A. FUNDAMENTALS of ACCOUNTING

1. Which of the following is the main objective of accounting?
a) Ascertainment of the results for recorded transactions b) Ascertainment of the financial position of the business
c) Communicating the interpreted results to the Users of accounts **d) All of the three**
2. CRR account is created out of …………………… Account
a. Securites Premium b. Share Forefeited c. **To meet legal requirements** d. The revalutaion Reserve
3. Fundamental Accounting Assumptions followed should be disclosed in the financial statement in the following case.
a) Should be disclosed always **b) Disclosed only when not followed**
c) Disclosed only when followed. d) Disclosure depends on the nature of the enterprise
4. When the invoice/bill of 3.1.2006 is made payable at 3 months after date then the due date is
a) 3.4.2006 b) 6.4.2006 **c) 5.4.2006** d) 4.4.2006
5. Which of the following is not the feature of a company…?
a. Separate legal entity b. perpetual existence c. Incorporated association d**. no separation of owners with management**
6. Rich Ltd. had 3,000, 12% Redeemable preference shares of Rs. 100 each, fully paid-up. The company issued 25,000 equity shares of Rs. 10 each at par and 1,000 14% debentures of Rs. 100 each. All amounts were received in full. The payment was made in full. The amount to be transferred to Capital Redemption Reserve Account is
a) Nil b) Rs. 2,00,000 c) Rs. 3,00,000 **d) Rs. 50,000**
7. Closing stock will not be shown in the trading account if
a) It appears in TB b) It does not appear in TB c) It appears in the Balance Sheet d) It appears in P&L A/c
8. Which of the following is not a capital expenditure?
a) Acquiring an Asset b) Extending a Fixed Asset c) Replacement of an existing Asset **d) None**
9. If average stock = 12,000 closing stock is Rs. 3,000 more than opening stock, then the value of closing stock will be
a) Rs. 12,000 b) Rs. 24,000 c) 10,500 **d) Rs. 13,500**
10.Profit & loss appropriation account is prepared to determine
a) Net Profit b) Divisible Profit c) Distributed Profit **d) Disposal of divisible Profit**.
11. Debentures may be issued as an additional security against________
a) Advance made by Company b) Loan made by Company **c) Loan made to the Company** d) Overdraft balance
12. Tista Ltd. has issued 14% Debentures of Rs. 10,00,000 at a discount of 10% on April 01,2011 and the company pays interest half-yearly on June 30, and December 31 every year. On March 31, 2012 the amount shown as "Interest accrued but not paid" in the Balance Sheet will be:
a) Rs. 35,000 shown along with Debentures b) Rs. 70,000 under Current Liabilities
c) Rs. 140,000 shown along with Debentures d) Rs. 10,000 under Current Liabilities
13. Following is the sequence to journalise the transactions.
a) Ascertain accounts, Ascertain debit & credit, fill the particular column, fill the amount column
b) Ascertain debit & credit, Ascertain accounts, fill the date column, fill the amount column.
c) Ascertain debit & credit, fill the particular column, Ascertain accounts, fill the amount column.
d) Ascertain accounts, ascertain debit & credit, fill the particulars column, fill the amount column, put the LF.
14. Sale of scrap of raw materials appearing in the trial balance are shown on the credit side of ______
a) Trading A/c **b) Manufacturing A/c** c) Profit & Loss A/c d) None of the three.
15. The Companies Act provides that the Profit & loss Account of a Company shall be in the prescribed form given in
a) Part I of Schedule VI b) Part II of Schedule VI c) Part III of Schedule VI **d) No such form has been prescribed**.
16. Contingent Liabilities must be shown under
a) Current Liabilities & Provisions b) Miscellaneous Expenditure **c) By way of foot note only** d) Not shown
17. 'Bills Discounted not matured' is shown under
a) Current Assets b) Loan & Advances c) Miscellaneous Expenditure **d) None**
18. Reserve Capital means ……
a. **Part of subscribed uncalled capital** b. Capital from Accumulated profits c. Part of Capital Reserve d. Part of CRR
19. A & B are partners sharing profits & losses in the ratio of 3:2 (A's Capital is Rs. 30,000 & B's Capital is Rs. 15,000). They admitted C and agreed to give 1/5th share of profits to him. How much C should bring in towards his capital?
a) Rs. 9,000 b) Rs. 12,000 c) Rs. 14,500 **d) Rs. 11,250**
20. The revalued figure of the following assets and liabilities are recorded in the revaluation account:
a) Fixed Assets b) Current Assets c) Current Liabilities **d) All of the three**
21. A and B are partners sharing profits in the ratio 5:3. They admitted C giving him 3/10th share of profit. If C acquired 1/5th share from A and 1/10th from B, new profit sharing ratio will be
a) 5 : 6 : 3 b) 2 : 4 : 6 c) 18 : 24 : 38 **d) 17 : 11 : 12**
22. Balance of A's Capital is Rs. 93,500; B's Capital is Rs. 52,500 and C's Capital is Rs. 25,000 and partners decides that the capitals of partners in the new firm are to be in the profit sharing ratio – the capital of C being taken as the base capital. New profit sharing ratio is 3 : 1 : 1.
a) Cash brought in by A - Rs. 18,500, B - Rs. 27,500 & C - Rs. 6,000
b) Transfer to Current Accounts: A - Rs. 18,500 & B- Rs. 27,500 c) Cash brought in by A - Rs. 18,500 & B - Rs. 27,500
d) Transfer to Current Accounts: A - Rs. 18,500, B Rs. 27,500 & C - Rs. 6,000
23. Which of the following asset is compulsory to revalue at the time of admission of a new partner:
a) Stock b) Fixed Assets c) Investment **d) Goodwill**
24. Indigo Ltd had 9000 10% redeemable preference shares of Rs. 10 each, fully paid up. The company decided to redeem these preference shares at par by the issue of sufficient number of equity shares of Rs. 10 each fully paid up at a discount of 10%. The number of equity shares issued should be:

