



# PAPER - 5

## FINANCIAL ACCOUNTING BIT QUESTIONS



**DIRECTORATE OF STUDIES**  
**THE INSTITUTE OF**  
**COST ACCOUNTANTS OF INDIA**

Statutory Body under an Act of Parliament

Behind every successful business decision, there is always a **CMA**

### MISSION STATEMENT

“The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting.”

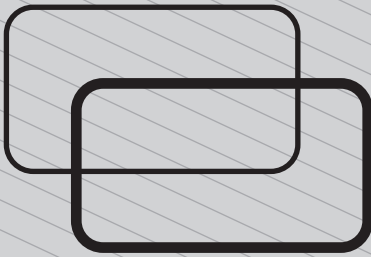
### VISION STATEMENT

“The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally.”

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Vijayawada Chapter of  
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## Financial Accounting Bit Questions

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(I) Choose the most appropriate one from given four alternatives.

1. If an employee of the business files a legal suit on business, it is considered in the books as
  - (a) Legal Expense
  - (b) Liability
  - (c) Contingent Asset
  - (d) Contingent Liability
  
2. At the end of the accounting year the capital expenditures are shown in the
  - (a) assets side of the Balance Sheet.
  - (b) liabilities side of the Balance Sheet.
  - (c) debit side of the Profit and Loss A/c.
  - (d) credit side of the Profit and Loss A/c.
  
3. Which of the following is not a method of charging depreciation?
  - (a) Sinking Fund Method
  - (b) Sum of years Digit Method
  - (c) Working hours Method
  - (d) Asset's Life-cycle Method
  
4. 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
  
5. 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
  
6. Balance of X's account in creditors ledger is transferred to X's account in debtors ledger, in this case
  - (a) X's account in debtors ledger will be debited.
  - (b) X's account in creditors ledger will be debited.
  - (c) Suspense account will be debited.
  - (d) None of the above
  
7. Ground rent or surface rent means
  - (a) Minimum rent
  - (b) Maximum royalty payable
  - (c) Minimum royalty payable
  - (d) Fixed rent payable in addition to minimum rent
  
8. Accounting standard in India are issued by
  - (a) Government of India
  - (b) Reserve Bank of India
  - (c) The Institute of Chartered Accountants of India
  - (d) The Institute of Accounting Standard of India
  
9. As on 31st March, 2017 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

10. Income and Expenditure Account is a

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

11. Creditors ledger adjustment account is opened in

- (a) General Ledger
- (b) Debtors Ledger
- (c) Creditors Ledger
- (d) Either (b) or (c)

12. Receipts and Payments account is a

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

13. A resource owned by the business with purpose of using it for generating future profit, is known as

- (a) Capital
- (b) Asset
- (c) Liability
- (d) Surplus

14. Outward Invoice issued is a source document of

- (a) Purchase Book
- (b) Sales Book
- (c) Return Inward Book
- (d) Return Outward Book

15. Which of the following is of capital nature?

- (a) Commission on purchases
- (b) Cost of repairs
- (c) Rent of factory
- (d) Wages paid for installation of machinery

16. 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.

17. Contingent liability would appear

- (a) on the liability side of the Balance Sheet.
- (b) on the assets side of the Balance Sheet.
- (c) do not shown in the books of accounts.
- (d) as a note in Balance Sheet.

18. 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
19. 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
20. 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
21. 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
22. 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
23. \_\_\_\_\_ is similar to the Profit and loss A/c
- (a) Income and Expenditure A/c
  - (b) Receipts and Payments A/c
  - (c) Balance Sheet
  - (d) None of the Above
24. 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
25. 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
26. Which of the following is not a Fundamental Accounting Assumption?
- (a) Going Concern
  - (b) Consistency
  - (c) Accrual
  - (d) Materiality

27. \_\_\_\_\_ is equal to estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.
- Net Realizable value
  - Cost of Conversion
  - Cost of Purchase
  - None of the above
28. \_\_\_\_\_ are investments which are held beyond the current period as to sale or disposal.
- Non-current Investments
  - Current Investments
  - Current Liabilities
  - None of the above
29. An obligation which may or may not materialize is a/an \_\_\_\_\_.
- Loss
  - Asset
  - Contingent Liability
  - None of the above
30. \_\_\_\_\_ voucher denotes payment of cash.
- Cash Payment
  - Cash Receipt
  - Bank Payment
  - All of the above
31. Which of the following is an example of Capital Expenditure?
- Inventory of raw materials, work-in-progress and finished goods;
  - Insurance premium;
  - Taxes and legal expenses;
  - None of the above.
32. Which of the following errors is not disclosed by a Trial Balance?
- Errors of Omission
  - Errors of Commission
  - Compensating Errors
  - All of the above
33. \_\_\_\_\_ is specially suited to mines, oil wells, quarries, sandpits and similar assets of a wasting character.
- Depletion
  - Depreciation
  - Amortisation
  - Dilapidation
34. The following account has a credit balance
- Plant and Equipment A/c
  - Loans A/c
  - Purchase A/c
  - None of the above
35. 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
- ₹4,10,000
  - ₹4,50,000
  - ₹4,20,000
  - ₹4,00,000

