



CMA Inter

Financial Accounting

MCQs



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Chapter 1: Accounting Fundamentals

1. ___ concept assumes that the infinite life of an organisation can be split into smaller periods of equal duration.
- (A) Accounting Period
 - (B) Entity
 - (C) Going concern
 - (D) None of the above

Answer: A

2. The accounts related to expenses or losses and incomes or gains are call .
- (A) Personal Account
 - (B) Representative Personal Account
 - (C) Nominal Account
 - (D) Real Account

Answer: C

3. The accounting equation is presented as:
- (A) $\text{Assets} = \text{Liabilities} + \text{Equity}$
 - (B) $\text{Assets} = \text{Liabilities} + [\text{Capital} + (\text{Revenue} - \text{Expenses}) - \text{Drawings}]$
 - (C) $\text{Assets} + \text{Expenses} + \text{Drawings} = \text{Liabilities} + \text{Capital} + \text{Revenue}$
 - (D) All of the above

Answer: D

4. The book of account which records only those cash transactions which are not of heavy amount, but the type of transactions is frequently entered into by an entity is.
- (A) Triple Column Cash Book
 - (B) Petty Cash Book
 - (C) Ledger
 - (D) None of the above

Answer: B

5. Which of the following is/ are true regarding Trial Balance?
- (A) It is prepared for a particular period.
 - (B) A trial balance is just a statement.
 - (C) The agreement of a trial balance is a conclusive proof of absolute accuracy of the books of accounts.
 - (D) All of the above

Answer: B

6. 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

Answer: B

7. Which of the following transaction is of capital nature?
- (A) Commission on purchases
 - (B) Cost of repairs
 - (C) Rent of factory
 - (D) Wages paid for installation of machinery

Answer: D

8. 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.

Answer: A

9. 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

Answer: A

10. 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

Answer: C

11. Chandu & Co.'s Account is a
- (A) Real Account
 - (B) Nominal Account
 - (C) Representative Personal Account
 - (D) Artificial Personal Accounts

Answer: D

12. Provision for Doubtful Debt on 1st April, 2021 was ₹ 13,000. During the year 2021-22 the Bad-debt was ₹ 9,500. The Sundry Debtors on 31st March, 2022 were ₹3,25,000. 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 ₹ 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.

Answer: B

13. Original cost of a machine is ₹ 1,50,000, residual value ₹ 10,000, if depreciation is charged @ 10% per annum under WDV method then depreciation for 3rd year will be
- (A) ₹12,240
 - (B) ₹11,340
 - (C) ₹12,150
 - (D) ₹14,000

Answer: C

14. Purchased goods from Mr. R for ₹ 3,600 but wrongly recorded as ₹6,300 to the debit of Mr. R. In the rectification entry, Mr. R's account will be credited with —
- (A) ₹9,900
 - (B) ₹2,700
 - (C) ₹2,600
 - (D) ₹6,300

Answer: A

15. 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

Answer: A

16. Materiality Principle is an exception to the
- (A) Consistency principle
 - (B) Full disclosure Principle
 - (C) Accounting Period Assumption
 - (D) Prudence Principle

Answer: B

17. 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

Answer: C

18. Main elements of the accounting equation are:

- (A) Cash, stock and debtors.
- (B) Bank balance, investments and bills receivable.
- (C) Assets, liabilities and capital.
- (D) Capital, creditors and bills payable.

Answer: C

19. Errors are:

- (A) Frauds
- (B) Undetected mistake.
- (C) Intentional mistake.
- (D) Unintentional mistake

Answer: D

20. Which of the following statements is not correct?

- (A) Bad debts can be less than the amount of provision for doubtful debts.
- (B) Bad debts can be more than the amount of provision for doubtful debts.
- (C) Provision for doubtful debts account is the amount payable to debtors.
- (D) Provision for doubtful debts is shown in the balance sheet.

Answer: C

21. Convention of Conservatism takes into account:

- (A) All future profits and not losses.
- (B) Neither profits nor losses of the future.
- (C) All future losses and not profits.
- (D) All future profits and losses.

