

## Paper 2 - Fundamentals of Accounting

### Multiple Choice Questions on Cost Accounting

1. **Costs that change in response to alternative courses of action are called:**  
 (a) Relevant costs ; (b) Differential costs ; (c) Target costs ; (d) Sunk costs

2. **The cost data pertaining to Product "X" of XL Ltd. are as follows :**

Maximum capacity	30,000 units
Normal capacity	15,000 units
Increase in inventory	1,880 units
Variable cost per unit	₹ 12
Selling price per unit	₹ 50
Fixed manufacturing overhead costs	₹ 3,60,000

**If the profit under Absorption costing method is ₹ 1,01,000, the profit under Marginal costing method would be**

(a) ₹ 1,46,120 ; (b) ₹ 1,23,560 ; (c) ₹ 55,880 ; (d) ₹ 73,340

[Hint : Fixed cost per unit = ₹ 3,60,000 / 15,000 units = ₹ 24

Profit under absorption costing = ₹ 1,01,000

Adjustment of fixed manufacturing overhead costs of increased inventory = 1,880 units x ₹ 24 = ₹ 45,120

Profit under marginal costing = ₹ 1,01,000 – ₹ 45,120 = ₹ 55,880]

3. **The total cost incurred in the operation of a business undertaking other than the cost of manufacturing and production is known as**

(a) Direct cost ; (b) Variable cost ; (c) Commercial cost ; (d) Conversion cost

4. **Consider the following data for a company during the month of June 2012**

Budgeted hours	4,000
Standard hours for actual production	4,400
Maximum possible hours in the budget period	4,800
Actual hours	3,800

**The activity ratio of the company during the month is**

(a) 111% ; (b) 120% ; (c) 95% ; (d) 117%

[Hint : Activity ratio =  $\frac{\text{Standard hours for actual production}}{\text{Budgeted hours}} \times 100$

$$= \frac{4,400 \text{ hours}}{4,000 \text{ hours}} \times 100 = 111\%$$

5. **Total unit costs are**

(a) Independent of the cost system, used to generate them  
 (b) Needed for determining product contribution  
 (c) Irrelevant in marginal analysis  
 (d) Relevant for cost-volume-profit analysis

6. **Which of the following bases is not appropriate for apportionment of Transport department's cost ?**

(a) Crane hours ; (b) Crane value ; (c) Truck Mileage ; (d) Truck value

7. **The cost of obsolete inventory acquired several years ago, to be considered in a keep vs. disposal decision is an example of :**

(a) Uncontrollable cost ; (b) Sunk cost ; (c) Avoidable cost ; (d) Opportunity cost

[Hint : Costs of obsolete inventory represent the sunk cost because the costs have already been incurred.]

8. **Budgeted sales for the next year is 5,00,000 units. Desired ending finished goods inventory is 1,50,000 units and equivalent units in ending W-I-P inventory is 60,000 units. The opening finished goods**

inventory for the next year is 80,000 units, with 50,000 equivalent units in beginning W-I-P inventory  
How many equivalent units should be produced?

(a) 5,80,000 ; (b) 5,50,000 ; (c) 5,00,000 ; (d) 5,75,000

[Hint : Using production related budgets, units to produce equals budgeted sales + desired ending finished goods inventory + desired equivalent units in ending W-I-P inventory – beginning finished goods inventory – equivalent units in beginning W-I-P inventory. Therefore, in this case, units to produce is equal to 5,00,000 + 1,50,000 + 60,000 – 80,000 – 50,000 = 5,80,000.

9. If the asset turnover and profit margin of a company are 1.85 and 0.35 respectively, the return on investment is

(a) 0.65 ; (b) 0.35 ; (c) 1.50 ; (d) 5.29

[Hint : Return on investment = Asset turnover x Profit margin = 1.85 x 0.35 = 0.65]

10. A company is currently operating at 80% capacity level. The production under normal capacity level is 1,50,000 units. The variable cost per unit is ₹ 14 and the total fixed costs are ₹ 8,00,000. If the company wants to earn a profit of ₹ 4,00,000, then the price of the product per unit should be

(a) ₹ 37.50

(b) ₹ 38.25

(c) ₹ 24.00

(d) ₹ 35.00

[Hint : Total fixed cost - ₹ 8,00,000  
Expected profit - ₹ 4,00,000  
Variable cost at 80% level  
(80% x 1,50,000 units x ₹ 14) - ₹ 16,80,000  
Total price - ₹ 28,80,000  
Per unit price at 80% level = (₹ 28,80,000 / 1,20,000 units) = ₹ 24.00.]

11. Consider the following data pertaining to the production of a company for a particular month :

Opening stock of raw material	₹ 11,570
Closing stock of raw material	₹ 10,380
Purchase of raw material during the month	₹ 1,28,450
Total manufacturing cost charged to product	₹ 3,39,165

Factory overheads are applied at the rate of 45% of direct labour cost.

The amount of factory overheads applied to production is

(a) ₹ 65,025

(b) ₹ 94,287

(c) ₹ 95,020

(d) ₹ 1,52,624

[Hint : Raw material used = Op. Stock + Purchases – Cl. Stock  
= ₹ 11,570 + ₹ 1,28,450 – ₹ 10,380 = ₹ 1,29,640  
Manufacturing cost = Raw material used + Direct labour + Factory overhead  
₹ 3,39,165 = ₹ 1,29,640 + Direct labour + 45% of Direct labour  
1.45 Direct labour = ₹ 2,09,525  
Direct labour = ₹ 1,44,500  
The amount of factory overhead = 45% of ₹ 1,44,500 = ₹ 65,025.]

12. The budgeted annual sales of a firm is ₹ 80 lakhs and 25% of the same is cash sales. If the average amount of debtors of the firm is ₹ 5 lakhs, the average collection period of credit sales months.

(a) 1.50

(b) 1.00

(c) 0.50

(d) 1.75

[Hint : Total annual sales = ₹ 80 lakhs  
Total cash sales = 25 % of 80 lakhs. = 20 lakhs.  
Total credit sales = 75% of 80 lakhs = 60 lakhs  
Average amount of debtors = 5 lakhs = 1 months average credit sales.  
Therefore, average collection period is 1 month.]

13. If the minimum stock level and average stock level of raw material "A" are 4,000 and 9,000 units respectively, find out its reorder quantity.

- (a) 8,000 units
- (b) 11,000 units
- (c) 10,000 units
- (d) 9,000 units

[Hint : Average stock level = Minimum stock level +  $\frac{1}{2}$  Reorder quantity  
 9,000 units = 4,000 units +  $\frac{1}{2}$  Reorder quantity  
 $\frac{1}{2}$  Reorder quantity = 9,000 units – 4,000 units  
 Reorder level = 5,000 units / 0.5 = 10,000 units]

14. A worker has a time rate of ₹ 15/hr. He makes 720 units of component (standard time : 5 minutes/ unit) in a week of 48 hours. His total wages including Rowan bonus for the week is

- (a) ₹ 792
- (b) ₹ 820
- (c) ₹ 840
- (d) ₹ 864

[Hint : Standard time =  $\frac{5 \text{ times} \times 720 \text{ units}}{60 \text{ minutes}}$  = 60 hours  
 Time taken = 48 hrs.  
 Time saved = 12 hrs.  
 Total earning of a worker under Rowan plan  
 = (48 hrs. x ₹ 15) + ( $\frac{12 \text{ hrs.}}{60 \text{ hrs.}} \times 48 \text{ hrs.} \times ₹ 15$ )  
 = ₹ 720 + ₹ 144 = ₹ 864

15. A company maintains a margin of safety of 25% on its current sales and earns a profit of ₹ 30 lakhs per annum. If the company has a profit volume (P/V) ratio of 40%, its current sales amount to

- (a) ₹ 200 lakhs
- (b) ₹ 300 lakhs
- (c) ₹ 325 lakhs
- (d) None of the above

[Hint : Margin of safety = Profit/ P/V Ratio  
 =  $\frac{30}{0.40}$  = ₹ 75 lakhs  
 0.25 of sales = ₹ 75 lakhs  
 Hence, Sales =  $\frac{75}{0.25}$  = ₹ 300 lakhs]

16. Sale for two consecutive months, of a company are ₹ 3,80,000 and ₹ 4,20,000. The company's net profits for these months amounted to ₹ 24,000 and ₹ 40,000 respectively. There is no change in contribution/sales ratio or fixed costs. The contribution/sales ratio of the company is

- (a)  $\frac{1}{3}$
- (b)  $\frac{2}{5}$
- (c)  $\frac{1}{4}$
- (d) None of the above

[Hint : Contribution / sales = Increase in profit / Increase in sales  
 =  $\frac{(40,000 - 24,000)}{(4,20,000 - 3,80,000)}$   
 =  $\frac{16,000}{40,000}$  =  $\frac{2}{5}$ ]

17. A Limited has fixed costs of ₹ 6,00,000 per annum. It manufactures a single product which it sells for ₹ 200 per unit. Its contribution to sales ratio is 40%. A Limited's break-even in units is

- (a) 7,500
- (b) 8,000
- (c) 3,000
- (d) 1,500

[Hint : Break-even units = Fixed cost / contribution per unit  
= ₹ 6,00,000/ 40% of ₹ 200  
= 7,500]

18. The current liabilities of Akash Ltd. is ₹ 30,000. If its current ratio is 3:1 and Quick ratio is 1:1, the value of stock-in-trade will be

- (a) ₹ 20,000  
(b) ₹ 30,000  
(c) ₹ 60,000  
(d) Insufficient information

[Hint : Current Ratio =  $\frac{\text{Current Assets}}{\text{Current Liabilities}}$  = 3:1  
Current Assets = ₹ 30,000 x 3 = ₹ 90,000  
Quick Ratio =  $\frac{\text{Quick Assets}}{\text{Quick Liabilities}}$  = 1:1  
Liquid assets = ₹ 30,000 x 1 = ₹ 30,000  
Hence, value of stock-in-trade : CA – LA = ₹ (90,000 – 30,000) = ₹ 60,000]

19. If the capacity usage ratio of a production department is 90% and activity ratio is 99% then the efficiency ratio of the department is

- (a) 100%  
(b) 120%  
(c) 110%  
(d) 105%

[Hint : Efficiency ratio (ER) =  $\frac{\text{Std. hr. of production}}{\text{Actual hrs.}}$   
Activity ratio (AR) =  $\frac{\text{Std. hrs. for production}}{\text{Budgeted hrs.}}$   
Capacity ratio (CR) =  $\frac{\text{Actual hrs.}}{\text{Budgeted hrs.}}$   
Hence, ER = AR / CR =  $\frac{99\%}{90\%}$  = 110%]

20. In two consecutive periods, sales and profit were ₹ 1,60,000 and ₹ 8,000 respectively in the first period and ₹ 1,80,000 and ₹ 14,000 respectively during the second period. If there is no change in fixed cost between the two periods then P-V ratio must be

- (a) 20%  
(b) 25%  
(c) 30%  
(d) 40%

[Hint :  $\frac{\text{Change in profit}}{\text{Change in sales}}$  = P/V Ratio  
=  $\frac{14,000 - 8,000}{1,80,000 - 1,60,000}$   
=  $\frac{6,000}{20,000}$   
= 0.30 or 30%]

21. Horizon Ltd. Manufactures product BM for last 5 years. The company maintains a margin of safety of 37.5% with overall contribution to sales ratio of 40%. If the fixed cost is ₹ 5 lakh, the profit of the company is

- (a) ₹ 24.00 laks  
(b) ₹ 12.50 lakh  
(c) ₹ 3.00 lakh  
(d) None of A, B, C

[Hint : Break even sales = ₹ 5 lakhs ÷ 0.40 = ₹ 12.50 lakhs  
Total sales =  $\frac{12.50}{(1 - 0.375)}$  = ₹ 20.00 lakhs  
Hence the profit of the company : ₹ 20 lakh x 0.375 x 0.40 = ₹ 3.00 lakhs]

22. The cost-volume-profit relationship of a company is described by the equation  $y = ₹ 8,00,000 + 0.60x$ , in which  $x$  represents sales revenue and  $y$  is the total cost at the sales volume represented by  $x$ . If the company desires to earn a profit of 20% on sales, the required sales will be.  
 (a) ₹ 40,00,000  
 (b) ₹ 35,50,000  
 (c) ₹ 24,00,000  
 (d) ₹ 20,00,000  
**[Hint :** Variable cost = 60% , therefore, contribution to sales ratio = 40% (P/V ratio)  
 Company's target profit 20% in sales, therefore, revised contribution which covers only fixed cost = 40% - 20% = 20%.  
 Required sales = fixed cost / revised contribution = ₹ 8,00,000/ 20% = ₹ 40,00,000.]
23. ABC Ltd. is having 400 workers at the beginning of the year and 500 workers at the end of the year. During the year 20 workers were discharged and 15 workers left the organization. During the year the company has recruited 65 workers. Of these, 18 workers were recruited in the vacancies of those leaving, while the rest were engaged for an expansion scheme. The labour turnover rate under separation method is :  
 (a) 22.20%  
 (b) 7.78%  
 (c) 4.00%  
 (d) 14.40%  
**[Hint :** Average number of workers =  $(400 + 500)/2 = 450$   
 Separation method  
 $= \frac{\text{No. of separations during the period}}{\text{Average number of workers during the period}} \times 100$   
 $= \frac{20 + 15}{450} \times 100$   
 $= 7.78\%$ ]
24. One of the most important tools in cost planning is:  
 (a) Direct cost ; (b) Cost Sheet ; (c) Budget ; (d) Marginal Costing.
25. Economies and diseconomies of scale explain why the:  
 (a) Short-run average fixed cost curve declines so long as output increases.  
 (b) Marginal cost curve must intersect the minimum point of the firm's average total cost curve.  
 (c) Long-run average total cost curve is typically U-shaped.  
 (d) Short-run average variable cost curve is U-shaped.
26. Which of the following is not a relevant cost?  
 (a) Replacement cost ; (b) Sunk cost ; (c) Marginal cost ; (d) Standard cost.
27. Which of the following is an accounting record?  
 (a) Bill of Material ; (b) Bin Card ; (c) Stores Ledger . ; (d) All of these.
28. The fixed-variable cost classification has a special significance in preparation of :  
 (a) Flexible Budget ; (b) Master Budget ; (c) Cash Budget ; (d) Capital Budget
29. Input in a process is 4000 units and normal loss is 20%. When finished output in the process is only 3240 units, there is an :  
 (a) Abnormal loss of 40 units ; (b) Abnormal gain of 40 units ; (c) Neither abnormal loss nor gain.  
 (d) Abnormal loss of 60 units.
30. Idle capacity of a plant is the difference between:  
 (a) Maximum capacity and practical capacity ; (b) Practical capacity and normal capacity  
 (c) Practical capacity and capacity based on sales expectancy  
 (d) Maximum capacity and actual capacity.
31. When P/V ratio is 40% and sales value is ₹10,000, the variable cost will be  
 (a) ₹ 4000 ; (b) ₹ 6000 ; (c) ₹ 10000 ; (d) Variable Cost cannot be calculated from data given.

32. **The forex component of imported material cost is converted**  
(a) At the rate on the date of settlement ; (b) At the rate on the date of transaction  
(c) At the rate on date of delivery ; (d) None of the above.
33. **Maximum possible productive capacity of a plant when no operating time is lost , is its**  
(a) Practical capacity ; (b) Theoretical capacity ; (c) Normal capacity  
(d) Capacity based on sales expectancy

[Hint : Theoretical capacity is the denominator-level concept that is based on producing at full efficiency all the time.,

Practical capacity is a denominator-level concept that reduces the theoretical capacity by unavoidable operating interruptions such as scheduled maintenance time, shutdowns for holidays and so on.

Normal capacity measures the denominator level in terms of demand for the output of the plant. Normal capacity utilization is a concept based on the level of capacity utilization that specifies the average customer demand over a time period, that includes seasonal, cyclical and trend factors.]

34. **When production is below standard specification or quality and cannot be rectified by incurring additional cost, it is called**  
(a) Defective ; (b) Spoilage ; (c) Waste ; (d) Scrap

[Hint : (1) Spoiled goods-goods that do not meet production standards and are either sold for their salvage value or discarded; (2) Defective units-goods that do not meet standards and are sold at a reduced price or reworked and sold at the regular or a reduced price; (3) Waste-material that is lost in the manufacturing process by shrinkage, evaporation, etc.; and (4) Scrap-by-product of the manufacturing process that has a minor market value.]

35. **CAS 8 requires each type of utility to be treated as**  
(a) Separate cost object ; (b) Not part of cost as not include in material  
(c) Not part of cost as they do not form part of product  
(d) Treated as administrative overheads.

36. **Selling and distribution overhead does not include:**  
(a) Cost of warehousing ; (b) Repacking cost ; (c) Transportation cost ; (d) Demurrage charges.

37. **When overtime is required for meeting urgent orders, overtime premium should be**  
(a) Charged to Costing Profit and Loss A/c ; (b) Charged to overhead costs  
(c) Charged to respective jobs ; (d) None of the above.  
[Hint : When cost is incurred for specified job, the cost should be charged to that job only.]

38. **Exchange losses or gains after purchase transaction is complete is treated as**  
(a) Product cost.; (b) Overhead cost. ; (c) Purchase cost. ; (d) Finance cost

39. **Selling price per unit ₹ 15.00; Direct Materials cost per unit ₹ 3.50; Direct Labour cost per unit ₹ 4.00 Variable Overhead per unit ₹ 2.00; Budgeted fixed production overhead costs are ₹ 60,000 per annum charged evenly across each month of the year. Budgeted production costs are 30,000 units per annum. What is the Net profit per unit under Absorption costing method.**  
(a) ₹ 9.50 ; (b) ₹ 15.00 ; (c) ₹ 11.50 ; (d) ₹ 3.50

40. **Which of the following cost is linked with the calculation of cost of inventories?**  
(a) Product cost ; (b) Period cost ; (c) Both product and period cost ; (d) Historical cost

41. **If, Sales = ₹ 800,000  
Markup rate = 25% of cost  
What would be the value of Gross profit?**  
(a) ₹ 200,000 ; (b) ₹ 160,000 ; (c) ₹ 480,000 ; (d) ₹ 640,000

42. **Which of the following is TRUE when piece rate system is used for wage determination?**  
(a) Under this method of remuneration a worker is paid on the basis of time taken by him to perform the work

- (b) Under this method of remuneration a worker is paid on the basis of production  
(c) The rate is expressed in terms of certain sum of money for total production  
(d) The rate is not expressed in terms of certain sum of money for total production
43. **The salary of factory clerk is treated as:**  
(a) Direct labor cost ; (b) Indirect labor cost ; (c) Conversion cost ; (d) Prime cost
44. **Average consumption x Emergency time is a formula for the calculation of:**  
(a) Lead time ; (b) Re-order level ; (c) Maximum consumption ; (d) Danger level
45. **EOQ is a point where:**  
(a) Ordering cost is equal to carrying cost ; (b) Ordering cost is higher than carrying cost  
(c) Ordering cost is lesser than the carrying cost ; (d) Total cost is maximum
46. **A worker is paid ₹ 0.50 per unit and he produces 18 units in 7 hours. Keeping in view the piece rate system, the total wages of the worker would be:**  
(a)  $18 \times 0.50 = ₹ 9$  ; (b)  $18 \times 7 = ₹ 126$  ; (c)  $7 \times 0.5 = ₹ 3.5$  ; (d)  $18 \times 7 \times 0.50 = ₹ 63$
47. **When closing stock is over valuate, what would its effect on profit?**  
(a) Cannot determined with given statement ; (b) It will increase the profit  
(c) It will decrease the profit ; (d) No effect on profit
48. **A firm sells bags for ₹ 14 each. The variable cost for each unit is ₹ 8. What is the contribution margin per unit?**  
(a) ₹ 6 ; (b) ₹ 12 ; (c) ₹ 14 ; (d) ₹ 8
49. **Which of the following is NOT true? A small company's breakeven point:**  
(a) Occurs where its revenue equals its expenses  
(b) Shows entrepreneurs' minimum level of activity required to keep the company in operation  
(c) Is the point at which a company neither earns a profit nor incurs a loss  
(d) Total contribution margin equals total variable expenses
50. **Keller Co. sells a single product for ₹ 28 per unit. If variable costs are 65% of sales and fixed costs total ₹ 9,800, the break-even point will be:**  
(a) 15,077 units ; (b) 18,200 units ; (c) 539 units ; (d) 1,000 units
51. **If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at ₹ 12 per hour. Budgeted labor costs for the month should be:**  
(a) ₹ 1,360 ; (b) ₹ 1,440 ; (c) ₹ 4,320 ; (d) ₹ 5,346
52. **Which of the following is a process by which managers analyze options available to set courses of action by the organization?**  
(a) Heuristics method ; (b) Decision making ; (c) The Delphi technique ; (d) Systematic error
53. **Which of the following is not true about differential costs?**  
(a) It is a broader concept than variable cost as it takes into account additional fixed costs caused by management decisions  
(b) With the passage of time and change in situation, differential costs will vary  
(c) The difference in cost between buying them from outside or make them in the company is differential cost, irrelevant for decisions  
(d) They are extra or incremental costs caused by a particular decision
54. **Which one of the following is the Traditional approach for costing?**  
(a) Contribution approach ; (b) Absorption costing approach  
(c) Decision making approach ; (d) Marginal costing approach
55. **What would be the margin of safety ratio based on the following information?**