36. A and B purchased a piece of land for ₹ 30,000 and sold it for ₹60,000 in 2016. 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
37. AB Ltd. has signed at 31st December, 2017 the Balance Sheet date, a contract where the Total Revenue is estimated at ₹ 15 Crores and Total Cost is estimated at ₹ 20 Crores. No work began on the contract. Is the Contractor required to give any accounting effect for the year ended 31st December, 2017?  
 (a) Recognize expected loss of ₹5 Crores  
 (b) Recognize ₹15 Crores as Profit  
 (c) No entry  
 (d) None of the above
38. 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
39. 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
40. Excess of hire purchase price over cash price is known as  
 (a) Installment  
 (b) Cash down payment  
 (c) Interest  
 (d) Capital value of asset
41. Which of the following is/are revenue expenditure?  
 (a) Consumable Stores  
 (b) Taxes and legal expenses  
 (c) Rent of factory building  
 (d) All of Above
42. AS-9 is related to  
 (a) Revenue Recognition  
 (b) Cash Flow Statement  
 (c) Accounting for Fixed Assets  
 (d) Disclosure of Accounting policies
43. The person to whom bill is endorsed is known as \_\_\_\_\_.  
 (a) Endorsee  
 (b) Drawee  
 (c) Drawer  
 (d) None of the above
44. 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
45. The debts which are not bad is known as  
(a) Good debt  
(b) Bad Debt  
(c) Doubtful Debt  
(d) None of the above
46. A transaction without immediate cash settlement is known as  
(a) Cash Transaction;  
(b) Credit Transaction;  
(c) Deferred Transaction;  
(d) None of the above.
47. \_\_\_\_\_ liabilities represent proprietor's equity, i.e. all those amount which are entitled to the proprietor  
(a) External;  
(b) Debenture;  
(c) Internal;  
(d) None of the above.
48. 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 ₹ 48,000, 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
49. Bad debts Recovered ₹1,000. It will be  
(a) Credited to Bad debts A/c  
(b) Credited to debtor's personal A/c  
(c) Debited to creditor's personal A/c  
(d) Credited to bad debts recovered A/c
50. Which of the following purpose is served from the preparation of Trial Balance?  
(a) To check the arithmetical accuracy of the recorded transactions;  
(b) To ascertain the balance of any ledger account;  
(c) To facilitate the preparation of final accounts promptly;  
(d) All of the above.
51. \_\_\_\_\_ contains the transactions relating to goods that are returned by us to our creditors  
(a) Return Inward;  
(b) Return Outward;  
(c) Sales Daybook;  
(d) None of the above.
52. The basic principles of \_\_\_\_\_ concept is that business is assumed to exist for an indefinite period  
(a) Going Concern;  
(b) Business Entity;  
(c) Money Measurement;  
(d) None of the above.

53. Capital Profit arises from which of the following?  
 (a) Profit prior to incorporation;  
 (b) Premium received on issue of shares;  
 (c) Profit made on re-issue of forfeited shares;  
 (d) All of the above.
54. Which of the following cannot be detected by Trial Balance?  
 (a) Errors of Omission;  
 (b) Errors of Principal;  
 (c) Errors of Misposting;  
 (d) All of the above.
55. The concept that business is assumed to exist for an indefinite period and is not established with the objective of closing down is referred to as  
 (a) Money Measurement concept  
 (b) Going Concern concept  
 (c) Full Disclosure concept  
 (d) Dual Aspect concept
56. 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
57. 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
58. Bad debts Recovered ₹750. It will be  
 (a) Credited to Bad debts A/c  
 (b) Credited to debtor's personal A/c  
 (c) Debited to creditor's personal A/c  
 (d) Credited to bad debts recovered A/c
59. Which of the following is a function of journal:  
 (a) Analytical Function  
 (b) Recording Function  
 (c) Historical Function  
 (d) All of the above
60. The out flow of funds to acquire an asset that will benefit the business for more than one accounting period is referred to as —  
 (a) Miscellaneous Expenditure  
 (b) Revenue Expenditure  
 (c) Capital expenditure  
 (d) Deferred Revenue Expenditure
61. The cost of a Fixed Assets of a business has to be written off over its  
 (a) Natural Life  
 (b) Accounting Life  
 (c) Physical Life  
 (d) Estimated Economic Life

62. 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
63. Excess of minimum rent over royalty is known as
- (a) Maximum rent
  - (b) Excess workings
  - (c) Short workings
  - (d) Deficiency of actual royalty
64. If any transaction is not recorded in the primary books the same is recorded in \_\_\_\_\_
- (a) Journal Proper
  - (b) Sales Day Book
  - (c) Cash Book
  - (d) None of the above
65. Which of the following is not a feature of Trial Balance
- (a) It is a list of debit and credit balances which are extracted from various ledger accounts;
  - (b) It does not prove arithmetical accuracy which can be determined by audit;
  - (c) It is not an account. It is only a statement of account;
  - (d) All the transactions are primarily recorded in this book, hence it is the primary book of entry.
66. The person in whose favour the bill is endorsed is known as \_\_\_\_\_.
- (a) Endorsee
  - (b) Drawee
  - (c) Drawer
  - (d) None of the above
67. 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.
68. The following account has a credit balance
- (a) Plant and Equipment A/c
  - (b) Purchase Returns A/c
  - (c) Purchase A/c
  - (d) None of the above
69. When Sales = ₹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
70. As per AS – 1, which of the following is not a Fundamental Accounting Assumptions?
- (a) Conservatism
  - (b) Going Concern

- (c) Consistency
  - (d) Accrual
71. Name the book in which, entries are recorded on the basis of debit notes issued.
- (a) Sales book
  - (b) Purchase Book
  - (c) Sales Return Book
  - (d) Purchase Return Book
72. Name the principle involved in the classification of Assets as Fixed and Current
- (a) Cost Principle
  - (b) Going Concern Principle
  - (c) Matching Principle
  - (d) Prudence Principle
73. 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
74. 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
75. Which of the following is a function of journal:
- (a) Analytical Function
  - (b) Recording Function
  - (c) Historical Function
  - (d) All of the above
76. Any change in the accounting policy relating to inventories which has a material effect in the current or later periods should be disclosed. This is in accordance with the accounting principle of:
- (a) Going Concern
  - (b) Conservatism
  - (c) Consistency
  - (d) Disclosure
77. Depreciation is a process of
- (a) Apportionment
  - (b) Valuation
  - (c) Allocation
  - (d) None of the above
78. AS-9 is related to
- (a) Revenue Recognition
  - (b) Cash Flow Statement
  - (c) Accounting for Fixed Assets
  - (d) Disclosure of Accounting policies