Answer: C

22. Chose the most appropriate one from the given following alternatives:

Select the correct statement

- (A) Keeping systematic recording of business transaction is not the function of financial
- (B) Accounting is concerned with monetary transactions
- (C) Accounting is concerned with past as well as future events
- (D) Business and businessman are the same identity from accounting point of view.

Answer: B

23. Going concern concept is followed

- (A) By bank
- (B) By cooperative Societies
- (C) Joint venture accounting
- (D) Depreciation accounting

Answer: C

24. Rectification of which type of errors requires opening of suspense account

- (A) Errors of principle
- (B) Complete omission
- (C) Partial omission
- (D) Errors of commission

Answer: C

25. A buyer returning goods on the ground of poor quality sent a note along with the goods stating that no payment would be made in respect of goods returned, the return note is called

- (A) Debit note
- (B) Credit note
- (C) Refund note
- (D) Return note

Answer: A

26. Which of the following is not a qualitative characteristics of accounting information?

- (A) Reliability
- (B) Materiality
- (C) Comparability
- (D) Understandability

Answer: B

27. An increase in which of the following Account will be recorded on the debit side?

- (A) Rent Received Account
- (B) Building Account
- (C) Bills Payable Account
- (D) Capital Account

Answer: B

28. Which of the following not an error of Principle?
- (A) Purchase of machinery debited to purchase Account
 - (B) Sale of old furniture credited to sales account
 - (C) Repairs on the overhauling of existing machinery debited to machinery account
 - (D) Cash received from rana posted to jana

Answer: D

29. While finalizing the current year's profit, the company realized that there was an error in the valuation of closing inventory of the previous year. In the previous year, closing inventory 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

Answer: D

30. Which of the following errors are not revealed by the Trial Balance?
- (A) Compensating errors
 - (B) Errors of commission
 - (C) Wrong balancing of an account
 - (D) Wrong totalling of an account

Answer: A

31. The cash book showed an overdraft of ₹1,500, but the pass book made up to the same date showed that cheques of ₹100, ₹50 and ₹125 respectively had not been presented for payments; and the cheque of ₹400 paid into account had not been cleared. The balance as per the pass book will be
- (A) ₹ 1,100
 - (B) ₹ 2,175
 - (C) ₹ 1,625
 - (D) ₹ 1,375

Answer: C

32. The total of the debit and credit side of a trial balance of Mr. Rajiv as on 31st March, 2012 were ₹20,000 and ₹10,000 respectively. The difference was transferred to suspense account. On 4th April, 2012, it was found that the total of purchase returns book was carry forward as ₹1,500 instead of ₹1,400. The balance of the suspense account after the rectification of this error will be
- (A) ₹10,000
 - (B) ₹ 9,900
 - (C) ₹ 11,500
 - (D) ₹10,100

Answer: D

33. If a purchase return of ₹84 has been wrongly posted to the debit of the sales return account, but had been correctly entered in the suppliers account, the total of the trial balance would show
- (A) The credit side to be ₹84 more than debit side
 - (B) The debit side to be ₹84 more than credit side
 - (C) The credit side to be ₹168 more than debit side
 - (D) The debit side to be ₹168 more than credit side

Answer: D

34. Which of the following is not a sub-field of accounting?
- (A) Management accounting
 - (B) Financial accounting
 - (C) Cost accounting
 - (D) Book-keeping

Answer: D

35. Mr. A purchased a machinery costing ₹ 1,00,000 on 1st October, 2011. Transportation and installation charges were incurred amounting ₹ 10,000 and ₹ 4,000 respectively. Dismantling charges of the old machine, in place of which new machine was purchased, amounted ₹ 10,000. Market value of the machine was estimated at ₹ 1,20,000 on 31st March, 2012. While finalising the annual accounts, A values the machinery at ₹ 1,20,000 in his books. Which of the following concepts was violated by A?
- (A) Cost concept
 - (B) Matching concept
 - (C) Realisation concept
 - (D) Periodicity concept