Sales price = ₹ 100 per unit  
Variable cost = ₹ 25 per unit  
Fixed cost = ₹ 50 per unit

- (a) 25%
- (b) 33.333%
- (c) 66.666%
- (d) 75%

56. If:  
Cost of opening finished goods ₹ 2,000  
Cost of goods to be produced ₹ 6,000  
Operating expenses ₹ 1,000.  
Which of the following is the cost of goods available for sale?  
(a) ₹ 8,000 ; (b) ₹ 4,000 ; (c) ₹ 7,000 ; (d) ₹ 9,000
57. Ahmed Corporation has sales of ₹ 500,000 for the period. The selling expenses are estimated as 12% of sales. The gross profit for the period is amounting to ₹ 150,000.  
Calculate the amount of selling expenses for the period?  
(a) ₹ 60,000 ; (b) ₹ 45,000 ; (c) ₹ 90,000 ; (d) ₹ 210,000
58. Which of the following would be considered to be an investment centre?  
(a) Managers have control over marketing  
(b) Managers have a sales team  
(c) Managers have a sales team and are given a credit control function  
(d) Managers can purchase capital assets and are given a credit control function
59. Which of the following would NOT lead to an increase in net cash flow?  
(a) Larger sales volume ; (b) Higher selling price ; (c) Reduced material cost  
(d) Charging of lower depreciation
60. All of the following are features of a relevant cost EXCEPT:  
(a) They affect the future cost ; (b) They cause an increment in cost  
(c) Relevant cost is a sunk cost ; (d) They affect the future cash flows
61. Which of the following statement is TRUE about the relevant cost?  
(a) It is a sunk cost ; (b) It is an opportunity cost  
(c) It do not affect the decision making process ; (d) All costs are relevant
62. In decision making all costs already incurred in past should always be:  
(a) Ignored ; (b) Considered ; (c) Partially ignored ; (d) Partially considered
63. Which of the following statement is TRUE about historical cost?  
(a) It is always relevant to decision making  
(b) It is always irrelevant to decision making  
(c) It is always an opportunity cost ; (d) It is always realizable value
64. In cost accounting, unavoidable loss is charged to which of the following?  
(a) Factory over head control account ; (b) Work in process control account  
(c) Marketing overhead control account ; (d) Administration overhead control account
65. Merrick Differential Piece Rate Plan based on \_\_\_\_\_ piece rates is fixed.  
(a) Two ; (b) Three ; (c) Four ; (d) Five
66. Which of the given is (are) the method(s) of measurement of Labor Turnover?  
(a) Separation method ; (b) Flux method ; (c) Replacement method ;  
(d) All of the given options
67. What will be the impact of normal loss on the overall per unit cost ?  
(a) Per unit cost will increase ; (b) Per unit cost will decrease  
(c) Per unit cost remain unchanged ; (d) Normal loss has no relation to unit cost

68. Which of the given units can never become part of first department of Cost of Production Report?

- (a) Units received from preceding department
- (b) Units transferred to subsequent department
- (c) Lost units ; (d) Units still in process

69. Details of the process for the last period are as follows:

Put into process	5,000 kg
Materials	₹ 2,500
Labor	₹700
Production overheads	200% of labor

Normal losses are 10% of input in the process. The output for the period was 4,200 Kg from the process. There was no opening and closing Work- in- process. What were the units of abnormal loss?

- (a) 500 units ; (b) 300 units ; (c) 200 units ; (d) 100 units

70. ABC Company makes a single product which it sells for ₹ 20 per unit. Fixed costs are ₹ 75,000 per month and product has a profit/volume ratio of 40%. In that period actual sales were ₹ 225,000.

Required: Calculate ABC Company Break Even point in ₹

- (a) ₹187, 500 ; (b) ₹562, 500 ; (c) ₹ 1,500,000 ; (d) None of the given options

71. All of the following are the features of fixed costs EXCEPT:

- (a) Although fixed within a relevant range of activity level but are relevant to a decision making when it is avoidable.
- (b) Although fixed within a relevant range of activity level but are relevant to a decision making when it is incremental.
- (c) Generally it is irrelevant
- (d) It is relevant to decision making under any circumstances

72. A typical factory overhead cost is:

- (a) Distribution ; (b) Internal audit ; (c) Compensation of plant manager ; (d) Design

73. An average cost is also known as:

- (a) Variable cost ; (b) Unit cost ; (c) Total cost ; (d) Fixed cost

74. Period costs are:

- (a) Expensed when the product is sold ; (b) Included in the cost of goods sold
- (c) Related to specific period ; (d) Not expensed

75. While calculating the EOQ, number of orders is calculated by:

- (a) Dividing required unit by ordered quantity
- (b) Multiplying the required units with ordered quantity
- (c) Multiplying the ordered quantity with cost per order
- (d) Multiplying the required units with cost per order

76. Which of the following best describe piece rate system?

- (a) The increased volume of production results in decreased cost of production
- (b) The increased volume of production in minimum time
- (c) Establishment of fair standard rates ; (d) Higher output is a result of efficient management

77. The term Cost apportionment is referred to:

- (a) The costs that can not be identified with specific cost centers.
- (b) The total cost of factory overhead needs to be distributed among specific cost centers but must be divided among the concerned department/cost centers.
- (c) The total cost of factory overhead needs to be distributed among specific cost centers.
- (d) None of the given options

78. Which of the following loss is not included as part of the cost of transferred or finished goods, but rather treated as a period cost?  
 (a) Operating loss ; (b) Abnormal loss ; (c) Normal loss ; (d) Non-operating loss

79. Hyde Park Company produces sprockets that are used in wheels. Each sprocket sells for ₹ 50 and the company sells approximately 400,000 sprockets each year. Unit cost data for the year follows:

Direct material	₹ 15	
Direct labor	₹ 10	
Other cost:	Fixed	Variable
Manufacturing	₹ 5	₹ 7
Distribution	₹ 4	₹ 3

Required: Identify the unit cost of sprockets under direct costing

(a) ₹ 44 ; (b) ₹ 37 ; (c) ₹ 32 ; (d) ₹ 35

80. When production is equal to sales, which of the following is TRUE?

- (a) No change occurs to inventories for either use absorption costing or variable costing methods
- (b) The use of absorption costing produces a higher net income than the use of variable costing
- (c) The use of absorption costing produces a lower net income than the use of variable costing
- (d) The use of absorption costing causes inventory value to increase more than they would though the use of variable costing

81. Selling price per unit is ₹ 15, total variable cost per unit is ₹ 9, and total fixed costs are ₹ 15,000 of "XIT". What is the breakeven point in units for "XIT"?

(a) 3,000 units ; (b) 1,000 units ; (c) 1,667 units ; (d) 2,500 units

82. While constructing a Break even chart, the gap between sales line and variable cost line shows which of the following?

(a) Fixed cost ; (b) Break even point ; (c) Contribution margin ; (d) Variable cost

83. All of the following compose cost of goods sold EXCEPT:

(a) Raw material ; (b) Labor ; (c) Capital ; (d) Factory overhead

84. Amount of Depreciation on fixed assets will be fixed in nature if calculated under which of the following method?

(a) Straight line method ; (b) Reducing balance method ; (c) Some of year's digits method  
 (d) Double declining method

85. Which of the following is NOT a relevant cost to decision making?

(a) Opportunity costs ; (b) Relevant benefits ; (c) Avoidable costs ; (d) Sunk costs

86. What would be the attitude of the management in treating Sunk costs in decision making?

- (a) A periodic investment of cash resources that has been made and should be relevant for decision making
- (b) It is a past cost which is not directly relevant in decision making
- (c) Management will treat it as variable cost each time in decision making
- (d) None of the given options

87. Mr. Aslam is running his own personal Financial services business. He has been offered a job for a salary of ₹ 45,000 per month which he does not availed. ₹ 45,000 will be considered as:

(a) Sunk Cost ; (b) Opportunity cost ; (c) Avoidable cost ; (d) Historical cost

88. Which of the given cost does not become the part of cost unit?

(a) Advertising expenses ; (b) Direct labor cost ; (c) Factory overhead cost ;  
 (c) Cost of raw material

89. Budgeted Factory overhead at two activity levels is as follows for the period.

	Activity level	Budgeted factory overhead
Low	10,000 Hours	₹ 40,000
High	50,000 Hours	₹ 80,000

**Required: Identify variable rate with the help of above mentioned data.**

(a) ₹ 4.00 per hour ; (b) ₹ 1.60 per hour ; (c) ₹ 1.00 per hour ; (d) ₹ 2.00 per hour

90. Which of the given cost is NOT required to prepare Cost of Production Report?

(a) Period cost ; (b) Material cost ; (c) Labour cost ; (d) Factory overhead cost

91. Identify the FOH rate on the basis of machine hour?

Budgeted production overheads	₹2,80,000
Actual machine hours	70,000 hours
Actual production overheads	₹2,95,000

(a) ₹ 4.00 ; (b) ₹ 4.08 ; (c) ₹ 4.210 ; (d) ₹ 4.35

92. Which of the given will NOT be included for the calculation of equivalent units of material under weighted average costing method?

(a) Opening work in process units ; (b) Closing work in process units  
(c) Unit completed and transferred out ; (d) None of the given options

93. The basic assumption made in direct costing with respect to fixed costs is that

(a) Fixed cost is a controllable cost ; (b) Fixed cost is a product cost  
(c) Fixed cost is an irrelevant cost ; (d) Fixed cost is a period cost

94. The little Rock Company shows Break even sales is ₹ 40, 500 and Budgeted Sales is ₹ 50,000. Identify the Margin of safety ratio?

(a) 19% ; (b) 81% ; (c) 1.81% ; (d) Required more data to calculate

95. A machine cost ₹ 60,000 five years ago. It is expected that the machine will generate future revenue of 40,000. Alternatively, the machine could be scrapped for ₹ 35,000. An equivalent machine in the same condition cost 38,000 to buy now.

**Required: Identify the realizable value with the help of given data.**

(a) ₹ 60,000 ; (b) ₹ 40,000 ; (c) ₹ 35, 000 ; (d) ₹ 38,000

96. Cost of finished goods inventory is calculated by:

(a) Deducting total cost from finished goods inventory  
(b) Multiplying units of finished goods inventory with the cost per unit  
(c) Dividing units of finished goods inventory with the cost per unit  
(d) Multiplying total cost with finished goods inventory

97. Assuming no returns outwards or carriage inwards, the cost of goods sold will be equal to:

(a) Opening stock Less purchases plus closing stock  
(b) Closing stock plus purchases plus opening stock  
(c) Sales less gross profit  
(d) Purchases plus closing stock plus opening stock plus direct labor

98. All of the following are essential requirements of a good wage system EXCEPT:

(a) Reduced labor and overhead costs ; (b) Reduced per unit variable costs  
(c) Increased production ; (d) Increased operating costs

99. Profit under absorption costing will be higher than under marginal costing if :

(a) Produced units > Units sold ; (b) Produced units < Units sold  
(c) Produced units = Units sold ; (d) Profit cannot be determined with given statement

100. Good Job Plc makes one product which sells for ₹ 80 per unit. Fixed costs are ₹ 28,000 per month and marginal costs are ₹ 42 per unit. What sales level in units will provide a profit of ₹ 10,000?

(a) 350 units ; (b) 667 units ; (c) 1,000 units ; (d) 1,350 units

101. Cost volume Profit analysis (CVP) is a behavior of how many variables?

(a) 2 ; (b) 3 ; (c) 4 ; (d) 5

102. **If the selling price and the variable cost per unit both decrease at 10% and fixed costs do not change, what is the effect on the contribution margin per unit and the contribution margin ratio?**  
(a) Contribution margin per unit and the contribution margin ratio both remains unchanged  
(b) Contribution margin per unit and the contribution margin ratio both increases  
(c) Contribution margin per unit decreases and the contribution margin ratio remains unchanged  
(d) Contribution margin per unit increases and the contribution margin ratio remains unchanged
103. **All of the following are true EXCEPT:**  
(a) Profit + Fixed cost + Variable cost = Sales  
(b) Profit + Fixed cost = Sales – Variable cost  
(c) Contribution margin – Fixed cost = Profit  
(d) Profit + Fixed cost = Sales + Variable cost
104. **A job needs 3,000 actual labor hours to be completed. It is expected there will be 25% idle time. If the wage rate is ₹ 12.50 per hour, what is budgeted labor cost for the job?**  
(a) ₹ 26,000 ; (b) ₹ 37,500 ; (c) ₹ 50,000 ; (d) ₹ 42,000
105. **A company has budgeted sales of ₹ 48,000, breakeven sales of ₹ 35,000 and actual sales of ₹ 40,000 during a particular period. What will be the margin of safety?**  
(a) ₹ 8,000 ; (b) ₹ 13,000 ; (c) ₹ 5,000 ; (d) ₹ 21,000
106. **Which of the following product cost is included in prime cost and conversion cost?**  
(a) Direct labor ; (b) Manufacturing overhead ; (c) Direct material ; (d) Work in Process
107. **Machine lubricant used on processing equipment in a manufacturing plant would be classified as a**  
(a) Period cost (manufacturing overhead) ; (b) Period cost (Selling, General & Admin)  
(c) Product cost (manufacturing overhead) ; (d) Product cost (Selling, General & Admin)
108. **Which of the following costs would NOT be a period cost?**  
(a) Indirect materials ; (b) Administrative salaries ; (c) Advertising costs ; (d) Selling costs
109. **Which of the following is CORRECT to calculate cost of goods manufactured?**  
(a) Direct labor costs plus total manufacturing costs  
(b) The beginning work in process inventory plus total manufacturing costs and subtract the ending work in process inventory  
(c) Beginning raw materials inventory plus direct labor plus factory overhead  
(d) Conversion costs and work in process inventory adjustments results in cost of goods manufactured
110. **While calculating the EOQ, carrying cost is taken as the:**  
(a) %age of unit cost ; (b) %age of ordering cost ; (c) %age of annual required units  
(d) Total unit cost
111. **If, Wage rate ₹ 100/hr  
Working hours 8 hours  
Shift allowance ₹ 500  
Total pay will be:**  
(a) ₹ 800 ; (b) ₹ 500 ; (c) ₹ 1,300 ; (d) ₹ 300
112. **Which costs will change with an increase in activity within the relevant range ?**  
(a) Unit fixed cost and total fixed cost  
(b) Unit variable cost and total variable cost  
(c) Unit fixed cost and total variable cost  
(d) Unit fixed cost and unit fixed cost
113. **The term cost allocation is described as:**  
(a) The costs that can be identified with specific cost centers.  
(b) The costs that cannot be identified with specific cost centers.  
(c) The total cost of factory overhead needs to be distributed among specific cost centers.  
(d) None of the given options

114. **Over applied FOH will always result when a predetermined FOH rate is applied and:**  
 (a) Production is greater than defined capacity  
 (b) Actual overhead costs are less than budgeted  
 (c) Budgeted capacity is less than normal capacity  
 (d) Actual overhead incurred is less than applied Overhead
115. **The difference over the period of time between actual and applied FOH will usually be minimal when the predetermined overhead rate is based on:**  
 (a) Normal capacity ; (b) Designed capacity ; (c) Direct Labor hours ; (d) Machine hours
116. **The cost that is subject to actual payment or will be paid for in future is called:**  
 (a) Fixed cost ; (b) Step cost ; (c) Explicit cost ; (d) Imputed cost
117. **Under perpetual inventory system the inventory is treated as:**  
 (a) Assets ; (b) Liability ; (c) Income ; (d) Expense
118. **During the year 60,000 units put in to process. 55,000 units were completed. Closing WIP were 25,000 units, 40% completed. How much the equivalent units of output would be produced?**  
 (a) 25,000 units ; (b) 10,000 units ; (c) 65,000 units ; (d) 80,000 units
119. **The components of total factory cost are:**  
 (a) Direct Material + Direct Labor ; (b) Direct Labor + FOH ; (c) Prime Cost only  
 (d) Prime Cost + FOH
120. **The FIFO inventory costing method (when using a perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?**  
 (a) First to be allocated to the ending inventory  
 (b) Last to be allocated to the cost of goods sold  
 (c) Last to be allocated to the ending inventory  
 (d) First to be allocated to the cost of goods sold
121. **Which of the following is considered as basic systems of remunerating labour ?**  
 (a) Time rate system ; (b) Piece rate system ; (c) Halsey premium plan ;  
 (d) Both time rate and piece rate system
122. **You are required to calculate number of units sold of ABC Fans Company for the first quarter of the year with the help of given information.**
- |                                  |            |
|----------------------------------|------------|
| <b>Inventory opening</b>         |            |
| <b>Finished goods (100 fans)</b> | ₹ 43,000   |
| <b>Direct material</b>           | ₹ 2,68,000 |
| <b>Inventory closing</b>         |            |
| <b>Finished goods (200 fans)</b> | Not known  |
| <b>Direct material</b>           | ₹ 1,67,000 |
| <b>No of units manufactured</b>  | 567 units  |
- (a) 300 units  
 (b) 767 units  
 (c) 467 units  
 (d) 667 units
123. **Cost of material consumed under LIFO costing method is ₹ 6,000. Conversion Cost is ₹ 16,500. 1,000 units of the product were manufactured out of which 800 @ ₹ 30 units sold. There were no beginning and ending inventories of work in process and finished goods. Required: Calculate per unit cost with the help of given information.**  
 (a) ₹ 22.50 ; (b) ₹ 16.50 ; (c) ₹ 6.00 ; (d) ₹ 28.13
124. **Overtime premium which is paid to direct labor is charged to which of the following head in case of normal circumstances?**  
 (a) Work in process account ; (b) Entire production ; (c) Factory over head Cost account  
 (d) Selling control account

125. Which of the following functions are fulfilled by Goods Received Note?  
 i. Provides information to update the inventory records on receipt of goods  
 ii. Provides information to check the quantity on the supplier's invoice  
 iii. Provides information to check the price on the supplier's invoice  
 (a) (i) only  
 (b) (i) and (ii) only  
 (c) (i) and (iii) only  
 (d) (ii) and (iii) only
126. Calculate total salary received with the given data.  
 Salary ₹5000  
 Per Piece commission 10 % per piece  
 Unit sold 700 pieces  
 Price per piece ₹ 10  
 (a) ₹ 5,100  
 (b) ₹ 5,000  
 (c) ₹ 5,600  
 (d) ₹ 5,700
127. Which of the given statement is CORRECT for Indirect Labor?  
 (a) It is charged to factory over head account  
 (b) It is charged to work in process  
 (c) It is entire production  
 (d) It is charged to administrative expenses
128. A production worker paid salary of ₹ 700 per month plus an extra ₹ 5 for each unit produced during the month. This labor cost is best described as:  
 (a) A fixed cost ; (b) A variable cost ; (c) A semi variable cost ; (d) A step fixed cost
129. Given data that:  
 Work – in – Process Opening Inventory Rs. 20,000  
 Work – in – Process Closing Inventory Rs. 10,000  
 Finished goods Opening Inventory Rs. 30,000  
 Finished goods Closing Inventory Rs. 50,000  
 Cost of goods sold Rs. 1,90,000  
 What will be the value of cost of goods manufactured?  
 (a) ₹ 200,000 ; (b) ₹ 210,000 ; (c) ₹ 220,000 ; (d) ₹ 240,000
130. Closing balance of work In Process (WIP) is part of:  
 (a) Assets a/c ; (b) Expenses a/c ; (c) Liability a/c ; (d) Owner's equity a/c
131. Which of the given is CORRECT for accounting entry of closing balance of Work In Process (WIP)?  
 (a) WIP a/c Dr and Inventory a/c Cr ; (b) Inventory a/c Dr and WIP a/c Cr  
 (c) WIP a/c Dr and payroll a/c Cr ; (d) There is no accounting entry for closing balance of WIP
132. Accounting entry of closing balance can be recorded for:  
 (a) Income a/c and Expenses a/c ; (b) Liability a/c and Owner's equity a/c  
 (c) Asset a/c and Liability a/c ; (d) Liability a/c and Expenses a/c
133. Identify units transferred out with the help of given data:  

Units still in process (100%material, 75% conversion )	4,000	
Lost units		2,000
Units started in process		50,000

