by each department
(c) Cost of sales of each department
(d) None of the above

8. Canteen expenses are apportioned among departments in the proportion of

(a) Departmental floor space
(b) Departmental direct wages
(c) Departmental sales
(d) Departmental No. of employees



9. Goods are transferred from Department X to Department Y at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is 18,000, then the amount of stock reserve on closing stock will be

(a) 6,000
(b) 4,500
(c) 9,000
(d) None of the above

10. The goods are includes transferred from Department X to Department Y at selling price which a profit of 25% on cost. Stock valued at 65,000 in Department Y, then amount of unrealized profit will be

(a) 16,250
(b) 13,000
(c) 21,667
(d) None of the above

11. Provision for Doubtful Debt on 1st April, 2018 was 21,500. During the year 2018 – 19 the Bad-debt and Recovery of Bad-debt were 10,500 and 2,100 respectively. The Debtors. If on 31st March, 2019, there was additional Bad-debt of ₹2,500 then Provision for doubtful-debt will be

(a) debited to Profit & Loss Account by 11,250
(b) debited to Profit & Loss Account by 2,625.
(c) debited to Profit & Loss Account by ₹3,000.
(d) debited to Profit & Loss Account by 900.

12. If Department A be the amount of transfers goods to Department B at a price of 50% above cost, what will stock reserve on unsold stock worth 9,000 of Department B?

(a) 3,000.
(b) 4,500.
(c) 1,500.
(d) 6,000

13. Which of the following expenses may not be proportioned amongst the departments using any suitable basis:

(a) Carriage Inward
(b) Profit on Sale of Investments
(c) Labour welfare expenses
(d) Sales Promotion

14. Depreciation on assets is apportioned among various departments on basis of

(a) Value of assets of each department.
(b) Number of Assets of each Department
(c) Purchases of each department.
(d) Sales of each department.

15. Goods cost 2,34,000 are sent to the Branch at a invoice price of 3,12,000. The loading on Invoice price is

(a) 20%
(b) 25%
(c) 33.33%
(d) 28%

16. Goods are transferred from Department A to Department B at a price so as to include a profit of 33.33% on cost. If the value of closing stock of Department Y is ₹36,000, then the amount of stock reserve on closing stock will be

(a) ₹12,000
(b) ₹9,000
(c) ₹18,000
(d) None of the above

[MQP Dec 2023, PP June 2024]



17. In Departmental P&L A/c, insurance on stock should be apportioned based on Average Value of Stock ratio.

(a) True
(b) False
(c) Partly true
(d) Partly false

[Module]

18. In the final Balance Sheet closing stock of a department receiving goods from another department at cost plus 10% profit, should be shown at the cost to the receiving department

(a) True
(b) False
(c) Partly true
(d) Partly false

[Module]

ANSWER KEY

1. B	2. B	3. A	4. A	5. D	6. A	7. A	8. D	9. B	10. B
11. B	12. A	13. B	14. A	15. B	16. D	17. A	18. B		



1. Gain Ratio is generally concerned with the situation of admission of a Partner

(a) True
(b) False

2. X and Y share profits in the ratio of 3:2. Z joins them with 1/4th share. Find out the sacrificing ratio.

(a) 3:2
(b) 1:2
(c) both
(d) none

3. P, Q and R are three partners sharing profit and loss equally. Their respective capitals as on 1-4-2012 were P - 80,000, Q - 60,000 and R - 50,000.

They mutually agreed on the following points as per the partnership deed.

Interest on capital to be allowed

(i) P to receive a salary to 500 per month

(iii) O to receive a commission @ 4% on net profit after charging such commission

(iv) After charging all other items, 10% of the net profit to be transferred to General Reserve The firm made profit of 66,720 during the financial year 2012-13. What will be the Net Divisible Profit available to each partner?

(a) 14775
(b) 49000
(c) 50000
(d) none of the above

4. Babbu and Dabbu are partners, sharing profit or loss in the ratio 3:2. They admit Kachari for 1/6th share of profits in the firms of which she takes 2/3rd from Babbu and 1/3rd from Dabbu. Find the new profit sharing ratio

(a) 44:31:15
(b) 44:33:40
(c) 44:31:17
(d) All of the above.

5. A, B and C are partners sharing profit or loss in the ratio Of 3:2:1. They admit D as partner for 1/5th share in future profits. D acquired 2/15th share from A and 1/15th share from B. Calculate the new profit sharing ratio and sacrifice ratio

(a) 11:8:5:6, 2:1
(b) 11:10:7:8, 3:1
(c) Both
(d) (d)none

6. Gunnu and Chinu are partners. They are entitled for 9% interest on their capital contributions. The firm allowed 54,000 towards interest on capital to partner. Calculate the capital contribution of each partner if interest on Gunnu's capital is 13,500 more than the interest on Chinu's capital.

(a) 375000, 225000
(b) 400000, 200000
(c) both
(d) none

7. A and B are partners in a firm sharing profits in the ratio of 4:3. They agreed to admit C in the firm for 1/6th share in profit. The new profit sharing ratio Of A, B and C Will be

(a) 4:3:1
(b) 3:2:1
(c) 8:2:3
(d) 20:15:7

8. In absence of partnership deed the Profit or Loss should be distributed among partners in their Capital Ratio

(a) True
(b) False

[Module]

9. X, Y and Z are partners in the ratio of 3:2:1. W is admitted with 1/16th share in future profits. Z would retains his original shares. Find out the new profit sharing ratios of the partners.

(a) 12:8:5:5
(b) 11:8:8:5
(c) Both
(d) None of the above

10. S and N are partners sharing Profit/(Loss) in the ratio of 5:3. They admit J into Partnership for 3/10th in the Profit/Loss in which J acquired 1/5th share from S and 1/10th share from N respectively. Calculate, the new Profit/Loss sharing ratios of the partners.

(a) 17:11:12
(b) 18:12:13
(c) 19:12:13
(d) 20: 12:13

11. Anu and Binu are partners sharing Profit/Loss in the ratio of 3:2. They admit Chitra into partnership for 1/6 share in the Profit which she acquired equally from the old partner. Calculate the New Profit Sharing Ratios of the partner

(a) 31:19:10
(b) 31:20:10
(c) 31:5:10
(d) (d)None

12. P and R are currently partners in a firm sharing Profit/Loss in the ratio of 4:3. A new partner D is admitted and after his admission new Profit/ Loss sharing ratio between P, R and D becomes What will be the sacrifice ratio of P and R after admission of D?

(a) 5:9
(b) 6:9
(c) 7:9
(d) 8:9

13. If a fixed amount is withdrawn on the first day of every month of calendar year by a partner in partnership firm, then for what period the interest on the total amount Of drawings will be calculated?

(a) 4.5 months
(b) 5.5 months
(c) 6.5 months
(d) 7.5 months

[MQP JUNE 2023]

14. Realisation account is a real account?

(a) True
(b) False

15. In absence of partnership deed, partners are entitled to interest on capital @ 6% p.a.

(a) True
(b) False

[Module]

16. State the ratio in which the partners share all the accumulated profits, reserves, losses and fictitious assets in case of change in profit sharing ratio.

(a) Sacrificing ratio
(b) Old profit sharing ratio
(c) New profit sharing ratio
(d) Equally



17. A and B are partners sharing profits in the ratio of 3:2. They admit C, a new partner who acquires 1/5th of his share from A and 4/25th share from B.