a) 9,000 b) 11,000 **c) 10,000** d) None of the three

25. Anju Ltd. forfeited 300 equity shares of Rs. 10 each fully called-up, held by Manju for non-payment of final call @ Rs. 4 each. However, she paid application money @Rs. 2 per share and allotment money @ Rs. 4 per share. These shares were originally issued at par. The amount to be credited to Share forfeiture account will be

a) Rs. 1,200 b) Rs. 3,000 c) Rs. 4,200 **d) Rs. 1,800**

26. A, B and C are partners sharing profits and losses in the ratio of 3:2:1. C retires on a decided date and Goodwill of the firm is to be valued at Rs. 60,000. Find the amount payable to retiring partner on account of goodwill.

a) Rs. 30,000 b) Rs. 20,000 **c) Rs. 10,000** d) Rs. 60,000

27. Expenses incurred on the repairs & whitewashing for the first time on purchase of a old building are......expenditure.

a) Revenue **b) Capital** c) Deferred Revenue d) Deferred Capital

28. Change in profit sharing ratio means:

a) Purchase of share of profits from one Partner from another b) Mode of reconstituting the firm **c) Both** d) None

29. How is abnormal loss to its proportion valued while in transit?

a) Cost of goods consigned + Consignee expenses **b) Cost of goods consigned + Consignor expenses**

c) Cost of goods consigned + Consignee non-recurring expenses

d) Cost of goods consigned + Consignee recurring expenses.

30. Goods invoice Rs.100000 are consigned at 20% on cost. What is its load?

a) 16,666.67 b) 1,16,666.67 c) 83,333.37 d) 20,000

31. As per Money Measurement Concept, in what currency transactions & events should be recorded in books of a/cs?

a) Ruling currency of the Country in which the transaction takes place

b) Ruling currency of the Country in which the books of accounts are prepared

c) Currency set by the Ministry of Finance d) Currency set by the Government

32. Which of the following a/c is not required to be open in case of same set of books?

a) Memorandum A/c **b) Joint Bank A/c** c)Joint Venture A/c with Co-venturer A/c d) All of the three

33. What is the treatment if starting point is a favourable pass book balance, when income directly received by bank?

a) Add to the Pass Book b) Subtract from the Cash Book c) Add to the Cash Book **d) Subtract from the Pass Book**

34. What is the treatment if the starting point is a unfavourable cash book balance, when there is undercasting of Cr. Side of bank account in the cash book?

a) Add to the Pass Book b) Subtract from the Cash Book **c) Add to the Cash Book** d) Subtract from the Pass Book

35. What is error of omission?

a) When a transaction is partially or completely omitted b) When the effect of errors committed are cancel out

c) When the amount is written on the wrong side or posted in wrong account or casting errors are there etc.

d) When the transaction recorded is in contravention with the general accounting policies

36. What is the rectified entry when sales book is cast short?

a) Dr. Bank A/c & Cr. Sales A/c b) Dr. Sales A/c & Cr. Bank A/c

c) Dr. Suspense A/c & Cr. Sales A/c d) Dr. Sales A/c & Cr. Suspense A/c

37. What is the rectified entry when wages paid for installation of machine included in wages A/c?

a) Dr. Wages A/c & Cr. Bank A/c b) Dr. Machinery A/c & Cr. Bank A/c

c) Dr. Wages A/c & Cr. Machinery A/c **d) Dr. Machinery A/c & Cr. Wages A/c**

38. What is the other name of Partnership Deed?

a) Articles of Partnership b) Partnership Agreement c) Partnership Report d) Partnership Data

39. What would be treatment when asset purchased for Rs. 100,000 & installation charges incurred Rs. 10,000 for asset?

a) Capital expenditure of Rs. 110,000 b) Capital Expenditure of Rs. 100,000 & Revenue Expenditure of Rs. 10,000

c) Deferred Revenue expenditure of Rs. 110,000

d)Deferred Revenue expenditure of Rs. 100,000 & Revenue Exp. of Rs. 10,000

40. Seeta & Geeta are partners sharing profits and losses in the ratio of 4:1. Meeta was manager who received the salary of Rs. 4,000 pm in addition to a commission of 5% on net profits after charging such commission. Profits for the year is Rs. 678,000. Total remuneration of Meeta will be:

a) 78,000 b) 88,000 c) 76,000 d) 87,000

41. Inventories are …

a. Unconsumed b. Unsold c. Purchased **d. All of these**

42. Bin card is maintained by the …

a. Store Keeper b. Manager c. Purchase Manager d. Accountant

43. A claim which can be enforced against the assets of the firm in the court is called _______

a. Insurance Policy b. Insurance Claim **c. Equity** d. Assets

44. If the closing stock is zero, it means ….

a. Loss has been incurred b. Profit has been earned c**. They may be loss or profit** d. None of these