Answer: A

Chapter 2: Accounting for Special Transactions

Bills of Exchange

36. On dishonour of a bill of exchange that has been discounted, noting charges are initially paid by.

- (A) Bank
- (B) Drawer
- (C) Drawee
- (D) Acceptor

Answer: A

37. A Bill of Exchange cannot be

- (A) Endorsed.
- (B) Crossed
- (C) None of these.
- (D) Accepted

Answer: B

38. Bills payable honoured during the year, will be debited to.

- (A) None of these.
- (B) Creditors account
- (C) Bills payable account.
- (D) Cash account

Answer: C

39. Rebate is calculated for the period between date of

- (A) Payment and maturity date
- (B) Drawing and payment of bill.
- (C) Drawing and maturity date
- (D) None of the above

Answer: A

40. X draws a bill on Y for ₹ 20,000 for 3 months on 1.1.10. 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

Answer: B

41. A draws a bill on B for ₹ 30,000. A wants to endorse it to C in settlement of ₹ 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

Answer: A

Consignment

42. Which class of account is Consignment Account?
- (A) Personal Account
 - (B) Real Account
 - (C) Representative Personal Account
 - (D) Nominal Account

Answer: D

43. 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

Answer: B

44. 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

Answer: C

45. Mr. A consigned goods costing ₹ 2,50,000 to Mr. B at an invoice price of ₹ 3,00,000. The goods were to be sold at invoice price or above. Mr. B sold some of the goods at invoice price of ₹ 2,00,000 and some at 10% above cost i.e. ₹ 1,10,000. For this he gets 5% commission. The amount of commission is
- (A) ₹18,000.
 - (B) ₹15,000.
 - (C) ₹12,500
 - (D) ₹15,500.

Answer: D

46. R, the consignor, sends out goods costing ₹2,00,000 to K for sale on commission basis. Consignor's expenses ₹5,000. Consignee's expenses in relation to sales ₹ 2,000. $\frac{4}{5}$ th of the goods were sold at 20% above cost. Commission charged by K is ₹ 5000. The profit on consignment will be:
- (A) ₹ 21,000
 - (B) ₹ 32,000
 - (C) ₹ 26,200
 - (D) ₹ (6,000)

Answer: A

47. Which of these expense are not included in valuation of abnormal loss?
- (A) Godown Rent
 - (B) Freight and insurance by consignor
 - (C) Transit insurance incurred by consignee
 - (D) Loading and Unloading expenses incurred by Consignor

Answer: A

48. 1,000 Kg. of Mangoes were consigned to a wholesaler, the cost being ₹ 3 per kg. plus ₹ 400 freight. Loss of 15% of Mangoes is unavoidable. 750 kgs. were sold by the consignee. The remaining inventory of 100 kg. will be valued at
- (A) ₹ 300.
 - (B) ₹ 500.
 - (C) ₹ 400.
 - (D) None of the above.

Answer: C

49. Which of the following statement is not true?
- (A) If del-credere's commission is allowed, bad debt will not be recorded in the books of consignor
 - (B) If del-credere's commission is allowed, bad debt will be debited in consignment account
 - (C) Del-credere's commission is allowed by consignor to consignee
 - (D) Del-credere's commission is generally given to promote credit sales

Answer: B

Joint Venture

50. 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

Answer: C

51. 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

Answer: B

52. 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

Answer: A

53. Shyam and Ramya 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 2 :4 , this agreement is a:
- (A) Partnership
 - (B) Consignment
 - (C) Joint -venture
 - (D) Lease

Answer: C

54. If Kaveri'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) Kaveri
 - (C) Bills Receivable Account
 - (D) None of the above

Answer: B

55. 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

Answer: B

56. 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

Answer: C

57. 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

Answer: B

58. A and V enter into a joint venture to sell a consignment of biscuits sharing profits and losses equally. A provided biscuits from his inventory ₹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) ₹3,000
- (B) ₹5,000
- (C) ₹6,000
- (D) ₹3,500

Answer: B

59. Anny and Bunny enter into a joint venture sharing profits and losses in the ratio 1:1. Anny purchased goods costing ₹ 20,000. Bunny sold the goods for ₹ 25,000. Anny is entitled to get 1% commission on purchase and Bunny is entitled to get 5% commission on sales. The profit on venture will be:

- (A) ₹ 3,550.
- (B) ₹ 3,600.
- (C) ₹ 3,400.
- (D) ₹ 3,800.