 (a) 6,000 units  
 (b) 44,000 units  
 (c) 52,000 units  
 (d) 56,000 units

134. You are required to identify how many good units were outputs from the process.
- |                      |       |
|----------------------|-------|
|                      | Units |
| Units put in process | 4,000 |
| Lost units           | 500   |
| Units in process     | 200   |
- (a) 3,300 units  
 (b) 4,000 units  
 (c) 4,200 units  
 (d) 4,500 units
135. The measurable value of an alternative use of resources is referred to as:  
 (a) An opportunity cost ; (b) An imputed cost ; (c) A sunk cost ; (d) None of these
136. A quantitative expression of management objectives is an:  
 (a) Organizational chart ; (b) Management chart ; (c) Budget ; (d) None of these
137. A cost center is:  
 (a) A unit of production in relation to which costs are ascertained  
 (b) A location which is responsible for controlling direct costs  
 (c) Any location or department which incurs cost ; (d) None of these
138. At break-even point of 400 units sold the variable costs were ₹ 400 and the fixed costs were ₹200. What will be the 401 units sold contributing to profit before income tax?  
 (a) ₹ 0.50 ; (b) ₹ 1.00 ; (c) ₹ 1.50 ; (d) None of these
139. In considering a special order situation that will enable a company to make use of currently idle capacity, which of the following cost will be irrelevant:  
 (a) Depreciation ; (b) Direct labour ; (c) Variable factory overhead ; (d) None of these
140. A fixed cost:  
 (a) May change in total when such change is not related to changes in production  
 (b) Will not change in total because it is not related to changes in production  
 (c) Is constant per unit for each unit of change in production  
 (d) May change in total, depending on production with the relevant range
141. All the given statements regarding job cost sheets are incorrect EXCEPT:  
 (a) Job cost sheet shows only direct materials cost on that specific job  
 (b) Job cost sheet must show the selling costs associated with a specific job  
 (c) Job cost sheet must show the administrative costs associated with a specific job  
 (d) Job cost sheet shows direct materials cost, direct labour cost and factory overhead costs associated with a specific job
142. What would be the effect on the cost of a department in case of normal Loss  
 (a) Decreased ; (b) Increased ; (c) No effect ; (d) Increase to the %age of loss
143. Expenses such as rent and depreciation of a building are shared by several departments these are:  
 (a) Indirect expenses ; (b) Direct expenses ; (c) Joint expenses ; (d) All of the above
144. If under applied FOH is closed to cost of goods sold, the journal entry is:  
 (a) DR Cost of goods sold ..... CR FOH control  
 (b) DR FOH control ..... CR Cost of goods sold  
 (c) DR FOH control ..... CR Profit % loss account  
 (d) None of these
145. Re-order quantity ..... 3600 units  
 Maximum consumption ..... 900 units per week  
 Minimum consumption .....300 units per week  
 Re-order period .....5 weeks  
 Based on this data Re-order level is:

- (a) 4500 units ; (b) 3900 units ; (c) 1200 units ; (d) None of these
146. **The time lag between indenting and receiving material is called:**  
(a) Lead time ; (b) Idle time ; (c) Stock out time ; (d) None of these
147. **A credit balance remaining in FOH Control account is called:**  
(a) Over-applied overhead ; (b) Under-applied overhead ; (c) Actual overhead  
(d) None of these
148. **Direct material cost plus direct labour cost is called:**  
(a) Prime cost ; (b) Conversion cost ; (c) Product cost ; (d) All of these
149. **Productivity means:**  
(a) The ability to produce ; (b) All units produced ; (c) Good units produced  
(d) None of these
150. **A segment of the business that generates both revenue and cost is called:**  
(a) Profit Center ; (b) Cost Center ; (c) Cost driver ; (d) All of these
151. **Prime cost is calculated as under:**  
(a) Manufacturing Cost/Cost of Goods Sold ; (b) Direct Method plus factory overheads  
(c) Direct labour + Direct Material ; (d) None of these
152. **Process Cost is very much applicable in:**  
(a) Construction Industry ; (b) Pharmaceutical Industry ; (c) Air line company ; (d) None of these
153. **Which of the following is not a function of Cost Accounting ?**  
(a) Cost ascertainment ; (b) Planning and control ; (c) Decision-making  
(d) External reporting
154. **A cost is :**  
(a) A sacrifice ; (b) Release of something ; (c) Measure of consumption of resources  
(d) All of the above
155. **Cost information facilitates many important decisions except :**  
(a) Introduction of a product ; (b) Whether to make or buy ; (c) Retention of profit  
(d) Exploration of an additional market
156. **Management Accounting seeks to serve the purpose of management to run a business more efficiently and thus uses the techniques of :**  
(a) Financial Accounting ; (b) Cost Accounting ; (c) Mathematics and Statistics  
(d) All of the above
157. **In process costing, each producing department is a:**  
(a) Cost unit ; (b) Cost centre ; (c) Investment centre ; (d) Sales centre
158. **Marketing involves the following except :**  
(a) Designing ; (b) Selling ; (c) Publicity ; (d) Distribution
159. **Administration span across all the upstream, mainstream and downstream activities of a firm, such as :**  
(a) Design, research and development ; (b) Production ; (c) Marketing ; (d) All of the above
160. **When 10,000 ending units of work-in-process are 30% completed as to conversion, it means:**  
(a) 30% of the units are completed ; (b) 70% of the units are completed  
(c) Each unit has been completed to 70% of its final stage  
(d) Each of the units is 30% completed
161. **Which of the following is not a method of costing ?**  
(a) Marginal costing ; (b) Job costing ; (c) Process costing ; (d) Operating costing
162. **Which of the following is not a technique of costing ?**

- (a) Absorption costing ; (b) Standard costing ; (c) Multiple costing ; (d) Marginal costing
163. **Cost can be classified according to :**  
 (a) Elements ; (b) Functions ; (c) Behavior ; (d) All of the above
164. **Which of the following is TRUE regarding the use of blanket rate?**  
 (a) The use of a single blanket rate makes the apportionment of overhead costs unnecessary  
 (b) The use of a single blanket rate makes the apportionment of overhead costs necessary  
 (c) The use of a single blanket rate makes the apportionment of overhead costs uniform  
 (d) None of the given options
165. **The functional classification of costs include the following except :**  
 (a) Prime cost ; (b) Production cost ; (c) Administration cost ; (d) Marketing cost
166. **Which of the following is not included in the administration cost ?**  
 (a) Salaries of general office staff ; (b) Salaries of foremen  
 (c) Office supplies and expenses ; (d) Postage, stationary, telephone etc.
167. **A cost unit is :**  
 (a) The cost per machine hour ; (b) Cost per labour hour  
 (c) A unit of production or service in relation to which costs are ascertained  
 (d) A measure of work output in a standard hour
168. **Prime cost is :**  
 (a) The total of direct costs ; (b) All costs incurred in manufacturing a product  
 (c) The material cost of a product ; (d) The cost of operating a department
169. **Cost of sales is :**  
 (a) Total costs incurred in production, administration and marketing functions  
 (b) Works cost plus administration overheads  
 (c) Aggregate of works, administration and marketing overheads  
 (d) Prime costs plus marketing overheads
170. **Variable costs are conventionally deemed to :**  
 (a) Be constant per unit of output  
 (b) Vary per unit of output as production volume changes  
 (c) Be constant in total when production volume changes  
 (d) Vary, in total, from period to period when production is constant
171. **Fixed costs :**  
 (a) Vary in total as production volume changes within a given range  
 (b) Remain constant in total but vary per unit when production volume changes  
 (c) Remain constant per unit as production volume changes  
 (d) Vary in total when production volume does not change
172. **Costs which do not fluctuate as the level of activity changes within a given range are :**  
 (a) Relevant costs ; (b) Opportunity costs ; (c) Mixed costs ; (d) Fixed costs
173. **Which of the following is not an example of semi-variable costs ?**  
 (a) Telephone expenses ; (b) Maintenance expenses of machines  
 (c) Salary of the works manager ; (d) Depreciation expenses
174. **The following information was taken from Smart Company's accounting records for the year ended March 31, 2013 :**
- |                                      | ₹        |
|--------------------------------------|----------|
| Increase in raw materials inventory  | 15,000   |
| Decrease in finished goods inventory | 35,000   |
| Raw materials purchased              | 4,30,000 |
| Direct labour payroll                | 2,00,000 |
| Factory overhead                     | 3,00,000 |

Freight 45,000  
 There was no work in process inventory at the beginning or end of the year. Smart's 2,000 cost of goods sold is :  
 (a) ₹ 9,50,000 ; (b) ₹ 9,65,000 ; (c) ₹ 9,75,000 ; (d) ₹ 9,95,000

Question 175-177 are based on the following information pertaining to ABC Company's manufacturing operations :

Inventories	3/1/2013 ₹	3/31/2013 ₹
Direct materials	36,000	30,000
Work-in-process	18,000	12,000
Finished goods	54,000	72,000
Additional information for the month of March 2013		₹
Direct materials purchased		84,000
Direct labour payroll		60,000
Direct labour rate per hour		7.50
Factory overhead rate per direct labour hour		10.00

175. For the month of March 2013, prime cost was :  
 (a) ₹ 90,000 ; (b) ₹ 1,20,000 ; (c) ₹ 1,44,000 ; (d) ₹ 1,50,000
176. For the month of March 2013, conversion cost was :  
 (a) ₹ 90,000 ; (b) ₹ 1,40,000 ; (c) ₹ 1,44,000 ; (d) ₹ 1,70,000
177. For the month of March 2013, cost of goods manufactured was :  
 (a) ₹ 2,18,000 ; (b) ₹ 2,24,000 ; (c) ₹ 2,30,000 ; (d) ₹ 2,36,000
178. The cost of rent for a manufacturing plant is a :
- |     | Prime cost | Product cost |
|-----|------------|--------------|
| (a) | No         | Yes          |
| (b) | No         | No           |
| (c) | Yes        | No           |
| (d) | Yes        | Yes          |
179. Property taxes on a manufacturing plant are an element of :
- |     | Conversion cost | Period cost |
|-----|-----------------|-------------|
| (a) | Yes             | No          |
| (b) | Yes             | Yes         |
| (c) | No              | Yes         |
| (d) | No              | No          |
180. The fixed portion of the semi-variable cost of electricity of a manufacturing plant is a :
- |     | Period cost | Product cost |
|-----|-------------|--------------|
| (a) | Yes         | No           |
| (b) | Yes         | Yes          |
| (c) | No          | Yes          |
| (d) | No          | No           |
181. Various methods are used for pricing materials used. Cost price methods are :  
 (a) Specific price ; (b) First in first out ; (c) Last in first out ; (d) All of the above
182. Average price methods of pricing materials issues are derived from cost prices. They include the following except :  
 (a) Simple average ; (b) Base stock ; (c) Weighted average ; (d) Moving average
183. In case of rise in price levels, the most suitable method for valuing materials issued is :  
 (a) LIFO ; (b) FIFO ; (c) Simple average ; (d) Weighted average
184. The FIFO assumption of cost flow when applied in a period of rising prices :  
 (a) Overstates profit and closing stock

- (b) Overstates profit and understates closing stock
- (c) Overstates profit and shows closing stock at current prices
- (d) Understates profit and overstates closing stock

185. **In a repeated distribution method:**

- (a) Each service department in turn does not re-allocate its costs to all departments
- (b) Each service department in turn and re-allocates its costs to all departments
- (c) Each service department in turn and allocates its costs to all departments
- (d) Only one service department in turn and re-allocates its costs to all departments.

[Hint : Repeated distribution method: This method takes each service department in turn and re-allocates its costs to all departments which benefit.]

186. **The cost of goods sold was ₹ 2,40,000. Beginning and ending inventory balances were ₹ 20,000 and ₹ 30,000, respectively. What was the inventory turnover ratio?**

- (a) 8.0 times
- (b) 12.0 times
- (c) 7.0 times
- (d) 9.6 times

[Hint : Inventory turnover ratio = CGS/Average inventory  
inventory turnover ratio =  $240000/25000 = 9.6$ times  
average inventory = opening inventory + closing inventory / 2]

187. **Where----- is equal, that point is called Economic order quantity.**

- (a) Ordering cost ; (b) Carrying cost ; (c) Ordering and carrying cost ; (d) Per unit order cost

188. **Loss by fire is an example of:**

- (a) Normal Loss ; (b) Abnormal Loss ; (c) Incremental Loss ; (d) Cannot be determined

189. **The main purpose of cost accounting is to :**

- (a) Maximize profits ; (b) Help in inventory valuation
- (c) Provide information to management for decision making
- (d) Aid in the fixation of selling price

190. **Where the applied FOH cost is less than the actual FOH cost it is:**

- (a) Unfavorable variance ; (b) Favorable variance ; (c) Normal variance
- (d) Budgeted variance

[Hint : When the applied cost is lesser than the actual cost it is unfavorable variance.]

191. **Which of the following is correct?**

- (a) Units sold=Opening finished goods units + Units produced – Closing finished goods units
- (b) Units Sold = Units produced + Closing finished goods units - Opening finished goods units
- (c) Units sold = Sales + Average units of finished goods inventory
- (d) Units sold = Sales - Average units of finished goods inventory

192. **Which of the following items of expense are to be add in FOH cost ?**

- (a) Rent of factory + Head office rent + salaries to factory watchman
- (b) Rent of factory + factory lighting bill + Directors salaries
- (c) Rent of factory + factory lighting bill + Factory employees salaries
- (d) Head office rent + Factory property tax + Factory small tools

193. **If, Gross profit = ₹ 40,000 GP Margin = 20% of sales What will be the value of cost of goods sold?**

- (a) ₹ 1,60,000 ; (b) ₹ 1,20,000 ; (c) ₹ 40,000 ; (d) ₹ 90,000

[Hint : Cost of goods sold = Gross profit (absolute amount) x 80%/20%]

194. **Taking steps for the fresh purchase of those stocks which have been exhausted and for which requisitions are to be honored in future" is an easy explanation of:**

- (a) Overstocking ; (b) Under stocking ; (c) Replenishment of stock ; (d) Acquisition of stock

195. **Net Income before Interest and tax is also called:**

(a) Operating Income/Profit ; (b) Gross Profit ; (c) Marginal Income ; (d) Other Income

196. Which of the following is indirect cost?

- (a) The depreciation of machinery
- (b) The overtime premium incurred at the specific request of a customer
- (c) The hire of tools for a specific job ; (d) All of the given options

197. In which of the following center FOH cost NOT incurred ?

- (a) Production Center ; (b) Service Center ; (c) General Cost Center ; (d) Head Office

198. Which of the following is considered as basic systems of remunerating labor?

- (a) Time rate system ; (b) Piece rate system ; (c) Halsey Premium plan ; (d) Both time rate and piece rate system

199. Net sales = Sales less:

- (a) Sales returns ; (b) Sales discounts ; (c) Sales returns & allowances
- (d) Sales returns & allowances and sales discounts

200. An organisation sold 4000 units and have closing finished goods 3500 units and opening finished goods units were 1000. The quantity of units produced would be:

- (a) 7500 units
- (b) 6500 units
- (c) 4500 units
- (d) 8500 units

[Hint : Number of units manufactured/produced = units sold + closing balance of finished goods units - opening balance of finished goods units

number of units produced/manufactured = 4000 + 3500 - 1000 = 6500]

201. A store ledger card is similar to the \_\_\_\_\_ .

- (a) Stock ledger ; (b) Bin card ; (c) Material card ; (d) Purchase requisition card

202. Which of the following element must be taken into account while calculating total earnings of a worker under different incentive wage schemes?

- (a) Rate per unit ; (b) Units of production ;
- (c) Extra time taken by employee to complete the production
- (d) Number of workers employed

203. The journal entry of purchase of stock under periodic inventory system would be?

- (a) Inventory to Cash ; (b) Cash to Purchases ; (c) Purchases to Inventory
- (d) None of the given options

204. Closing work in process Inventory of last year:

- (a) Is treated as Opening inventory for current year ; (b) Is not carried forward to next year
- (c) Become expense in the next year ; (d) Charge to Profit & Loss account

205. Sales are ₹ 4,50,000. Beginning finished goods were ₹ 23,000. Ending finished goods are ₹ 30,000. The cost of goods sold is ₹ 3,00,000. What is the cost of goods manufactured?

- (a) ₹ 323,000 ; (b) ₹ 330,000 ; (c) ₹ 293,000 ; (d) None of the given options

206. While transporting petrol, a little quantity will be evaporated; such kind of loss is termed as:

- (a) Normal Loss ; (b) Abnormal Loss ; (c) It is incremental loss ; (d) It cannot be abnormal loss

207. The cost of electricity bill of the factory is treated as:

- (a) Fixed cost
- (b) Variable cost
- (c) Step cost
- (d) Semi variable cost

[Hint : Semi Variable Cost : It is also known as mixed cost. It is the cost which is part fixed and part variable. It is in fact the mixture of both behaviors.

Examples include: Utility bills – there is a fixed line rent plus charges for units consumed.

Salesman's salary – there is a fixed monthly salary plus commission per units sold.]

208. **A cost centre is :**  
(a) A unit of product or service in relation to which costs are ascertained  
(b) An amount of expenditure attributable to an activity  
(c) A production or service location, function, activity or item of equipment for which costs are accumulated  
(d) A centre for which an individual budget is drawn up
209. **Cost accounting department prepares \_\_\_\_\_ that helps them in preparing final accounts.**  
(a) Cost sheets ; (b) Cost of goods sold statement ; (c) Cost of production Report  
(d) Material requisition form
210. **When FOH is under applied and charged to Net Profit , the treatment would be:**  
(a) Under applied Add net profit ; (b) Under applied Less net profit  
(c) Under applied Less operating expense ; (d) None of the given options
211. **Weighted average cost per unit is calculated by which of the following formula?**  
(a) Cost of goods issued/number of units issued ; (b) Total Cost/Total Units  
(c) Cost of goods manufactured/closing units ; (d) Cost of goods sold/total units
212. **Buyer produced 20,000 units and their total factory cost was ₹ 450,000, other cost like property tax on factory building was ₹ 10,000 included in that cost till year ended the cost of per unit would be:**  
(a) ₹ 22.5  
(b) ₹ 23.5  
(c) ₹.24.5  
(d) ₹ 26.5  
[Hint : Cost per unit = Cost of goods manufactured / Number of units manufactured]
213. **A standard rate is paid to the employee when he completed his job:**  
(a) In time less than the standard ; (b) In standard time ; (c) In time more than standard  
(d) Both in standard time and more than the standard time
214. **Store incharge after receiving the material as per the goods received note, places the material at its location and makes an entry in\_\_\_\_\_ .**  
(a) Bin Card ; (b) Store Ledger Card ; (c) Stock Ledger ; (d) None of the given options
215. **If opening inventory of material is ₹ 20,000 and closing inventory is ₹ 40,000.the Average inventory amount will be:**  
(a) ₹ 40,000  
(b) ₹ 30,000  
(c) ₹ 20,000  
(d) ₹ 10,000  
[Hint : Average Inventory= Opening Inventory + Closing Inventory/2]
216. **PVC Company has ordering quantity 10,000 units. They have storage capacity 20,000 units, the average inventory would be:**  
(a) 20,000  
(b) 5,000  
(c) 10,000  
(d) 25,000  
[Hint : Average ordering quantity= Ordering Quantity/2]
217. **All Indirect cost is charged/record in the head of**  
(a) Prime cost ; (b) FOH cost ; (c) Direct labor cost ; (d) None of the given options
218. **Under/Over applied FOH cost can be adjusted in which of the following:**  
(a) Entire Production ; (b) Cost of Goods Sold ; (c) Net Profit ; (d) All of given options
219. **The danger Level can be calculated?**

- (a) Average consumption x Lead time to get urgent supplies
  - (b) Normal consumption x Lead time to get urgent supplies
  - (c) Maximum consumption x Lead time to get urgent supplies
  - (d) Minimum consumption x Lead time to get urgent supplies
- [Hint: Danger Level = Average consumption x Emergency time]

220. Nelson Company has following FOH detail.

	Budgeted (₹)	Actual (₹)
Production Fixed overheads	36,000	39,000
Production Variable overheads	9,000	12,000
Direct labor hours	18,000	20,000

- (a) Under applied by ₹1,000 ; (b) Over applied by ₹ 1,000 ; (c) Under applied by ₹ 11,000
- (d) Over applied by ₹ 38,000

221. Factory Over head cost includes :

- (a) Factory Rent ; (b) Property Tax ; (c) Salaries of Factory Clerk ; (d) All of the given

222. Which of the following cannot be used as a base for the determination of overhead absorption rate?

- (a) Number of units produced ; (b) Prime cost ; (c) Conversion cost ; (d) Discount Allowed

223. Cost of goods sold ₹ 30,000, opening Inventory ₹ 9,000, Closing inventory ₹ 7,800. What was the inventory turnover ratio?

- (a) 3.57 times
- (b) 3.67 times
- (c) 3.85 times
- (d) 5.36 times

[Hint : Inventory turnover ratio = Cost of goods sold/Average inventory]

224. FOH applied rate of Rs. 5.60 per machine hour. During the year the FOH to Rs. 275,000 and 48,000 machine hours were used. Which one of following statement is correct?

- (a) Overhead was under-applied by Rs.6,200
- (b) Overhead was over-applied by Rs.6,200
- (c) Overhead was under-applied by Rs.7,200
- (d) Overhead was over-applied by Rs.7,200

225. Cost accounting concepts include all of the following EXCEPT:

- (a) Planning ; (b) Controlling ; (c) Sharing ; (d) Costing

226. \_\_\_ are future costs that effect the current management decision.

- (a) Sunk Cost
- (b) Standard Cost
- (c) Relevant Cost
- (d) Irrelevant Cost

[Hint : Relevant cost is which changes with a change in decision. These are future costs that effect the current management decision.]