45. Which reserve has debit balance …?

a. General b. Contingent c. Investment **d. Discount on Creditors**

46. The effect of opening entry is the opening of …

a. Personal & Real A/c b. Real & Nominal A/cs c. Personal & Nominal A/cs d. Personal, Real & Nominal A/cs

47. While marshalling ….

a. The most urgent payment to be made is shown last in order of liquidity

b. The least liquid asset is shown first in order of liquidity

c. The least urgent payment to be made is shown first in order of permanence

d. The most liquid asset is shown first in order of permanence

48. What accounting estimate is required for depreciation?

a. Installation charges b. Cost of Asset c. **Useful life** d. None of these

49. Which of the following methods is recommended for depreciation of fixed assets as per AS – 6 …

a. SF method b. Annuity method c. **WDV method** d. None of the above

50. Depreciation rates as per Companies Act, 1956 are given in ______ Schedule

a. XIV b. XIII c. XV d. XVI

51. Arrears of depreciation will be debited to ….

a. Trading A/c **b. P & L A/c** c. P & L adjustment a/c d. P & L Appropriation a/c

52. The nature of the consignment account is ……. In nature

a. Capital **b. Revenue** c. Realization a/c b. Bank A/c

53. For commission earned by the consignee, ….. a/c is credited in the books of consignee

a. Consignee b. Consignment c. P & L d**. Commission**

54. Non-recurring expenses of consignee are those expenses …

a. Incurred by consignee b. Non-incurred by consignee

c. **Spent to receive the goods to consignee place** d. Spent after goods reach consignee place

55. When shares are forfeited, capital account is debited by ……………. Value of Share

a. Nominal b. Paidup c. **Called-up** d. Forefeited

56. The net effect of all the nominal accounts is transferred to

a) Profit & Loss A/c b)Trading A/c **c) Capital** d) Balance Sheet

57. Bill of exchange is covered under ---------

a) Contracts Act 1872 b)Sale of Goods Act 1930 **c) Negotiable Instruments Act 1881** d) Companies Act 1956

58. The word 'Security Premium' in place of 'Share Premium' has been substituted by Companies (Amendment) Act of

a) 1977 b) 1991 **c) 1999** d) 2001

59. Preference Shares Rs. 50,000 to be redeemed at 5% premium. What is the journal entry assuming that proper balances are there in relevant account?

a) Dr. Redeemable Pref. Shares A/c 50,000, Securities Premium A/c 2,500, Cr. Bank A/c 52,500

b) Dr. Redeemable Pref. Shares A/c 50,000, Reserve A/c 2,500, Cr. Bank A/c 52,500

c) Dr. Redeemable Pref. Shares A/c 50,000, Securities Premium A/c 2,500, Cr. Pref. Shareholders A/c 52,500

d) Dr. Redeemable Pref. Shares A/c 50,000, Reserve A/c 2,500, Cr. Pref. Shareholders A/c 52,500

60. The minimum amount that should be called with application for its shares is …. % of face value

a. 2% b**. 5%** c. 10% d. 20%

61. Xeta Ltd was formed as a Public Limited Company with an authorised capital of Rs. 20,00,000 divided into shares of Rs. 10 each. Xeta Ltd issued fully paid up shares of Rs. 10/- each in consideration of acquiring assets worth Rs. 380,000 from M/s. Rahim Bros. The Shares are issued at a premium of 25%. To record this transaction, share capital need to be credited by

a) Rs. 3,80,000 b) Rs. 76,000 c) Rs. 2,00,000 **d) Rs. 3,04,000**

62. What is pro-rata allotment …?

a. Allotment of debentures on high-end basis b. Allotment of shares on low-end basis

c. **Allotment of shares on equitable basis** d. None of these

63. "Substance of any transaction should be considered while recording them & not only the legal form," is the statement which holds true for :

a) Substance over form b) Disclosure of accounting policies c) Both (a) & (b) d) None of the three

64. A & D are equal partners. They wanted to admit C as 1/6th partner who brought Rs. 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 three

65. How is abnormal loss treated in the Balance Sheet?

a) Total value is shown on the Asset side b) Value recovered from the Insurance Co. is shown on the asset side

c) Amount due from the Insurance Co. is shown on the asset side d) no entry

66. Income Tax is shown on

a) Debit side of Profit & Loss A/c **b) Debit side of Capital A/c** c) Debit side of Trading A/c d) No entry

67. The balance of Profit & Loss A/c is transferred to

a) Trading A/c b) Won't be transferred c) Profit & Loss Adjustment A/c **d) Profit & Loss Appropriation A/c**