Calculate the new profit sharing ratio and sacrificing ratio

- (a) 14:6:5, 1:4
(b) 15:6:5, 2:4
(c) Both
(d) none

18. New partner pays premium for goodwill, which will be shared by old partners in their new profit sharing ratio.

- (a) True
(b) False

[Module]

19. Profit or Loss on revaluation is shared among the partners in ____ Ratio

- (a) Old ratio
(b) New Ratio
(c) Both
(d) None

20. Memorandum revaluation account is prepared when the ____ of assets and liabilities are not altered

- (a) Book value
(b) Cost
(c) both
(d) none

21. The Balance Sheet of a Partnership Firm had an Investment Fluctuation Reserve of 10,000. A new partner is admitted, Value of Investment is 60,000 against its book value of 70,000. What amount of the Investment Fluctuation Reserve will be distributed among partners

- (a) Nil
(b) 10000
(c) (c) 20000
(d) all of the above

22. Generally sacrifice ratio is concerned with the situation of

- (a) Admission of a new partner
(b) Retirement of a partner
(c) Dissolution of firm
(d) Conversion of firm into company

[MQP JUNE 2023 & Module]

23. When the capitalization of profits method is used then the value of goodwill on the basis of future maintainable profits is more than that of on the basis of super profits

- (a) True
(b) False

[Module]

24. Interest to be allowed @ 0.75 per cent per month on Partners Capital of 60 Lakh; Manager's Commission @ 5 percent of Net Profit before charging such commission. If the Net Profit before charging interest on capital and manager's commission amounted to 14.85 Lakh, then manager's commission will be

- (a) 47250
(b) 48250
(c) 49520
(d) None.

25. X and Y are partners with the capital of 50,000 and 30,000 respectively. Interest Payable on Capital is 10% p.a. If the profits earned by the firm is 4,800, what will be the Interest on Capital for X and Y?

- (a) 5,000 and 3,000
(b) 3,000 and 1,800



- (c) No interest will be paid to the partners
(d) None of the above

26. It is necessary to revalue of assets and liabilities at the time of admission of a new partner.

- (a) True
(b) False

[Module]

27. Which of the following is not an essential feature of a partnership firm?

- (a) Mutual agency
(b) Existence of business
(c) Association of two or more people
(d) Compulsory registration

[PP Dec 2021 & Module]

28. Sacrificing ratio is

- (a) New Profit sharing ratio - old profit sharing ratio
(b) Equal to old profit sharing ratio
(c) Equal
(d) Old profit sharing ratio - new profit sharing ratio

29. X and Y were Partners sharing profit /losses as 3:2. They admit Z as a new partner, giving him 1/5th share of future profits. What should be the new profit sharing ratio?

- (a) 12:8:5
(b) 12:4:5
(c) Both
(d) None

[PP Dec 2021]

30. What type of account is a revaluation account

- (a) Nominal Account
(b) Personal Account
(c) Real Account
(d) all of the above

31. Generally gain ratio is concerned with the situation of

- (a) Admission of a new partner
(b) Retirement of a partner
(c) Dissolution of firm
(d) Piecemeal distribution

32. The amount payable to Z on his retirement amounted to 1,96,00. He took over stock worth 24,000 and 25% of the investments after which an amount of 90,000 was due and transferred to his Loan A/c. Calculate the total value of investments.

- (a) 328000
(b) 340000
(c) 350000
(d) 360000

33. Match the items in Column I with the most appropriate items in Column II State the item no. only

Item Column I	Item	Column II
Absolute Surplus (Highest Relative) Capital Method	(A)	Piecemeal Distribution
	(B)	Retirement

- (a) Piecemeal Distribution
(b) Retirement
(c) both
(d) none

34. Match the items in Column I with the most appropriate items in Column II State the item no. only

Item Column I	Item	Column II
Realisation Account	(A)	Retirement of a partner
	(B)	Dissolution of firm

- (a) Retirement of a partner
(b) Dissolution of firm



- (c) 3:1
(d) 1:2

67. State the ratio in which the partners share all the accumulated profits, reserves, losses and fictitious assets in case of change in profit sharing ratio.

- (a) Old profit-sharing ratio
(b) New profit-sharing ratio
(c) Equally
(d) None of the above

68. When a new partner is admitted, unless otherwise agreed, the profit sharing ratio between the existing partners will

- (a) Reduce
(b) Increase
(c) Remain same
(d) None of the above

69. A and B are partners sharing profits in the ratio 5:3, they admitted C giving him $\frac{3}{10}$ th share of profit. If C acquires $\frac{1}{5}$ th share from A and $\frac{1}{10}$ th from B, new profit-sharing ratio will be

- (a) 5:6:3
(b) 2:4:6
(c) 18:24:38
(d) 17:11:12

70. A & B are partners sharing profits and losses in the ratio 5:3. On admission, C brings 70,000 cash and 48,000 against goodwill. New profit-sharing ratio between A, B and C are 7:5:4. The sacrificing ratio among A:B will be

- (a) 3:1
(b) 4:7
(c) 5:4
(d) 2:1

71. A, B and C are partners in the ratio of 3:2:1. D is admitted in the firm for $\frac{1}{6}$ th share in profits. C would retain his original share. The new profit-sharing ratio between A, B, C and D will be

- (a) 12:8:5:5
(b) 8:12:5:5
(c) 5:5:12:8
(d) 5:5:8:12

72. In partnership when a new Partner brings his share of Goodwill in cash, then the amount of such Goodwill will be credited to Partners' capitals as per the following ratio:

- (a) Old Profit-sharing ratio
(b) Sacrificing ratio
(c) Gain ratio
(d) None of the above

73. Which of the following accounting adjustments are required at the time of admission of a partner?

- (a) Computation of New Profit-Sharing Ratio
(b) Revaluation of Assets and Liabilities
(c) Distribution of Reserves, Accumulated Profits and Losses
(d) All of the above

74. Profit or loss on revaluation is shared among the partners in ratio.

- (a) Old Profit Sharing
(b) New Profit Sharing
(c) Capital
(d) Equal

75. Rohan & Sohan are partners in a firm sharing profits & losses in the ratio 3:1. A partner Mohan is admitted and he brought 40,000 as goodwill. New profit-sharing ratio of all the partners is equal. The amount of goodwill to be shared by old partners is:



- (a) Equally 20000 Each
(b) Rohan 30000 & Sohan 10,000
(c) Rohan 40000
(d) Rohan received 50,000 & Sohan paid 10,000

76. A and B are partners sharing profits and losses in the ratio of 3:2 (A's Capital is 30,000 and B's Capital is 15,000). They admitted C and agreed to give $\frac{1}{5}$ th share of profits to him. How much C should bring in towards his capital?

- (a) 9000
(b) 12000
(c) 14500
(d) 11,250

77. A and B, who share profits and losses in the ratio of 3:2 has the following balances: Capital of A 50,000; Capital of B 30,000; Reserve Fund 15,000. They admit C as a partner, who contributes to the firm 25,000 for $\frac{1}{6}$ th share in the partnership. If C is to purchase $\frac{1}{6}$ th share in the partnership from the existing partners A and B in the ratio of 3:2 for 25,000, find closing capital of C

- (a) 25000
(b) 19000
(c) 20000
(d) 18000

78. General reserve at the time of admission of a new partner is transferred to

- (a) Profit and Loss adjustment Account
(b) Old partners' capital accounts
(c) Revaluation account
(d) Memorandum revaluation account

79. At the time of admission of a new partner, if the value of goodwill is shown in the books, it is written back by

- (a) Old partners in old profit/loss sharing ratio

- (b) All the partners including the new partner in new profit/loss sharing ratio
(c) Old partners in sacrificing ratio
(d) New partner in gaining ratio

80. It is decided to form a partnership with a total capital of 6,00,000. Three partners Ajay, Vijay and Sanjay who will share profits and losses in the ratio of 5:3:2, agreed to contribute proportionate capital. Their capital contribution will be:

- (a) 3,00,000: 1,80,000: 1,20,000
(b) 2,00,000: 2,00,000: 2,00,000
(c) 3,00,000: 2,00,000: 1,00,000
(d) 1,00,000: 2,00,000: 3,00,000

81. If goodwill account is raised by the partners at the time of admission of a new partner, it will be written off in

- (a) Old Profit-sharing ratio
(b) New profit-sharing ratio
(c) Sacrificing ratio
(d) Capital ratio

82. Outgoing partner is compensated for parting with firm's future profits in favour of remaining partners. The remaining partners contribute to such compensation amount in

- (a) Gaining Ratio
(b) Capital Ratio
(c) Sacrificing ratio
(d) Profit Sharing Ratio

83. The retiring partner becomes entitled to get back which of the following?

- (a) Balance of his capital and current account at the time of retirement.
(b) Share of goodwill, undistributed profit or loss, reserves and profit or loss on revaluation of assets and liabilities



- (c) Salary, commission, interest on capital, if any and all other dues till the date of retirement
(d) All of the above

84. A, B and C are partners sharing profits in the ratio 2:2:1. On retirement of B, goodwill was valued as 30,000.

Contribution of A and C to compensate B will be

- (a) 20,000 and 10,000 respectively
(b) 8,000 and 4,000 respectively
(c) They will not contribute anything
(d) Information is insufficient for any comment

85. As per Section 37 of the Indian Partnership Act, 1932, the executors would be entitled at their choice to the interest calculated from the date of death till the date of payment on the final amount due to the dead partner at _____ percent per annum.