227. Which of the following costs is part of the prime cost for manufacturing company?

- (a) Cost of transporting raw materials from the suppliers premises
- (b) Wages of factory workers engaged in machine maintenance
- (c) Depreciation of truck used for deliveries to customers
- (d) Cost of indirect production materials

228. Direct material opening inventory add net purchases is called

- (a) Material consumed ; (b) Material available for use ; (c) Total material purchased
- (d) Material ending inventory

229. Which of the following is to be called product cost ?

- (a) Material cost ; (b) Labor cost ; (c) FOH cost ; (d) All of the given options

230. **A Blanket Rate is:**  
(a) A single rate which used throughout the organization departments  
(b) A double rates which used throughout the organization departments  
(c) A single rates which used in different departments of the organization  
(d) None of the given options  
[Hint : A blanket absorption rate is a single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity.]
231. **All of the following are characteristics of Group Bonus Scheme EXCEPT:**  
(a) A standard time is set for the completion of a job  
(b) If the time taken is greater than the time allowed, the workers in the group receive time wages  
(c) If the time taken is less than the time allowed, the group receives a bonus on time saved  
(d) If the time taken is greater than the time allowed, the workers in the group receive time deductions for extra hours
232. Which of the following best describes the manufacturing costs?  
(a) Direct materials, direct labor and factory overhead  
(b) Direct materials and direct labor  
(c) Direct materials, direct labor, factory overhead, and administrative overhead  
(d) Direct labor and factory overhead
233. **High labor turnover is NOT desirable because:**  
(a) It denotes the instability of the labor force  
(b) It is an indication of high labor cost  
(c) It shows frequent changes in the labor force ; (d) All of the given options
234. **Manufacturing entities classified the inventory in which of three kinds?**  
(a) Material inventory, WIP inventory, Finished goods inventory  
(b) Material inventory, purchased good inventory, WIP inventory  
(c) Material inventory, purchased good inventory, Finished goods inventory  
(d) WIP inventory, Finished goods inventory, purchased good inventory
235. **Which of the following is correct for maximum level?**  
(a) Reorder level – (Minimum consumption x Lead time) + EOQ  
(b) (Maximum consumption x Lead time) – (Minimum consumption x Lead time) + EOQ  
(c) [(Maximum consumption - Minimum consumption) Lead time]+ EOQ  
(d) All of the given options
236. **Inventory turnover ratio can be calculated as follow?**  
(a) Cost of goods sold/Average inventory ; (b) Gross profit/Average inventory  
(c) Cost of goods sold/sale ; (d) Cost of goods sold/Gross profit
237. **The component of Factory overhead are as follow**  
(a) Direct material + Indirect material + Direct expenses  
(b) Indirect material + Indirect labor + Others indirect cost  
(c) Direct material + Indirect expenses + Indirect labor  
(d) Direct labor + Indirect labor + Indirect expenses
238. **Overtime that is necessary in order to fulfill customer orders is called:**  
(a) Avoidable overtime ; (b) Unavoidable overtime ; (c) Premium Overtime ; (d) Flex time
239. **The Process of cost apportionment is carried out so that:**  
(a) Cost may be controlled  
(b) Cost unit gather overheads as they pass through cost centers  
(c) Whole items of cost can be charged to cost centers  
(d) Common costs are shared among cost centers
240. **Taylor's Differential Piece Rate Plan uses-----piece rates.**  
(a) Three ; (b) Two ; (c) Four ; (d) Five

241. **Under Halsey premium plan, if the employee completes his job in less than the standard time fixed for the job, he is given:**  
(a) Only wages for the actual hours taken  
(b) Wages for the actual hours taken plus bonus equal to one half of the wage of the time saved  
(c) Wages for the actual hours taken plus bonus equal to one third of the wage of the time saved ;  
(d) Only the bonus equal to one half of the time saved
242. **Increase in material Inventory means:**  
(a) The ending inventory is greater than opening inventory  
(b) The ending inventory is less than opening inventory  
(c) Both ending and opening inventories are equal ; (d) Cannot be determined
243. **Working hours of labor can be calculated with the help of all except:**  
(a) Smart card ; (b) Time sheet ; (c) Clock card ; (d) Store card
244. **Amount of net purchase can be calculated as follow**  
(a) Purchase of direct material add trade discount less purchase return add carriage inward less other material handling cost  
(b) Purchase of direct material less trade discount I add purchase return add carriage inward less other material handling cost  
(c) Purchase of direct material less trade discount less purchase return less carriage inward add other material handling cost  
(d) Purchase of direct material less trade discount less purchase return add carriage inward add other material handling cost
245. **All of the following are terms used to denote Factory Overheads EXCEPT:**  
(a) Factory burden ; (b) Factory expenses ; (c) Manufacturing overhead ;  
(d) Conversion costs
246. **Reduction of labor turnover, accidents, spoilage, waste and absenteeism are the results of which of the following wage plan?**  
(a) Piece rate plan ; (b) Time rate plan ; (c) Differential plan ; (d) Group bonus system
247. **Costs which are constant for a relevant range of activity and rise to new constant level once that range exceeded is called:**  
(a) A fixed cost ; (b) A variable cost ; (c) A mixed cost ; (d) A step cost
248. **Cost of goods sold can be calculated as follow**  
(a) Cost of goods manufactured Add Opening finished goods inventory Less Closing finished goods inventory  
(b) Cost of goods manufactured Less Opening finished goods inventory Less Closing finished goods inventory  
(c) Cost of goods manufactured Less Opening finished goods inventory Add Closing finished goods inventory  
(d) Cost of goods manufactured Add Opening finished goods inventory Add Closing finished goods inventory
249. **If, COGS = ₹ 70,000 GP Margin = 30% of sales What will be the value of Sales?**  
(a) ₹ 200,000  
(b) ₹ 66,667  
(c) ₹ 100,000  
(d) ₹ 62,500  
[Hint : Sales = 30000 \* 100% / 30% = ₹ 100,000]
250. **Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be.**  
(a) 395 units ; (b) 300 units ; (c) 250 units ; (d) 150 units
251. **What will be the impact of normal loss on the overall per unit cost ?**

- (a) Per unit cost will increase ; (b) Per unit cost will decrease  
(c) Per unit cost remain unchanged ; (d) Normal loss has no relation to unit cost
252. **Alpha company purchased a machine worth Rs 200,000 in the last year. Now that machine can be use in a new project which company has received this year. Now the cost of that machine is to be called:**  
(a) Project cost ; (b) Sunk cost ; (c) Opportunity cost ; (d) Relevant cost
253. **FOH absorption rate is calculated by the way of :**  
(a) Estimated FOH Cost/Direct labor hours ; (b) Estimated FOH Cost/No of units produced  
(c) Estimated FOH Cost/Prime Cost ; (d) All of the given options
254. **Which of the following is/are not associated with ordering costs?**  
(a) Interest ; (b) Insurance ; (c) Opportunity costs ; (d) All of the given options
255. **Under perpetual inventory system at the end of the year:**  
(a) No closing entry passed ; (b) Closing entry passed  
(c) Closing value find through closing entry only ; (d) None of the above.
256. **The Hino Corporation has a breakeven point when sales are ₹ 160,000 and variable costs at that level of sales are ₹ 100,000. How much would contribution margin increase or decrease, if variable expenses dropped by ₹ 20,000?**  
(a) 37.5%.  
(b) 60%.  
(c) 12.5%.  
(d) 26%  
**[Hint : Sales=160,000; VC=100,000; CM=60,000**  
Contribution to sales ratio (C/S ratio) =Contribution Margin in ₹/Sales in ₹  
 $60,000/160,000=0.375$   
 $0.375*100=37\%$   
New VC=80,000,  
Sales=160,000  
CM=80,000  
Contribution to sales ratio (C/S ratio) =Contribution Margin in ₹/Sales in ₹  
 $80,000/160,000=0.5=50\%$   
Rise in CM=(37.5-50)=12.5]
257. **The short run is a time period in which:**  
(a) All resources are fixed. ; (b) The level of output is fixed. ;  
(c) The size of the production plant is variable.  
(d) Some resources are fixed and others are variable
258. **Opportunity cost is the best example of:**  
(a) Sunk Cost ; (b) Standard Cost ; (c) Relevant Cost ; (d) Irrelevant Cost
259. **The components of factory overhead are as follows:**  
(a) Direct material + Indirect material + Direct expenses  
(b) Indirect material + Indirect labor + Others indirect cost  
(c) Direct material + Indirect expenses + Indirect labor  
(d) Direct labor + Indirect labor + Indirect expenses
260. **The term Maximum level represents:**  
(a) The maximum stock level indicates the maximum quantity of an item of material which can be held in stock at any time.  
(b) The maximum stock level indicates the maximum quantity of an item of material which cannot be held in stock at any time.  
(c) The average stock level indicates the maximum quantity of an item of material which can be held in stock at any time.  
(d) The available stock level indicates the maximum quantity of an item of material which can be held in stock at any time.

261. **The FIFO inventory costing method (when using a perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?**  
(a) First to be allocated to the ending inventory  
(b) Last to be allocated to the cost of goods sold  
(c) Last to be allocated to the ending inventory  
(d) First to be allocated to the cost of good sold
262. **A firm Uses its own capital or Uses its owner's time and/or financial resources both are examples of**  
(a) Implicit Cost  
(b) Explicit Cost  
(c) Sunk Cost  
(d) Relevant Cost  
**[Hint :** A cost that is represented by lost opportunity in the use of a company's own resources, excluding cash  
These are intangible costs that are not easily accounted for. For example, the time and effort that an owner puts into the maintenance of the company rather than working on expansion]
263. **If Direct Material = 12,000; Direct Labor = 8000 and other Direct Cost = 2000 then what will be the Prime Cost?**  
(a) 12000 ; (b) 14000 ; (c) 20000 ; (d) 22000
264. **Wage, Rent & Materials are examples of :**  
(a) Implicit Cost  
(b) Explicit Cost  
(c) Direct Cost  
(d) Manufacturing Cost  
**[Hint :** A business expense that is easily identified and accounted for. Explicit costs represent clear, obvious cash outflows from a business that reduce its bottom-line profitability. This contrasts with less-tangible expenses such as goodwill amortization, which are not as clear cut regarding their effects on a business's bottom-line value  
Good examples of explicit costs would be items such as wage expense, rent or lease costs, and the cost of materials that go into the production of goods. With these expenses, it is easy to see the source of the cash outflow and the business activities to which the expense is attributed]
265. **An investor invests in stock exchange he foregoes the opportunity to invest further in his hotel. The profit which the investor will be getting from the hotel is \_\_\_\_\_.**  
(a) Opportunity cost  
(b) Period Cost  
(c) Product Cost  
(d) Historical Cost  
**[Hint :** 1. The cost of an alternative that must be forgone in order to pursue a certain action. Put another way, the benefits you could have received by taking an alternative action.  
2. The difference in return between a chosen investment and one that is necessarily passed up. Say you invest in a stock and it returns a paltry 2% over the year. In placing your money in the stock, you gave up the opportunity of another investment - say, a risk-free government bond yielding 6%. In this situation, your opportunity costs are 4% (6% - 2%)]
266. **It is possible for an item of overhead expenditure to be shared amongst many departments. It is also possible that this same item may relate to just one specific department. If the item was not charged specifically to a single department this would be an example of:**  
(a) Apportionment ; (b) Allocation ; (c) Re-apportionment ; (d) Absorption
267. **Generally, the danger level of stock is fixed \_\_\_\_\_ the minimum level**  
(a) Below ; (b) Above ; (c) Equal ; (d) Danger level has no relation to minimum level
268. **Which of the following is / are time based incentive wage plan?**  
(a) Hasley Premium Plan ; (b) Hasley Weir Premium Plan  
(c) Rowan Premium Plan ; (d) All of the given options
269. **Which of the following is/are reported in production cost report?**

- (a) The costs charged to the department  
(b) How the costs were assigned to the output?  
(c) The equivalent units of production by the department ; (d) All of the given options
270. **Direct materials cost is ₹ 80,000. Direct labor cost is ₹ 60,000. Factory overhead is ₹ 90,000. Beginning goods in process were ₹ 15,000. The cost of goods manufactured is ₹ 245,000. What is the cost assigned to the ending goods in process?**  
(a) ₹ 45,000  
(b) ₹ 15,000  
(c) ₹ 30,000  
(d) There will be no ending Inventory  
[Hint : Direct Material ---- 80,000 (Given)  
Direct labor ----- 60,000 (Given)  
FOH ----- 90,000 (Given)  
Open WIP----- 15,000  
Total 245000 (cost of goods manufactured is also 245000 so balance is zero)]
271. **Sales are ₹ 450,000. Beginning finished goods were ₹ 23,000. Ending finished goods are ₹ 30,000. The cost of goods sold is ₹ 300,000. What is the cost of goods manufactured?**  
(a) ₹ 323,000 ; (b) ₹ 330,000 ; (c) ₹ 293,000 ; (d) None of the given options
272. **Under Periodic Inventory system Purchase of inventory is treated as:**  
(a) Assets ; (b) Expense ; (c) Income ; (d) Liability
273. **When prices are rising over time, which of the following inventory costing methods will result in the lowest gross margin/profits?**  
(a) FIFO ; (b) LIFO ; (c) Weighted Average ; (d) Cannot be determined
274. **The main difference between the profit center and investment center is:**  
(a) Decision making ; (b) Revenue generation ; (c) Cost incurrence ; (d) Investment
275. **The Inventory Turnover ratio is 5 times and numbers of days in a year is 365. Inventory holding period in days would be**  
(a) 100 days ; (b) 73 days ; (c) 50 days ; (d) 10 days
276. **Over applied FOH will always result when a predetermined FOH rate is applied and:**  
(a) Production is greater than defined capacity  
(b) Actual overhead costs are less than budgeted overhead  
(c) Budgeted capacity is less than normal capacity  
(d) Actual overhead incurred is less than applied Overhead
277. **The flux method of labor turnover denotes:**  
(a) Workers appointed against the vacancy caused due to discharge or quitting of the organization  
(b) Workers appointed in replacement of existing employees  
(c) Workers employed under the expansion schemes of the company  
(d) The total change in the composition of labor force  
[Hint : The flux method of labor turnover denotes the total change in the composition of labor force. While replacement method takes into account only workers appointed against the vacancy caused due to discharge or quitting of the organisation.]
278. **Which of the following statement is TRUE about FOH applied rates?**  
(a) They are used to control overhead costs  
(b) They are based on actual data for each period  
(c) They are predetermined in advance for each period ; (d) None of the given
279. **Cost of Goods Manufactured can be calculated as follow**  
(a) Total factory Cost Add Opening Work in process inventory Less Closing Work in process inventory  
(b) Total factory Cost Less Opening Work in process inventory Add Closing Work in process inventory  
(c) Total factory Cost Less Opening Work in process inventory Less Closing Work in process inventory  
(d) Total factory Cost Add Opening Work in process inventory Add Closing Work in process inventory

280. \_\_\_\_\_ is the time worked over and above the employee's basic working week.  
(a) Flex time ; (b) Overtime ; (c) Shift allowance ; (d) Commission
281. In furniture manufacturing use of nail, pins, glue, and polish which use to increase its esteem value that cost is treated as:  
(a) Direct material cost ; (b) Indirect material cost ; (c) FOH cost ; (d) Prime cost
282. If labor is satisfied with high wages it may ultimately lead to:  
(a) Increased production and productivity ; (b) Increased efficiency  
(c) Reduced labor and overhead costs ; (d) All of the given options
283. Which of the following is a mechanical device to record the exact time of the workers?  
(a) Clock Card ; (b) Store Card ; (c) Token System ; (d) Attendance Register
284. Which of the following is / are element / s of production payroll?  
(a) Direct labor force wages ; (b) Administrative wages ; (c) Selling wages  
(d) All of the given options
285. If a predetermined FOH rate is not applied and the volume of production is reduced from the planned capacity level, the cost per unit expected to:  
(a) Remain unchanged for fixed cost and increase for variable cost  
(b) Increase for fixed cost and remain unchanged for variable cost  
(c) Increase for fixed cost and decrease for variable cost  
(d) Decrease for both fixed and variable costs
286. Which of the following is NOT an assumption of the basic economic-order quantity model?  
(a) Annual demand is known ; (b) Ordering cost is known ; (c) Carrying cost is known  
(d) Quantity discounts are available
287. In order to ensure efficient functioning of the stores department and steady flow of materials to the production departments, the restocking of stores is duty of:  
(a) Managers ; (b) Storekeeper ; (c) Production In charge ; (d) Sales supervisor
288. In cost Accounting, abnormal loss is charged to:  
(a) Factory overhead control account ; (b) Work in process account ; (c) Income Statement  
(d) Entire production
289. A high inventory turnover may indicate:  
(a) An efficient use of the investment in inventory ; (b) A high risk of stock-outs  
(c) Stock position of store room ; (d) All of the given options
290. Which of the following cost is used in the calculation of cost per unit?  
(a) Total production cost ; (b) Cost of goods available for sales  
(c) Cost of goods manufactured ; (d) Cost of goods Sold
291. If, COGS = ₹ 50,000 GP Margin = 25% of sales What will be the value of Sales?  
(a) ₹ 200,000 ; (b) ₹ 66,667 ; (c) ₹ 62,500 ; (d) None of the given options
292. When a manufacturing Company has highly automated manufacturing plant producing many different products, the most appropriate basis for applying FOH cost to work in process is:  
(a) Direct labor hours ; (b) Direct labor costs ; (c) Machine hours ; (d) Cost of material used
293. All of the following are cases of labor turnover EXCEPT:  
(a) Workers appointed against the vacancy caused due to discharge or quitting of the organization ;  
(b) Workers employed under the expansion schemes of the company  
(c) The total change in the composition of labor force ; (d) Workers retrenched
294. The Term Minimum Level Represents.

- (a) The quantity below which the stock of any item should not be allowed to fall
- (b) The quantity below which the stock of any item should be allowed to fall
- (c) The estimated time period in number of days or in weeks or in months.
- (d) The Lead time period in number of days or in weeks or in months.

295. Which of the following would be considered a major aim of a job order costing system?

- (a) To determine the costs of producing each job or lot
- (b) To compute the cost per unit
- (c) To include separate records for each job to track the costs ; (d) All of the given option.

296. The Economic order quantity can be calculated by

- (a) Formula Method ; (b) Table Method ; (c) Graph Method ; (d) All of the given

297. A chemical process has normal wastage of 10% of input. In a period, 2,500 Kg of material were input and there was abnormal loss of 75 Kg. What quantity of good production was achieved?

- (a) 2,175 kg ; (b) 2,250 kg ; (c) 2,425 kg ; (d) 2,500 kg

298. Which of the following is likely to be classified as a direct material cost of a motor car wheel?

- (a) The metal used to manufacture it.
- (b) The metal used to manufacture one of the tools used in the car wheel factory.
- (c) The cost of operating the raw material stores in the factory.
- (d) The cost of the quality operation on the finished car wheels.

[Hint : (b) is part of the cost of either a fixed asset or an indirect cost depending upon the amount involved; (c) and (d) are factory indirect costs.]

299. The first in, first out method of pricing raw material issues, exhibits which one of the following features?

- (a) The issue price is recalculated each time new deliveries are made into stock.
- (b) The issue price is always at the latest price.
- (c) The goods are always issued strictly in the physical order in which they are received.
- (d) The issue price is always at the earliest price.

[Hint : (a) refers to the continuous weighted average price method. (b) this method is known as the last in, first out method. Under (c) it will rarely be possible to issue goods to correspond with the physical order of receipt unless there is a stock control system dealing with, for example perishable items.]

300. Which of the following is not a method of pricing raw material issues from stock?

- (a) Standard costing. ; (b) Unit cost. ; (c) Marginal cost. ; (d) Continuous weighted average.

301. Which of the following is a direct labour cost?

- (a) Supervisors' salaries in the factory. ; (b) Costs of the payroll accounting section.
- (c) A bonus paid to the storeman. ; (d) The wages of an operative paid on the basis of output achieved.

302. Production overheads are absorbed into production units by the use of an overhead absorption rate. Which one of the following best describes how the absorption rate is calculated?

- (a) Total number of units produced divided by the total cost centre overheads.
- (b) Total number of units produced multiplied by the unit overhead cost.
- (c) Total cost centre overheads divided by the cost centre activity level.
- (d) Total indirect costs for the business divided by the total number of units produced.

[Hint : (d) would produce an overhead absorption rate, but it would be far too generalised to be of any practical use to the business ]

303. Sales commissions are classified as

- (a) Prime costs ; (b) Period costs ; (c) Product costs ; (d) Indirect labour

304. XYZ Ltd has the following data relating to its assembly plant in the year ended 31 December 2012:

	₹000
Direct material costs	500
Direct labour cost	250
Assembly plant indirect costs	100

In addition, the stores department has total costs of ₹ 30,000 and spends 50% of its time servicing the assembly plant. There were 50,000 labour hours worked and 25,000 machine hours run in the assembly plant in 2012.

The overhead cost per direct labour hour was:

- (a) ₹ 2.0
- (b) ₹ 4.0
- (c) ₹ 2.3
- (d) ₹ 4.6

[Hint : The overhead cost per labour hour is ₹ 1,00,000 plus 50% of the stores costs ₹15,000, = ₹1,15,000 divided by 50,000 hours.]