68. 'Interest accrued and due on Debentures' is shown under

a) Secured Loans b) Unsecured Loans c) Current Liabilities d) Provisions

69. 1,000 Kg of Mangoes were consigned to a wholesaler, the cost being Rs. 3 per kg plus Rs. 400 freight. Loss of 15% of Mangoes is unavoidable. 750 kgs were sold by the Consignee. The remaining stock of 100 kg will be valued at

a) Rs. 300 b) Rs. 500 **c) Rs. 400** d) None of the three

70. Interest on capital will be paid to the partners if provided for in the agreement but only from

a) Profits b) Reserves c) Accumulated Profits d) Goodwill

71. The capital of all the partners should always be in the ------ ratio

a) Profit sharing b) Time devoted c) Equal **d) None**

72. What would be treatment when machinery worth Rs. 50,000 purchased on installment basis, where there are 4 equal installments of Rs. 15,000 to be paid"

a) Capital expenditure of Rs. 60,000 b) Deferred revenue expenditure of Rs. 60,000

c) Capital expenditure of Rs. 50,000 & deferred revenue expenditure of Rs. 10,000

d) Capital expenditure of Rs. 50,000 & revenue expenditure of Rs. 10,000

73. Which of these is not a difference between consignment and sale transaction?

a) The number of parties involved **b) The motive to earn revenue**

c) The property in the goods is with the buyer after the sale is made, but it is with the Consignor in case of goods consigned.
d) The seller directly sells goods to the buyer, but the Consignor sells goods indirectly through Consignee

74. Which of these is not a distinction between Joint Venture & Consignment?
a) Governing Law b) Profit sharing ratio c) Ownership **d) Revenue earning motive**

75. Which of the following is not an advantage of BRS?
a) Early detection of errors b) Completion of Cash Book
c) Correct calculation of profit d) Reducing the chances of embezzlement

76. Which of these errors do not affect the trial balance?
a) Making an entry in the wrong subsidiary book b) Wrong casting of subsidiary book
c) Wrong posting d) Omitting to post the total of subsidiary book

77. What is the rectified entry when sales book is cast short?
a) Dr. Bank A/c & Cr. Sales A/c b) Dr. Sales A/c & Cr. Bank A/c
c) Dr. Suspense A/c & Cr. Sales A/c d) Dr. Sales A/c & Cr. Suspense A/c

78. 'Treating revenue expenditure as capital expenditure' is an example of
a) Compensating error **b) Error of principle** c) Error of Omission d) Error of Commission

79. Depreciation of fixed assets is an example of ------- expenditure
a) Revenue b) Deferred Revenue c) Capital d) none of the three

80. How many methods are there to account for 'sale on approval basis'?
a) One b) Two **c) Three** d) Four

81. What does cost price mean?
a) Cost of goods + carriage b) Cost of goods + cost of conversion + carriage c) Cost of goods + cost of conversion
d) Cost of goods + cost of conversion + other cost to bring inventory in its present position

82. What is difference between deferred revenue expenditure & prepaid expenditure?
a) Benefit for more than one accounting period b) Nature of expenditure **c) Estimation of amount** d) None of the three

83. Different organisations from same industry should select accounting policies
a) As per the provisions of the Companies Act b) As per the Auditing & Assurance Standards
c) On a uniform basis from one concern to another and from one accounting period to another
d) On non-uniform basis from one concern to another and from one accounting period to another

84. Premium on redemption of preference shares can be paid out of.......
a) Security Premium b) Capital Reserve c) Revaluation Reserve d) Reserve Capital

85. Redeemable Preference Shares are those Preference Shares, whose amount can be returned by the Company to their holders within the ------ of Company, according to Companies Act, 1956
a) 20 Yrs b) 40 Yrs c) 60 Yrs d) Lifetime

86. Who is liable to compensate or the allottee for any loss, damage, or costs suffered through irregular allotment
a) Shareholders b) Promoter **c) Director** d) Partner

81. A purchase of Rs. 1,870 by cheques has been wrongly posted in the Cash Book as Rs. 1,780.This has the effect of
a) Increasing the Bank balance by Rs. 90 b) Decreasing the Bank balance by Rs. 90
c) Increasing the Bank balance by Rs. 180 d) Decreasing the Bank balance by Rs. 180

82. Kena Ltd, issued 10,000 12% Debentures of Rs.100 each at a discount of 10% payable in full on application by 31st March, 2006. Applications were received for 12,000 debentures. Debentures were allotted on 9th june, 2006. The amount of excess money refunded on the same date will be
a) Rs. 1,80,000 b) Rs. 1,00,000 c) Rs. 1,20,000 d) Rs. 1,50,000

83. Tista Ltd. has issued 14% Debentures of Rs. 10,00,000 at a discount of 10% on April 01,2004 and the company pays interest half-yearly on June 30, and December 31 every year. On March 31, 2006 the amount shown as "Interest accrued but not paid" in the Balance Sheet will be
a) Rs. 35,000 shown along with Debentures b) Rs. 70,000 under Current Liabilities
c) Rs. 1,40,000 shown along with Debentures d) Rs. 10,000 under current liabilities

84. What is the order in which the accounting transactions and events are recorded in the books?
a) Journal, Subsidiary Books, Ledger, Balance Sheet, Profit & Loss A/cb) Ledger, Journal, Balance Sheet, Profit & Loss A/c
c) Journal, Ledger, Profit & Loss A/c, Balance Sheet d) Profit & Loss A/c, Ledger, Balance Sheet, Journal