- (a) 7
(b) 4
(c) 6
(d) 12

86. A, B and C are Partners sharing profits in the ratio of 2:3:1. A retires and his share is taken by B and C equally, what will be the gaining ratio?

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

87. A, B and C are partners, their profit-sharing ratio being 5:4:3. C retires and is credited with 9,000 for goodwill. How much will be debited to A's Capital account in respect of goodwill

- (a) 5,000
(b) 16,000

- (c) 20,000
(d) 40,000

88. Om, Jai and Jagdish are partners sharing profits and losses in the ratio of 5:3:2. Om retires and goodwill is valued at 50,000. New profit-sharing ratio of Jai and Jagdish will be equal. For the adjustment of goodwill, Jai and Jagdish's capital accounts will be debited by:

(a) 15,000 and 10,000 respectively
(b) 10,000 and 15,000 respectively
(c) 20,000 and 5,000 respectively
(d) 5,000 and 20,000 respectively

89. Amit, Rohit and Sumit are partners sharing profits and losses in the ratio of 5:4:3. Sumit retires and if Amit and Rohit share profits of Sumit in 4:3, then new profit-sharing ratio will be:

(a) 4:3
(b) 47:37
(c) 5:4
(d) 5:3

90. A, B and C are three Partners sharing profits and losses in the ratio of 3:2:1. B retires from the firm. What is the gaining ratio of the remaining partner?

(a) 3:1
(b) 1:2
(c) 2:1
(d) 1:3

91. If a partner dies which of the following amount becomes payable?

(a) His share of undistributed profit/loss;
(b) His share of goodwill
(c) His share of Joint Life Policy, if any;
(d) All of the above



92. On what basis deceased partner's share of profit till his death is computed?

- (a) Time basis
(b) Turnover
(c) (a) or (b) above
(d) None

93. At the time of death of a partner, firm gets _____ from the insurance company against the Joint Life Policy taken jointly for all the partners.

- (a) Policy Amount
(b) Surrender Value
(c) Policy amount or surrender value whichever is higher
(d) Policy amount or surrender value whichever is lower

94. Raj, Jai and Hari are the partners sharing profits in the ratio 7:5:4. Hari died on 30th June, 2023 and profits for the accounting year 2022-2023 were 24,000. How much share in profits for the period 1st April, 2023 to 30th June, 2023 will be credited to Hari's Account.

(a) 6,000
(b) 1,500
(c) 2,000
(d) Nil

95. A, B and C are partners sharing profits and losses in the ratio 9:4:3. The firm took separate life policy of 25,000 for A, 20,000 for B and 15,000 for C. What is the share of C in the policy amount?

- (a) 18,000
(b) 25,000
(c) 5,100
(d) 20,000

96. A, B and C share profit and loss in the ratio of 4:4:2. They have a joint life insurance policy of 1,00,000, whose premium is paid by the firm. Surrender value of the policy at the beginning of the year 2022 is 80,000. On the death of A on 2nd January 2022, the amount to be credited in C's account will be

(a) 40,000
(b) 20,000
(c) 16,000
(d) Nil

97. A, B and C are partners in the firm sharing profits and losses in 5:3:2 ratio. The firm's Balance Sheet as on 31.3.2022 shows the Reserve balance of 25,000, Profit of the last year * 50,000, Joint Life policy of R 10,00,000, fixed assets of 12,00,000. On 1st June C died and on the same date assets were revalued. The executor of the deceased partner will get along with the capital of C

(a) Share in the Reserves account of the firm
(b) Proportionate share of profit upto the date of death
(c) Share in Joint life policy
(d) All of the above

98. After death of partner the goodwill account is written off to the capital accounts of the remaining partners in the

(a) Old profit-sharing ratio
(b) New profit-sharing ratio
(c) Gaining ratio
(d) None of these



99. Realisation account is opened at the time of

- (a) Admission of a new partner
- (b) Retirement of a partner
- (c) Dissolution of the Firm
- (d) In all the above situations

100. Which of the following account is mainly prepared at the time of dissolution of the firm

- (a) Revaluation A/c
- (b) Goodwill A/c
- (c) Realization A/c
- (d) Memorandum Revaluation A/c

[MQP JUNE 2023]

101. _____ A/c is used for the reassessment of the assets and liabilities.

- (a) General Reserve
- (b) Profit & Loss
- (c) Revaluation
- (d) Both (b) & (c)

102. Realization account is a

- (a) Representative personal account
- (b) Artificial personal account
- (c) Real account
- (d) Nominal account

103. The solvent partners must share the deficiency of an insolvent partner:

- (a) In the profit-sharing ratio
- (b) In the capital ratio
- (c) In the gaining ratio
- (d) None of the above

104. State the ratio in which the old partners share all the accumulated profits, reserves, losses and fictitious assets in case of change in profit sharing ratio.

- (a) Sacrificing ratio
- (b) Old profit sharing ratio

- (c) New profit sharing ratio
- (d) Equally

[MQP JUNE 2023]

105. The Sacrifice ratio is used at the time of ?

- (a) Admission of a partner
- (b) Retirement of a partner
- (c) Death of a partner
- (d) Dissolution of a partner

[MQP DEC 2024]

106. A and B are partners sharing profit and losses in the ratio of 3: 2. C is coming as a new partner for 1/5th share of future profit. Calculate sacrificing ratio.

- (a) 3:2
- (b) 8:5
- (c) 2:3
- (d) 5:3

[MQP DEC 2024]

107. Sacrificing ratio is:

- (a) New Profit sharing ratio - old profit sharing ratio.
- (b) Equal to old profit sharing ratio
- (c) Equal
- (d) Old profit sharing ratio - new profit sharing ratio.

[MQP DEC 2024 & PP Dec 2021 & Module]

108. B and D are partners, sharing profit or loss in the ratio 3 : 2. They admit K for 1/6th share of profits in the firms of which she takes 2/3rd from B and 1/3rd from D. What will be the new profit sharing ratio?

- (a) 44: 31: 15
- (b) 31: 44: 15
- (c) 32: 41: 14
- (d) 15: 31: 44

[MQP DEC 2024 & Module]



109. G and C are partners. They are entitled for 9% interest on their capital contributions. The firm allowed ₹ 54,000 towards interest on capital to partners. What will be the capital contribution of each partner if interest on Gunnu's capital is ₹ 13,500 more than the interest on Chinu's capital?

- (a) ₹ 2,25,000
- (b) ₹ 2,55,000
- (c) ₹ 2,50,000
- (d) ₹ 2,15,000

[Module]

110. After the death of a partner, the combined shares of continuing partners decrease.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[Module]

111. Changes in profit sharing ratio among the existing partners may occur at any time during the financial year.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[Module]

112. Loss on Realisation should be distributed according to capital ratio.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[Module]

113. The surrender value of Joint Life Policy is distributed among all partners in their old ratio upon retirement.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[Module]

114. Adjustments are recorded in Partner's Current Account in Fixed Capital Method.

- (a) True
- (b) False
- (c) Partly true partly false
- (d) None of the above

[Module]

FILL IN THE BLANKS

115. Profit or Loss on revaluation is shared among the partners in _____ Ratio.

116. Realisation account is opened at the time of _____ of firm.

117. Memorandum revaluation account is prepared when the _____ of assets and liabilities are not altered

118. Interest to be allowed @ 0.75 per cent per month on Partners Capital of ₹ 60 Lakh; Manager's

119. Commission @ 5 per cent of Net Profit before charging such commission. If the Net Profit before charging

120. interest on capital and manager's commission amounted to ₹ 14.85 Lakh, then manager's commission will be _____.