Answer: A

60. Anuj bought goods of the value of ₹ 10,000 and consigned them to Bittu to be sold by them on a joint venture, profits being divided equally. Anuj paid ₹ 1,000 for freight and insurance. Anuj draws a bill on Bittu for ₹ 10,000. Anuj got it discounted at ₹ 9,500. Bittu sold the goods for ₹ 15,000. Commission payable to Bittu ₹ 500. The amount to be remitted by Bittu to Anuj will be:
- (A) ₹ 12,500
 - (B) ₹ 3,000
 - (C) ₹ 14,500
 - (D) ₹ 13,500

Answer: B

Chapter 3: Preparation of Financial Statements

Preparation of Financial Statements of Commercial Organisations

61. 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

Answer: C

62. Which of the following will not appear in P&L A/c?
- (A) Capital
 - (B) Bad Debts
 - (C) Provision for Doubtful Debts
 - (D) Rent paid

Answer: A

63. 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)

Answer: d

64. 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

Answer: C

65. 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

Answer: B

66. Choose the correct statement.

- (A) Financial statements need not take into consideration any statutory requirement.
- (B) Only credit transactions are recorded in books of accounts.
- (C) Financial statements prepared by two different accountants will always show identical results.
- (D) Financial accounts, of an enterprise, are treated as evidence in the Court of Law.

Answer: D

67. Balance Sheet is prepared with the balances of which of the following?

- (A) All balances in the Ledger.
- (B) Balances of real accounts.
- (C) Balances of personal accounts.
- (D) Balances of personal and real accounts.

Answer: D

68. Chose the most appropriate one from the given following alternatives:

At the end of the accounting year, advances to suppliers 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 the balance sheet as liabilities

Answer: C

69. The Cost of the closing stock was ₹ 5,00,000. Realizable Value 120% Realizable Expenses 5%. At what amount stock will be shown in the income statement of mallaya Co. which is not going concern?
- (A) ₹ 5,00,000
 - (B) ₹ 6,00,000
 - (C) ₹ 5,70,000
 - (D) None of the above

Answer: C

70. 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) ₹ 1,60,000
 - (B) ₹ 1,20,000
 - (C) ₹ 80,000
 - (D) ₹ 72,000

Answer: C

71. Sold goods worth list price of rupees 8000 at 10% trade discount and 2% cash discount. 25% received at the time of transaction only. The amount posted to the discount account will be:
- (A) Rupees 144 on credit side.
 - (B) Rupees 36 on debit side
 - (C) Rupees 144 on debit side.
 - (D) Rupees 40 on credit side

Answer: B

72. Rates and Taxes paid ₹ 300 during 2022-2023. 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 balancesheet
- (A) ₹ 250
 - (B) ₹ 50
 - (C) ₹ 25
 - (D) None of the above

Answer: A

73. Trade Discount allowed is deducted from the gross sales. Sale is recorded in the Books of Account at
- (A) Gross sales and trade discount separately
 - (B) Net sales invoice
 - (C) None of the above
 - (D) Any of (A) or (B)

Answer: B

Preparation of Financial Statements of Not – for- Profit Organisations

74. 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

Answer: C

75. 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

Answer: B

76. 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 - -Subscription Outstanding 55,000
 - Subscription Received in Advance 31,000
 - On 31st March, 2019 - Subscription Outstanding 72,000
 - Subscription Received in Advance 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

Answer: C

77. 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

Answer: C

78. 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:

	31st March, 2018 (₹)	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

Answer: C

79. Spent amount on unsuccessful promotion policy is

- (A) Capital expenditure
- (B) Expenses
- (C) Revenue expenditure
- (D) Deferred revenue expenditure.