85. An expected gain on the disposal of an asset is recognized as ______
a) Profit from sale of asset b) Revaluation Reserve c) Contingent Asset **d) Not to be recognised in the books.**

86. Which interest is treated as negative interest?
a) Red Ink Interest b) Blue Ink Interest c) Negative Interest d) Accrued Interest

87. Arrears of depreciation will be debited to
a) Trading A/c b) Profit & Loss A/c **c) Profit & Loss Adjustment A/c** d) Profit & Loss Appropriation A/c

88. Capital Work in Progress is shown in Balance sheet under
a) Share Capital **b) Fixed Assets** c) Current Assets d) Current Liabilities

89. Normal loss is recovered over ....
a. Total goods sent by consignor b. Total goods sold by consignee c. Unsold stock d**. Saleable stock**

90. The main difference between the definition of accounts given by AICPA and AAA is:
a) Recognising Monetary items / Economic items **b) Communication of results to the Users of Accounts**
c) To invite comments from the Users of Accounts d) Helps in decision making

91. In which of the following type, suspense a/c is opened?
a) Errors before preparation of trial balance b) Errors after trial balance but before final account
c) Errors after final account d) None of the three

92. Proforma-invoice is a statement of information in the form of invoice prepared by ---- to appraise the -------- about certain essential particulars of the goods.
a) Consignee, Consignor b) Buyer, Seller **c) Consignor, Consignee** d) None of the three
93. Called up share - Calls in arrears =
a) Authorised b) Issued **c) Paid-up** d) Called-up
94. In the books of original entry, balancing is not done, except
a) Cash Book b) Journal c) Bills Journal d) Goods Journal
95. Which principle is an exception of full disclosure principle?
a) Materiality b) Conservatism c) Disclosure d) None of the three
96. In double entry system of book-keeping every business transaction affects
a) Two accounts b)Two sides of the same account c) The same account on the different dates d) All of the three
97.This item is not shown in Profit & loss appropriation account.
a) Transfer to General Reserve b) Transfer to Development Rebate Reserve
c) Transfer to Depreciation Reserve d) Transfer to Debenture Redemption Reserve
98. Overhauling expense of second-hand machinery purchased is a _______ expenditure
a) Revenue **b) Capital** c) Deferred Revenue d) Deferred Capital
99. Expenses incurred on the repairs & whitewashing for the first time on purchase of an old building are…expenditure.
a) Revenue **b) Capital** c) Deferred Revenue d) Deferred Capital
100. What is an error?
a) Intentional mistakes **b) Unintentional mistake** c) Mistake under influence d) None of the three
101. What is the rectified entry, when drawings made by proprietor is debited to expense a/c?
a) Dr. Expense A/c & Cr. Drawings A/c **b) Dr. Drawings A/c & Cr. Expense A/c**
c) Dr. Expense A/c & Cr. Bank A/c d) Dr. Drawings A/c & Cr. Bank A/c
102.What is the rectified entry when discount received from A not entered in discount column?
a) Dr.A A/c & Cr.Discount A/c b) Dr. Discount A/c & Cr.A A/c c) Dr.Cash A/c & Cr.Discount A/c d) Dr.Cash A/c & Cr. A/c
103. Which of the following is not a feature of a 'Bearer Document'?
a) Name & Address of the bearer is not recorded in Company details b)Debenture transferable by mere delivery
c) Need to be registered with the Company Law Board d) Coupons are attached to it.
104. Who developed the double entry system?
a) Kohler b) Chambers **c) Pacioli** d) Adam Smith
105. How is the expired portion of capital expenditure shown in the financial statements?
a) As an income **b) As an expense** c) As an asset d) As a liability
106.In which Financial Statements is bad debt shown if it appears in the Trial Balance?
a) Trading and P&L A/c b) P&L A/c and Balance Sheet c) Only Balance Sheet **d) Only P&L A/c**
107. Following the correct sequence to prepare various accounts, while a new partner is admitted into partnership firm
a) Revaluation A/c, Partner's Capital A/c, Cash A/c, Balance Sheet.
b) Revaluation A/c, Partner's Capital A/c, Partner's Current A/c, Cash A/c
c) Revaluation A/c, Partner's Capital A/c, Bank A/c, Balance Sheet.
d) Revaluation A/c, Partner's Current A/c, Cash A/c, Balance Sheet.
108. The amount of calls in arrear is deducted from ---------- to arrive at -----
a) Issued Capital, Called-up Capital b) Called-up Capital, Issued Capital
c) Paid-up Capital, Called-up Capital **d) Called-up Capital, Paid-up Capital**
109. Difference of totals of both debit & credit side of the trial balance is transferred to
a) Difference A//c b) Trading A/c c) Miscellaneous A/c **d) Suspense A/c**
110. 'General Purpose Financial Statements' does not include?
a) Cash Flow Statement **b) Internal Audit Review** c) Balance Sheet d) Explanatory Notes
111. The profits of a Company are disposed of in the form of ---
a) Dividend or Bonus Share b) Dividend or Preference Share c) Dividend or Equity Share d) Dividend or Debenture
112. If a Company fails to raise minimum subscription within 120 days from the date of first issue of prospectus, it is required to return the amount it has received from the application within next -days.
a) 5 b) 7 c) 6 **d) 10**
113. Which among the following is not a method to account for 'sale on approval basis'?
a) Ordinary Sale Method b) Multicolumn Journal Method
c) Separate Day books method **d) Columnar Sale Daybook Method**
114. What are cost formulas?
a) Formula used for quantifying goods **b) Formula used for pricing goods**
c) Formula used for work in process d) Formula used for the extent consumable stock
116. What is to be written off over various years in the ratio of amount utilised each year out of Proceeds of debentures?
a) Discount on issue of debenture b) Discount on redemption of debenture
c) Discount on conversion of debenture d) All of the three
117. What is 'cum-interest' debenture?
a) Debenture purchased after the interest period including interest
b) Debenture purchased after the interest period excluding interest
c) Debenture purchased before the interest period excluding interest
d) Debenture purchased within the interest period including interest