121. The amount due to deceased partner is paid to his/ her _____.

122. Surplus capital method is suitable when all partners are _____.

123. Profit or loss on revaluation of assets and liabilities is shared by the _____.

124. At the time of admission of a partner, General Reserve is distributed among the partners in _____ sharing ratio.

125. If there is any change in profit sharing ratio of the partners, the old partnership will be _____.

126. An incoming partner contributes _____ to share in the total assets and _____ for future profits.

**ANSWER KEY**

1. B	2. A	3. A	4. A	5. A	6. A	7. D	8. B	9. A	10. A
11. A	12. A	13. C	14. B	15. B	16. B	17. A	18. B	19. A	20. A
21. A	22. A	23. B	24. A	25. B	26. A	27. D	28. D	29. A	30. A
31. B	32. A	33. A	34. B	35. C	36. B	37. A	38. A	39. A	40. A
41. A	42. C	43. B	44. B	45. B	46. A	47. C	48. D	49. C	50. C
51. A	52. B	53. A	54. C	55. C	56. A	57. D	58. C	59. C	60. D
61. D	62. A	63. C	64. A	65. A	66. D	67. A	68. C	69. D	70. A
71. A	72. B	73. D	74. A	75. D	76. D	77. C	78. B	79. A	80. A
81. B	82. A	83. D	84. B	85. C	86. B	87. A	88. B	89. B	90. A
91. D	92. C	93. A	94. B	95. A	96. B	97. D	98. B	99. C	100. C
101. C	102. D	103. B	104. B	105. A	106. A	107. D	108. A	109. A	110. B
111. A	112. B	113. A	114. A						

FILL IN THE BLANKS

115.	Old profit sharing
116.	Dissolution of the firm
117.	Book value
118.	₹ 47,250
119.	Executors
120.	Solvent
121.	Old Partners
122.	Old Profit.
123.	Terminated
124.	Capital, goodwill

- Realization account is a:
 - Representative personal account
 - Artificial personal account
 - Real account
 - Nominal account
- Inventory valuation affects only the income statement
 - True
 - False
- The stock was physically verified on 24th March and was valued at 2,00,000. Goods are normally sold by the trader at a profit of 25% on cost. After stock taking the following transactions have taken place till 31st March. Sales of 2,21,600 which includes:
 - Sales of 10,800 at 20% more than the normal selling price
 - Sales of 10,800 at 10% less than the normal selling price
 Required: Determine the value of stock to be taken to the Balance Sheet of PCT Ltd. as at 31st March
 - 23200.
 - 24200.
 - 25200.
 - None of the above
- In case of trading concern, cost of goods sold and cost of sales are same
 - True
 - False
- In Proprietorship business, Income-tax payable is shown as a liability in Balance Sheet.
 - True
 - False
- Finished goods are normally valued at cost or _____ whichever is lower.
 - Net Realizable Value
 - Cost
 - Both
 - None
- The Sales 180 Lakh, Purchase 129 Lakh and Opening Stock 33 Lakh. If the rate of Gross Profit is 50% on cost, then the value of closing stock will be
 - 42 Lakhs.
 - 44 Lakhs.
 - 43 Lakhs.
 - None of the above
- Net Profit is reflected in higher cash balances and net loss is reflected in lower net worth.
 - True
 - False
- Choose the correct statement.
 - Financial statements need not take into consideration any statutory requirement
 - Only credit transactions are recorded in books of accounts
 - Financial statements prepared by two different accountants will always show identical results
 - Financial accounts, of an enterprise, are treated as evidence in the Court of Law.
- T Form presentation of financial statements is known as
 - Horizontal form
 - Vertical form.
 - both
 - none

[Module]



11. Net sales for the year ended 31st March, 2022 is 9,00,000. If the Gross profit is 25 % on cost Goods sold will be

- (a) 720000
- (b) 740000
- (c) 760000
- (d) None of the above

12. Income tax paid by a sole trader is shown:

- (a) On the debit side of the Trading Account
- (b) On the debit side of Profit & Loss Account
- (c) As deduction from Capital in the Balance Sheet
- (d) As addition to Capital in the Balance Sheet

13. _____ represents payment made against which services are expected to be received in a very short period.

- (a) Prepaid Expenses
- (b) Outstanding Expenses
- (c) Expenses
- (d) all of the above

[PP July 2023]

14. Rates and Taxes paid 300 during 2022-23. At March 31, 2023, the rates and taxes were prepaid to the following 31st January, the yearly charge being 300. Calculate the Prepaid Rates and Taxes to be shown in the Closing Balance Sheet

- (a) 250
- (b) 750
- (c) 25
- (d) None of the above

[PP July 2023]

15. Cost of goods available for sale 2,00,000, Total Sales 1,60,000; opening stock of goods 40,000; Gross Profit Margin 25%; Closing stock of goods was:

- (a) 120000
- (b) 140000
- (c) 160000
- (d) None of the above

[PP June 2023]

16. Telephone charges paid 1,500 during 2022-23. A quarter's charge for telephone is outstanding, the amount accrued being 300. The charge for each quarter is same for both 2021-22 and 2022-23, Calculate o/s Telephone charges to be shown in the Opening balance sheet as at 1-4-2022

- (a) 600
- (b) 300
- (c) 1200
- (d) None of the above

[PP July 2023]

17. 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

18. When Sales = 1,80,000, Purchase = 1,60,000, Opening Stock = 34,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be

- (a) 50,000
- (b) 44,000
- (c) 46,000
- (d) None of the above

19. At the end of the year 2023-24, Prepaid Insurance Premium 7,500 appeared in the Trial Balance, it will be shown

- (a) only in Profit & Loss Account.
- (b) only in Balance Sheet.
- (c) both in Profit & Loss Account and in Balance Sheet.
- (d) not in Both in Profit & Loss Account and in Balance Sheet.

20. Pre-paid insurance premium should be classified as a:

- (a) Current asset.
- (b) Fictitious asset.
- (c) Non-current asset.
- (d) None of the above.

21. Drawings is shown in the Balance Sheet as

- (a) As an addition to the Capital Account
- (b) A deduction from the Capital Account
- (c) Part of Current Liabilities
- (d) Part of Current Assets

22. Which of the following relationships is/are false?

- (a) Net Profit = Gross Profit - Administration and Other expenses
- (b) Net Profit = Gross Profit + Administration expenses and Other expenses
- (c) Opening Stock + Purchases - Closing Stock = Cost of Sales
- (d) Both (b) and (c) above

23. Which of the following is not part of financial statements?

- (a) Trading and Profit & Loss Account
- (b) Balance Sheet
- (c) Fund Flow Statement
- (d) Notes to Accounts

[MQP JUNE 2023]

24. Which of the following is not part of financial statements?

- (a) Trading and Profit & loss Account
- (b) Balance Sheet
- (c) Trial balance
- (d) Cash Flow Statement

25. While finalizing the current year's profit, the company realized that there was an error in the valuation of closing stock of the previous year. In the previous year, closing stock was valued more by 50,000. As a result

- (a) Previous year's profit is overstated and current year's profit is also overstated
- (b) Previous year's profit is understated and current year's profit is overstated
- (c) Previous year's profit is understated and current year's profit is also understated
- (d) Previous year's profit is overstated and current year's profit is understated

26. What would be the cost of Purchase from the following details

Opening Stock	4,000
Sales	45,000
Direct Expenses	5,000
Indirect Expenses	6,000
Closing Stock	2,000
Gross Profit	5,000
(a) 28,000	
(b) 33,000	
(c) 32,000	
(d) 27,000	



27. Following information is given

	Amount
Opening Stock	2,13,000
Purchase	16,55,000
Sales	21,32,000
Carriage Inwards	32,500
Carriage Outwards	38,600
Return Inwards	38,000

If the rate of gross profit is 25% on cost then value of closing stock will be

- (a) 2,57,800
(b) 1,94,900
(c) 2,25,300
(d) 3,30,000

[Module]

28. Sales

45,000

Opening Stock	18,000
Purchases	30,000
Cost of Goods Sold	27,000
Trading Expenses	12,000

Net Profit is-

- (a) 6,000
(b) 18,000
(c) 12,000
(d) None of the above

29. When Sales = R 3,60,000, Purchase = 3,20,000, Opening Stock = 68,000 and rate of the Gross Profit is 20% on cost, the Closing Stock would be

- (a) 1,00,000
(b) 44,000
(c) 46,000
(d) None of the above

30. The beginnings inventory of the current year is overstated by 5,000 and closing inventory is overstated by R 12,000.

These errors will cause the net income for the current year by

- (a) 17,000 (overstated)
(b) 12,000 (understated)

- (c) 7,000 (overstated)
(d) 7,000 (understated)

31. Net realizable value is -

- (a) Estimated selling price
(b) Estimated Cost Price plus Marketing cost
(c) Estimated Selling price less cost incurred in order to make sale.
(d) Estimated Selling price plus cost incurred in order to make sale.

