

MASTER MINDS
Guntur, A.P
C:9885125025 | 26

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CPT – June 2011 Question Paper (Based on Memory)**1st session****Marks: 100 Marks****Time: 2 hrs.****Part A – Fundamentals of Accounting**

1. Which method of depreciation is approved as per the income tax rules?
 - a) Sinking fund method
 - b) Written Down Value Method
 - c) Annuity Method
 - d) None of the above
2. Capital A/c is a _____ A/c.
 - a) Personal
 - b) Real
 - c) Nominal
 - d) None
3. Cash A/c is a _____ A/c.
 - a) Personal
 - b) Real
 - c) Nominal
 - d) None
4. Which is not only a subsidiary book, but also a principal book?
 - a) Cash book
 - b) Sales book
 - c) Purchase book
 - d) Bills receivable book
5. The principle "Debit the receiver and credit the giver" is related to _____.
 - a) Personal a/c
 - b) Real a/c
 - c) Nominal a/c
 - d) None
6. If shares are forfeited, Share Capital a/c is debited with _____.
 - a) Called up face value
 - b) Face value
 - c) Paid up face value
 - d) none of these
7. Wages paid for erection of machinery is debited to _____.
 - a) Machinery A/c
 - b) Wages A/c
 - c) Cash A/c
 - d) None of these
8. Share Premium A/c appears in the Balance Sheet under the heading.
 - a) Current liabilities
 - b) Reserves & Surplus
 - c) Miscellaneous expenditure
 - d) None of the above
9. The goods or cash taken by the proprietor for his personal use will be debited to _____.
 - a) Expenditure a/c
 - b) Debtors a/c
 - c) Drawings a/c
 - d) None of these
10. Interest on drawings is a _____ to the business.
 - a) Expenditure
 - b) Gain
 - c) Liability
 - d) Loss
11. If a contingent liability becomes probable, it has to be:
 - a) Shown in notes on accounts
 - b) Provided in the books of accounts
 - c) Ignored and no entry will be passed
 - d) Shown in director's report
12. Capital work in progress is shown in the balance sheet under _____.
 - a) Share capital
 - b) Current Assets
 - c) Fixed Assets
 - d) Current Liabilities
13. Which of the following statements is correct?
 - a) Goodwill is a fictitious asset
 - b) Patents are intangible asset
 - c) Debtors are current liability
 - d) None of the above
14. _____ is allowed by the consignor to the consignee to put hard work while introducing a new product in the market.
 - a) Commission on total sales
 - b) Del-credere commission
 - c) Over riding commission
 - d) Extra salary
15. The company decided to redeem 5000 redeemable preference shares of Rs.100 each. The company issued 2000 equity shares of Rs.100 each. The amount to be transferred to CRR is _____.
 - a) Rs.2,00,000
 - b) Rs.3,00,000
 - c) Rs.1,50,000
 - d) Rs.5,00,000
16. Which account should be credited in case of shares issued at premium?
 - a) Share capital account
 - b) Securities premium A/c
 - c) Share forfeiture A/c
 - d) Both (a) & (b)
17. Income tax demand disputed will be _____.
 - a) Contingent liability
 - b) Current Liability
 - c) Possible Asset
 - d) Possible Liability
18. Goods worth Rs.100 bought from Narayan have remained unrecorded. What will be the effect of the error on trial balance.
 - a) No effect
 - b) Trial Balance Credit total will be short by Rs.100
 - c) Trial Balance Debit total will be short by Rs.100
 - d) Trial Balance Credit total will be increased by Rs.200
19. Credit balance in the ledger will be either _____ or _____.
 - a) Assets, Revenue
 - b) Expenses, Assets
 - c) Liabilities, Revenue
 - d) Expenses, Liabilities