B. MERCANTILE LAWS

1. Which of the following is false? An offer to be valid must:
a. Intend to create legal relations b. **Contain a term the non compliance of which would amount to acceptance**
c. Have certain and unambiguous terms d. Be communicated to the person to whom it is not free
2. Which of the following is false? An acceptance:
a. Must be communicated b. Must be absolute and unconditional
c. Must be accepted by a person having authority to accept d. **May be presumed from silence of offeree**
3. In case of illegal agreements the collateral agreements are:
a. Valid b. **Void** c. Voidable d. None of these
4. An offer may lapse by
a. Revocation b. Counter offer c. Rejection of offer by offeree d. **All of these**
5. Which of the following statement is true?
a. Consideration must result in a benefit to both parties b. Past consideration in no consideration in India
c.Consideration must be adequate d.**Consideration must be something, which a promisor is not already bound to do.**
6. Which of the following statement is false?
a. Generally a stranger to a contract cannot sue b. **A verbal promise to pay a time barred debt is valid**
c. Completed gifts need no consideration d. No consideration is necessary to create an agency
7. Which of the following is not an exception to the rule – No consideration, No contract
a. **Compensation for involuntary services** b. Love and affection c. Contract of agency d. Gift
8. Which of the following statements is not true about minor's position in a firm?
a. He cannot become a partner in an existing firm b. **He can become a partner in an existing firm**
c. He can be admitted only to the benefits of any existing firm d. He can become partner on becoming a major
9. The threat to commit suicide amounts to
a. **Coercion** b. Undue influence c. Misrepresentation d. Fraud
10. Moral pressure is involved in the case of
a. Coercion b. **Undue influence** c. Misrepresentation d. Fraud
11. Which of the following statement is true?
a. A threat to commit suicide does not amount to coercion b. Undue influence involves use of physical pressure
c. Ignorance of law is no excuse d. Silence always amount to fraud
12. An agreement is void if it is opposed to public policy. Which of the following is not covered by heads of public policy
a. Trading with an enemy b.Trafficking in public offices c.Marriage brokerage contracts d.**Contracts to do impossible acts**
13. Which of the following statement is true?
a. There can be a stranger to a contract b. **There can be a stranger to a consideration**
c. There can be a stranger to a contract and consideration d. None of the above
14. A, B and C jointly promised to pay Rs 60000 to D. Before performance of the contract C dies. Here, the contract
a. Becomes void on C's death b. **Should be performed by A and B along with C's legal representatives**
c. Should be performed by A and B alone d. Should be renewed between A, B and D
15. A contract is discharged by novation which means the
a. Cancellation of the existing contract b. Change in one or more terms of the contract
b. **Substitution of existing contract for a new one** d. None of these
16. A contract is discharged by rescission which mean the
a. Change in one or more terms of the contract b. Acceptance of lesser performance
c. Abandonment of rights by a party d. **Cancellation of the existing contract**
17. In case of breach of contract, which of the following remedy is available to the aggrieved party?
a. Suit for rescission b. Suit for damages c. Suit for specific performance d. **All of these**
18. Generally the following damages are not recoverable?
a. Ordinary damages b. Special damages c. **Remote damages** d. Nominal damages
19. Which of the following statements is true
a. An agreement enforceable by law is a contract b.An agreement is an accepted proposal **c. Both(A)&(B)** d.None of these
20. A threatens to kill B if he does not agree to sell his scooter to him for Rs 1000 only.Here B's consent is obtained by
a. Undue influence b. Fraud c. **Coercion** d. None of these
21. As per section 20, the contact is void on account of bilateral mistake of fact. But as per section 22, if there is mistake of only on party then the contact is
a. Void b. **Valid** c. Voidable d. Illegal
22. A agrees to sell his car to b at a price which B may be able to pay. This agreement is
a. **Void** b. Valid c. Voidable d. Contingent
23. An agreement to pay money or money's worth on the happening or non happening of a specified uncertain event is
a. **Wagering agreement** b. Contingent contact c. Quasi contact d. Uncertain agreement
24. Where the performance of a promise by one party depends on the prior performance of promise by the other party such reciprocal promises fall under the category of
a. Mutual and concurrent c. **Conditional and dependent** c. Mutual and independent d. Both (a) and (b)
25. The special damages i.e., the damages which arise due to so especial or unusual circumstances
a. Are not recoverable altogether b. Are illegal being punitive in nature
c. Cannot be claimed as a matter of right d. Can be claimed as a matter of right
29. When the offeree offers to qualified acceptance of offer subject to modifications & variations, he is said to have made a
a. Standing open or continuing offer b. **Counter offer** c. Cross offer d. Special offer