305. If a company uses predetermined overhead recovery rates and at the end of a period finds that there has been an under-recovery of overhead, which of the following best explains how the under-recovery has occurred?

- (a) Actual overhead cost has exceeded the amount used as a basis for the establishment of the predetermined rate.
- (b) Actual overhead cost has been less than the amount used as a basis for the establishment of the predetermined rate.
- (c) Actual activity levels were higher than planned due to an increase in demand.
- (d) An expected price increase in the overhead costs which was built into the overhead recovery rate did not take place.

[Hint : (b), (c) and (d) would lead to over-recovery of overheads.]

306. If there has been an over recovery of overheads, at the end of the accounting period the amount concerned should be?

- (a) Debited to the company profit and loss account.
- (b) Credited to the company profit and loss account.
- (c) Carried forward to the next accounting period as a cost saving.
- (d) Used to reduce next period's overhead recovery rate.

[Hint : Variances should always be dealt with in the profit and loss account for the period they relate to.]

307. A variable cost is?

- (a) One which varies in proportion to the level of fixed cost incurred.
- (b) One which tends to vary with the level of activity.
- (c) One which changes over time.
- (d) One which cannot be estimated with any great degree of accuracy.

308. The term 'contribution' refers to?

- (a) The actual amount of profit made per unit.
- (b) The budgeted profit per unit.
- (c) The amount of profit which goes towards meeting the overheads of the business.
- (d) The difference between sales revenue and variable costs per unit.

[Hint : Contribution only becomes profit when fixed costs have been covered in full.]

309. The break-even point is that at which:

- (a) The level of activity at which the business operates most economically.
- (b) The level of activity at which the business makes neither a profit nor a loss.
- (c) The fixed costs are lowest.
- (d) The variable cost per unit is minimized.

310. When a business is faced with a limiting factor (one which limits the activity of an entity) and there is a choice to be made between options to follow, which of the following statements describes the optimal course of action?

- (a) Choose the option which gives the highest unit profit.
- (b) Choose the option which gives the highest unit contribution.
- (c) Aim to achieve a balance of activities covering all of the options.
- (d) Choose the option which gives highest contribution per unit of limiting factor.

[Hint : (d) would give the optimal course of action in financial terms. Sometimes, where resource constraints operate in 'not for profit organizations', other non-financial factors may mean that a sub-optimal course of action is followed.]

311. XYZ Ltd has the following alternative planned activity levels:

	Level A	Level B	Level C
Total costs	₹ 1,00,000	₹ 1,50,000	₹
2,00,000			
Number of units produced	5,000	10,000	15,000

(Fixed overhead remains constant over the activity range shown.)

The fixed overhead cost per unit is:

- (a) ₹ 20.00
- (b) ₹ 15.00
- (c) ₹ 13.33
- (d) ₹ 10.00

[Hint : The total cost increased by ₹ 1,00,000 in moving from Level A to Level C, therefore if fixed overheads are constant, variable costs are ₹ 1,00,000 for 10,000 units, which = ₹10/unit. At Level A, total cost is ₹ 20/unit so fixed overheads absorbed on a unit basis are ₹10.]

312. Which of the following statements regarding marginal costing is incorrect?

- (a) It is a useful long-term planning technique.
- (b) It assumes that fixed costs remain fixed over relevant activity ranges.
- (c) It assumes that other costs vary in proportion to activity.
- (d) It assumes that costs can be classified as variable or fixed.

[Hint : (b), (c) and (d) are characteristics of the marginal costing approach which render it less than useful as a long-term decision-making technique, hence (a) is correct.]

313. Which phrase best describes the current role of the managerial accountant?

- (a) Managerial accountants prepare the financial statements for an organization.
- (b) Managerial accountants facilitate the decision-making process within an organization.
- (c) Managerial accountants make the key decisions within an organization.
- (d) Managerial accountants are primarily information collectors.

314. LG has incurred cost of ₹ 60,000 for material. Further it incurred ₹ 35,000 for labor and ₹ 70,000 for factory overhead. There was no beginning and ending work in process. 7,500 units were completed and transferred out. What would be the unit cost for material?

- (a) ₹ 22 ; (b) ₹ 16 ; (c) ₹ 14 ; (d) ₹ 8

315. Manufacturing costs typically consist of

- (a) Direct materials, direct labor, and manufacturing overhead.
- (b) Production and shipping costs.
- (c) Production and marketing costs.
- (d) Direct materials, direct labor, marketing and administrative costs.

316. In comparison to the traditional manufacturing environment, overhead costs in a JIT environment all the following are true except:

- (a) Are more easily tracked to products. ; (b) Are frequently direct in nature.
- (c) Include rent, insurance and utilities.
- (d) Most of the costs are likely to be indirect in nature.

317. As production increases within the relevant range

- (a) Variable costs will vary on a per unit basis. ; (b) Variable costs will vary in total.
- (c) Fixed costs will vary in total. ; (d) Fixed and variable cost stay the same in total.

318. You are given the cost and volume information below:

Volume	Cost
1 unit	₹ 15
10 units	₹150
100 units	₹1500

What type of a cost is given?

- (a) Fixed cost ; (b) Variable cost ; (c) Step cost ; (d) Mixed cost
319. Which of the following statements regarding graphs of fixed and variable costs is true?
- (a) Variable costs can be represented by a straight line where costs are the same for each data point.
- (b) Fixed costs can be represented by a straight line starting at the origin and continuing through each data point.
- (c) Fixed costs are zero when production is equal to zero.
- (d) Variable costs are zero when production is equal to zero.
320. ABC Ltd. has three product lines - A, B, and C.
- |                     | A       | B       | C      | Total  |
|---------------------|---------|---------|--------|--------|
| Total Sales         | ₹10,000 | 9,000   | 12,000 | 31,000 |
| Variable costs      | 4,500   | 7,000   | 6,000  | 17,500 |
| Contribution Margin | 5,500   | 2,000   | 6,000  | 13,500 |
| Fixed costs         | 3,500   | 6,000   | 3,000  | 12,500 |
| Net income          | 2,000   | (4,000) | 3,000  | 1,000  |
- Product line B appears unprofitable, and management is considering discontinuing the line. How would the discontinuation of Product line B affect net income?
- (a) Increase by \$4,000 ; (b) Decrease by \$4,000 ; (c) Increase by \$2,000 ; (d) Decrease by \$2,000
321. Coed Novellies manufactures key chains for college bookstores. During 2012, the company had the following costs:  
 Direct materials used ₹ 31,000; Direct labor ₹ 18,000; Factory rent ₹ 12,000; Equipment depreciation – factory ₹ 2,000; Equipment depreciation – office ₹ 750; Marketing expense ₹ 2,500; Administrative expenses ₹ 40,000  
 35,000 units produced were in 2003.  
 What is the product cost per unit?
- (a) Approximately ₹1.24 ; (b) ₹1.80 ; (c) Approximately ₹ 3.04 ; (d) ₹1.40
322. The Cape Cod Cotton Candy Company had the following information available regarding last year's operations:  
 Sales (100,000 units) ₹ 2,00,000 ; Variable costs ₹ 1,00,000; Contribution margin ₹ 1,00,000; Fixed costs ₹ 50,000; Net Income ₹ 50,000  
 If sales were to increase by 200 units, what would be the effect on net income?
- (a) ₹400 increase ; (b) ₹200 increase ; (c) ₹150 increase ; (d) ₹ 200 loss
323. If B Limited shows required production of 120 cases of product for the month, direct labor per case is 3 hours at Rs. 12 per hour. Budgeted labor costs for the month should be:
- (a) ₹ 360 ; (b) ₹ 1,440 ; (c) ₹ 4,320 ; (d) ₹ 5,346
324. A firm, which makes yachts, has fixed costs of ₹ 260,000 per month. The product sells for ₹ 35,000 per boat, and the variable costs of production are ₹ 15,000 per boat. The boatyard can manufacture 20 boats each month. What is the firms' margin of safety at the moment?
- (a) 20% ; (b) 35% ; (c) 54% ; (d) 57%
325. Janet sells a product for ₹ 6.25. The variable costs are ₹ 3.75. Janet's break-even units are 35,000. What is the amount of fixed costs?
- (a) ₹ 87,500 ; (b) ₹ 35,000 ; (c) ₹ 131,250 ; (d) ₹ 104,750
326. Good Job Plc makes one product which sells for ₹ 80 per unit. Fixed costs are ₹ 28,000 per month and marginal costs are ₹ 42 a unit. What sales level in units will provide a profit of ₹ 10,000?
- (a) 350 units ; (b) 667 units ; (c) 1,000 units ; (d) 1,350 units
327. If computational and record-keeping costs are about the same under both FIFO and weighted average, which of the following method will generally be preferred?
- (a) Weighted Average ; (b) FIFO ; (c) They offer the same degree of information  
 (d) Cannot be determined with so little information

328. A business always absorbs its overheads on labor hours. In the 8th period, 18,000 hours were worked, actual overheads were ₹ 279,000 and there was ₹ 36,000 over-absorption. The overhead absorption rate per hours was:  
(a) ₹ 15.50 ; (b) ₹ 17.50 ; (c) ₹ 18.00 ; (d) ₹ 13.50
329. Bharat Ltd estimated that during the year 75,000 machine hours would be used and it has been using an overhead absorption rate of ₹ 6.40 per machine hour in its machining department. During the year the overhead expenditure amounted to ₹ 472,560 and 72,600 machine hours were used. Which one of the following statements is correct?  
(a) Overhead was under-absorbed by ₹ 7,440  
(b) Overhead was under-absorbed by ₹ 7,920  
(c) Overhead was over-absorbed by ₹ 7,440  
(d) Overhead was over-absorbed by ₹ 7,920
330. Inventory of ₹ 96,000 was purchased during the year. The cost of goods sold was ₹ 90,000 and the ending inventory was ₹ 18,000. What was the inventory turnover ratio for the year?  
(a) 5.0 ; (b) 5.3 ; (c) 6.0 ; (d) 6.4
331. The FIFO inventory costing method (when using under perpetual inventory system) assumes that the cost of the earliest units purchased is allocated in which of the following ways?  
(a) First to be allocated to the ending inventory  
(b) Last to be allocated to the cost of goods sold  
(c) Last to be allocated to the ending inventory  
(d) First to be allocated to the cost of good sold
332. High Class Interiors had beginning merchandise inventory of ₹ 75,000. It made purchases of ₹160,000 and recorded sales of ₹ 220,000 during January. Its estimated gross profit on sales was 30%. On January 31, the store was destroyed by fire. What was the value of the merchandise inventory loss?  
(a) ₹ 154,000 ; (b) ₹ 160,000 ; (c) ₹. 235,000 ; (d) ₹ 81,000
333. Where there is mass production of homogeneous units or where few products are produced in batches, which of the following cost driver would be regarded as best base for the determination of Factory overhead absorption rate?  
(a) Number of units produced ; (b) Labor hours ; (c) Prime cost ; (d) Machine hours
334. Which of the following is a factor that should be taken into account for fixing re-order level?  
(a) Average consumption ; (b) Economic Order Quantity ; (c) Emergency lead time  
(d) Danger level
335. The contribution margin increases when sales volume and price remain the same and:  
(a) Variable cost per unit decreases ; (b) Variable cost per unit increases  
(c) Fixed costs per unit increase ; (d) All of the given options
336. Opening work in process inventory can be calculated under which of the following method?  
(a) FIFO and Average costing ; (b) LIFO and Average costing ; (c) FIFO and LIFO costing  
(d) None of given options
337. \_\_\_\_\_ is a part of cost of production report that explains the cost incurred during the process.  
(a) Quantity schedule ; (b) Cost accounted for as follow ;  
(d) Cost charged to the department ; (d) None of the given options
338. A company makes one product, which has variable manufacturing costs of ₹ 3.25 per unit and variable selling and administrative costs of ₹ 1.17 per unit. Fixed manufacturing costs are ₹ 42,300 per month and fixed selling and administrative costs are ₹ 29,900 per month. The company wants to earn an average monthly profit of ₹ 15,000 and they expect to produce and sell an average of 40,000 units of the product per month. What is the minimum selling price management can be expected to set to meet their profitability goals?  
(a) ₹ 4.69 ; (b) ₹ 4.42 ; (c) ₹ 6.60 ; (d) ₹ 6.23

339. A cost that remains unchanged across the relevant range of units produced is what kind of cost?  
(a) Fixed cost ; (b) Product cost ; (c) Mixed cost ; (d) Period cost
340. A company has the following cost data for the month:  
Conversion cost: ₹. 78,900; Prime Cost: ₹ 115,700; Beginning Work in Process Inventory: ₹ 4,700; Ending Work in Process Inventory: ₹ 2,800; Beginning Finished Goods Inventory: ₹ 27,600; Ending Finished Goods Inventory: ₹ 29,200; Manufacturing Overhead Costs: ₹ 14,500.  
What is the Cost of Goods Sold for the month?  
(a) ₹ 132,100 ; (b) ₹ 116,000 ; (c) ₹ 130,200 ; (d) ₹ 130,500
341. Material cost = ₹ 4.00 per unit; Labor cost = Re. 0.60 per unit; Factory overhead cost = ₹ 1.00 per unit; Administrative cost = ₹ 1.20 per unit; Selling cost = 15% of sales; Profit = ₹ 1.02 per unit.  
What will be the sales price per unit?  
(a) 6.0 ; (b) 9.2 ; (c) 7.0 ; (d) None of the given option
342. ABC & Company has maintained the following data of inventory control Under the periodic inventory system:
- | Date   | Units      | Total  |
|--------|------------|--------|
| Jan 01 | 100 @ ₹ 10 | ₹ 1000 |
| Jan 05 | 100 @ ₹ 11 | ₹ 1100 |
| Jan 10 | 150 @ ₹ 12 | ₹ 1600 |
- During the period 300 units were sold.  
Calculate the cost of ending inventory under FIFO method.  
(a) 600 ; (b) 500 ; (c) 400 ; (d) 300
343. National chains of tyre fitters stock a popular tyre for which the following information is available:  
Average usage = 140 tyres per day  
Minimum usage = 90 tyres per day  
Maximum usage = 175 tyres per day  
Lead time = 10 to 16 days  
Re-order quantity = 3000 tyres  
Based on the above data calculate the maximum level of stock possible:  
(a) 2800 ; (b) 3000 ; (c) 4900 ; (d) 5800
344. The total labor cost incurred by a manufacturing entity includes which one of the following elements:  
(a) Direct labor cost ; (b) Indirect labor cost ; (c) Abnormal labor cost ;  
(d) All of the given options
345. If, Opening stock 1,000 units; Material Purchase 7,000 units; Closing Stock 500 units; Material consumed ₹ 7,500.  
What will be the inventory turnover ratio?  
(a) 10 Times ; (b) 12 times ; (c) 14.5 times ; (d) 9.5 times
346. If Units sold = 10,000; Closing finished goods = 2,000; Opening finished goods = 1,500;  
What will be the value of units manufactured?  
(a) 9,500 ; (b) 10,500 ; (c) 13,500 ; (d) 6,500
347. Calculate the amount of direct labor if:  
Direct material = 15,000; Direct labor = 70% of prime cost  
(a) 6,429 ; (b) 30,000 ; (c) 10,500 ; (d) 35,000
348. In increasing production volume situation, the behavior of Fixed cost & Variable cost will be:  
(a) Increases, constant ; (b) Constant, increases ; (c) Increases, decreases  
(d) Decreases, increases
349. While calculating the finished goods ending inventory, what would be the formula to calculate per unit cost?  
(a) Cost of goods sold / number of units sold  
(b) Cost of goods to be manufactured/ number of units manufactured  
(c) Cost of goods manufactured / number of units manufactured

(d) Total manufacturing cost / number of units manufactured

350. If the direct labor is Rs. 42,000 and FOH is 40% of conversion cost. What will be the amount of FOH?  
 (a) 63,000 ; (b) 30,000 ; (c) 28,000 ; (d) 16,800

351. Which one of the following centers is responsible to earn sales revenue?  
 (a) Cost center ; (b) Investment center ; (c) Revenue center ; (d) Profit center

352. While preparing the Cost of Goods Sold and Income Statement, the over applied FOH is;  
 (a) Add back, subtracted ; (d) Subtracted, add back ; (c) Add back, add back  
 (d) Subtracted, subtracted

353. Which of the following ratios expressed that how many times the inventory is turning over towards the cost of goods sold?  
 (a) Net profit ratio ; (b) Gross profit ratio ; (c) Inventory turnover ratio ;  
 (d) Inventory holding period

MCQ # 354, 355, 356 and 357 are based on the following data:

The following is the Income Statement of a Company for last month:

Particulars	₹
Sales	4,000,000
Less: variable expenses	1,800,000
Contribution margin	2,200,000
Less: fixed expenses	720,000
Net income	1,480,000

The company has no beginning or ending inventories. A total of 80,000 units were produced and sold last month.

354. What is the company's contribution margin ratio?  
 (a) 30% ; (b) 50% ; (c) 150% ; (d) None of given options

355. What is the company's break-even in units?  
 (a) 48,000 units ; (b) 72,000 units ; (c) 80,000 units ; (d) None of the given options

356. How many units would the company have to sell to attain target profits of ₹ 600,000?  
 (a) 48,000 units ; (b) 88,000 units ; (c) 106,668 units ; (d) None of given options

357. What is the company's margin of safety in ₹?  
 (a) ₹ 1,600,000 ; (b) ₹ 2,400,000 ; (c) ₹ 25,60,000 ; (d) None of the given options

358. The margin of safety can be defined as:  
 (a) The excess of budgeted or actual sales over budgeted or actual variable expenses  
 (b) The excess of budgeted or actual sales over budgeted or actual fixed expenses  
 (c) The excess of budgeted sales over the break-even volume of sales  
 (d) The excess of budgeted net income over actual net income

359. The contribution margin ratio is calculated by using which one of the given formula?  
 (a) (Sales - Fixed Expenses)/Sales ; (b) (Sales - Variable Expenses)/Sales  
 (c) (Sales - Total Expenses)/Sales ; (d) None of the given options

360. Data of a company XYZ is given below

Particulars	₹
Sales	15,00,000
Variable cost	9,00,000
Fixed Cost	4,00,000

Break Even Sales in ₹ \_\_\_\_\_  
 (a) ₹ 1, 00,000 ; (b) ₹. 2, 00,000 ; (c) ₹13, 00,000 ; (d) None of the given options

361. The break-even point is the point where:

- (a) Total sales revenue equals total expenses (variable and fixed)  
(b) Total contribution margin equals total fixed expenses  
(c) Total sales revenue equals to variable expenses only ; (d) Both a & b
362. **The break-even point in units is calculated using \_\_\_\_\_**  
(a) Fixed expenses and the contribution margin ratio  
(b) Variable expenses and the contribution margin ratio  
(c) Fixed expenses and the unit contribution margin  
(d) Variable expenses and the unit contribution margin
363. **Marginal costing is also known as:**  
(a) Indirect costing ; (b) Direct costing ; (c) Variable costing ; (d) Both (b) and (c)
364. **The difference between total revenues and total variable costs is known as:**  
(a) Contribution margin ; (b) Gross margin ; (c) Operating income ; (d) Fixed costs
365. **Percentage of Margin of Safety can be calculated in which one of the following ways?**  
(a) Based on budgeted Sales ; (b) Using budget profit ; (c) Using profit & Contribution ratio  
(d) All of the given options
366. **Which of the following represents a CVP equation?**  
(a) Sales = Contribution margin (Rs.) + Fixed expenses + Profits  
(b) Sales = Contribution margin ratio + Fixed expenses + Profits  
(c) Sales = Variable expenses + Fixed expenses + profits  
(d) Sales = Variable expenses – Fixed expenses + profits
367. **If 120 units produced, 100 units were sold @ ₹ 200 per unit. Variable cost related to production & selling is ₹ 150 per unit and fixed cost is ₹ 5,000. If the management wants to decrease sales price by 10%, what will be the effect of decreasing unit sales price on profitability of company?**  
(a) Remains constant ; (b) Profits will increased ; (c) Company will have to face losses  
(d) None of the given options
368. **A disadvantage of an hourly wage plan is that it:**  
(a) Provides no incentive for employees to achieve and maintain a high level of production.  
(b) Is hardly ever used and is difficult to apply.  
(c) Establishes a definite rate per hour for each employee.  
(d) Encourages employees to sacrifice quality in order to maximize earnings.
369. **The cost expended in the past that cannot be retrieved on product or service**  
(a) Relevant Cost ; (b) Sunk Cost ; (c) Product Cost ; (d) Irrelevant Cost
370. **When a manufacturing process requires mostly human labor and there are widely varying wage rates among workers, what is probably the most appropriate basis of applying factory costs to work in process?**  
(a) Machine hours ; (b) Cost of materials used ; (c) Direct labor hours ; (d) Direct labor dollars
371. **The main purpose of cost accounting is to:**  
(a) Maximize profits. ; (b) Help in inventory valuation  
(c) Provide information to management for decision making ;  
(d) Aid in the fixation of selling price
372. **The combination of direct material and direct labor is**  
(a) Total production Cost ; (b) Prime Cost ; (c) Conversion Cost ;  
(d) Total manufacturing Cost
373. **\_\_\_\_\_ method assumes that the goods received most recently in the stores or produced recently are the first ones to be delivered to the requisitioning department.**  
(a) FIFO ; (b) Weighted average method ; (c) Most recent price method ; (d) LIFO
374. **Fixed cost per unit decreases when:**