20. As per the Matching concept,
Revenue – ? = Profit
a) Expenses b) Liabilities
c) Losses d) Assets
21. Sales – Gross Profit = _____
a) Cost of goods sold b) Net sales
c) Gross Sales d) Liabilities
22. Which one of the following methods of Inventory Valuation matches current cost with Current Revenues?
a) Last in first out b) First in First Out
c) Simple Average d) Weighted Average
23. The periodic total of the purchase returns book is posted to the ____ side of the Purchase Returns A/c.
a) Credit b) Debit c) Both d) None
24. If the company has already received the premium on issue of shares and the shares are forfeited, then _____
a) Share premium A/c will be credited
b) Share premium A/c will be debited
c) Share premium A/c will have no effect
d) None of these
25. When shares are issued to promoters for the services offered by them _____ A/c is debited.
a) Preliminary Expenses b) Goodwill
c) Asset d) Share capital
26. A & B are the partners in a firm; C is admitted as a partner with guarantee of profit 10,000. Profit for the year 2009-10 is Rs.1,20,000. A, B & C share profits and losses in the ratio of 3:2:1. Share of C in the profit is:
a) 10,000 b) 20,000 c) 30,000 d) 40,000
27. Where in a partnership firm the partners are entitled to interest on their capitals, such interest is payable _____
a) Only out of partners' capitals
b) Only out of cash brought in by a new partner towards goodwill
c) Only out of profits of the firm d) None
28. The shares of a company can be issued at:
a) Par b) Premium
c) Discount d) All
29. Immediately after purchasing a truck of Rs.50,000. Rs.1000 was spent for painting the truck for the purpose of advertisement of a product. Rs.1000 spent for painting is _____
a) Capital Expenditure
b) Revenue Expenditure
c) Differed Revenue Expenditure d) None
30. Capital reserves are created out of:
a) Capital Profits b) Profits in balance
c) Revenue profits d) None
31. Discount on issue of shares is shown in the Balance Sheet under the heading
a) Reserve & Surplus b) Misc. Expenditure
c) Current Liabilities d) None of the above
32. When there is no agreement, interest on loan taken from a partner is allowed at ____ p.a.
a) 6% b) 12% c) 8% d) None
33. Sagar Ltd. installed a plant for Rs.5,00,000 on 01-01-2002. They were charging depreciation on 31st December every year on Straight Line Basis taking useful life of the machine to be 10 years. On 31st December 2008 they found that the plant became obsolete and it could fetch only 50,000. Loss on the sale of the plant will be:
a) 1,00,000 b) 1,50,000
c) 50,000 d) 3,50,000
34. Which of the following is a Real A/c?
a) Building A/c b) Capital A/c
c) Shyam A/c d) Rent A/c
35. Dishonour of a cheque deposited in bank is recorded in:
a) Returns inward book
b) Bills receivable book
c) Cash Book d) Sales book
36. If a firm makes a number of promissory notes usually, it would be convenient to record the transactions in
a) Bills Receivable Book
b) Bills Payable Book
c) Journal Proper d) Sales Book
37. Valuation of stock in accounting follows the principle of cost price or _____ which ever is lower.
a) Market Price b) Average Price
c) Net realizable Value d) None of these.
38. Minimum Capital required to form a partnership firm is:
a) 5,000 b) 50,000
c) 1,00,000 d) Not limited
39. C of Chennai sent out 5000 boxes to D of Delhi costing Rs.20 each. Expenses of C were Rs.5000 $\frac{4}{5}$ th of the goods were sold by D at Rs.25/- each. The profit on consignment would be:
a) 16,000 b) 20,000 c) 15,000 d) 5,000

40. C a dealer in washing machine have a stock of 4 machines as follows:

Particulars	Mod A	Mod B	Mod C	Mod D
Cost	15,000	20,000	22,500	30,000
Net realizable value	13,500	22,000	20,500	32,500

Calculate the value of Inventory.