32. is equal to estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

- (a) Net Realizable value
(b) Cost of Conversion
(c) Cost of Purchase
(d) None of the above

33. The General Manager is entitled to a commission of 10% on net profit after charging the commission of Works Manager. The Works Manager is entitled to a commission of 5% on the net profits after charging the commission of General Manager. The profit before charging any commission is 7,500. The commission of the Work Manager to the nearest rupee will be:

- (a) 321
(b) 333
(c) 337
(d) 326

34. If average inventory is 1,25,000 and closing inventory is K10,000 less than opening inventory then the value of closing inventory will be

- (a) 1,35,000
(b) 1,15,000
(c) 1,30,000
(d) 1,20,000

[Module]



35. are investments which are held beyond the current period as to sale or disposal.

- (a) Non-current Investments
(b) Current Investments
(c) Current Liabilities
(d) None of the above

36. Repairs and Maintenance of Delivery Vans is

- (a) Selling and Distribution Expenses
(b) Indirect Expenses
(c) Administration Expenses
(d) Both (a) & (b)

37. Rent paid on 1st October, 2022 for the year to 30th September, 2023 was 1,200 and rent paid on 1st October, 2023 for the year to 30th September, 2024 was 1,600. Rent payable, as shown in the profit and loss account for the year ended 31st December 2023, would be:

- (a) 1,200
(b) 1600
(c) 1,300
(d) 1,500

38. Mohan purchased goods for 15,00,000 and sold 4/5th of the goods amounting 18,00,000 and paid expenses amounting 2,70,000 during the year, 2023. He paid 5,000 for an electricity bill of Dec. 2022 and advance salaries amounting 15,000 was paid for the month of Jan. 2024. He counted net profit as 3,50,000. The net profit calculated by him is correct according to

- (a) Entity concept
(b) Periodicity concept
(c) Matching concept
(d) Conservatism concept

39. When adjusted purchase is shown on the debit column of the trial balance then

- (a) Both opening stock and closing stock do not appear in the trial balance
(b) Closing stock is shown in the trial balance and not the opening Stock
(c) Opening stock is shown in the trial balance and not the closing stock
(d) Both opening and closing stock appear in the trial balance

40. Income tax paid by the sole-proprietor from business bank account is debited to

- (a) Income tax account
(b) Bank account
(c) Capital account
(d) Not to be shown in the business books

41. When opening stock is overstated, net income for the accounting period will be

- (a) Overstated
(b) Not be affected
(c) Understated
(d) None of the above

42. The total cost of goods available for sale with a company during the current year is 12,00,000 and the total sales during the period are 13,00,000. If the gross profit margin of the company is 33-1/3% on cost, the closing inventory during the current year is

- (a) 4,00,000
(b) 3,00,000
(c) 2,25,000
(d) 2,60,000



43. On 31st March 2009, Suraj has to pay to M/s Chandra 7,000 on account of credit purchase from the later. He paid 1,800 on 30th June 2009 after availing a cash discount of 10%. On 30th September 2009, he paid 2,850 after availing 5% cash discount. On account of final settlement, the amount to be paid by Suraj without any discount will be

- (a) 2,350
- (b) 2,000
- (c) 2,200
- (d) 2,150

44. Mr. A, the owner of M/s Apex Ltd. withdrew some goods from the business for his personal use. The accountant of the firm recorded this transaction on the basis of selling price of goods. He justifies his contention on the basis that business and the proprietor are two different entities as per business entity concept and therefore drawings should be charged at the same price on which the goods are sold to the outside customers. However, Mr. A emphasizes that he should be charged with only the cost price of the goods withdrawn by him. At which price, the drawings should be recorded?

- (a) Fair value.
- (b) Selling price.
- (c) Cost price.
- (d) None of the three.

45. Bank overdraft as per trial balance is 1.60,000. Bank has allowed the customer to Cost price. overdrew 80% of the hypothecated value of the stock. Hypothecation of stock has been done by the bank at 80% of the original closing stock value. The amount of closing stock is:

- (a) 2,00,000.
- (b) 2,50,000
- (c) 1,02,400.
- (d) 1,28,000.

46. Salary has been paid for 11 months from April 2023 to February, 2024 amounting 22,000. The amount of outstanding salary shown in the balance sheet will be

- (a) 1833
- (b) 2,000
- (c) 1,000
- (d) None of the above

47. Capital introduced by Mr. A on 01.04.2023 3,00,000; further capital introduced during the year was 50,000 in the mid of the year. Mr. A withdrew 2,000 per month and the profit earned during the year was 20,000. Capital as on 31.03.2024 will be

- (a) 3,94,000
- (b) 3,46,000
- (c) 2,94,000
- (d) None of the three

48. Atul purchased goods costing 50,000 at an invoice price, which is 50% above cost. On invoice price he enjoyed 15% trade discount and 3,750 cash discount on cash payment of goods in lump sum at the time of purchase. The purchase price to be recorded in the books before cash discount will be

- (a) 75,000
- (b) 60,000.
- (c) 63,750.
- (d) 50,000.

49. Mr. Mohan started a cloth business by investing 50,000, bought merchandise worth 50,000, He sold merchandise for R 60,000. Customers paid him 50,000 cash and assured him to pay 10,000 shortly. The amount of revenue earned by him is.....

- (a) 50,000.
- (b) 60,000.
- (c) 1,00,000.
- (d) 70,000.

50. Ganesh takes a salary 10,000 per month. He withdrew goods worth 2,500 for personal use and got salary 9,500 in cash. The excess payment of 2,000 will be debited to

- (a) Sales account.
- (b) Goods account.
- (c) Salary account.
- (d) Salary in advance account.

51. Calculate sales from the following details:

Opening Stock	4,000
Cost of Goods sold	30,000
Closing Stock	2,000
Direct Expenses	5,000
Gross Profit	1,500

- (a) 31,500
- (b) 28,000
- (c) 32,000
- (d) 33,000

[PP June 2024]

52. Which of the following will not appear in the Profit and Loss A/c?

- (a) Capital
- (b) Bad Debts
- (c) Provision for Doubtful Debts
- (d) Rent paid

[MQP JUNE 2024, Module]

53. At the end of the accounting year, advances from customers are

- (a) Debited to Profit and Loss account
- (b) Credited to Profit and Loss account
- (c) Shown in the Balance Sheet as assets
- (d) Shown in Balance Sheet as liabilities

[PP Dec 2023]

54. Opening Stock, Closing Stock, Sales Return and Sales are 2,80,000; 3,20,000; 45,000 and 24,20,000 respectively. If rate of gross profit is 25% on cost, then gross profit will be

- (a) 6,05,000
- (b) 4,75,000
- (c) 4,84,000
- (d) 593,750

[PP Dec 2023]

55. Following information is given:

Particulars	Amount
Opening Stock	2,13,000
Purchases	16,55,000
Sales	21,32,000
Carriage Inwards	32,500
Carriage Outwards	38,600
Return Inwards	38,000

If the rate of gross profit is 25% on cost then value of closing stock will be

- (a) 2,57,800
- (b) 1,94,900
- (c) 3,30,000
- (d) 2,25,300



56. Provision for Doubtful Debt on 1st April, 2021 was ₹21,500. During the year 2021 – 22 the Bad-debt and Recovery of Bad-debt were ₹10,500 and ₹2,100 respectively. The Sundry Debtors on 31st March, 2022 were ₹2,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2022, there was additional Bad-debt of ₹2,500 then Provision for doubtful-debt will be _____.