79. An amount spent in connection with obtaining a License for starting the factory is
- (a) Revenue Expenditure
  - (b) Capital Expenditure
  - (c) Pre-paid Expenditure
  - (d) None of the above
80. According to AS-15 (Revised) superannuation scheme which has relevance only to the final salary and number of years of service is
- (a) Defined Benefit Scheme
  - (b) Defined Contribution Scheme
  - (c) Non-Contributory Scheme
  - (d) Both (a) and (b)
81. Expenditures in respect of certain types of assets whose usefulness does not expires in the year of their occurrence but generally expires in the near future are called
- (a) Revenue Expenditure
  - (b) Capital Expenditure
  - (c) Deferred Revenue Expenditure
  - (d) None of the above
82. The main objective of average clause contained in a fire insurance policy is to
- (a) Encourage full Insurance
  - (b) Discourage full Insurance
  - (c) Encourage under Insurance
  - (d) Encourage full Insurance and Discourage under Insurance
83. Short working can be recouped out of
- (a) Minimum Rent
  - (b) Excess of Actual Royalty over Minimum Rent
  - (c) Excess of Minimum Rent over Actual Royalty
  - (d) Profit and Loss Account
84. AS-6 (revised) is applicable to which one of the following assets?
- (a) Goodwill
  - (b) Live stock
  - (c) Plantation
  - (d) Plant and Machinery
85. According to AS-3 (Revised) interest and dividends received in the case of a manufacturing enterprise should be classified as cash flow from
- (a) Operating Activities
  - (b) Financing Activities
  - (c) Investing Activities
  - (d) Both (b) and (c)
86. Provision for bad and doubtful debts is created in anticipation of actual bad debts on the basis of:
- (a) Business Entity Concept;
  - (b) Conservatism Concept;
  - (c) Accrual Concept;
  - (d) Full Disclosure Concept.
87. The out flow of funds to acquire an asset that will benefit the business for more than one accounting period is referred to as:
- (a) Miscellaneous Expenditure;
  - (b) Revenue Expenditure;

- (c) Capital Expenditure;
  - (d) Deferred Revenue Expenditure.
88. 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.
89. Actuarial valuation relates to:
- (a) Banking company;
  - (b) Electric Supply Company;
  - (c) Insurance Company;
  - (d) None of the above.
90. Survey expenses for marine insurance claim must be
- (a) Added to claim;
  - (b) Added to legal charges;
  - (c) Added to administrative charges;
  - (d) None of the above.
91. A profit on sale of furniture of a club will be taken to
- (a) Cash Account;
  - (b) Receipts and Payment Account;
  - (c) Income and Expenditure Account;
  - (d) Profit and Loss Account.
92. Realisation Account is a:
- (a) Representative Personal Account;
  - (b) Artificial Personal Account;
  - (c) Real Account;
  - (d) Nominal Account.
93. Bank shows the provision for income tax under the head
- (a) Contingency Accounts;
  - (b) Other liabilities and provisions;
  - (c) Contingent liabilities;
  - (d) Borrowings.
94. Bank Reconciliation Statement is:
- (a) Ledger Account
  - (b) Part of cash book
  - (c) A separate statement
  - (d) A subsidiary of Journal
95. 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) ₹9,500
  - (b) ₹10,000
  - (c) ₹10,500
  - (d) ₹12,000
96. A non-performing asset is:
- (a) Money at call and short notice.

- (b) Cash balance with bank
  - (c) An asset that ceases to generate income
  - (d) None of the above
97. Which of the following is not a Qualitative characteristic of Financial Statement?
- (a) Cost Principle
  - (b) Understandability
  - (c) Relevance
  - (d) Reliability
98. Name the book in which, entries are recorded on the basis of credit notes issued.
- (a) Sales Book
  - (b) Purchase Book
  - (c) Sales Return Book
  - (d) Purchase Return Book
99. Exception to consistency principle is
- (a) Cost Principle
  - (b) Going Concern Principle
  - (c) Matching Principle
  - (d) Prudence Principle
100. 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
101. Provision for bad debts is
- (a) Real Account
  - (b) Nominal account
  - (c) Personal account
  - (d) None of the above
102. The business is treated as distinct and separate from its owners on the basis of the
- (a) Going concern concept
  - (b) Conservatism concept
  - (c) Matching concept
  - (d) Business entity concept
103. Due to retrospective effect on revision of salary of employees, the arrears of salary relating to past years, payable in current year is
- (a) Prior - period item
  - (b) Extra - ordinary item
  - (c) Ordinary item requiring separate disclosure
  - (d) Contingent item
104. Discount given in the Sales - Invoice itself is
- (a) Cash discount
  - (b) Trade discount
  - (c) Rebate
  - (d) Allowance
105. 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
106. Both cash and credit transactions are recorded, on the basis of
- (a) Accounting Period Concept
  - (b) Going Concern Concept
  - (c) Business Entity Concept
  - (d) Accrual Concept
107. Which of the following book is both a journal and a ledger?
- (a) Cash Book
  - (b) Sales Day Book
  - (c) Bills Receivable Book
  - (d) Journal Proper
108. Interest received in advance account is a
- (a) Nominal Account
  - (b) Real Account
  - (c) Artificial Personal Account
  - (d) Representative Personal Account
109. Shiva draws a bill on Sanat on 25th October, 2018 for 90 days, the maturity date of the bill will be
- (a) 27th January, 2019
  - (b) 26th January, 2019
  - (c) 25th January, 2019
  - (d) 28th January, 2019
110. Peeru and Simu 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
111. At the end of the year 2017-18, 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.
112. Contingent Liability would appear
- (a) on the liabilities side of the Balance Sheet.
  - (b) on the assets side of the Balance Sheet.
  - (c) as a note in the Balance Sheet.
  - (d) None of the above
113. Debtors Ledger Adjustment Account is opened in the
- (a) Debtors Ledger
  - (b) Creditors Ledger
  - (c) General Ledger
  - (d) Both Creditors Ledger and General Ledger
114. 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
115. 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 ₹2,88,000 each. The amount of interest included in first installment would be
- (a) ₹ 72,000
  - (b) ₹57,600
  - (c) ₹1,08,000
  - (d) ₹36,000
116. Which of the following is a resource owned by the business with the purpose of using it for generating future profits?
- (a) Loan from Bank
  - (b) Owner's Capital
  - (c) Trade Mark
  - (d) All of the above
117. Chandu & Co.'s Account is a
- (a) Real Account
  - (b) Nominal Account
  - (c) Representative Personal Account
  - (d) Artificial Personal Accounts
118. Purchase of a laptop for office use wrongly debited to Purchase Account. It is an error of
- (a) Omission
  - (b) Commission
  - (c) Principle
  - (d) Misposting
119. Which of the following term is most suitable for writing off Patent?
- (a) Depletion
  - (b) Amortization
  - (c) Depreciation
  - (d) All of the above
120. Memorandum Joint Venture Account is prepared when
- (a) the separate set of books is maintained for Joint Venture.
  - (b) each Co-venturer keeps records of all transactions.
  - (c) each Co-venturer keeps records of their own transactions only.
  - (d) All of the above cases
121. 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
122. 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