Answer: A

80. Telephone charge paid ₹ 1,500 during 2022-2023. A quarter's charge for telephone is outstanding, the amount accrued being ₹ 300. The charge for each quarter is same for both 2021-2022 and 2022-2023. Calculate 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

Answer: A

81. At the end of the accounting year, subscription received in advance and outstanding rent of club will be shown ____ in the balance sheet
- (A) Both of assets side
 - (B) Both of liabilities side
 - (C) Subscription received in advance on liabilities side and outstanding rent on assets side
 - (D) Subscription received in advance on liabilities side and outstanding rent on liabilities side

Answer: B

82. 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

Answer: C

Partnership Accounting

83. 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: B

84. A and B are partners sharing profits and losses in the ratio 3:2. They admitted C with effect from 1st April 2021. New profit-sharing ratio is agreed at 4:3:3 An extract of their Balance Sheet as at 31st March, 2021 is as follows.

Liabilities	₹	Assets	₹
Workmen Compensation Reserve	90,000		

Based on the above information you are required to answer the following questions:

- i. If there is no other information in respect of workmen compensation Reserve:
- (A) Cr. A's Capital A/c with ₹ 60,000 and B's Capital A/c with ₹ 30,000
 - (B) Cr. A's Capital A/c with ₹ 54,000 and B's Capital A/c with ₹ 36,000
 - (C) Dr. A's Capital A/c with ₹54,000 and B's Capital A/c with ₹36,000
 - (D) Cr. A's Capital A/c with ₹36,000 and B's Capital A/c with ₹ 27,000 and C's Capital A/c with ₹ 27,000

Answer: B

- ii. If a claim for Workmen Compensation is estimated at 60,000
- (A) Cr. A's Capital A/c with ₹ 20,000 and B's Capital A/c with ₹ 10,000
 - (B) Dr. A's Capital A/c with ₹ 18,000 and B's Capital A/c with ₹ 12,000
 - (C) Cr. A's Capital A/c with ₹ 18,000 and B's Capital A/c with ₹ 12,000
 - (D) Cr. A's Capital A/c with ₹ 12,000 and B's Capital A/c with ₹ 9,000 and C's Capital A/c with ₹ 9,000

Answer: C

- iii. If a claim for Workmen Compensation is estimated at 1,50,000
- (A) Dr C's Capital with ₹ 60000
 - (B) Dr C's Capital with ₹ 18000
 - (C) Dr Workmen Compensation Reserve A/c with ₹ 90000 and Revaluation A/c with ₹ 60,000
 - (D) Dr Revaluation A/c with ₹ 60000

Answer: C

85. A, B, and C are partners, sharing profits in the ratio of 4:3:2. D is admitted for $\frac{2}{9}$ share of profits and brings ₹ 30,000 as his capital and ₹ 10,000 for his share of Goodwill. The new profit-sharing ratio between A:B:C:D will be 3:2:2:2. The Goodwill amount brought by D will be shared by:
- (A) A, B & C
 - (B) A & B
 - (C) A only
 - (D) B only

Answer: B

86. A and B are partners, sharing profits in the ratio of 5:3. They admit C with $\frac{1}{5}$ share in profits, which he acquires equally from both $\frac{1}{10}$ from A and $\frac{1}{10}$ from B. New profit-sharing ratio between A and B will be
- (A) 21:11
 - (B) 20:10:4
 - (C) 15:10:5
 - (D) None of the three

Answer: A

87. A and B are partners sharing profits in the ratio of 3:2 with capitals of ₹ 50,000 and ₹ 30,000 respectively. Interest on capital is agreed @ 6% p.a. B is to be allowed an annual salary of ₹ 2,500. The profits of the year prior to calculation of interest on capital but after charging B's salary amounted to ₹ 12,500. Manager is to be allowed a Commission of 5% of profits remaining after deducting salary and interest on capital but before charging such Commission, Profit transferred to partners Capital Accounts will be
- (A) A ₹ 4,389 B ₹ 2926
 - (B) A ₹ 4,000 B ₹ 3,315
 - (C) A ₹ 3,000 B ₹ 4315
 - (D) A ₹ 2,500 B ₹ 4,815

Answer: A

88. Ramesh & Suresh are partners sharing profits in the ratio of 2:1. Ramesh Capital is ₹ 1,02,000 and Suresh Capital is ₹ 73,000. They admitted Mahesh & agreed to give him 1/5 in share. He brings ₹ 14,000 as his share of goodwill. He agreed to contribute capital in profit sharing ratio. How much capital will be brought by incoming partner?
- (A) ₹ 43,750
(B) ₹ 45,000
(C) ₹ 47,000
(D) ₹ 48,000