26. R an optical surgeon, employs S as the assistant for a term of three years and S agrees not to practice as surgeon during this period. This contact is
a. **Valid** b. Void c. Voidable d. Illegal
27. When offer is made to definite person it is known as
a. General offer b. Cross offers c. Counter offer d. **Special offer**
28. A stipulation in a contract of sale of goods whose violation by seller gives a right of rescission to buyer is called
a. Guarantee b. Warranty c. **Condition** d. Term
29. The unpaid seller has right of stoppage of goods in transit only where the buyer
a. **Becomes insolvent** b. Refuses to pay price c. Acts fraudulently d. All of these
30. Goods which are in existence at the time of the contract of sale is known as
a. Present goods b. **Existing goods** c. Specific goods d. None of these
31. Which one of the following is/are document of title to goods?
a. Railway receipt b. Wharfinger's certificate c. Warehouse keeper's certificate d. **All of the above**
32. Contract of sale is
a. Executor contract b. Executed contract c. **Both of the above** d. Any of the above
33. In which form of the contract the property in the goods passes to the buyer immediately?
a. Agreement to sell b. Hire purchase c. **Sale** d. Installment to sell
34. Which one of the following is not an implied warranty?
a. Warranty as to undisturbed possession b. **Warranty as to existence of encumbrance**
c. Disclosure of dangerous nature of goods d. Warranty as to quality or fitness by usage of trade
35. Doctrine of Caveat Emptor means
a. Let the seller beware b. **Let the buyer beware** c. Let the creditor beware d. None of the above
36. An unpaid seller is having rights against
a. Goods only b. The buyer only c. **Both goods and buyer** d. None of the above
37. Under which of the circumstances unpaid seller loses his right of lien
a. By estoppels b. Where seller waived the right of lien
c. Where the buyer or his agent lawfully obtains possession of the goods d. **Any of the above**
38. Which of the following right can be exercised by an unpaid seller against the buyer, who is not insolvent
a. **Right of lien** b. Right of stoppage in transit c. Both (a) and (b) d. None of the above
39. Which of the following is a buyer right against the seller in case of breach of contract?
a. Suit for non delivery b. Suit for specific performance c. Suit for damages for breach of warranty d. **All of the above**
40. If A agrees to deliver 100 kg of sugar to B in exchange of 15 mts of cloth then it is
a. Contract of sale b. Agreement to sell c. Sale on approval d. **Barter**
41. A agrees to deliver his old car valued at Rs 80000 to B a car dealer in exchange for a new car and agrees to pay the difference in cash it is
a. **Contract of sale** b. Agreement to sell c. Exchange d. Barter
42. If the buyer rejects the whole quantity of goods due to short delivery or excess delivery the contract is treated as
a. **Subsisting** b. Cancelled c. Void d. Invalid
43. A contract of the sale of goods which provide that the property would pass to the buyer on full payment of price and execution of sale deed is known as
a. Sale b. **Agreement to sell** c. Hire-purchase agreement d. Sale of approval
44. Under which circumstances the right of stoppage can be exercised by the unpaid seller
a. The buyer has become insolvent b. The goods are in transit c. The seller must be unpaid d. **All of the above**
45. Where the seller wrongfully neglects to deliver the goods to the buyer then the buyer
a. Cannot sue the seller for damages for non-delivery b. May sue the seller for damages for non delivery
c. Either (a) or (b) d. None of the above
46. Where the buyer is deprived to goods by their true owner then the buyer
a. **May recover the price for breach of the condition as to title** b. Either (a) or (c)
c. Cannot recover the price for breach of the condition as to title d. None of the above
47. Where the buyer wrongfully neglects or refuses to accept and pay for the goods then
a. **The seller may sue buyer for damages for non acceptance.** b. The seller can sue buyers bankers for damages
c. The seller cannot sue buyer for damages for non acceptance d. None of the above
48. The implied condition that goods shall be fit to buyers specific purpose, is applicable only where the buyer tells his purpose to the seller and relies upon sellers skill and judgment as
a. **It is requirement of law** b. It is the buyers duty to select goods which serve his purpose
c. Seller can be silent d. All of the above
49. In case of sale of standing trees the property passes to the buyer when trees are
a. **Felled and ascertained** b. Not felled but earmarked c. Counted and ascertained d. Both (b) and (c)
50. In case of sale of unascertained goods, the ownership is transferred to the buyer when the goods are
a. Ascertained b. Appropriated to the contract c. Weighed and measured d. **Both (a) and (b)**
51. The bidder at an auction sale the seller appoints more than one bidder the sale is
a. Any time during auction b. **Before all of hammer** c. Before payment of price d. None of these
52. Where in an auction sale notified with reserve price the auctioneer mistakenly knocks down the goods for less than the reserve price then the auctioneer is
a. Bound by auction b. **Not bound by auction** c. Liable for damages d. Both (a) and (c)
53. Under the Sale of Goods Act 1930, which of the following is are the implied warranty(ies)?
1. Warranty of quiet possession 2. Warranty of freedom from encumbrances