123. 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

124. 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) ₹90,000  
(b) ₹1,25,000  
(c) ₹2,15,000  
(d) ₹ 1,90,000

125. The following are details of closing stock items in Aarvi Limited:

Items	Historical Cost (₹ in Lakh)	Net Realizable Value (₹ in Lakh)
A	30	27
B	15	18
C	35	35
D	40	45

The value of Closing Stock will be

- (a) ₹120 Lakh  
(b) ₹125 Lakh  
(c) ₹117 Lakh  
(d) ₹128 Lakh

126. When stock is valued at cost in one accounting period and at lower of cost and Net realizable value in another accounting period

- (a) Prudence Principle conflicts with Consistency Principle.  
(b) Matching Principle conflicts with Consistency principle.  
(c) Consistency Principle conflicts with Accounting Period Assumption.  
(d) None of the above

127. Materiality Principle is an exception to the

- (a) Consistency principle  
(b) Full disclosure Principle  
(c) Accounting Period Assumption  
(d) Prudence Principle

128. In a Cash Book Debit balance of ₹112 brought forward as credit balance of ₹ 121, while preparing a Bank Reconciliation Statement taking the balance as per Cash Book as the starting point:

- (a) ₹112 to be added  
(b) ₹121 to be added  
(c) ₹ 233 to be added  
(d) ₹112 to be subtracted

129. \_\_\_\_\_ represents a potential obligation that could be created depending on the outcome of an event.

- (a) Internal Liability  
(b) Current Liability  
(c) Contingent Liability  
(d) Non-current Liability

130. 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

131. Following information is given

₹	
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
132. 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 Sundry Debtors on 31st March, 2019 were ₹2,25,000. Provision is to be made @ 5% on 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.
133. 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

134. 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:

135.

	On 31st March, 2018 (₹)	On 31st 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) ₹6,36,000
- (b) ₹6,02,000
- (c) ₹6,14,000
- (d) ₹6,48,000

136. 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

**Answer Key:**

- (1) (d) Contingent Liability  
 (2) (a) assets side of the Balance Sheet.  
 (3) (d) Asset's Life-cycle Method  
 (4) (d) ₹ 1,20,000  
 (5) (c) when both parties are in need of funds.  
 (6) (b) X's account in creditors ledger will be debited.  
 (7) (d) Fixed rent payable in addition to minimum rent  
 (8) (c) The Institute of Chartered Accountants of India  
 (9) (c) ₹ 39,500  
 (10) (a) Nominal Account  
 (11) (a) General Ledger  
 (12) (b) Real Account  
 (13) (b) Asset  
 (14) (b) Sales Book  
 (15) (d) Wages paid for installation of machinery  
 (16) (a) an income of the joint venture  
 (17) (d) as a note in Balance Sheet  
 (18) (c) Income and Expenditure Account  
 (19) (c) Realization A/c  
 (20) (a) sales of each department  
 (21) (c) Hire purchase price of asset  
 (22) (d) All of the above  
 (23) (a) Income and Expenditure A/c  
 (24) (d) Rahim  
 (25) (b) Number of units sold by each department  
 (26) (d) Materiality  
 (27) (a) Net Realizable value  
 (28) (a) Non-current Investments  
 (29) (c) Contingent Liability  
 (30) (a) Cash Payment  
 (31) (d) None of the above  
 (32) (d) All of the above  
 (33) (a) Depletion  
 (34) (b) Loans A/c  
 (35) (c) ₹ 4,20,000  
 (36) (a) ₹ 30,000  
 (37) (a) Recognize expected loss of ₹ 5 Crores  
 (38) (c) It records revenue transactions only  
 (39) (d) All of the above  
 (40) (c) Interest  
 (41) (d) All of Above  
 (42) (a) Revenue Recognition  
 (43) (a) Endorsee  
 (44) (d) All of the above  
 (45) (a) Good debt  
 (46) (b) Credit Transaction