- (a) Debited to Profit & Loss Account by ₹11,250.
- (b) Debited to Profit & Loss Account by ₹2,625.
- (c) Debited to Profit & Loss Account by ₹3,000.
- (d) Debited to Profit & Loss Account by ₹900.

[MQP Dec 2023 & June 2024]

57. If average inventory is ₹ 1,25,000 and closing inventory is ₹ 10,000 less than opening inventory then the value of closing inventory will be:

- (a) ₹ 1,35,000
- (b) ₹ 1,15,000
- (c) ₹ 1,30,000
- (d) ₹ 1,20,000

[MQP June 2024]

58. From the following details estimate the capital as on 31.03.2024, Capital as on 01.04.2023 ₹ 4,10,000. Drawings ₹ 40,000, Profit during the year ₹ 50,000

- (a) ₹ 4,10,000
- (b) ₹ 4,50,000
- (c) ₹ 4,20,000
- (d) ₹ 4,00,000

[MQP Dec 2024]

59. As on 31st March, 2024 debtors and additional bad debts are ₹ 8,00,000 and ₹ 10,000 respectively. If the provision for bad debts is made at 5% on debtors, then amount of such provision will be _____.

- (a) ₹ 40,000
- (b) ₹ 50,000
- (c) ₹ 39,500
- (d) ₹ 40,500

[MQP Dec 2024]

60. Provision for Doubtful Debt on 1st April, 2022 was ₹13,000. During the year 2022-23 the Bad-debt was ₹ 9,500. The Sundry Debtors on 31st March, 2023 were ₹3,25,000. Provision is to be made @ 5% on Debtors. If on 31st March, 2023, there was additional Bad debt of ₹2,500 then Provision for doubtful- debt will be:

- (a) debited to Profit & Loss Account by ₹ 16,125.
- (b) debited to Profit & Loss Account by ₹15,125.
- (c) debited to Profit & Loss Account by ₹ 3,000.
- (d) debited to Profit & Loss Account by ₹ 900.

[MQP Dec 2024]

61. Outstanding salaries is shown as –

- (a) An Asset in the Balance Sheet
- (b) A Liability in the Balance sheet
- (c) By adjusting it in the P & L A/c
- (d) Both (b) and (c)

[MQP Dec 2024, Module]

62. The preparation of Trading Account always starts with the Opening Stock of inventory

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]



63. Income & Expenditure Account is drafted by a trading concern.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

64. Balance Sheet is prepared to show the operating results of an organisation on a specific date.

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

65. Final Accounts is prepared from the balances of ledger accounts

- (a) True
- (b) False
- (c) Partly True Partly False
- (d) None

[Module]

66. Which of the following is true about financial statements?

(a) Financial Statements give a summary of Accounts.

(b) Financial Statements can be stated as recorded facts.

Select the correct answer.

- (a) Statement (a) is correct
- (b) Statement (b) is correct
- (c) Both (a) and (b) are correct
- (d) None of the above.

[PP Dec 2024]

67. Profit before interest on loan and manager's commission were 4,25,250. Interest on loan is 42,000. If the manager is entitled a commission of 5% on net profit after charging such commission, then manager's commission will be _____.

- (a) 20,250
- (b) 21,262.50
- (c) 9,162.50
- (d) 18,250

[PP Dec 2023]

FILL IN THE BLANKS

68. Outstanding subscription is shown in the _____ side of Balance Sheet.

[Module]

69. Profit & Loss Account is drafted to determine the _____ of a concern.

70. Distribution of profits is a/ an _____ item

[Module]

71. _____ is an account which is prepared by a merchandising concern which purchases goods and sells the same during a particular period.

72. Advance subscription is reflected in the _____ side of the Balance Sheet.

**ANSWER KEY**

1. D	2. B	3. A	4. B	5. B	6. A	7. A	8. B	9. D	10. A
11. A	12. C	13. A	14. A	15. B	16. A	17. A	18. B	19. B	20. A
21. B	22. D	23. C	24. C	25. D	26. B	27. C	28. A	29. D	30. C
31. C	32. A	33. D	34. D	35. A	36. D	37. C	38. C	39. D	40. C
41. C	42. C	43. B	44. C	45. B	46. B	47. B	48. C	49. B	50. D
51. B	52. A	53. D	54. B	55. D	56. B	57. D	58. C	59. C	60. B
61. D	62. B	63. B	64. B	65. A	66. C	67. D			

FILL IN THE BLANKS

68.	Asset
69.	Net Profit/ Loss
70.	appropriation
71.	Trading A/c
72.	Liabilities



1. Which of the following item(s) is (are) shown in the Income and Expenditure Account?

- Only items of Capital nature
- Only items of Revenue nature, which are received during the period of Accounts
- Only items of Revenue nature pertaining to the period of Accounts
- Both the items of Capital and Revenue nature

2. Salary debited to Income and Expenditure Account for the year was 48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were 6,000 and 7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be
- 48000
 - 40500
 - 54000
 - 46500

3. Which of the following item does not match with receipts and payments account?

- It is a summarized cash book
- Transactions are recorded in it on cash basis
- It records revenue transactions only
- It serves the purpose of a real account

4. Transactions are recorded on accrual basis in the Income and Expenditure Account

- True
- False

5. Items of receipts and payments which are revenue in nature and which relate to a particular accounting period, are shown in the

- Receipts and Payments Account
- Income and Expenditure Account
- Both
- none of above

6. Match the items in Column with the most appropriate items in Column II. State the item no. only:

	Column I		Column II
(i)	Entrance Fees	(A)	Income & Expenditure Account
		(B)	Receipt & Payments Account

- Income & Expenditure Account
- Receipt & Payments Account
- Both
- None

7. Following information are obtained from the books of a club:

- Subscription received during the year ending 31st March 2014 256000 out of which 8,000 was for the year 2014-15 and 11,000 for the year 2013-14.
- Subscription was outstanding on 01-04-2013 18,000 and on 31-03-2014 for 2013-14 21,000. Calculate the amount of subscription to be credited to Income and Expenditure Account for the year ending 31-03-2014.

- 258000.
- 259000.
- 260000.
- None of the above



8. Receipts and Payments Account records

- (a) Only revenue nature receipts
- (b) Only capital nature receipts and payment
- (c) Only revenue nature receipts and payments
- (d) Both the revenue and capital nature receipts and payments

9. Life membership fee is a nature receipt.

- (a) Revenue
- (b) Capital
- (c) Both
- (d) None

10. The Income and Expenditure Account and the Receipts and Payments Account of a Local Club at the end of a particular year show the following amounts:

	As per Income expenditure A/c	As per Receipts & payments A/c
Printing Charges	7,500	6,900
Rent Paid	12,000	11,000

When there were no outstanding of Rent and Printing charges at the beginning of that year, the difference of 1,600 will be shown in the Balance Sheet at the end Of the year as:

- (a) Asset
- (b) Liabilities
- (c) Ignored
- (d) Capital Fund

11. Income Statement of a charitable institution is known as

- (a) Profit and Loss A/c
- (b) Receipts and Payments A/c
- (c) Income and Expenditure A/c
- (d) Statement of Affairs

12. Subscription is a nature receipt.

- (a) Revenue
- (b) Capital
- (c) Both
- (d) None

13. Compute the income from subscription for the year 2014 from the following particulars relating to Tarun Club:

	1-1-2014	31-12-2014	
Advance Subscription	2800	200	
Subscription received during the year 2014			145000

- (a) 140100
- (b) 145100
- (c) 150000
- (d) all of the above

14. From the following calculate subscription Income of Pitam Pura Club for the year 2016:

Subscription outstanding as on 31-12-2015: 9500 (including 500 for 2014)
Subscription received in advance as on 31-12-2015: 3,000 (including 200 for 2017)
Subscription received during 2016: for 2014 400, for 2015 8,900, for 2016 134400 for 2017 4,000, for 2018 1,200.