Answer: A

89. A & B are equal partners with capitals of the ₹ 10,000 and ₹ 8,000 respectively. They admit C as a partner with 1/4th share in the profits of the firm. C brings ₹ 8,000 as his share of capital. Value of goodwill will be
- (A) ₹ 6,000
(B) ₹ 5,000
(C) ₹ 8,000
(D) None of the above

Answer: A

90. A partnership firm earned net profits during the last 3 years as follows –

2007	15,000
2008	20,000
2009	25,000

The capital investment in the firm throughout the above mentioned period has been ₹ 1,00,000. Having regard to the risk involved 15% is considered to be a fair return on capital.

Goodwill on the basis of 2 years purchase of average super profit earned during the above mentioned 3 years will be

- (A) ₹ 8,000
(B) ₹ 10,000
(C) ₹ 12,000
(D) ₹ 15,000

Answer: B

91. A, B & C are partners sharing profits in the ratio of 3:2:1. B retires and goodwill of the firm is fixed at ₹ 1,80,000. No goodwill A/c appears in the books of the firm. A & C decide to share profits in the ratio of 3:1. B's share of goodwill will be adjusted in the Capital accounts of A and C in
- (A) Profit sharing
 - (B) Gaining ratio
 - (C) Sacrificing ratio
 - (D) Old ratio

Answer: B

92. A, B, C & D are in partnership sharing profits and losses equally. They mutually agree to change the profit-sharing ratio to 3:3:2:2. In this process D loses
- (A) $\frac{1}{20}$ th share
 - (B) $\frac{1}{10}$ th share
 - (C) $\frac{1}{5}$ th share
 - (D) None of the above

Answer: A

93. A and D are equal partners. They wanted to admit C as $\frac{1}{6}$ th partner who brought ₹60,000 as goodwill. The new profit-sharing ratio is 3:2:1. Profit sacrificing ratio will be
- (A) 0:1/6
 - (B) 2:1
 - (C) 3:1
 - (D) None of the above

Answer: A

94. Total capital employed by a partnership firm is ₹1,00,000 and its average profit is ₹25,000. Normal rate of return is 20% in similar firms working under similar conditions. The firm earns super profit of:
- (A) ₹ 3,000
 - (B) ₹ 5,000
 - (C) ₹ 4,000
 - (D) ₹ 2,000

Answer: B

95. A, B and C are partners in a business sharing profits and losses in the ratio of 3:2:1. On 30th June, 2009, C retired from business, when his capital A/c after all necessary adjustments showed a balance of ₹ 10,950. It was agreed that he should be paid ₹4950 in cash on retirement and the balance in three equal yearly instalments with interest at 6% per annum. Amount of last instalment with interest will be:
- (A) ₹ 2120
 - (B) ₹ 2100
 - (C) ₹ 2200
 - (D) ₹ 2500

Answer: A

96. 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 any thing
 - (D) Information is insufficient for any comment

Answer: A

97. X, Y and Z are partners in a firm. At the time of division of profit for the year there was dispute between the partners. Profits before interest on partner's loan was ₹ 6,000 and Y determined interest @ 24% p.a. on his loan of ₹ 80,000. There was no agreement on this point. Calculate the amount payable to X, Y and Z respectively.
- (A) ₹ 2,000 to each partner
 - (B) Loss of ₹ 4,400 for X and Z & Y will take home ₹ 14,800
 - (C) ₹ 400 for X, ₹ 5,200 for Y and ₹ 400 for Z
 - (D) ₹ 2,400 to each partner

Answer: C

98. A and B are partners with the capital ₹ 50,000 and ₹ 40,000 respectively. They share profits and losses equally. C is admitted on bringing ₹ 50,000 as capital only and nothing was brought against goodwill. Goodwill valued as ₹ 35,000 which was adjusted through the Capital accounts of the partners. What will be value of goodwill in the books after the admission of C?
- (A) ₹ 55,000
 - (B) NIL
 - (C) ₹ 20,000
 - (D) ₹ 15,000