- (47)(c) Internal  
 (48)(a) ₹ 12,000  
 (49)(d) Credited to bad debts recovered A/c  
 (50)(d) All of the above  
 (51)(b) Return Outward  
 (52)(a) Going Concern  
 (53)(d) All of the above  
 (54)(d) All of the above  
 (55)(b) Going Concern concept  
 (56)(a) Outstanding cash Price  
 (57)(b) ₹ 9,000  
 (58)(d) Credited to bad debts recovered A/c  
 (59)(d) All of the above  
 (60)(c) Capital expenditure  
 (61)(d) Estimated Economic Life  
 (62)(d) Both the revenue and capital nature receipts and payments  
 (63)(c) Short workings  
 (64)(a) Journal Proper  
 (65)(d) All the transactions are primarily recorded in this book, hence it is the primary book of entry  
 (66)(a) Endorsee  
 (67)(d) All of the above  
 (68)(b) Purchase Returns A/c  
 (69)(d) None of the above  
 (70)(a) Conservatism  
 (71)(d) Purchase Return Book  
 (72)(b) Going Concern Principle  
 (73)(c) 6.5 months  
 (74)(d) for undertaking risk of bad debts  
 (75)(d) All of the above  
 (76)(c) Consistency  
 (77)(c) Allocation  
 (78)(a) Revenue Recognition  
 (79)(b) Capital Expenditure  
 (80)(a) Defined Benefit Scheme  
 (81)(c) Deferred Revenue Expenditure  
 (82)(d) Encourage full Insurance and Discourage under Insurance  
 (83)(b) Excess of Actual Royalty over Minimum Rent  
 (84)(d) Plant and Machinery  
 (85)(c) Investing Activities  
 (86)(b) Conservatism Concept  
 (87)(c) Capital Expenditure  
 (88)(a) 20%  
 (89)(c) Insurance Company  
 (90)(a) Added to claim  
 (91)(c) Income and Expenditure Account  
 (92)(d) Nominal Account  
 (93)(b) Other liabilities and provisions  
 (94)(c) A separate statement  
 (95)(a) ₹ 9,500  
 (96)(c) An asset that ceases to generate income  
 (97)(a) Cost Principle  
 (98)(c) Sales Return Book  
 (99)(d) Prudence Principle  
 (100)(c) Profit/ loss on consignment  
 (101)(c) Personal account

- (102)(d) Business entity concept
- (103)(c) Ordinary item requiring separate disclosure
- (104)(b) Trade discount
- (105)(d) Departmental No. of employees
- (106)(d) Accrual Concept
- (107)(a) Cash Book
- (108)(d) Representative Personal Account
- (109)(c) 25th January, 2019
- (110)(c) Joint-venture
- (111)(b) only in Balance Sheet
- (112)(c) as a note in the Balance Sheet
- (113)(c) General Ledger
- (114)(a) Admission of a new partner
- (115)(c) ₹ 1,08,000
- (116)(c) Trade Mark
- (117)(d) Artificial Personal Accounts
- (118)(c) Principle
- (119)(b) Amortization
- (120)(c) each Co-venturer keeps records of their own transactions only
- (121)(b) Over-riding Commission
- (122)(b) Ram
- (123)(b) Deficit
- (124)(c) ₹ 2,15,000
- (125)(c) ₹ 117 Lakh
- (126)(a) Prudence Principle conflicts with Consistency Principle
- (127)(b) Full disclosure Principle
- (128)(c) ₹ 233 to be added
- (129)(c) Contingent Liability
- (130)(c) ₹ 3,87,500 and ₹ 19,37,500
- (131)(c) ₹ 2,25,300
- (132)(b) debited to Profit & Loss Account by ₹ 2,625
- (133)(b) ₹ 21,300
- (134)(c) ₹ 6,14,000
- (135)(b) ₹ 3,000 and ₹ 1,800

**(II) Match the following in Column I with the appropriate in Column II**

**1. Match the following:**

	Column I		Column II
i.	Noting charges	A	Branch Accounts
ii.	Stock and Debtors Method	B	Piecemeal Distribution
iii.	Work certified	C	Not-for Profit Organisation
iv.	Average Clause	D	Royalty Accounts
v.	Maximum Loss Method	E	Bill of Exchange
		F	Construction Contract
		G	Insurance Claims

**2. Match the following:**

	Column I		Column II
i.	Garner Vs. Murray Case	A	AS – 10
ii.	Repossession of Goods	B	Computerized Accounting System
iii.	Provision for unrealized profit	C	Insolvency of a Partner
iv.	Property, Plant and Equipment	D	Royalty Accounts
v.	Automatic Financial Statements	E	Hire Vendor
		F	Inter-departmental transfer at invoice price
		G	Retirement of a Partner

**3. Match the following:**

	Column I		Column II
i.	GAAP	A	Encourages prompt payment by debtor
ii.	Cash receipt voucher	B	Amount owed by business to others
iii.	Capital Receipt	C	Generally Accepted Accounting Principles
iv.	Liabilities	D	Denotes receipt of cash
v.	Cash Discount	E	It is non-recurring in nature

**4. Match the following:**

	Column I		Column II
i.	Chronologically recording of transactions	A	Machinery Account
ii.	Generally Accepted Accounting Principles	B	Recurring in nature
iii.	Tangible Real a/c	C	Journal
iv.	Revenue Receipts	D	GAAP
v.	Helps check the arithmetical accuracy	E	Drawee
vi.	Acceptance of Bills of Exchange	F	Trial Balance
vii.	Dissolution of Firm	G	AS – 10
viii.	Property, Plant and Equipment	H	Realisation Account
ix.	Amount of actual royalty over minimum rent	I	Tournament Expenses
x.	Not for profit organizations	J	Excess working

**5. Match the following:**

	Column I		Column II
i.	Double Column	A	Property, Plant and Equipment
ii.	Under Valuation of Assets	B	Cash Book
iii.	AS – 10	C	Secret Reserves

iv.	Indemnity Period	D	Dead Rent
v.	Minimum Rent	E	Insurance Claims

## 6. Match the following:

	Column I		Column II
i.	Both a journal and a ledger	A	Valuation of Inventories
ii.	Under valuation of Assets	B	Cash Book
iii.	AS – 2	C	Secret Reserves
iv.	Indemnity Period	D	Royalties
v.	Minimum Rent	E	Insurance Claim

## 7. Match the following:

	Column I		Column II
i.	Maximum Loss	A	Hire Purchase
ii.	Partial repossession	B	Bills of Exchange
iii.	Purchases day book	C	Credit Balance
iv.	Noting charges	D	Partnership Dissolution
v.	Provision for bad and doubtful debts	E	Subsidiary Book