- (a) Production volume increases. ; (b) Production volume decreases.  
(c) Variable cost per unit decreases. ; (d) Variable cost per unit increases.
375. **Prime cost + Factory overhead cost is:**  
(a) Conversion cost. ; (b) Production cost. ; (c) Total cost. ; (d) None of given option.
376. **Find the value of purchases if Raw material consumed ₹ 90,000; Opening and closing stock of raw material is ₹ 50,000 and 30,000 respectively.**  
(a) ₹ 10,000 ; (b) ₹ 20,000 ; (c) ₹ 70,000 ; (d) ₹ 1,60,000
377. **If Cost of goods sold = ₹ 40,000; GP Margin = 20% of sales Calculate the Gross profit margin.**  
(a) ₹ 32,000 ; (b) ₹ 48,000 ; (c) ₹ 8,000 ; (d) ₹10,000
378. **Annual requirement is 7800 units; consumption per week is 150 units. Unit price ₹ 5, order cost ₹ 10 per order. Carrying cost ₹ 1 per unit and lead time is 3 week, The Economic order quantity would be:**  
(a) 395 units ; (b) 300 units ; (c) 250 units ; (d) 150 units
379. **Juniper Limited's budgeted overhead in the last period was ₹ 170,000. Its overhead absorbed and incurred for the same period were ₹180,000 and ₹195,000 respectively. What is its amount of over- or under-absorption of overhead?**  
(a) Under-absorption of ₹ 15,000 ; (b) Under-absorption of ₹ 25,000  
(c) Over-absorption of ₹ 15,000 ; (d) Over-absorption of ₹ 25,000
380. **Which of the following are the characteristics of management accounting?**  
**(1) It must follow generally accepted accounting principles.**  
**(2) It is concerned with information for the internal use of management.**  
**(3) It emphasises relevance and flexibility of data.**  
(a) (1) and (2) ; (b) (1) and (3) ; (c) (2) and (3) ; (d) (1), (2) and (3)
381. **Remuneration based on piece work is not suitable when:**  
**(1) the amount of output cannot be accurately measured.**  
**(2) the nature of work is repetitive.**  
**(3) the quantity of work is more important than quality.**  
(a) (1) only ; (b) (3) only ; (c) (1) and (3) ; (d) (2) and (3)
382. **The distinction between direct and indirect labour helps to :**  
(a) Measure efficiency of performance  
(b) Determine product cost more accurately  
(c) Ensure better cost analysis for decisions and control ; (d) All of the above
383. **Which would be an implicit cost for a firm? The cost:**  
(a) Of worker wages and salaries for the firm.  
(b) Paid for leasing a building for the firm.  
(c) Paid for production supplies for the firm. ; (d) Of wages foregone by the owner of the firm.
384. **The difference between gate time and time booked for jobs in respect of a worker in due to the following reasons except :**  
(a) Change-over time ; (b) Illness ; (c) Waiting for materials, instructions, etc.  
(d) Breakdown of machine
385. **The period of time for which a work station is available for production but is not utilized due to shortage of tooling, materials, operators, etc. is known as :**  
(a) Down time ; (b) Operation time ; (c) Idle time ; (d) Set-up time
386. **The objective of work study are :**  
(a) Material conservation ; (b) Time saving ; (c) Quality improvement and cost reduction  
(d) All of the above
387. **Time study serves the following purposes except :**

- (a) Standardizing jobs, operation etc. ; (b) Assessing labour time ;  
(c) Fixation of factory overhead rate ; (d) Fixation of wage rates and introduction of incentive schemes
388. **The methods of job evaluation include :**  
(a) Grading ; (b) Ranking ; (c) Points value ; (d) All of the above
389. **Merit rating helps the following except :**  
(a) Determining right worker for the right job/work ; (b) Delinking rewards with merits  
(c) Simplifying wage structure ; (d) Improving labour relations and reducing labour turnover
390. **The factors to be taken into consideration in formulating incentive schemes include :**  
(a) Quantity and quality of output ; (b) Incidence of overhead, and effect upon workers  
(c) Simplicity and legal provisions ; (d) All of the above
391. **Contribution margin contributes to meet which one of the following options ?**  
(a) Variable cost ; (b) Fixed cost ; (c) Operating cost ; (d) Net profit
392. **Favourable conditions for the operation of piece rates include :**  
(a) Homogeneous products ; (b) Long, uninterrupted run of production  
(c) Inspection ; (d) High proportion of indirect labour
393. **If time allowed for a job is 10 hours, time taken for the job is 8 hours and rate of pay is ₹ 2 per hour, the bonus to the worker is :**  
(a) ₹ 1.20 ; (b) ₹ 2.00 ; (c) ₹ 3.20 ; (d) None of the above
394. **Group bonus schemes are generally suitable where :**  
(a) Output depends on individual efforts  
(b) Output of individual workers can be measured easily  
(c) It is necessary to create a collective interest in the work ; (d) Normal loss rate is high
395. **In a profit sharing scheme the available surplus is shared by the following except :**  
(a) Government ; (b) Shareholders ; (c) Employees ; (d) Firm
396. **Non-monetary incentives may include the following except :**  
(a) Health and safety ; (b) Housing facilities ; (c) Education and training ;  
(d) Dearness allowance
397. **The purposes served by preparation of payroll or wages sheet include :**  
(a) Spreading the volume of work to be done  
(b) Computation of labour rate for each department  
(c) Comparing actual wages with budgeted wages for control ; (d) All of the above
398. **The authorized heads of deduction from wages payable include the following except :**  
(a) Car allowance ; (b) Income tax ; (c) Provident fund ; (d) Employees' state insurance
399. **Wages analysis include :**  
(a) Gross wages per product ; (b) Gross wages per operation or department  
(c) Gross wages per labour classification ; (d) Analysis of constituent of gross wages – direct/ lost time
400. **In account ting for labour cost :**  
(a) A. direct labour cost and indirect labour cost are charged to prime cost  
(b) Direct labour cost and indirect labour cost are charged to overheads  
(c) Direct labour cost is charged to prime cost and indirect labour cost is charged to overheads ; (d)  
All of the above
401. **Productive causes of idle time include the following except :**  
(a) Power failure ; (b) Fall in demand ; (c) Machine breakdown  
(d) Waiting for materials, tools, instructions, etc.

402. **The treatment of idle time in cost include the following :**  
(a) Cost of normal and controllable idle time is charged to factory overheads  
(b) Cost of normal but uncontrollable idle time is treated as prime cost  
(c) Cost of abnormal and uncontrollable idle time is charged to costing profit and loss account ; (d) All of the above
403. **Overtime premium may be treated, depending on the circumstances, as :**  
(a) Part of direct wages ; (b) Part of production overheads ;  
(c) Part of capital order ; (d) All of the above
404. **A manufacturing firm is very busy and is working overtime. The amount of overtime premium contained in direct wages would normally be classed as :**  
(a) Part of prime cost ; (b) Factory overheads ; (c) Direct labour cost ;  
(d) Administrative overheads
405. **Fringe benefits are those for which efforts of the workers are not necessary and may include the following except :**  
(a) Holiday pay ; (b) Attendance bonus ; (c) Production bonus ;  
(d) Employer's contribution to P.F.
406. **Avoidable causes of labour turnover include the following except :**  
(a) Redundancy ; (b) Low wages ; (c) Bad working conditions ; (d) Marriage
407. **The unavoidable causes of labour turnover include the following except :**  
(a) Personal betterment ; (b) Dissatisfaction with the job ; (c) Illness ; (d) Retirement
408. **Labour turnover can be measured by the following methods except :**  
(a) Attrition method ; (b) Separation method ; (c) Replacement method ; (d) Flux method
409. **At the start of the quarter there were 14,630 workers. 750 employees left during the quarter while 600 joined the organization during the same period. Using the flux method, the labour turnover was:**  
(a) 5.13% ; (b) 9.23% ; (c) 9.32% ; (d) 9.28%
410. **Which of the following is not a cost implication of labour turnover :**  
(a) Training ; (b) Recruiting ; (c) Ageing labour force ; (d) Damage of machine
411. **Preventive costs of labour turnover include the following except :**  
(a) Cost of recruitment and training ; (b) Medical services ; (c) Welfare ;  
(d) Gratuity and pension
412. **Replacement costs of labour turnover include the following except :**  
(a) Loss of output ; (b) Cost of personnel administration ;  
(c) Cost of tool and machine breakage ; (d) Cost of scrap and defective work
413. **Cost of labour turnover may be treated as :**  
(a) Direct wages ; (b) Prime cost ; (c) Overhead ; (d) None of the above
414. **(1) Labour cost control leads to minimization of cost of labour per unit of output. (2) When labour cost is fixed nature, any reduction in total labour cost may not result in lower cost per unit. True or false?**  
(a) (1) True; (2) False ; (b) (1) False; (2) True ; (c) (1) and (2) False ; (d) (1) and (2) True
415. **Labour cost control embraces the following activities except :**  
(a) Recruitment and promotion  
(b) Formulation of wage policy and payment and accounting for wages  
(c) Allocation of cost ; (b) Preparation of financial statement
416. **(1) Payment of higher wages does not necessarily mean that labour cost per unit is high. (2) Control over payment of wages aims at reducing or eliminating irregularities during actual disbursements. True or False?**  
(a) (1) and (2) True ; (b) (1) and (2) False ; (c) (1) False; (2) True ; (d) (1) True; (2) False

- 417. Which of the following techniques is not meant for labour cost control?**  
(a) Budgetary control ; (b) Standard costing ; (c) ABC analysis ; (d) Ratio analysis
- 418. Ratios which may be used for comparing labour cost over time include the following except :**  
(a) Gross profit ratio ; (b) Efficiency ratio ; (c) Illness ratio ; (d) Absenteeism ratio
- 419. Cost of production is equal to**  
(a) Prime costs+ other manufacturing costs.  
(b) Production costs + Administration expenses.  
(c) Prime costs + Manufacturing costs + Opening W.I.P – Closing W.I.P.  
(d) None of the above.  
**[Hint : Cost of production = Prime cost+ Manufacturing cost+ Opening W.I.P-Closing W.I.P+ Administrative expenses.]**
- 420. The cost of goods sold is equal to**  
(a) Total Purchases - Total Sales. ; (b) Opening stock + Total Purchase.  
(c) Opening stock - Total Purchases +Closing Stock+ Direct Costs.  
(d) Opening stock + Total Purchases – Closing Stock + Direct Costs.
- 421. Which of the following is false regarding the LIFO method of inventory valuation?**  
(a) The material issue will be priced at the price of the material that is purchased last.  
(b) The pattern of cash flow does not necessarily coincide with the actual flow pattern of materials.  
(c) It permits management to influence net income by timing the purchases.  
(d) LIFO determines closing inventory at recent costs.  
**[Hint : Under LIFO the most recently purchased are assumed to be the first units sold. This method seldom accords a physical flow of goods rather than cost of flow of goods. This method permits management to influence net income by timing the purchases, LIFO results in higher cost of goods sold during the inflationary conditions, and lowest inventory value this results in lowest income provided. Under LIFO since the most recently purchased are assumed to be first units sold, the inventory comprises of oldest units and oldest cost. Hence option (e) is false. All other statements are true.]**
- 422. Which of the following is NOT a reason for carrying inventory?**  
(a) To maintain independence of operations  
(b) To take advantage of economic purchase-order size  
(c) To make the system less productive  
(d) To meet variation in product demand
- 423. Which of the following is TRUE regarding Departmental Rates.**  
(a) A departmental absorption rate is a rate of absorption based upon the particular department's overhead cost and activity level  
(b) A departmental absorption rate is a rate of absorption not based upon the particular department's overhead cost and activity level  
(c) A single rate of absorption used throughout an organization's production facility and based upon its total production costs and activity  
(d) None of the given options
- 424. Inventory of ₹ 96,000 was purchased during the year. The cost of goods sold was ₹ 90,000 and the ending inventory was ₹ 18,000. What was the inventory turnover ratio for the year?**  
(a) 5.0 times ; (b) 5.3 times ; (c) 6.0 times ; (d) 6.4 times
- 425. In a perpetual inventory system, an inventory flow assumption (i.e. LIFO or FIFO) is used primarily for determining costs which are used in**  
(a) Forecasts of future sale.  
(b) Recording the cost of goods sold.

- (c) Recording Sales Revenue.
- (d) Forecasts of future operating results.

[Hint : The various methods of inventory valuation such as FIFO,LIFO etc. are basically done to arrive at the cost of goods sold and closing inventory value and not for forecast of sales, or recording purchases, recording sales revenue and not for forecasting operating results.]

**426. The inventory method where the cost per unit is recomputed after every addition in the inventory is known as.**

- (a) Specific identification method.
- (b) Moving average method.
- (c) Last-in- First – Out method.
- (d) First-in-First-Out method.

[Hint : The moving average method of inventory valuation assumes that costs are charged against revenue based on an average of the number of units acquired at each price level. The resulting average price is applied to the ending inventory to find the total ending inventory value. The moving average is determined by dividing the total cost of the inventory available including any beginning inventory by the total number of units. Under this method the cost per unit is recomputed after every addition.]

**427. Which of the following inventory valuation methods shows higher profits during the period of rising prices?**

- (a) FIFO method. ; (b) LIFO method. ; (c) Weighted average method.;
- (d) Simple average method.

**428. Which of the following systems of inventory valuation computes cost of goods sold as a residual amount?**

- (a) Weighted Average. ; (b) Last-in-First-out. ; (c) Periodic Inventory System.;
- (d) Specific Identification.

**429. Which of the following is calculated by a formula that uses net sales as denominator?**

- (a) Inventory turnover ratio ; (b) Gross profit rate ; (c) Return on Investment ;
- (d) None of the given options

**430. Overhead expenses can be classified according to :**

- (a) Functions ; (b) Elements ; (c) Behavior ; (d) All of the above

**431. Which of the following is not included in functional classification of overheads ?**

- (a) Repairs and maintenance ; (b) Lubricating oil ; (c) Consumable stores;
- (d) Chargeable expenses

**432. Which of the following is not an example of marketing overheads ?**

- (a) Salary of the foreman ; (b) Publicity expenses ; (c) Salaries of sales staff;
- (d) Secondary packing charges

**433. Some overhead charges tend to vary almost directly, some tend to remain constant while some again vary in part with the volume and in part remain constant. This statement describes sequentially the following:**

- (a) Variable, fixed and semi-variable overheads
- (b) Fixed, semi-variable and variable overheads
- (c) Semi-variable, variable and fixed overheads
- (d) Variable, semi-variable and fixed overheads

**434. Suppose a firm sells its product at a price lower than the opportunity cost of the inputs used to produce it. Which is true?**

- (a) The firm will earn accounting and economic profits.
- (b) The firm will face accounting and economic losses.
- (c) The firm will face an accounting loss, but earn economic profits.
- (d) The firm may earn accounting profits, but will face economic losses.

435. **Example of semi-variable items include the following except :**  
(a) Telephone ; (b) Repairs and maintenance ; (c) Depreciation of plant and machinery  
(d) Insurance of plant and building
436. **Direct Labor is an element of:**  
(a) Prime cost ; (b) Conversion cost ; (c) Total production cost ; (d) All of the given options
437. **Which of the following is not a production department?**  
(a) Power department ; (b) Machining department ; (c) Refining department;  
(d) Finishing department
438. **Which of the following does not match?**
- |                            |                             |
|----------------------------|-----------------------------|
| Item of cost               | Basis of cost allocation    |
| a. Power                   | H.P. of machine             |
| b. Supervision of building | value of materials consumed |
| c. Insurance of building   | area occupied               |
| d. Time-keeping            | number of employees         |
439. **(1) Departmentalization of items of costs is known as primary distribution.  
(2) Redistribution of service departments, costs is known as secondary distribution. True or false?**  
(a) (1) and (2) true ; (b) (1) and (2) false ; (c) (1) False; (2) True ; (d) (1) True; (2) False
440. **Which of the following costs is not a factory overhead expense?**  
(a) Depreciation of equipment used in the research department  
(b) Salary of quality control inspector  
(c) Overtime premium paid to direct labour  
(d) Machine maintenance labour cost
441. **Which of the following bases would be most appropriate to apportion the cost of electric power to factory departments?**  
(a) Number of outlet points ; (b) Amount metered out ; (c) Cubic capacity of premises;  
(d) Kilowatt capacity of machines in department
442. **A method of dealing with overheads involves spreading common costs over cost centres on the basis of benefit received. This is known as :**  
(a) Overhead absorption ; (b) Overhead apportionment ; (c) Overhead identification;  
(d) Overhead analysis
443. **The process of cost apportionment is carried out so that :**  
(a) Costs may be controlled  
(b) Cost units gather overheads as they pass through cost centres  
(c) Whole items of cost can be charged to cost centres  
(d) Common costs are shared among cost centres
444. **An overhead absorption rate is used to :**  
(a) Share out common costs over benefiting cost centres  
(b) Find the total overheads for a cost centre  
(c) Charge overheads to products  
(d) Control overheads
445. **Which of the following is not a means whereby factory overheads can be charged out to production?**  
(a) Direct labour rate ; (b) Overtime rate ; (c) Machine hour rate ; (d) Blanket rate
446. **A management consultancy recovers overheads on chargeable consulting hours. Budgeted overheads were ₹ 6,15,000 and actual consulting hours were 32,150. Overheads, were under-recovered by ₹ 35,000. If actual overheads, were ₹ 6,94,075, what was the budgeted overhead absorption rate per hour ?**  
(a) ₹ 19.13 ; (b) ₹ 20.50 ; (c) ₹ 21.59 ; (d) ₹ 22.68

447. **Idle capacity of a plant is defined as the difference between :**  
(a) Practical capacity and normal capacity  
(b) Practical capacity and capacity based on sale expectancy  
(c) Maximum capacity and actual capacity  
(d) Maximum capacity and practical capacity
448. **The capacity which is based on the long-term average of sales expectancy is known as :**  
(a) Theoretical capacity ; (b) Operating capacity ; (c) Normal capacity ;  
(d) Derated capacity
449. **Maximum capacity of a plant refers to its:**  
(a) Theoretical capacity ; (b) Normal capacity ; (c) Practical capacity ;  
(d) Capacity based on sales expectancy
450. **Which of the following is not a production cause of idle capacity ?**  
(a) Set-up and change-over time ; (b) Lack of supervision and instruction ;  
(c) Lack of materials and tools ; (d) Strike
451. **Functionally, administration expenses may comprise expenses of the following activities :**  
(a) Secretarial and board of directors ; (b) Accounting, financing, tax and legal ;  
(c) Audit and personnel ; (d) All of these
452. **Which of the following is not a possible method of accounting for administration overheads ?**  
(a) Include as part of production overheads  
(b) Apportion to production, selling and distribution functions  
(c) Treat administration as a separate entity and treat the costs as such  
(d) Transfer to costing profit and loss account
453. **Which of the following is not used as a base for apportionment of administration overheads ?**  
(a) Direct wages ; (b) Works cost ; (c) Conversion cost ; (d) Sales value
454. **Which of the following is/are the basic object/s of job analysis?**  
(a) Determination of wage rates ; (b) Ascertain the relative worth of each job ;  
(c) Breaking up job into its basic elements ; (d) All of the given options
455. **Analysis of selling and distribution overheads is done by :**  
(a) Nature of expenses and functions ; (b) Areas, products and salesmen ;  
(c) Types of customers and channels of distribution ; (d) All of the above
456. **For exercising control over selling and distribution overheads, the following techniques may be used :**  
(a) Comparison with past results ; (b) Budgetary control ; (c) Standard costing ;  
(d) All of the above
457. **Depreciation is a :**  
(a) Measure of consumption of assets ; (b) Process of allocation and not of valuation ;  
(c) Wear and tear due to use and/or lapse of time ; (d) All of the above
458. **Which of the following does not influence the useful life of an asset ?**  
(a) Expected physical wear and tear ; (b) Cost of the asset ; (c) Obsolescence ;  
(d) Legal or other limits on the use of the asset
459. **For computing depreciation of an asset, the factors that are taken into consideration include the following except :**  
(a) Historical cost ; (b) Expected useful life ; (c) Insurance premium ;  
(d) Estimated residual value
460. **Depreciation on plant and machinery is :**  
(a) Not a cash cost, so is ignored in the cost accounts ; (b) Part of manufacturing overheads ;  
(c) Part of prime cost ; (d) Always calculated using the straight-line method