Subscription outstanding as on 31-12-2016: 6,950
Subscription of 2014 written off during 2016: 50
(a) 158900
(b) 160000
(c) 175000
(d) None of the above



15. Receipts and Payments account is a :

- (a) Nominal Account
- (b) Real Account
- (c) Personal Account
- (d) Artificial Personal Account

[MQP JUNE 2023]

16. Outstanding subscription is shown in the side of Balance Sheet

- (a) Assets
- (b) liabilities
- (c) both
- (d) None of the above

17. Income and Expenditure Account is a :

- (a) Nominal Account
- (b) Real Account
- (c) Personal Account
- (d) Artificial Personal Account

18. Receipts and Payments Account is prepared by adopting cash principle of accounting.

- (a) True
- (b) False

19. Receipt & Payment Account only records the revenue nature of receipts and expenses

- (a) True
- (b) False

[PP June 2018]

20. In case of a Club, the excess of expenditure over income is called as:

- (a) Surplus
- (b) Deficit
- (c) Capital Fund
- (d) Investment in Fixed Assets

[Module]

21. A Charitable Institution has 250 members with a annual subscription Of 5,000 each. The subscription received during 2018-19 were 11,25,000, which include 65,000 and 25,000 for the years of 2017-18 and 2019-20 respectively. Amount of outstanding subscription for the 2018-19 will be

- (a) 90000
- (b) 125000
- (c) 215000
- (d) 190000

22. All these items of revenue nature which received during the period of accounts, are only shown in the Income and Expenditure Account

- (a) True
- (b) False

23. Subscription of 625000 had been shown in the Income and Expenditure Account prepared for the year ending 31st March, 2019. Additional information is as below:

	On 31 st march 2018	On 31 st march 2019
Subscription Outstanding	55,000	72,000
Subscription Received in Advance	31,000	37,000

The amount of subscription received during the year 2018-19 would be:

- (a) 636000
- (b) 602000
- (c) 614000
- (d) 648000



24. The excess of expenses over income is called

- (a) Net loss
- (b) Net profit
- (c) Both
- (d) None

[PP July 2023]

25. At the end of the accounting year, subscription received in advance and outstanding rent of a club will be shown in the balance sheet.

- (a) Both on assets side
- (b) Both on liabilities side
- (c) Subscription received in advance on liabilities side and outstanding rent on assets side
- (d) Subscription received in advance on assets side and outstanding rent on liabilities side

[PP July 2023]

26. The Receipts and Payments Account generally begins with

- (a) Credit Balance
- (b) Debit Balance
- (c) Both Debit and Credit Balance
- (d) None of the above

27. Income and Expenditure Account is a

- (a) Nominal Account
- (b) Real Account
- (c) Personal Account
- (d) Artificial Personal Account

28. Receipts and Payments account is a

- (a) Nominal Account
- (b) Real Account
- (c) Personal Account
- (d) Artificial Personal Account

29. Which of the following is/are feature/features of Income and Expenditure Account?

- (a) It follows Nominal Account
- (b) All Capital incomes and expenditures are excluded
- (c) Profit on sale of asset is credited
- (d) All of the above

30. Income statement of a Charitable Institution is known as

- (a) Statement of profit and loss
- (b) Receipts and Payments Account
- (c) Income and Expenditure Account
- (d) Profit and Loss Account

[MQP DEC 2023 & Module]

31. _____ is similar to the Profit and loss A/c.

- (a) Income and Expenditure Account
- (b) Receipts and Payments Account
- (c) Balance Sheet
- (d) None of the Above

32. Which of the following items is shown in the Income and Expenditure Account?

- (a) Only items of capital nature
- (b) Only items of revenue nature which are received during the year
- (c) Only items of revenue nature pertaining to the period of accounts
- (d) Both the items of capital and revenue nature

33. In case of a Club, the excess of expenditure over income is called as

- (a) Surplus
- (b) Deficit
- (c) Capital Fund
- (d) Investment in Fixed Assets

34. Scholarship granted to students out of specific funds provided by Government will be debited to

- (a) Income and Expenditure Account
- (b) Receipts and payments Account
- (c) Funds granted for Scholarship account
- (d) None of the above

35. Salary debited to Income and Expenditure Account for the year was 48,000. Outstanding salary paid in the beginning of the year and the outstanding salary at the end of the year were 6,000 and 7,500 respectively. The amount of Salary to be shown in Receipts and Payments Account will be:

- (a) 48000
- (b) 40500
- (c) 54000
- (d) 46500

36. Income & Expenditure A/c shows subscriptions 10,000; Subscriptions accrued in the beginning of the year and at the end of the year were 1,000 and 1,500 respectively. The figure of subscription received appear in receipts and payments account will be:

- (a) 9500
- (b) 10000
- (c) 10500
- (d) 12000

37. A Charitable Institution has 250 members with a annual subscription of 5,000 each. The subscription received during 2018-19 were ₹11,25,000, which include 65,000 and 25,000 for the years of 2017-18 and 2019-20 respectively. Amount of outstanding subscription for the 2018-19 will be

- (a) 90000
- (b) 125000
- (c) 215000
- (d) 190000

[MQP JUNE 2023]

38. During the year 96,000 was Debited as salary in the Income Expenditure Account. There was outstanding on Salary Account at the beginning and at the end of the year were 12,000 and 15,000 respectively. The amount of salary paid shown in Receipt and Payments Account would be

- (a) 84000
- (b) 81000
- (c) 93000
- (d) None of the above

39. In the case of non-profit organisation donations received by the organisation are reflected in

- (a) Income and Expenditure Account
- (b) Capital Account
- (c) Receipts and Payments Account
- (d) None of the above

40. Which of the following item does not match with receipts and payments account?

- (a) It is a summarized cash book
- (b) Transactions are recorded in it on cash basis
- (c) It records revenue transactions only
- (d) It serves the purpose of a real account

41. Receipts and Payments Account records

- (a) Only revenue nature receipts
- (b) Only capital nature receipts and payment
- (c) Only revenue nature receipts and payments
- (d) Both the revenue and capital nature receipts and payments

42. A profit on the sale of furniture of a club will be taken to:

- (a) Cash account
- (b) Receipts and payments account
- (c) Income and expenditure account
- (d) None of the above



43. The Income and expenditure Account and the Receipts and Payments Account of a Local Club at the end of a particular year show the following amounts:

	As per Income Expenditure A/c	As per Receipts and Payments A/c
Printing Charges	7500	6900
Rent Paid	12000	11000

When there were no outstanding Rent and Printing charges at the beginning of that year, the difference of 1,600 will be shown in the Balance Sheet at the end of the year as:

- (a) Asset
(b) Liabilities
(c) Ignored
(d) Capital Fund

44. Subscription of 6,25,000 had been shown in the Income and Expenditure Account prepared for the year ending 31st March, 2019. Additional information is as below:

	On 31st March, 2018	On 31st March, 2019
Subscription Outstanding	55000	72000
Subscription Received in Advance	31000	37000

The amount of subscription received during the year 2018-19 would be

- (a) 6,36,000
(b) 6,02,000
(c) 6,14,000
(d) 6,48,000

[MQP DEC 2024 & PP Dec 2019]

45. What will be the effect of Depreciation on Machinery in Receipt and Payment Account?

- (a) Shown in Debit Side of Receipt and Payment Account
(b) Shown in Credit Side of Receipt and Payment Account
(c) No effect on Receipt and Payment Account
(d) None of the above

46. Salaries paid during the year 2022-23 were 4,70,000. Salaries outstanding on 01.04.2022 were 65,000 and it was also outstanding for three months on 31.03.2022 amount of salaries shown in Income Expenditure Account will be
- (a) 535000
(b) 400000
(c) 540000
(d) 405000