Answer: B

99. 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 ₹ 51,000 for C. What is the share of C in the policy amount?
- (A) ₹ 18,000
(B) ₹ 25,000
(C) ₹ 51,000
(D) ₹ 20,000

Answer: A

100. A and B are partners with capitals of ₹ 10,000 and ₹ 20,000 respectively and sharing profits equally. They admitted C as their third partner with one-fourth profits of the firm on the payment of ₹ 12,000. The amount of hidden goodwill is
- (A) ₹ 6,000
(B) ₹ 10,000
(C) ₹ 8,000
(D) None of the above

Answer: A

101. P and Q are partners sharing Profits in the ratio of 2:1. R is admitted to the partnership with effect from 1st April on the term that he will bring ₹ 20,000 as his capital for 1/4th share and pays ₹ 9,000 for goodwill, half of which is to be withdrawn by P and Q. How much cash will P & Q withdraw from the firm on account of goodwill?
- (A) ₹ 3,000 and ₹ 1,500
(B) ₹ 6,000 and ₹ 3,000
(C) Nil
(D) None of the above

Answer: A

102. 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 1/6th share in the partnership. If C is to purchase 1/6th share in the partnership from the existing partners A and B in the ratio of 3:2 for ₹ 5,000 as goodwill find closing capital of C.
- (A) ₹ 25,000
(B) ₹ 19,000
(C) ₹ 20,000
(D) ₹ 18,000

Answer: C

- 103.** A, B and C were partners in a firm sharing profits and losses in the ratio of 2:2:1 respectively with the capital balance of ₹ 50,000 for A and B, for C ₹ 25,000. B declared to retire from the firm and balance in reserve on the date was ₹ 15,000. If goodwill of the firm was valued as ₹ 30,000 and profit on revaluation was ₹ 7,050 then what amount will be transferred to the loan account of B?
- (A) ₹ 70,820
 (B) ₹ 50,820
 (C) ₹ 25,820
 (D) ₹ 58,820

Answer: A

- 104.** A, B and C are the partners sharing profits and losses in the ratio of 5:3:2, took a joint life policy of ₹ 30,000. On the death of B what amount will be payable to each partner?
- (A) A – ₹ 22,000 and B – ₹ 8,000
 (B) A – ₹ 14,000 and B – ₹ 16,000
 (C) A – ₹ 15,000, B – ₹ 9,000 and C – ₹ 6,000
 (D) A – ₹ 10,000, B – ₹ 8,000 and C – ₹ 10,000

Answer: C

- 105.** X and Y are partners sharing profits in the ratio 5:3. They admitted Z for $\frac{1}{5}$ th share of profits, for which he paid ₹ 1,20,000 against capital and ₹ 60,000 against goodwill. Find the capital balances for each partner taking Z's capital as base capital.
- (A) ₹ 3,00,000; ₹ 1,20,000 and ₹ 1,20,000
 (B) ₹ 3,00,000; ₹ 1,20,000 and ₹ 1,80,000
 (C) ₹ 3,00,000; ₹ 1,80,000 and ₹ 1,20,000
 (D) ₹ 3,00,000; ₹ 1,80,000 and ₹ 1,80,000

Answer: C

Accounting Standards

106. A government grant that becomes refundable is treated as:

- (A) Ordinary item
- (B) Prior Period Item
- (C) Change in Accounting Policy
- (D) Extra-Ordinary item

Answer: D

107. AS 12 "Accounting for Government Grants" is not applicable for following:

- (A) Subsidy from Government
- (B) Cash incentives from Government
- (C) Government participation in the ownership of the company
- (D) Duty Drawback from Government

Answer: C

108. Following is not a government grant:

- (A) Purchase of Diesel by Indian Railways
- (B) Amount from government for establishing setup in backward area
- (C) Land from Rajasthan government at a concessional rate
- (D) Subsidy from Ministry of External Affairs to purchase from Indian Vendor

Answer: A

109. At what value government grant is recorded in books in case a non-monetary asset is given free of cost?

- (A) Fair value
- (B) Nominal Value
- (C) Concessional rate
- (D) Should not be recorded