461. Which of the following methods of depreciation results in fixed per unit cost of depreciation ?  
(a) Straight line ; (b) Reducing balance ; (c) Sinking fund ; (d) Production unit
462. Types of maintenance include the following except :  
(a) Routine ; (b) Overhaul ; (c) Emergency ; (d) Periodic
463. Which of the following is not included in the objectives of maintenance of plant and machinery ?  
(a) Reducing idle time ; (b) Reducing breakdown ; (c) Maintaining efficiency ;  
(d) Increasing life
464. Regular maintenance expenses are :  
(a) Capitalized ; (b) Part of manufacturing overheads ;  
(c) Written-off to costing profit and loss account ; (d) Part of prime cost
465. Obsolescence is the measure of the loss of value of an asset due to :  
(a) Technological innovation ; (b) Changes in market conditions ;  
(c) Both (a) and (b) above ; (d) None of the above
466. Interest on own capital is a:  
(a) Cash cost ; (b) Notional cost ; (c) Sunk cost ; (d) Part of prime cost
467. Objectives of research and development costs include :  
(a) Maintaining present competitive position ; (b) Improving enterprise's competitive position ;  
(c) Exploring new market/products ; (d) All of the above
468. Normal stores losses are :  
(a) Part of prime cost ; (b) Part of production overheads ; (c) Part of selling and distribution ;  
overheads ; (d) Written-off to costing and profit and loss account
469. Secondary packing expenses are :  
(a) Part of prime cost ; (b) Part of production overheads ; (c) Part of distribution overheads ;  
(d) Written-off to costing profit and loss account
470. If you know that with 8 units of output, average fixed cost is ₹12.50 and average variable cost is ₹ 81.25, then total cost at this output level is:  
(a) ₹ 93.75. ; (b) ₹ 97.78. ; (c) ₹ 750. ; (d) ₹ 880.
471. The methods of treating cost of small tools in cost accounts include :  
(a) Charging to expense ; (b) Charging to stores ; (c) Capitalizing in a small tools account ;  
(d) All of the above
472. Under marginal costing :  
(a) All costs are classified into two groups – variable and fixed  
(b) Variable costs form part of the product cost and inventory valuation  
(c) Fixed costs are treated as period costs ; (d) All of the above
473. Which of the following definitions describe marginal cost ?  
(a) The variable cost of one unit of product or service  
(b) A principle whereby variable costs are charged to cost units and the fixed costs attributable to  
the relevant period are written-off in full against the contribution for that period  
(c) Costs appropriate to aiding the making of specific management decisions  
(d) The price at which material identical to that which is used up could be replaced on the date of  
usage
474. According to Rowan premium plan, which of the following formula is used to calculate the bonus  
rate?  
(a)  $(\text{Time saved}/\text{time allowed}) \times 100$   
(b)  $(\text{Time allowed}/\text{time saved}) \times 100$   
(c)  $(\text{Actual time taken}/\text{time allowed}) \times 100$   
(d)  $(\text{Time allowed}/\text{actual time taken}) \times 100$

475. Which of the following is not an assumption underlying the accountant's break-even chart ?  
 (a) Fixed costs remain fixed throughout the range charted  
 (b) Selling prices do not change  
 (c) Variable costs fluctuate inversely with volume  
 (d) Unit variable costs remain constant throughout the range charted
476. With regard to break –even charts and break-even analysis, which of the following is true ?  
 (a) It is assumed that variable cost fluctuates in direct proportion to output  
 (b) The break the break-even point is at the intersection of the sales line and the variable cost line  
 (c) A break-even chart shown the maximum profit possible  
 (d) A break-even chart is capable of dealing with any change of product mix
477. The following data relate to two output levels of a department :
- |               |          |          |
|---------------|----------|----------|
| Machine hours | 17,000   | 18,500   |
| Overheads (₹) | 2,46,500 | 2,51,750 |
- The variable overhead rate per hour is ₹ 3.50. The amount of fixed overheads is:  
 (a) ₹ 5,250 ; (b) ₹ 59,500 ; (c) ₹ 1,87,000 ; (d) ₹ 2,46,500
478. The following data relate to two activity levels of an out-patients' department in a hospital :
- |                                  |            |            |
|----------------------------------|------------|------------|
| No. of consultations per patient | 4,500      | 5,750      |
| Overheads                        | ₹ 2,69,750 | ₹ 2,89,125 |
- Fixed overheads are ₹ 2,00,000 per period. The variable cost per consultation is :  
 (a) ₹ 15.50 ; (b) ₹ 44.44 ; (c) ₹ 59.94 ; (d) ₹ none of the above
479. Break-even analysis assumes that over the relevant range :  
 (a) Total costs are unchanged ; (b) Unit variable costs are unchanged ;  
 (c) Variable costs are non-linear ; (d) Unit fixed costs are unchanged
480. ABC Ltd. Has fixed costs of ₹ 60,000 p.a.. It manufactures a single product, which it sells for ₹ 20 per unit. Its contribution to sales ratio is 40%. ABC Ltd's break-even point in units is :  
 (a) 1,800 ; (b) 3,000 ; (c) 5,000 ; (d) 7,500
481. Sun Ltd. Makes a single product which it sells for ₹ 10 per unit. Fixed costs are ₹ 48,000 per month and the product has a contribution to sales ratio of 40%. In a period when actual sales were ₹ 1,40,000. Sun Ltd.'s margin of safety in units was :  
 (a) 2,000 ; (b) 6,000 ; (c) 8,000 ; (d) 12,000
482. A company produced 500 units of a product and incurred the following costs :
- |                       |        |
|-----------------------|--------|
|                       | ₹      |
| Direct materials      | 8,000  |
| Direct wages          | 10,000 |
| Overheads (20% fixed) | 45,000 |
- If the sales value of 500 units was ₹ 1,02,000, what is contribution margin ?  
 (a) 44%  
 (b) 47%  
 (c) 53%  
 (d) 74%
- Use the following data for questions 483 and 484:  
 Budget data for the Happy Ltd.
- |                        |             |
|------------------------|-------------|
| Sales (1,00,000 units) | ₹ 10,00,000 |
| Costs :                |             |
| Variable               | ₹ 7,00,000  |
| Fixed                  | ₹ 2,10,000  |
| Operating profit       | ₹ 90,000    |
483. If fixed costs increased by ₹ 31,500 with no other cost or revenue factors changing, the break-even sales in units would be :  
 (a) 34,500 ; (b) 80,500 ; (c) 69,000 ; (d) 94,500

484. If Happy Ltd. is subject to an effective income tax rate of 40%, the number of units Happy Ltd. would have to sell to earn an after-tax profit of ₹ 90,000 is :  
(a) 1,00,000 units ; (b) 1,20,000 units ; (c) 1,12,000 units ; (d) 1,45,000 units
485. Selling a product at a price equivalent to or below marginal cost is recommended for a short period in certain special circumstances, such as :  
(a) Introducing a new product ; (b) Exploring foreign market ;  
(c) Driving out a weaker competitor ; (d) All of the above
486. Which of the following is not a relevant cost information in a make or buy decision ?  
(a) Variable cost of making ; (b) General fixed cost ; (c) Purchase price ;  
(d) Loss of contribution to make the product
487. Which of the following factors are not qualitative factors in a make or buy decision ?  
(a) Doubt as to the ability of the subcontractor to meet delivery dates  
(b) Doubt as to ability of the subcontractor to maintain quality  
(c) The ease with which improvements can be made to the product  
(d) The effect of redundancy on labour relations
488. Raymond Corporation estimates factory overhead of ₹ 345,000 for next fiscal year. It is estimated that 60,000 units will be produced at a material cost of ₹575,000. Conversion will require 34,500 direct labor hours at a cost of ₹ 10 per hour, with 25,875 machine hours. FOH rate on the bases on Budgeted Production would be?  
(a) ₹ 5.75 per unit ; (b) ₹ 6.65 per unit ; (c) ₹ 6.0 per unit ; (d) ₹ 1 per unit
489. In a shutdown decision, one has to consider :  
(a) Contribution ; (b) Identifiable fixed cost, if any ;  
(c) Impact of shutdown on other products, if any ; (d) All of the above
490. When a firm doubles its inputs and finds that its output has more than doubled, this is known as:  
(a) Economies of scale. ; (b) Constant returns to scale. ; (c) Diseconomies of scale. ;  
(d) A violation of the law of diminishing returns.
491. The firm's monthly cost of production is ₹ 1,46,000 at an output level of 8,000 units. If it achieves an output level of 12,000 units it will incur production cost of ₹ 1,94,000 cost of production for 15,000 units is :  
(a) ₹ 1,80,000 ; (b) ₹ 2,00,000 ; (c) ₹ 50,000 ; (d) ₹ 2,30,000
492. The basic research cost should be treated as :  
(a) Product cost ; (b) Production cost ; (c) Production overhead ; (d) Period cost
493. A firm requires 16,000 nos. of a certain component, which it buys at ₹ 60 each. The cost of placing an order and following it up is ₹ 120 and the annual storage charges work out to 10% of the cost of the item. To get maximum benefit the firm should place order for ..... Units at a time.  
(a) 1,000 ; (b) 900 ; (c) 800 ; (d) 600
494. About 50 items are required every day for a machine. A fixed cost of ₹ 50 per order is incurred for placing an order. The inventory carrying cost per item amounts to Re. 0.02 per day. The lead period is 32 days. Compute reorder level.  
(a) 1,200 items ; (b) 1,400 items ; (c) 1,600 items ; (d) 1,800 items
495. The standard time required per unit of a product is 20 minutes. In a day of 8 working hours a worker given an output of 30 units. If he gets a time rate of ₹ 20/hr., his total earnings under Halsey bonus scheme was :  
(a) ₹ 200 ; (b) ₹ 192 ; (c) ₹ 180 ; (d) ₹ 160
496. A material loss during production or storage due to evaporation or shrinkage is called :  
(a) Scrap ; (b) Waste ; (c) Spoilage ; (d) Material loss

**PAPER 2: FUNDAMENTALS OF ACCOUNTING (SYLLABUS 2012)\_MCQ**

497. The process of distribution of overheads allotted to a particular department or cost centre over the units produced is called :  
(a) Allocation ; (b) Apportionment ; (c) Absorption ; (d) Departmentalization
498. Angle of incidence defines :  
(a) Systematic risk in CAPM model ; (b) Post BEP relationship between total cost and total revenue ;  
(c) Incidental factors in investments ; (d) Marginal cost of production
499. A Ltd. Has sales of ₹ 2,200, total fixed cost of ₹ 570, variable cost of ₹ 1,540, raw material consumed of ₹ 1,100, number of units sold 22,000. What shall be the BEP (in units) if raw material price is reduced by 2%?  
(a) 18,387 ; (b) 18,560 ; (c) 18,750 ; (d) 19,000
500. If an item of overhead expenditure is charged specifically to a single department this would be an example of:  
(a) Apportionment ; (b) Allocation ; (c) Re-apportionment ; (d) Absorption

**Answers  
COSTING**

1	b	2	c	3	c	4	a	5	c	6	b	7	b
8	a	9	a	10	c	11	a	12	b	13	c	14	d
15	b	16	b	17	a	18	c	19	3	20	3	21	c
22	a	23	b	24	c	25	c	26	b	27	c	28	a
29	b	30	d	31	b	32	b	33	c	34	b	35	a
36	d	37	c	38	d	39	d	40	a	41	b	42	b
43	b	44	d	45	a	46	a	47	b	48	a	49	d
50	d	51	c	52	b	53	c	54	b	55	b	56	a
57	a	58	d	59	d	60	c	61	b	62	a	63	b
64	a	65	b	66	d	67	a	68	a	69	b	70	d
71	d	72	c	73	b	74	c	75	a	76	b	77	c
78	b	79	d	80	a	81	d	82	c	83	c	84	a
85	d	86	b	87	b	88	a	89	c	90	a	91	a
92	d	93	d	94	a	95	c	96	b	97	c	98	d
99	a	100	c	101	c	102	c	103	d	104	b	105	b
106	a	107	c	108	a	109	b	110	a	111	c	112	a
113	a	114	d	115	a	116	c	117	a	118	c	119	d
120	d	121	d	122	c	123	a	124	b	125	d	126	d
127	a	128	c	129	b	130	a	131	d	132	a	133	b
134	a	135	a	136	c	137	c	138	a	139	a	140	b
141	d	142	c	143	a	144	a	145	a	146	a	147	a
148	a	149	a	150	a	151	c	152	a	153	d	154	d
155	c	156	d	157	b	158	a	159	d	160	a	161	a
162	c	163	d	164	a	165	a	166	b	167	c	168	a
169	a	170	a	171	b	172	d	173	c	174	d	175	d
176	b	177	d	178	a	179	c	180	a	181	d	182	b
183	a	184	c	185	b	186	d	187	c	188	a	189	c
190	a	191	a	192	c	193	a	194	c	195	a	196	d
197	d	198	d	199	d	200	b	201	b	202	b	203	d
204	a	205	d	206	a	207	d	208	a	209	b	210	a
211	b	212	a	213	b	214	a	215	b	216	b	217	b
218	d	219	a	220	a	221	d	222	d	223	a	224	b
225	c	226	c	227	a	228	b	229	d	230	a	231	d

**PAPER 2: FUNDAMENTALS OF ACCOUNTING (SYLLABUS 2012)\_MCQ**

232	a	233	d	234	c	235	a	236	a	237	b	238	b
239	d	240	b	241	b	242	a	243	d	244	a	245	a
246	d	247	d	248	a	249	c	250	a	251	a	252	d
253	d	254	d	255	a	256	c	257	d	258	c	259	b
260	a	261	d	262	a	263	d	264	b	265	a	266	a
267	b	268	d	269	d	270	d	271	d	272	b	273	b
274	a	275	b	276	d	277	d	278	c	279	a	280	b
281	b	282	d	283	a	284	d	285	b	286	d	287	b
288	b	289	a	290	c	291	b	292	b	293	d	294	a
295	d	296	d	297	a	298	a	299	d	300	c	301	d
302	c	303	b	304	c	305	a	306	b	307	b	308	d
309	b	310	d	311	d	312	a	313	b	314	d	315	a
316	d	317	b	318	b	319	d	320	d	321	b	322	b
323	c	324	b	325	a	326	c	327	b	328	b	329	a
330	c	331	d	332	d	333	a	334	b	335	a	336	a
337	c	338	c	339	a	340	d	341	b	342	a	343	c
344	d	345	a	346	b	347	d	348	b	349	c	350	c
351	c	352	b	353	c	354	b	355	d	356	a	357	c
358	c	359	b	360	d	361	d	362	c	363	d	364	a
365	d	366	c	367	c	368	a	369	b	370	c	371	c
372	b	373	d	374	a	375	b	376	c	377	d	378	b
379	a	380	c	381	a	382	d	383	d	384	b	385	b
386	d	387	c	388	d	389	b	390	d	391	b	392	b
393	c	394	c	395	a	396	d	397	d	398	a	399	a
400	c	401	b	402	d	403	d	404	b	405	c	406	d
407	b	408	a	409	d	410	c	411	a	412	b	413	c
414	a	415	d	416	a	417	c	418	a	419	d	420	d
421	d	422	c	423	a	424	d	425	b	426	b	427	a
428	c	429	d	430	d	431	d	432	a	433	a	434	d
435	d	436	d	437	a	438	b	439	a	440	a	441	b
442	b	443	d	444	c	445	b	446	b	447	b	448	c
449	a	450	d	451	d	452	a	453	a	454	b	455	d
456	d	457	d	458	b	459	c	460	b	461	d	462	b
463	d	464	b	465	c	466	b	467	d	468	b	469	c
470	c	471	d	472	d	473	a	474	a	475	c	476	a
477	c	478	a	479	b	480	d	481	a	482	b	483	b
484	b	485	d	486	b	487	d	488	a	489	d	490	a
491	d	492	c	493	c	494	c	495	c	496	b	497	c
498	b	499	a	500	b								

## MCQ FOR FINANCIAL ACCOUNTING

1. **Which English alphabet is similar to the shape of an account?**

- (a) I ; (b) T ; (c) H ; (d) None

2. **Gross Profit is the difference between**

- (a) Net Sales and Cost of goods sold ; (b) PAT and Dividends ;  
(c) Net Sales and Cost of production ; (d) Net Sales and Direct costs of productions

[Hints: (a) Trading account is prepared to find out the Gross Profit due to the operations of a business. It is the difference between the Net Sales (i.e., Sales less sales return) and the Cost of goods sold. Cost of goods sold= Opening Stock+ Net Purchases – Closing Stock + Direct expenses. Hence option (a) is the right option. Option (c) is incorrect because cost of production does not consider the opening stock and closing stock adjustment. Similarly option (d) ignores stock balance adjustment.]

3. **Recording of Capital contributed by the owner as liability ensures the adherence of principle of**

- (a) Double Entry  
(b) Going Concern  
(c) Separate Entry  
(d) Materiality

[Hints: (c) Recording of capital contributed by the owner as liability ensures the adherence of principle of the "Separate entity or Business entity concept". The concept requires the business to be treated as distinct from the persons who own it; then it becomes possible to record transactions of the business with the proprietor also. Without such a distinction, the affairs of the firm will be mixed up with the private affairs of the proprietor and the true picture of the firm will not be available.

Under the Going Concern Concept, it is assumed that the business will exit for a long time and transactions are recorded from this point of view. It is this that necessitates distinction between expenditure that will render benefit over a long period and that whose benefit will be exhausted quickly.

Under Double-entry or Dual aspect concept, each transaction has two aspects, if a business has acquired an asset, it must have resulted in one of the following:

- ❖ Some other asset has been given up.
- ❖ The obligation to pay for it has arisen.
- ❖ There has been a profit, leading to an increase in the amount that the business owes to the proprietor.
- ❖ The proprietor has contributed money for the acquisition of the asset.
- ❖ The concept of Materiality requires all the material items to be recorded and disclosed separately.]

**4. The basic concepts related to Balance Sheet are**

- (a) Cost Concept
- (b) Business Entity Concept
- (c) Accounting Period Concept
- (d) Both (a) and (b) above

[Hints: (d) Cost concept requires the transactions to be recorded in the books of accounts at the amounts actually involved. Suppose a firm purchases a piece of land for ₹ 1,50,000 but considers its worth ₹ 3,00,000. The purchase will be recorded at ₹ 1,50,000. Business entity concept requires the business to be treated as distinct from the persons who own it; then it becomes possible to record transactions of the business with the proprietor also. Without such a distinction, the affairs of the firm will be mixed up with the private affairs of the proprietor and the true picture of the firm will not be available. Accounting period concept is applicable to the Profit & Loss Account which is prepared for the year ending and cannot be applied to Balance Sheet as it is a statement prepared as on a particular date. Therefore, cost and entity concepts are related to Balance Sheet.]

**5. The basic concepts related to P & L Account are**

- (a) Realization Concept
- (b) Matching Concept
- (c) Cost Concept
- (d) Both (a) and (b) above

[Hints: (d) Under Realization concept, accounting is a historical record of transactions and unless money has been realized – either cash has been received or a legal obligation to pay has been assumed by the customer- no sale can be said to have taken place and no profit can be said to have arisen. Matching concept requires that all the revenues must be matched with the expenses. Therefore, the above concepts are related to the Profit & Loss Account.]

**6. Which of the following is (are) characteristic(s) of Bad Debt?**

- (a) It is a definite loss to the business ;
- (b) It must be shown in Profit & loss account ;
- (c) No provision is necessary for it ;
- (d) All of the given options

**7. Only the significant events which affect the business must be recorded as per the principle of**

- (a) Separate Entity
- (b) Accrual
- (c) Materiality
- (d) Going Concern

[Hints: (c) The concept of materiality requires that only the significant events that affect the business must be recorded.]

**8. P & L Account is prepared for a period of one year by following**

- (a) Consistency Concept
- (b) Conservatism Concept
- (c) Accounting Period Concept
- (d) Cost Concept

[Hints: (c) P&L A/C is prepared for a period of one year by following the concept of Accounting Period.]

9. **If the Going Concern concept is no longer valid, which of the following is true?**

- (a) All prepaid assets would be completely written-off immediately
- (b) Total contributed Capital and Retained Earnings would remain unchanged
- (c) Intangible Assets would continue to be carried at net Amortized historical cost
- (d) Land held as an Investment would be valued at its realizable value

[Hints: (d) Under the Going Concern Concept, it is assumed that the business will exit for a long time and transactions are recorded from this point of view. It is this that necessitates distinction between expenditure that will render benefit over a long period and that whose benefit will be exhausted quickly. If the concept ceases to be valid, then land held as an investment would be valued at its realizable value.]

10. **Under which of the following concepts are shareholders treated as creditors for the amount they paid on the shares they subscribed to?**

- (a) Cost Concept
- (b) Duality Concept
- (c) Business Entity Concept
- (d) Since the shareholders own the business, they are not treated as creditors

[Hints: (c) Under business entity concept, the shareholders are treated as creditors of the company. It is also known as separate entity concept.]

11. **The underlying accounting principle(s) necessitating amortization of intangible asset(s) is/are**

- (a) Cost Concept
- (b) Realization Concept
- (c) Matching Concept
- (d) Both (a) and (c) above

[Hints: (c) The matching concept requires that all the revenues must be matched with the expenses incurred during the accounting period. The expenses relating to intangible assets are amortized over the periods in which the benefit from intangible assets accrue and therefore the underlying principle is the matching concept.]