- a) 88,500 b) 92,000 c) 87,500 d) 84,000
41. To constitute a partnership, the agreement between parties must be
 a) In writing b) An oral Agreement
 c) Either (a) or (b) d) neither (a) nor (b)
42. For mutual accommodation, A accepted a bill of 2 months for 10,000 drawn on him by B. B Discounted the bill at 12% p.a. Out of the proceeds A receives Rs. _____
 a) 9800 b) 8100 c) 4900 d) 5000
43. On the death of partner, profit (or) loss on revaluation of assets and liabilities is transferred to the capital accounts of partners as per _____
 a) Sacrificing Ratio b) Gaining ratio
 c) New profit sharing ratio
 d) Old profit sharing ratio
44. When the drawer endorses the Bill and the bill is dishonored, which account will be debited by Endorsee.
 a) Drawer b) Endorser
 c) Endorsee d) None
45. When bonus shares are issued
 a) Working capital is issued
 b) Fixed capital is issued
 c) Dividend is paid
 d) Reserves and surplus are capitalized
46. Which of the following factors does not effect the good will
 a) Efficiency of management
 b) Nature of Business
 c) Technical know how d) none of these
47. If a machine is sold for Rs.90,000 whose original cost is Rs. 1,00,000 and the W.D.V is 40,000. What amount will be credited to profit and loss account.
 a) Loss 10,000 b) Profit 10,000
 c) Loss 50,000 d) Profit 50,000
48. Amount Received from bank as a medium term loan is:
 a) Capital expense b) Revenue expense
 c) Capital receipt d) Revenue receipt
49. Under the Companies Act what is the percentage of minimum subscription, to make the issue successful.
 a) 50% b) 75% c) 90% d) 100%
50. When repairs and maintenance work of machine is said to increase, which method of depreciation is used
 a) Sinking fund b) Annuity
 c) St. Line d) Diminishing balance
51. Calls in advance are recorded under which heading of the balance sheet?
 a) Share capital
 b) Reserves & Surplus
 c) Miscellaneous Expenditure d) none
52. Mr. X is admitted as a partner with capital of Rs.1,00,000 and Rs.25,000 as goodwill for his $\frac{1}{3}$ rd share. The old partners A & B will sacrifice in the ratio of 2:3. What amount A will receive as his share of goodwill.
 a) 15,000 b) 20,000 c) 10,000 d) 5,000
53. When the excess money is received over par value, which account should be credited?
 a) Calls In advance b) Share capital
 c) Revenue Capital d) Securities premium
54. A, B & C are sharing profits equally. They agreed to change their profit sharing ratio as 4:3:2. The amount of goodwill raised is Rs. 90,000. The goodwill is shared by
 a) A & B b) A & C c) C & B d) None
55. On 01.08.2009 Anand draws a bill for 30 days after sight. Date of acceptance is 08.08.2009. Then the due date will be:
 a) 03-09-2009 b) 04-09-2009
 c) 10-09-2009 d) 07-09-2009
56. Provision for bad and doubtful debts should be deducted in balance sheet from
 a) Capital b) Cash
 c) Debtors d) Creditors
57. If partnership is dissolved due to retirement of a partner, which value should be taken into consideration for JLP
 a) Maturity value b) Surrender value
 c) premium of policy d) None
58. The firm shouldn't allot the shares until ____ is received
 a) Minimum subscription
 b) Share allotment
 c) share call d) share capital

59. On the death of a partner the amount of JLP should be credited to capital accounts of:
- a) all partners including the deceased partner in profit sharing ratio
 - b) Remaining partners in their profit sharing ratio
 - c) Remaining partners equally
 - d) Deceased partner only

Part B – Mercantile Laws

60. The dissolution of the firm can be informed to the registrar of the firms by
- a) Any of the partner before dissolution
 - b) Any of agent of partner before dissolution
 - c) Any of authorized agent elected by partners
 - d) Any of the above
61. Where in a partnership firm the partners are entitled to interest on their capital balance such interest is payable.
- a) Only out of partners capital
 - b) Only out of cash brought in by a new partners towards goodwill
 - c) Only out of profits of the firm
 - d) None of the above
62. An unregistered firm can set off the claim up to _____
- a) 100
 - b) 10,000
 - c) 50,000
 - d) 1,000
63. Mere silence as to fraud likely to affect the willingness of a party to enter into a contract is not fraud unless.
- a) The circumstances of the case imposed the duty of the person to speak
 - b) The circumstances do not show that silence is equivalent to speech
 - c) The circumstances such that silence is not fraudulent.
 - d) Obligations are not imposed by the law.
64. A contract infringing the law is?
- a) Valid
 - b) Void
 - c) Illegal
 - d) Voidable
65. Which of the following sales is valid?
- a) Sale by mercantile agent
 - b) Sale by one of the Joint owners
 - c) Sale by a person who has possession of goods under a voidable contract but still rescinded.
 - d) both (a) & (b).
66. Acceptance on Telephone is complete
- a) When words of acceptance are heard by the proposer
 - b) When words of acceptance are spoken
 - c) When proposer hears the words of acceptance & he acts upon it

d) When proposer hears the words of acceptance & he communicates this to offeree.

67. Who can perform the contract?

- a) Promisor himself
- b) Promisor agent
- c) Promisor representatives
- d) all the above

68. A contract cannot be performed by

- a) Parties to the contract
- b) Agents to the parties
- c) Stranger
- d) Promisor

69. A promise to pay a time barred debt made in writing & signed by the debtor may be

- a) Enforceable
- b) Not enforceable
- c) Unlawful
- d) Enforceable at the discretion of the court

70. An unpaid seller can exercise the right of resale

- a) if the goods are of durable nature
- b) if the goods are of perishable
- c) with the consent of buyer
- d) without the consent of buyer

71. Accepting lesser amount that what owes agreed upon in discharge of full consideration is called

- a) Remission
- b) Alteration
- c) Merger
- d) Recession

72. Which of the following is not the duty of a partner of a firm?

- a) to indemnify the partner for loss caused by fraud
- b) to indemnify the firm for loss cause by fraud
- c) To carry on business of the firm to the greatest common advantage
- d) to render true accounts

73. In case of misrepresentation the party who has suffered, can avoid the contract even if he had the means of discovering the truth with ordinary diligence.