## 8. Match the following:

	Column I		Column II
i.	Events occurring after the Balance Sheet Date	A	AS – 6
ii.	Prior Period Items	B	AS – 9
iii.	Depreciation Accounting	C	AS – 16
iv.	Timing of recognition of sales of goods	D	AS – 5
v.	Capitalization of Borrowing Cost	E	AS - 4

## 9. Match the following:

	Column I		Column II
i.	AS 16	A	Revenue Recognition
ii.	Remittance in transit	B	Receipts and Payments account
iii.	Entrance Fee	C	Borrowing costs
iv.	AS 9	D	Dissolution of Partnership firm
v.	Garner V Murray Rule	E	Branch Adjustment

## 10. Match the following:

	Column I		Column II
i.	Non -Performing Assets	A	Branch Accounts
ii.	AS – 15 (Revised)	B	Consignment Accounting
iii.	AS – 28	C	Banking Company
iv.	Stock and Debtors Method	D	Employee Benefits
v.	Account Sales	E	Impairment of Assets
		F	Borrowing Cost

## 11. Match the following:

	Column I		Column II
i.	Assets are equal to liabilities plus	A	AS – 9

	capital		
ii.	Intangible Fixed Assets	B	AS – 2
iii.	Depreciation Accounting	C	Dual Aspect Concept
iv.	Revenue Recognition	D	AS – 6
v.	Valuation of Inventories	E	Goodwill
		F	Borrowing Cost

12. Match the following:

	Column I		Column II
i.	Non-Performing Assets	A	Single Entry System
ii.	Intangible Assets	B	Trial Balance
iii.	Statement of Affairs	C	AS – 26
iv.	Depreciation Accounting	D	Banking Companies
v.	Check Arithmetic Accuracy	E	AS - 10

13. Match the following:

	Column I		Column II
i.	Cash Flow Statement	A	AS – 13
ii.	Unexpired Risk Revenue	B	Consignment
iii.	Accounting for Investment	C	AS – 7
iv.	Del-credere Commission	D	Insurance Companies
v.	Construction Contracts	E	AS – 3

14. Match the following:

	Column I		Column II
i.	AS – 3	A	Insurance Claims
ii.	Maximum Loss Method	B	Accounting for fixed assets
iii.	AS – 10	C	Hire Purchase system
iv.	Average Clause	D	Piece meal distribution
v.	Repossess the goods	E	Cash flow statement

15. Match the following:

	Column I		Column II
i.	Receipt & Payment a/c	A	AS – 10
ii.	Revaluation model of Asset	B	Consignment
iii.	Proforma Invoice	C	Not for Profit Organization
iv.	Stage of Completion Method	D	Hire Purchase
v.	Partial Repossession	E	AS – 7
		F	AS – 6

16. Match the following:

	Column I		Column II
i.	Dead Rent	A	Bills Receivable
ii.	Marshalling	B	Consignment
iii.	Protesting	C	Liquidity Order
iv.	Account Sales	D	Accounting Policies
v.	Substance over form	E	Royalty

17. Match the following:

	Column I		Column II
i.	Highest Relative Capital Method	A	Departmental Accounts
ii.	Basis of Apportionment of Expenses	B	Insurance Claim
iii.	Partial Repossession	C	AS – 9
iv.	Indemnity Period	D	Piecemeal Distribution
v.	Revenue Recognition	E	Hire Purchase

18. Match the following:

	Column I		Column II
i.	Endorsement	A	AS – 7
ii.	Amortisation	B	AS – 10
iii.	Average Clause	C	Depreciation
iv.	Percentage of Completion	D	Bills Receivable
v.	Recoverable Amount	E	Insurance Claim

**Answer Key:**

**Ans:1**

- (i) E
- (ii) A
- (iii) F
- (iv) G
- (v) B

**Ans:2**

- (i) C
- (ii) E
- (iii) F
- (iv) A
- (v) B

**Ans:3**

- (i) C
- (ii) D
- (iii) E
- (iv) B
- (v) A

**Ans:4.**

- (i) C
- (ii) D
- (iii) A
- (iv) B
- (v) F
- (vi) E
- (vii) H
- (viii) G
- (ix) J
- (x) I