47. Following information is given for the year ending 31.03.2023:
Salaries outstanding and paid in advance on 01.04.2022 were 33,000 and 22,000 respectively.
Salaries paid during the year 2022-2023 3,30,000

Salaries paid in advance and outstanding on respectively.
The amount of salaries to be shown in ending 31.03.2023, will be

(a) 346500
(b) 291500
(c) 313500
(d) 368500

[PP Dec 2023]



48. Only items of revenue nature pertaining to the period of accounts are shown in the

- (a) Receipts and Payments Account
(b) Income and Expenditure Account
(c) Both (A) and (B)
(d) Balance Sheet

[PP Dec 2023]

49. Income and Expenditure Account is a

- (a) Nominal Account
(b) Real Account
(c) Personal Account
(d) Artificial Personal Account

[MQP JUNE 2023]

50. Income & Expenditure A/c shows subscriptions ₹ 8,20,000; Subscriptions accrued in the beginning of the year and at the end of the year were ₹ 74,000 and subscription received in advance at the end of the year was ₹ 96,000. The figure of subscription received that would appear in Receipts & Payments A/c will be:

- (a) 798000
(b) 650000
(c) 950000
(d) 842000

[MQP DEC 2024]

51. Income & Expenditure Account is drafted by a trading concern

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]

52. Receipts & Payments A/c begins with the cash & bank balance at the beginning of the accounting period.

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]

53. Endowments received by a non-profit organisation are to be treated as revenue receipts.

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]

54. Income & Expenditure A/c determines the 'Surplus' or 'Deficit' of the accounting period by matching expenses/ losses against incomes and gains.

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]

55. Income & Expenditure A/c is a summarised form of the Cash Book

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]

56. Subscription received by an organisation is a Revenue Receipt.

- (a) True
(b) False
(c) Partly true Partly false
(d) None

[Module]



57. Subscription of ₹ 6,25,000 had been shown in the Income and Expenditure Account prepared for the year ending 31st March, 2023. Additional information is as below:

Particulars	On 31st March, 2022 (₹)	On 31st March, 2023 (₹)
Subscription Outstanding	55,000	72,000
Subscription Received in Advance	31,000	37,000

The amount of subscription received during the year 2022-23 would be :

- (a) 6,36,000
(b) 6,02,000
(c) 6,14,000
(d) 6,48,000

[Module]

58. A Charitable Institution has 250 members with a annual subscription of ₹ 5,000 each. The subscription received during 2021-22 were ₹ 11,25,000, which include ₹ 65,000 and 25,000 for the years of 2020-21 and 2022-23 respectively. Amount of outstanding subscription for the 2021-22 will be:

- (a) 90,000
(b) 1,25,000
(c) 2,15,000
(d) 1,90,000

[Module & PP July 2023, June 2019]

FILL IN THE BLANKS

59. Outstanding subscription is shown in the _____ side of Balance Sheet.
60. Advance subscription is reflected in the _____ side of the Balance Sheet.
61. In Receipts & Payments Account, all receipts (whether, capital or revenue) are recorded on the _____ - hand side of this account, while all payments (whether, capital or revenue) are recorded on the _____ - hand side of this account.
62. Subscriptions received in advance by a Club are shown on _____ side of the Balance Sheet.



ANSWER KEY

1. C	2. D	3. C	4. A	5. A	6. B	7. A	8. D	9. A	10. B
11. C	12. A	13. A	14. A	15. B	16. A	17. A	18. A	19. B	20. B
21. C	22. B	23. C	24. A	25. B	26. B	27. A	28. D	29. B	30. C
31. A	32. C	33. B	34. C	35. D	36. A	37. C	38. C	39. C	40. C
41. D	42. C	43. B	44. C	45. C	46. C	47. A	48. B	49. A	50. A
51. B	52. A	53. B	54. A	55. B	56. A	57. C	58. C		

FILL IN THE BLANKS

59.	Asset
60.	Liabilities
61.	left, right;
62.	Liabilities



1. Accounts generally held under single entry system by
 - (a) Company
 - (b) Sole Trader
 - (c) Society
 - (d) Government
2. When closing capital is more than opening capital, it denotes
 - (a) Profit
 - (b) Loss
 - (c) No Profit no loss
 - (d) Profit, if there is no introduction of fresh capital
3. From the following details estimate the capital as on 31.03.2017. Capital as on 01.04.2016- 4,10,000. Drawings 40,000, Profit during the year 50,000
 - (a) 4,10,000
 - (b) 4,50,000
 - (c) 4,20,000
 - (d) 4,00,000
4. A and B had contributed purchased a 12,000 piece of land B for 30,000 and sold it for 60,000 in 2023. Originally A had contributed 12,000 and B 8,000. The profit on venture will be
 - (a) 30,000
 - (b) 20,000
 - (c) 60,000
 - (d) Nil
5. Opening Debtors, Collection from Debtors and Discount Allowed were 3,15,000; 18,30,000 and 35,000 respectively. If the closing debtors were 20% of credit sales of the period, then closing debtors and credit sales would be

- (a) 3,51,667 and 17,58,333
- (b) 3,63,333 and 18,16,667
- (c) 3,87,500 and 19,37,500
- (d) 3,10,000 and 15,50,000

6. Nidhi started her business with capital of ₹45,000 on 1st January, 2023. Interest on drawings 5,000 and interest on capital 2,000 were appearing in the Profit and Loss A/c for the year ended 31st December, 2023. Nidhi withdrew ₹14,000 during the year and profit earned during the year amounted to ₹15,000. Her capital on 31st December, 2023 is-
 - (a) 67,000
 - (b) 47,000
 - (c) 45,000
 - (d) 43,000
7. Capital introduced in the beginning by Shyam 3,00,000; further capital introduced during the year 2,00,000; Drawing 1,500 per month and closing capital is 4,50,000 The amount of profit or loss for the year is:
 - (a) Loss of 32,000.
 - (b) Loss of 50,000.
 - (c) Profit of 32,000.
 - (d) Information is insufficient for any comment.
8. Opening capital is ascertained by preparing
 - (a) Total Debtors Account
 - (b) Total Creditors Account
 - (c) Cash Account
 - (d) Opening Statement of Affairs



9. Credit purchase can be ascertained by preparing
 - (a) Debtors Account
 - (b) Creditors Account
 - (c) Any of above
 - (d) None of the above

10. Credit Sale can be ascertained by preparing
 - (a) Debtors Account
 - (b) Creditors Account
 - (c) Any of above
 - (d) None of the above

11. Balance Sheet is prepared to show the operating results of an organisation on a specific date.
 - (a) True
 - (b) False
 - (c) Partly true, partly false
 - (d) None of the above

12. Final Accounts is prepared from the balances of ledger accounts
 - (a) True
 - (b) False
 - (c) Partly true, partly false
 - (d) None of the above

13. Cash in hand represents cash actually held by the business on the balance sheet date.
 - (a) True
 - (b) False
 - (c) Partly true, partly false
 - (d) None of the above

FILL IN THE BLANKS

14. Opening Capital is ₹1,50,000, Closing Capital ₹2,75,000. Drawing ₹25,000, Further Capital introduced ₹45,000. Gross Profit is ₹_____. [PP Dec 2022]
15. In the single-entry system, which two methods are used to ascertain profit or loss? [PP Dec 2021]
16. The Sales ₹ 180 Lakh, Purchases ₹ 129 Lakh and Opening Stock ₹ 33 Lakh. If the rate of Gross Profit is 50% on cost, then the value of closing stock will be _____.
17. _____ is an account which is prepared by a merchandising concern which purchases goods and sells the same during a particular period.
18. Profit & Loss Account is drafted to determine the _____ of a concern.

**ANSWER KEY**

1. B	2. D	3. C	4. A	5. C	6. D	7. A	8. D	9. B	10. A
11. B	12. A	13. A							

FILL IN THE BLANKS

14.	₹1,05,000
15.	Conversion method.
16.	₹ 42 Lakh
17.	Trading A/c
18.	Net Profit/ Loss