- a) true
- b) partly true
- c) totally false
- d) None of the above

74. Under the sale of goods act, 1930 the implied condition that the goods are of merchantable quality _____ where the buyer has actually examined the goods

- a) is not applicable
- b) is presumed
- c) is applicable
- d) exists

75. Who of the following can be a party to enter into contract?
 a) A convict undergoing sentence
 b) A joint stock company
 c) A minor
 d) All of the above
76. Where performance of contract depends upon personal skill, the contract is discharged on ____
 a) Promisor's illness
 b) Promisor's incapacity to perform
 c) Change of law
 d) All of the above
77. Reciprocal promises consists of promises by
 a) Both of the parties
 b) Only of the promisor
 c) Only of the promisee
 d) More than two parties
78. In contract of sale, the goods destroyed after delivery thus risk bears by
 a) The buyer
 b) The seller
 c) Partly by the seller or buyer
 d) Neither buyer Nor seller
79. An agreement to interfere in the legal proceedings before a court is:
 a) Valid
 b) Void
 c) Enforceable under law
 d) none of these
80. Where the goods are delivered to a carrier or wharfinger for the purpose of transmission to the buyer, the delivery is
 a) Invalid & effective
 b) Valid & effective
 c) Conditional
 d) None
81. The contract is discharged by ____
 a) Performance
 b) Lapse of time
 c) Mutual Agreement
 d) All
82. A contract cannot be Enforced by
 a) Parties of contract
 b) Agent of parties
 c) A stranger
 d) A Promisor
83. Impossibility arising subsequent to entering in to a contract is called ____
 a) Supervening impossibility
 b) Irregular impossibility
 c) Perpetual impossibility
 d) None
84. ____ is included in the implied authority of a partner.
 a) To submit to arbitration a dispute relating to the firm's business
 b) To pledge a security goods of the firm for obtaining loan for the firm
 c) To enter into another partnership on behalf of the firm
 d) To open a bank account on behalf of the firm in the partner own name
85. In an agreement where the subject matter is essentially different from what the parties thought it to be, the agreement is:
 a) Void
 b) Voidable
 c) Valid
 d) Illegal
86. Suman who is 17 years old entered into a contract for 50 Lakhs he could not honour the contract and ended up breaching the same. Which one of the following statements is correct as regards the above situation?
 a) Action can be taken against suman for breach of contract
 b) No action can be taken against suman for breach of contract
 c) Taking action against suman depends on terms of contract.
 d) Specific performance can be insisted through judicial proceedings
87. To constitute a partnership, the agreement must be in:
 a) In writing
 b) In Oral
 c) Either in written or in Oral
 d) Neither in writing Nor in Oral
88. A person who wants to inspect the register of firms maintained by registrar is required to pay the fee as prescribed by law
 a) True
 b) False
 c) Partly True
 d) None of these
89. Impossibility arising subsequently to formation of a contract is
 a) Pre-contractual contract
 b) Supervening impossibility
 c) Initial Impossibility
 d) None of these
90. Jus in Personam is Right Against
 a) Specific person
 b) Specific thing
 c) Public at large
 d) None
91. A person who is not a party to a partnership agreement and conducts (or) represents himself as a partner in a firm is called
 a) Sub partner
 b) Sleeping Partner
 c) Partner by estoppels
 d) A share holder
92. In a contract of sale, under the sale of goods act 1930, physical delivery of goods is not an essential element.
 a) False
 b) Partly True
 c) True
 d) None
93. ____ is one sided contract in which only one party has to perform his part of promise
 a) Unilateral contract
 b) Illegal
 c) Bilateral
 d) enforceable

THE END

KeyPart – A – FUNDAMENTALS OF ACCOUNTING

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

Part – B – MERCANTILE LAWS

60.	D	61.	C	62.	A	63.	A	64.	B
65.	D	66.	A	67.	D	68.	C	69.	A
70.	B	71.	A	72.	A	73.	C	74.	B
75.	B	76.	D	77.	A	78.	A	79.	B
80.	B	81.	D	82.	C	83.	A	84.	B
85.	A	86.	B	87.	C	88.	A	89.	B
90.	A	91.	C	92.	C	93.	A		

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