**Ans:5**

- (i) B
- (ii) C
- (iii) A
- (iv) E
- (v) D

**Ans:6**

- (i) B
- (ii) C
- (iii) A
- (iv) E
- (v) D

**Ans:7**

- (i) D
- (ii) A
- (iii) E
- (iv) B
- (v) C

**Ans: 8**

- (i) E
- (ii) D
- (iii) A
- (iv) B
- (v) C

**Ans:9**

- (i) C
- (ii) E
- (iii) B
- (iv) A
- (v) D

**Ans:10**

- (i) C
- (ii) D
- (iii) E
- (iv) A
- (v) B

**Ans:11**

- (i) C
- (ii) E
- (iii) D
- (iv) A
- (v) B

**Ans:12**

- (i) D
- (ii) C
- (iii) A
- (iv) E
- (v) B

**Ans:13**

- (i) E
- (ii) D
- (iii) A
- (iv) B
- (v) C

**Ans:14**

- (i) E
- (ii) D
- (iii) B
- (iv) A
- (v) C

**Ans:15**

- (i) C
- (ii) A
- (iii) B
- (iv) E
- (v) D

**Ans:16**

- (i) E
- (ii) C
- (iii) A
- (iv) B
- (v) D

**Ans:17**

- (i) D
- (ii) A
- (iii) E
- (iv) B
- (v) C

**Ans:18**

- (i) D
- (ii) C
- (iii) E
- (iv) A
- (v) B

**(III) State whether the following are 'True' or 'False':**

1. Memorandum joint venture account is prepared to find out amount due from co-venture.
2. Receipts and Payments Account is prepared by adopting cash principle of accounting.
3. As per AS-9 revenue from interest should be recognized on the time proportion basis.
4. Bad debts recovered is credited to debtor's personal account.
5. New-partner pays premium for goodwill, which will be shared by old partners in their new profit-sharing ratio.
6. One of the objectives achieved by providing depreciation is saving cash resources for future replacement of assets.
7. Royalty account is a real account in nature.
8. As per AS-7 expenses recognized in the period in which the work to which expenses relate is performed.
9. Expenses incurred by branch out of petty cash balance are debited to branch account by the head office.
10. In absence of partnership deed the profit or loss should be distributed among partners in their capital ratio.
11. The excess of expense over income is called Profit.
12. Current Liability represents a potential obligation that could be created depending on the outcome of an event.
13. The primary stage of accounting function is called Book-keeping.
14. In Dual Aspect Concept the assets represent economic resources of the business.
15. According to AS-2 Inventories are held for sale in normal course of business.
16. Premium received on issue of shares is a revenue profit.
17. Depreciation is an actual loss.
18. Dishonour of a Bill means that the acceptor refuses to honour his commitment on due date and payment of the bill on presentation does not take place.
19. Consignee is the person who sends goods to agents.
20. Average Clause is a clause contained in a fire insurance policy.
21. In case of Hire Purchase ownership passes at the time of sale.
22. Minimum rent is also called dead rent or fixed rent.
23. Revenue expenditure is the outflow of funds to acquire an asset that will benefit the business for not more than one accounting period.
24. Independent Branches maintain independent accounting records.
25. Depreciation is a charge against profit.
26. Compensation paid to employees who are retrenched is Capital expenditure.
27. In the hire purchase system interest charged by vendor is calculated on the basis of the outstanding cash price.
28. When complete sequence of accounting procedure is done, which happens frequently and repeatedly in same directions then it is called an accounting cycle.
29. Liabilities are resources owned by the business with the purpose of using it for generating future profits.
30. Excess of hire purchase price over cash price is known as Interest.
31. Bad debts are apportioned among departments in the proportion of sales of each department.
32. Joint Venture is a Temporary form of business organization.
33. As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.
34. Hybrid Basis of Accounting is the combination of both Cash as well as Accrual basis.
35. Honour of a Bill means that the acceptor refuses to honour his commitment on due date and for this, payment of the bill on presentation does not take place.
36. As per full disclosure principle, the financial statements should disclose all irrelevant information.
37. Realisation account is a real account.

38. Trade discount is recorded in the books of original entry.
39. Abnormal wastages should be included in the cost of inventories as per AS – 2.
40. In absence of partnership deed, partners are entitled to interest on capital @ 6% p.a.
41. Realisation account is opened at the time of dissolution of the partnership firm.
42. Amount spent for white washing the factory building is treated as Revenue Expenditure.
43. In the case of consignment sales, revenue is to be recognised on sale of goods to a third party.
44. The amount by which the minimum rent exceeds the actual Royalty is known as Excess Workings.
45. Bank Reconciliation Statement is not a part of the process of Accounts.
46. As per AS-2 Inventory is valued at the lower of net realizable value and current replacement cost.
47. Retiring a bill under rebate means payment of the bill before due date.
48. Income and Expenditure Account is prepared by adopting accrual principle of Accounting.
49. As per concept of conservatism, the Accountant should provide for all possible losses but should not anticipate profit.
50. The cost of developing software for a company engaged in software business is revenue expenditure.
51. Goodwill is a fictitious asset.
52. Wages incurred by departmental workers of a factory in installing a new machinery is a revenue expenditure.
53. Royalty account is a nominal account in nature.
54. Trial Balance would not disclose error of omission.
55. Original cost minus scrap value is the depreciated value of an asset.
56. The average clause is applicable when the actual loss is less than the sum assured.
57. Life membership fee may be capitalized and shown in balance sheet in liabilities side.
58. Bad debts are apportioned among departments in the proportion of value of sales of each department.
59. Joint Venture is temporary partnership.
60. As per AS-2, inventory should normally be valued at historical cost or market value whichever is lower.
61. When the goods are returned by branch goods sent to branch account will be credited in the books of head office.
62. The contract of insurance is a contract of guarantee.
63. Receipt & Payment Account only records the revenue nature of receipts and expenses.
64. Sales Book records both cash and credit sales.
65. Normal loss of goods sent on consignment is shown in Consignment Account.
66. In case of trading concern, cost of goods sold and cost of sales are same.
67. In Proprietorship business, Income-tax payable is shown as a liability in Balance Sheet.
68. Bank reconciliation statement is prepared to arrive at the bank balance.
69. Deferred revenue expenditure is current year's revenue expenditure to be paid in the later years.
70. Reducing balance method for depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
71. Reserve for Discount on Creditors has a credit balance.
72. A promissory note can be made payable to the bearer.
73. All these items of revenue nature which received during the period of accounts, are only shown in the Income and Expenditure Account.
74. 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.

75. In case of transfer from Creditors Ledger to Debtors Ledger, the Debtors Ledger Adjustment Account should be debited.
76. Unrecoupable short-workings should be charged to Profit and Loss Account.
77. In the Stock and Debtors Method of accounting, balance of Branch Stock Account shows either Gross Profit or Gross Loss.
78. Prudence is a concept to recognise all losses and not profits.
79. Revenues are matched with expenses in accordance with the matching principle.
80. Depreciation is non-cash and non-operating expense which is to be provided for if there are profits.
81. Net Profit is reflected in higher cash balances and net loss is reflected in lower net worth.
82. If Partnership Deed is silent, Rate of Interest on loan by firm to a Partner shall be 6% p.a.