Answer: B

110. What is accounting treatment of government grant refundable which was in the nature of promoters' contribution?

- (A) Debited to profit & loss account
- (B) Added in the Cost of Fixed asset
- (C) Reduced from Deferred Government Grant account
- (D) Reduced from Capital Reserve

Answer: D

111. Entity X purchased a fixed asset of ₹ 160 Cr having useful life of 10 years. Government provided grant of ₹ 60 Cr. After 4 years, entity had to refund the grant of ₹ 20 Cr due to non-fulfilment of a condition. Kindly provide the amount of depreciation to be charged in year 5. Assume - Company follows SLM method of depreciation & grant amount is reduced from the gross block of fixed asset.
- (A) ₹ 16Cr
(B) ₹ 12 Cr
(C) ₹ 13.33 Cr
(D) ₹ 15 Cr

Answer: C

112. Entity A received government grant of ₹ 500 Cr on 01.10.2022 for investment in capital assets having useful life of 10 years. As on 31.03.2023, no amount could be capitalized in the books as the assets were not ready for use. What should be the amount to be credited to statement of Profit & Loss out of Deferred Government Grant account in FY 2022-23?
- (A) ₹ 500 Cr
(B) ZERO
(C) ₹ 50 Cr
(D) ₹ 25 Cr

Answer: B

113. AS-1 recognizes _____ Fundamental Accounting Assumptions
- (A) Three
(B) Four
(C) Five
(D) None of the these

Answer: A

114. Which of the following would not lead to lease being classified as Finance lease?
- (A) Title of the asset is not transferred but the lease term is for the major part of the economic life of the asset.
(B) The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.
(C) The lease does not transfer substantially all the risks and rewards incident to ownership.
(D) At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset.

Answer: C

115. As per AS 16, all the following are qualifying assets except
- (A) Manufacturing plants and Power generation facilities
 - (B) Inventories that require substantial period of time
 - (C) Assets those are ready for sale.
 - (D) None of the above

Answer: C

116. Which of the following statement is correct:
- (A) Entire exchange gain is reduced from the cost of the Qualifying asset.
 - (B) Entire exchange loss is added to the cost of a Qualifying asset.
 - (C) No adjustment is done for the exchange loss while computing cost of Qualifying asset.
 - (D) None of the above

Answer: C

117. As per AS 10 (Revised) Property, Plant and Equipment, an enterprise holding investment properties should value Investment property
- (A) As per fair value
 - (B) Under discounted cash flow model.
 - (C) Under cost model
 - (D) Under cash flow model

Answer: C

118. Classification of lease as Operating or Finance is done on following date:
- (A) The date of the lease agreement
 - (B) The date of a commitment by the parties to the principal provisions of the lease.
 - (C) At earlier of A & B
 - (D) The date when asset is available for use

Answer: C

119. If the amount eligible for capitalisation in case of inventory as per AS 16 is 12,000 and cost of inventory is ₹40,000 and net realizable value is 45,000; What amount can be capitalised as a part of inventory cost.
- (A) ₹12,000
 - (B) ₹5000
 - (C) ₹7,000
 - (D) ₹10,000

Answer: B

- 120.** N Limited has entered into lease agreement for machinery from S Limited for 10 years for ₹ 1 lakh per year. Guaranteed scrap value of machinery after 15 years is ₹ 0.5 lakh unguaranteed scrap value is ₹ 0.2 lakh. Present Value of ₹ 1 lakh for 10 years is ₹ 7 lakh, Present value of ₹ 0.5 lakh after 15th year is 0.18 lakh & of ₹ 0.2 lakh is 0.07 lakh. Calculate Unearned Finance Income for S Limited.
- (A) ₹ 3.45 Lakh
 - (B) ₹ 3 Lakh
 - (C) ₹ 3.32 lakh
 - (D) ₹ 3.13 Lakh

Answer: A

- 121.** As per AS 10 (Revised) Property, plant and equipment, which of the following costs is not included in the carrying amount of an item of PPE
- (A) Costs of site preparation
 - (B) Costs of relocating
 - (C) Installation and assembly costs.
 - (D) Initial delivery and handling costs

Answer: B