3. Warranty of title 4. Warranty as to wholesomeness
a. 1&2 b. 2&3 c. 2&4 d. 3&4

54. The term goods for the purpose of Sale of Goods Act 1930, does not include
1. Money 2. Actionable claims 3. Stocks and shares 4. Growing crops, grass
a. 1&2 b. 1&3 c. 2&4 d. 3&4

55. A seller is unpaid when
1. Whole of the price have not been tendered 2. A negotiable instrument given has been dishonoured
3. A bill of exchange given was dishonoured 4. A part of the price has only been paid
a. 1,2,3, b. 2,3,4 **c. 1,2,3,4** d. 1,3,4

56. A sold a tin of disinfectant powder to K without warning knowing fully that if the tin was not opened with care it will likely to cause injury. K was injured while opening the tin. Which of the following statement is correct?
a. A is not liable to K under the Doctrine of caveat emptor b. A has no duty to disclose the facts to k
c. **A is liable for the damages d.** The buyer has the responsibility to enquire about all things before purchasing goods

57. In a concluded sale if the goods are destroyed the loss is to be borne by
a. The seller b. **The buyer** c. Both seller and buyer in agreed proportions d. The party who is in possession of goods

58. The most important element in partnership is
a. Business b. Sharing of profits c. Agreements d. **Business to be carried on by all or any of them action for all**

59. The maximum number of partners is specified in
a. The Partnership Act b. The General Clauses Act c. **The Companies Act** d. The Societies Registration Act

60. Each of the partner is
a. **Principal as well agent b.** Only agents of the firm c. Only representatives of the firm d.Only Co-partners of the firm

61. An unregistered firm cannot claim
a. Set on b. **Set off** c. Set on and set off d. None of the above

62. On dissolution, the partners remain liable until
a. Accounts are settled b. Partners dues are paid off c. **Public notice is given** d. The registrar strikes off the name

63. Which of the following statement about the registration of firm is not true
a. **It must be done at the time of its formation** b. It may be done at the time of formation
b. It may be done before filing a suit against third party c. It may be done at any time after its formation

64. As per the accepted view the registration of the firm is considered complete when
a. Complete application for registration is filed with the registrar b. Registrar gives notice of registration to all partners
c. Registrar files the statement and makes entries in the register of firms
d. Court records the statement and certifies the entries in register of firms

65. Which of the following is not a disability of an unregistered firm?
a. It cannot file a suit against third parties b. Its partners cannot file a suit against the firm
c. It cannot claim a set-off exceeding RS 100 d. **It cannot be sued by a third party**

66. Which of the following acts are not included in the implied authority of a partner?
a. To buy or sell goods on accounts of partners b. To borrow money for the purposes of firm
c. To enter into partnership on behalf of firm d. To engage a lawyer to defend actions against firm

67. The reconstitution of the firm takes place in case
a. Admission of a partner b. Retirement of a partner c. Expulsion or death of a partner d. **All of the above**

68. On which of the following grounds, a partner may apply to the court for dissolution of the firm?
a. Insanity of a partner b. Misconduct of a partner c. Perpetual losses in business d. **All of the above**

69. X and Y purchase 10,000 bags of cement, which they are to sell for their joint account
a. **X and Y are partners b.** X and Y are only joint owners c. X and Y are co-ventures d. None of the above

70. A partnership at will is one
1. Duration not fixed 2. Duration fixed 3. Dissolved at any time 4. Can be dissolved only on the happening of an event
a. 1&2 b. 2&3 c. 3&4 **d. 1&3**

71. The position of a minor in a partnership firm is to be determined taking in to account
1. The Indian Contract Act, 1872 2. The Indian Partnership Act 1932 3. Minors agreement 4. The majority Act 1875
a. 1 & 2 b. 2 & 3 c. 3 & 4 d. 1&4

72. X agrees with Y who is goldsmith to buy and furnish gold to Y to be worked by on by him and sold and that they shall share in the resulting profit or loss. The contact between X and Y is that of
a. **Partnership** b. Association of goldsmith c. Contract for labour work d. Contact of sale

73. X and Y agree to work together as carpenters but X shall receive all profit and shall pay wages to Y. The relation between X and Y is that
a. Partners b. Carpenters c. Labourers d. **Master-servant**

74. A,B & C jointly promised to pay Rs 60000 to D. A was compelled by D to pay the entire amount of Rs 60000. Here
a. A can file a suit against D for recovery of amount exceeding his share
b. A is entitled to recover RS 20000 each from B and C
c. On payment by A the contract is discharged and B and C are also not liable to A
d. D is not justified here and is liable to refund the entire amount to A

75. G paid Rs 100000 to H to influence that head of the government organization in order to provide him some employment. On his failure to provide the job, G sued H for recovery of the amount. Which of the following is correct?
a. The contact is valid and G can recover the amount from H
b. The contact is void as it is opposed to public policy and G cannot recover
c. G can recover the amount with interest d. G can recover the amount of Rs 100000 and damages