**Answer Key:**

1. False
2. True
3. True
4. False
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71. False
72. False
73. False
74. False
75. False
76. True
77. True
78. False
79. False
80. False
81. False
82. False

**(IV) Fill in the blanks:**

1. The \_\_\_\_\_ discount is not recorded in the books of accounts.
2. Profit or Loss on revaluation is shared among the partners in \_\_\_\_\_ Ratio.
3. At the time of goods sent to consignee, the proforma invoice is prepared by \_\_\_\_\_.
4. Memorandum revaluation account is prepared when the \_\_\_\_\_ of assets and liabilities are not altered.
5. Realisation account is opened at the time of \_\_\_\_\_ of the firm.
6. A bill of exchange drawn on 12th April, 2017 for four months, the date of maturity will be \_\_\_\_\_.
7. The parties of joint venture is called \_\_\_\_\_.
8. Outstanding subscription is shown in the \_\_\_\_\_ side of Balance Sheet.
9. According to AS-2 inventories should be valued at lower of cost and \_\_\_\_\_ value.
10. Revenue expenditure is incurred to earn revenue of the \_\_\_\_\_ period.
11. The debts which may or may not be realized are called \_\_\_\_\_ debts.
12. The \_\_\_\_\_ shows financial position of the business as on a particular date.
13. \_\_\_\_\_ is the combination of both the basis i.e. Cash as well as Accrual basis.
14. A transaction forgotten to be entered in books of accounts is an error of \_\_\_\_\_.
15. In a Computerised Environment the processing of information will be by one or more \_\_\_\_\_.
16. \_\_\_\_\_ represents an amount of cash, goods or any other assets which the owner withdraws from business for his or her personal use.
17. Assets like brand value, copy rights, goodwill are known as \_\_\_\_\_.
18. Rebate is given in case of \_\_\_\_\_ of a bill.
19. Goods costing ₹ 4,00,000 sent out to consignee at cost + 25%. Invoice value of the goods will be \_\_\_\_\_.
20. The amount invested by owners into business is called \_\_\_\_\_.
21. As per \_\_\_\_\_ concept business is assumed to exist for an indefinite period.
22. \_\_\_\_\_ Cash Book has one amount column on each side.
23. In case of departmental accounting each department is considered to be an \_\_\_\_\_ Centre.
24. \_\_\_\_\_ accounting package can suitably match with the organisational structure of the company.
25. Debtor is a person who \_\_\_\_\_ to others.
26. The average clause is applicable when the actual loss is \_\_\_\_\_ than the sum assured.
27. Vehicles represent \_\_\_\_\_ expenditure while repairs to vehicle would mean \_\_\_\_\_ expenditure.
28. Amount spent on the travelling expenses of a partner to a foreign trip for purchase of an asset to be used for the business is \_\_\_\_\_ expenditure.
29. The withdrawal of money by the owner of business is called \_\_\_\_\_.
30. An allowance by a creditor to debtor for prompt payment is \_\_\_\_\_.
31. Income & Expenditure Account is similar to \_\_\_\_\_ A/c.
32. Profit means excess of \_\_\_\_\_ over \_\_\_\_\_.
33. The Bank A/c is a \_\_\_\_\_ Account.
34. Assets are classified as non-current asset and current assets as per \_\_\_\_\_ Principle.
35. \_\_\_\_\_ amount is the higher of asset's net selling price and its value in use.
36. The \_\_\_\_\_ Loss is included in the valuation of inventories.
37. \_\_\_\_\_ is the amount by which minimum rent exceeds the actual royalty.
38. While posting an opening entry in the ledger, in case of an Account having debit balance, in 'Particulars' column the words \_\_\_\_\_ are written on debit side.
39. Depreciation Accounting is the process of \_\_\_\_\_ and not \_\_\_\_\_.

40. Finished goods are normally valued at cost or \_\_\_\_\_ whichever is lower.
41. The relation between Consignee and Consignor is that of \_\_\_\_\_.
42. The relationship between Co-venturer's is that of \_\_\_\_\_.
43. Net Worth is excess of \_\_\_\_\_ over \_\_\_\_\_.
44. 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 \_\_\_\_\_.
45. In case of Loss of Profit Policy, Gross Profit is the sum of Net Profit plus \_\_\_\_\_ Standing Charges.
46. Interest to be allowed @ 0.75 per cent per month on Partners Capital of ₹ 60 Lakh; Manager's Commission @ 5 per cent 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 \_\_\_\_\_.
47. A machinery was purchased on Hire Purchase System. Its cash price was ₹ 5,20,000 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 \_\_\_\_\_.
48. \_\_\_\_\_ method for depreciation is followed to have a uniform charge for depreciation and repairs and maintenance together.
49. Reserve for Discount on Creditors has a \_\_\_\_\_ balance.
50. \_\_\_\_\_ can be made payable to the bearer.
51. The gain from sale of capital assets need not be added to revenue to ascertain the \_\_\_\_\_ of a business.
52. \_\_\_\_\_ property may be the subject matter of consignment.

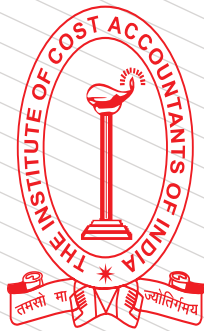
**Answer Key:**

1. trade
2. Old Profit sharing
3. Consignor
4. Book Value
5. Dissolution
6. 14<sup>th</sup> August, 2017
7. co-venturer's
8. Assets
9. Net Realizable
10. current
11. doubtful
12. Balance Sheet
13. Hybrid/Mixed
14. Omission
15. Computers
16. Drawings
17. Intangible Assets
18. Retirement
19. ₹ 5,00,000.
20. Capital.
21. Going Concern
22. Single Column
23. Activity
24. Customized
25. Owes
26. More
27. capital, revenue
28. capital
29. drawings
30. Cash discount
31. Profit and Loss
32. income, expenditure

- 33. Personal
- 34. Going Concern
- 35. Recoverable / Fair Value
- 36. Normal
- 37. Short – Workings
- 38. To balance b/f
- 39. allocation, valuation
- 40. Net Realizable Value
- 41. Agent and Principal
- 42. Co-owners
- 43. total assets, total liabilities
- 44. ₹ 42 Lakh
- 45. Insured
- 46. ₹ 47,250
- 47. 62,700
- 48. Reducing Balance
- 49. debit
- 50. Bills Receivable
- 51. Operating Profit or Loss
- 52. Movable



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