12. **Which of the following practices is not in consonance with the convention of conservatism?**

- (a) Creating Provision for Bad debts
- (b) Creating Provision for Discount on Creditors
- (c) Creating Provision for Discount on Debtors
- (d) Creating Provision for tax

[Hints: (b) The principle of conservatism seeks provisions for all the probable losses. Creating provision for discount on creditors tantamount to recognition of probable gain in the form of discount and hence it is not in consonance with conservatism.]

13. **The accounting measurement that is not consistent with the Going Concern concept is**

- (a) Historical Cost
- (b) Realization
- (c) The Transaction Approach
- (d) Liquidation Value

[Hints: (d) Liquidation value is the value of the business when the business is wound up and is under liquidation whereas the going concern concept assumes that the business will continue over a long time and therefore the accounting measurement "Liquidation Value" is inconsistent with going concern concept.]

14. **Recording of Fixed Assets at cost ensures adherence of**

- (a) Conservatism Concept
- (b) Going Concern Concept
- (c) Cost Concept
- (d) Both (a) and (b) above

[Hints: (c) Cost concept requires the transactions to be recorded in the books of accounts at the amounts actually involved. Suppose a firm purchases a piece of land for ₹ 1,50,000 but considers its worth ₹ 3,00,000. The purchase will be recorded at ₹ 1,50,000. Therefore, recording of fixed assets at cost ensures the adherence of cost concept.]

15. **Omission of pause and showing the round figures in financial statements is based on**

- (a) Conservatism Concept
- (b) Consistency Concept
- (c) Materiality Concept
- (d) Realization Concept

[Hints: (c) Omission of pause and showing the round figure in financial statements is based on the concept of materiality.]

16. **X Ltd., purchased goods for ₹ 5 lakh and sold 9/10<sup>th</sup> of the value of goods for ₹ 6 lakh. Net expenses during the year were ₹ 25, 000. The company reported its net profit as ₹ 75,000. Which of the following concept is violated by the company?**

- (a) Realization
- (b) Conservation
- (c) Matching
- (d) Accrual

[Hints: (c) Matching concept requires the expenses must relate to the goods and services sold during that period to arrive at the net profits of the enterprise. Hence matching concept requires the recognition of revenue and expenses on a comparable basis. In the above question that amount of ₹ 75,000 as net profit was arrived at by deducting ₹ 5,00,000 ( being cost of purchases ) + ₹ 25,000 expenses from the sale proceeds of ₹ 6,00,000. This does not follow matching concept since the cost of goods sold is to be deducted and not the cost of purchases, since some purchases have been left in stock. So the net profit using matching concept is ₹ 6,00,000 less cost of goods ₹ 4,50,000 (i.e. ₹ 5,00,000 x 9/10) less expenses of ₹ 25,000 = ₹ 1,25,000.]

17. **Accounting does not record non- financial transactions because of**

- (a) Entity Concept
- (b) Accrual Concept
- (c) Cost Concept
- (d) Money Measurement Concept

[Hints: (d) The money measurement concept: Accounting records only those transactions which are expressed in monetary value, though quantitative records are kept. Hence, accounting does not record non – financial transactions.]

18. **Mr. Rohit, owner of Rohit Furniture Ltd., owns a personal residence that cost ₹ 6,00,000, but has a market value of ₹ 9,00,000. During preparation of the financial statement for the business, the entire value of property was ignored and was not shown in the financial statements. The principle that was followed was**

- (a) The concept of the Business Entity
- (b) The concept of the Cost Principle
- (c) The concept of Going Concern Principle
- (d) The concept of Duality Principle

[Hints: (a) Business entity concept requires the business to be treated as a separate entity.]

19. **Provision for bad debt is made as per the**

- (a) Entity Concept
- (b) Conservatism Concept
- (c) Cost Concept
- (d) Going Concern Concept

[Hints: (b) Provision for bad debts is made as per the concept of conservatism.]

20. **Fixed Assets and Current Assets are categorized as per concept of**

- (a) Separate Entity
- (b) Going Concern
- (c) Consistency
- (d) Time period

[Hints: (b) Going Concern Concept implies that the resources of the concern would continue to be used for the purposes for which they are meant to be used. For instance, in a manufacturing concern, the land, building, machinery etc. are primarily required for carrying out the production and selling of certain products. Going Concern Concept implies that these land, building, machinery, etc. would continue to be used for this purpose. In fact, it is because these assets are expected to be with the concern for a long period of time for production and selling of end products that these assets are termed as 'Fixed Assets'. Going Concern Concept is the basis of the conventional classification for instance as Fixed Asset/ Current Asset, Long term/ Current Liabilities.]

**21. Which of the following is NOT a revenue expenditure?**

- (a) Petrol consumed in motor vehicles ; (b) Cost of saleable goods ; (c) Bad debts ;
- (d) Premium given on lease

**22. Which of the following statements is true?**

- (a) Going Concern Concept assumes that business will be carried on for a definite period
- (b) The Capital Losses need not be deducted to ascertain net income
- (c) Provision for bad and doubtful debts is created in recognition of conservatism concept
- (d) Materiality concept states that all business transactions are to be recorded however insignificant they may be

[Hints: (c) According to the conservatism concept, 'anticipate no profit and provide for all possible losses'. Thus, in recognition of conservatism concept, provision for bad and doubtful debts is created in anticipation of actual bad debts. The statements in other alternatives are incorrect because going concern concept assumes that business will be carried on for an indefinite period and not for definite period (a). The capital losses are to be deducted to ascertain net income (b). Materiality concept states that insignificant events need not be recorded and the statement in alternative (d) is incorrect. Thus, the correct answer is (d).]

**23. The expenses and incomes pertaining to full trading period are taken to the Profit and Loss Account of a business, irrespective of their payment or receipt. This is in recognition of**

- (a) Time period Concept
- (b) Going Concern Concept
- (c) Accrual Concept
- (d) Duality Concept

[Hints: (c) The expenses and incomes for the full trading period are taken to the Profit & Loss Account of a business, irrespective of their payment or receipt is in recognition of accrual concept. The concepts in other alternatives are incorrect because according to the Time Period concept (a) the income or loss of a business is measured periodically for a specified interval of time usually one year and it does not speak about how expenses and incomes are accounted for the entire period irrespective of the cash involvement. The Going concern concept (b), which necessitates distinction between expenditure that will render benefit over a long period and that whose benefit will be exhausted within the accounting period. The Duality concept (d) says that every transaction has dual aspect and explains that Capital + Outside liability = Assets. This is the basis for fundamental equation. Thus, the correct answer is (c).]

**24. Which of the following is an example of Capital Expenditure?**

- (a) Insurance Premium
- (b) Taxes and Legal expenses
- (c) Discount allowed
- (d) Customs duty on Import of Machinery

[Hints: (d) Customs duty on import of machinery is a Capital Expenditure and is to be capitalized along with the cost of the asset. The other expenditures stated in alternatives (a) Insurance Premium

(b) Taxes and legal expenses and (c) Discount allowed are of revenue nature whose benefit expires within the financial year and are not the correct answers. Thus, the correct answer is (d).]

25. **In the creditors control account, all of the below exist except:**

(a) Credit purchases ; (b) Purchase returns ; (c) Cash purchases ; (d) Cash/cheques paid

26. **Ledger contains various \_\_\_\_\_ in it**

(a) Transactions ; (b) Entries ; (c) Accounts ; (d) None of these

27. **Which of the following concepts assumes that a business will last indefinitely?**

(a) Business Entity  
(b) Going Concern  
(c) Periodicity  
(d) Consistency

[Hints: (b) According to Going Concern Concept (b), a business entity is assumed to carry on its operations forever. Seemingly inconsequential, this is a fundamental concept, which has far reaching consequences. The other concepts, Business Entity Concept (a) treats business distinct from the entity of its owners. According to the concept of periodicity (c ) the income or loss of the business is measured periodically, one year is the usual accounting period. The consistency concept (d) requires that once an entity has decided on one method of treating an event in recording it in books of accounts, it will treat all subsequent events of the same character in the same fashion. Thus, the alternative (b) is the correct answer.]

28. **Which of the following is an example of Personal Account?**

(a) Machinery  
(b) Rent  
(c) Cash  
(d) Creditor

[Hints: (d) Machinery, cash are real accounts, Rent is a nominal account. Only Creditors is a personal account.]

29. **Payment received from Debtor**

(a) Decreases the Total Assets  
(b) Increases the Total Assets  
(c) Results in no change in the Total Assets  
(d) Increases the Total Liabilities

[Hints: (c) Payments received from debtors results in decrease of debtors and increase in cash. It does not result in any change in the total assets as decrease in one asset is compensated by increase in the other asset.]

30. **The \_\_\_\_\_ in a ledger helps in locating the accounts contained in it**

(a) Folio ; (b) Pages ; (c) Serial Number ; (d) None of these

31. **Cash Purchases**

(a) Increases Assets  
(b) Results in no change in the Total Assets  
(c) Decreases Assets  
(d) Decrease Liability

[Hints: (b) Cash purchases result in decrease in cash and increase in stock. Thus there is no change in the total assets.]

32. **In which of the following statement opening stock is shown?**

(a) Profit and loss account (Right Answer) ; (b) Balance sheet ; (c) Cash flow statement ;  
(d) Owner's equity

33. **The process of transfer of entries from day book to ledgers is called \_\_\_\_\_**

(a) Simple posting ; (b) Journal posting ; (c) Transaction ; (d) Ledger posting

**34. Goods returned from X is entered as**

- (a) Debit X A/c; Credit Purchase Return A/c
- (b) Debit X A/c; Credit Cash A/c
- (c) Debit Sales Return A/c; Credit X A/c
- (d) Debit X A/c; Credit Sales A/c

[Hints: (c) Sales Returns A/c will be debited and X A/c will be credited following the principle of debit the receiver and credit the giver.]

**35. When Fixed Assets are sold**

- (a) The Total Assets will increase
- (b) The Total Liabilities will increase
- (c) The Total Assets will decrease
- (d) There is no change in the Total Assets

[Hints: (d) When fixed assets are sold for book value, there will be no change in the total assets.]

**36. Withdrawal of goods from stock by the owner of the business for personal use should be recorded by**

- (a) Debiting Stock Account and crediting Capital Account
- (b) Debiting Capital Account and crediting Drawings Account
- (c) Debiting Drawings Account and Crediting Stock Account
- (d) Debiting Stock Account and Crediting Drawings Account

[Hints: (c) Withdrawal of goods from stock by the owner of the business for personal use should be recorded by debiting Drawings Account and crediting Stock Account]

**37. Which of the following transactions would cause a change in "owners' equity"?**

- (a) Repayment of a Bank Loan
- (b) Payment of Dividends and Unprofitable Operations
- (c) Sale of Land on Credit
- (d) Purchase of Assets and incurrence of Liabilities

[Hints: (b) Accounting Equation is  
 $Assets = Liabilities + Owners' equity$ .

Repayment of bank loan results in reduction in both assets and a liability with the same amount and hence does not affect owners' equity.

Owners equity is directly increased by introduction of further capital or incurrence of profits, similarly a dividend payment and an operating loss reduces the owners' equity. Hence option (b) results in change in the owners' equity.

Sale of land on credit results in decrease in fixed assets (on the left side of the equation) and increase in current assets (i.e., debtors), as a result the owners' equity is not affected. Hence option (c) results in no change in owners' equity.

Purchase of assets and incurrence of liabilities results in increase in assets and increase in liabilities, hence does not result in change in owners' equity.

So option (b) is the right option.]

**38. Withdrawals by proprietor would**

- (a) Reduce both Assets and Owner's Equity
- (b) Reduce Assets and increase Liabilities
- (c) Reduce Owner's Equity and increase Liabilities
- (d) Have no affect on the Balance Sheet

[Hints: (a) Withdrawals by proprietor would reduce both assets and owner's equity.]

**39. Which of the following is true?**

- (a) The payment of a Liability causes an increase in Owner's Equity
- (b) The collection of an Account Receivable will cause Total Assets to increase
- (c) The accounting equation may be stated as:  $Assets + Liabilities = Owners' equity$

(d) The purchase of an asset such as office equipment, either for cash or on credit, does not change the Owners' Equity

[Hints: (d) The purchase of an asset such as office equipment, either for cash or on credit does not result in any change in the owner's equity as decrease in one asset is compensated by increase in the other asset.]

40. Which of the following statements is/are true?

- (i) Cash Book records all cash receipts and cash payments
- (ii) Cash Book records all sale and purchase transactions of goods both in cash and on credit
- (iii) Cash Book records discount on Cash Payments

- (a) Only (i) above
- (b) Only (ii) above
- (c) Only (iii) above
- (d) Both (i) and (iii) above

[Hints: (d) A cash book records only cash transactions and a three-columnar cash book also records bank and discount transactions. A cash book does not record the credit transactions]

41. Trade discount allowed at the time of Sale of goods.

- (a) Is recorded in Sales Book
- (b) Is recorded in Cash Book
- (c) Is recorded in Journal
- (d) Is not recorded in Books of Accounts

[Hints: (d) Trade discount is offered to customers at fixed percentage of list price to promote sales, it is generally based on the quantity of goods purchased. No entry is made for trade discount in accounting records. Only it is recorded in the invoice and sale and purchase transactions are recorded at net invoice price (list price less trade discount).]

42. The Periodical total of the Sales Return Book is posted to the

- (a) Debit of Sales Account
- (b) Debit of Sales Return Account
- (c) Credit of Sales Return Account
- (d) Debit of Debtors Account

[Hints: (b) Sales Account is a credit balance and therefore Sales Returns Account is a debit balance and the total of Sales Returns Book will be posted to the debit side of the Sales Return Account.]

43. If the Petty Cash fund is not reimbursed just prior to year end and an appropriate adjusting entry is not made, then

- (a) The petty cash account is to be returned to the company's cashier
- (b) Expenses are overstated and Cash is understated
- (c) Cash is overstated and expenses are understated
- (d) Cash is overstated and expenses are overstated

[Hints: (c) Under the imprest system, an amount is given to petty cashier to meet expenses during a period. At the end of the period he is given cash equal to the amount spent during the relevant period, if this adjusting entry is not made, the cash balance in the main cash book is overstated to the extent of the expenses routed through the petty cash book and the expenses are understated.]

44. XYZ Ltd. Paid wages of ₹ 8,000 for erection of machinery. The journal entry for the transaction is

- (a) Debit wages and credit cash
- (b) Debit machinery and credit cash
- (c) Debit wages and credit erection charges
- (d) Debit machinery and credit erection charges

[Hints: (b) Wages paid for the erection of machinery is included in the cost of the machinery as it is specifically incurred for the machinery and cannot be categorized as an operating expense. Therefore, Machinery Account should be debited and Cash Account should be credited.]

**45. Purchase of goods on credit**

- (a) Increases Liabilities
- (b) Increases Assets
- (c) Increases both Assets and Liabilities
- (d) Decreases Assets

[Hints: (c) Purchase of goods on credit increases the inventory (Asset) and increases the creditors for goods (Liabilities).]

**46. Purchase of Raw Material for Cash**

- (a) Increases total Assets
- (b) Leaves total Assets unchanged
- (c) Increases total Fixed Assets
- (d) Increases total Current Assets

[Hints: (b) Purchase of raw materials for cash leaves total assets unchanged as the increase in inventory (Asset) is compensated by decrease in cash (Asset).]

**47. Which of the following is not an Asset?**

- (a) Stock of stationery
- (b) Goodwill
- (c) Profit and Loss Account (Credit Balance)
- (d) Accounts Receivable

[Hints: (c) Stock of stationery (a), Goodwill (b) and Accounts Receivable (d) are the assets and not the correct answers. Profit & Loss Account (credit balance) (c) is the amount belongs to the owner of the business and it is a liability to the business. Hence it is not an asset, and (c) is the correct answer.]

**48. The process of balancing of an account involves equalization of both sides of the account. If the debit side of an account exceeds the credit side, the difference is put on the credit side. The said balance is**

- (i) A Debit balance**
- (ii) A Credit balance**
- (iii) An expenditure or an Asset**
- (iv) An Income or a Liability**

- (a) Only (ii) above
- (b) Only (iv) above
- (c) Both (i) and (iii) above
- (d) Both (ii) and (iii) above

[Hints: (c) The process of balancing of an account involves equalization of both sides of the account. If the debit side of an account exceeds the credit side, the difference is put on the credit side. The said balance is a debit balance and it represents either expenditure or an asset or both. Thus, the combination of items under (i) and (iii) i.e., alternative (c) is the correct answer. The other alternatives are incorrect because, the excess of debit over credit side is not a credit balance and it is neither an income nor a liability.]

**49. Ledger is also called**

- (a) Principal book of accounts ; (b) Cash books ; (c) Subsidiary book ; (d) None of these

**50. Which of the following transactions of a business is/ are recorded in Journal Proper?**

- (i) Purchase of goods on credit**
  - (ii) Sale of Office Furniture for cash**
  - (iii) Discounting of Bill of Exchange with a bank**
  - (iv) Endorsement of a Bill of Exchange in settlement of debt of the business**
- (a) Only (i) above
  - (b) Only (iv) above
  - (c) Both (ii) and (iv) above
  - (d) (i),(iii) and (iv) above

[Hints: (b) Endorsement of a Bill Receivable in settlement of a debt of the business is recorded in the Journal Proper (b) is the correct answer. The transactions in other alternatives are not recorded in Journal Proper and they are recorded in other subsidiary books specified for them like alternative (i) Purchase of goods on credit is recorded in purchase book. Sale of office Furniture for cash (ii) and Discounting of a Bill Receivable with a bank (iii) are recorded in Cash book and not in the Journal Proper. Thus, the combination of these transactions in alternatives (a), (c ) and (d) are not the correct answers.]

51. Which of the following statements is/are true?

- (i) Drawings Account is a Nominal Account
- (ii) Capital Account is a Real Account
- (iii) Sales Account is a Nominal Account
- (iv) Outstanding salaries account is a Nominal Account
- (v) Patents Account is a Personal Account

- (a) Only (i) above
- (b) Only (iii) above
- (c) Both (ii) and (iii) above
- (d) Both (ii) ,(iv) and (v)above

[Hints: (b) Sales Account is a Nominal Account is the correct statement and alternative (b) is the correct answer. The alternative (a) is incorrect because drawing is not a Nominal Account and it is a Personal Account of the owner which indicates the value of money or goods withdrawn by him for personal consumption. The alternative (c) is incorrect because the combinations of wrong statements (ii) Capital Account is a Personal Account and not a Real Account with (iii) correct statement. The alternative (d) is incorrect because the statement (iv) is incorrect as outstanding salaries is a representative Personal Account and not a Nominal Account and the statement (v) is incorrect as Patents Account is a Real Account and not Personal Account and the combination of (ii), (iv) and (v) is not correct answer. Thus the correct answer is (b).]

52. The entry to record the collection of cash from Sundry Debtors would involve a

- (i) Debit to Sundry Debtors
- (ii) Debit to Cash Account
- (iii) Credit to Sundry Debtors
- (iv) Credit to Cash Account

- (a) Only (i) above
- (b) Only (iii) above
- (c) Both (ii) and (iii) above
- (d) Both (i) and (iv) above

[Hints: (c) The entry to record the collection of cash from sundry debtors will be  
Cash A/c.....Dr.

To Sundry Debtors A/c

The entry is stated in the alternative (c) which is the combination of statement (ii) and (iii). The other alternatives (a) and (b) involves only one aspect of the transaction and not the correct answers. The alternative (d) the combination of two incorrect treatments is not the correct answer. Thus, (c) is the correct answer.]

53. ABC Ltd. makes payments to its Sundry Creditors through cheques and the Cash Discount received on these payments is recorded in the Triple-columnar Cash Book. In the event of dishonour of any such cheques, the discount so received should be written back through

- (i) A debit to discount column of the Cash Book
- (ii) A credit to discount column of the Cash Book
- (iii) A credit to bank column of the Cash Book
- (iv) A debit to Discount Account through Journal Proper
- (v) A credit to Creditor's Account through Journal Proper

- (a) Only (i) above
- (b) Only (ii) above
- (c) Both (i) and (iii) above

(d) Both (iv) and (v) above

[Hints: (d) The amount of cash discount received on the payments made to Sundry Creditors through cheques by the business will be recorded in the Cash Book, and if the previously issued cheque is dishonoured, the discount should be written back through (iv) A debit to Discount Account through Journal Proper and (v) A credit to Creditor's Account through Journal Proper (d) the combinations of these two statements is the correct answer. Discount Received and Discount Allowed Accounts separately maintained are not netted as such the discount received which got to be written back because of return of previously issued cheque cannot be debited to discount column of the Cash Book (a) is the incorrect answer. Since it is reversal of already credited discount account again a credit to discount column of the cash book cannot be given and (b) is the incorrect answer. The combination of the incorrect statements in (i) and (iii) i.e., (c) is not the correct answer. Thus, (d) is the correct answer.]

**54. R Ltd. makes purchases on credit. If the purchases are not as per the specifications, the company returns them to the suppliers. The book, that is used to record such returns is**

- (a) Returns Inward Book
- (b) Returns Outward Book
- (c) Cash Book
- (d) Journal Proper

[Hints: (b) The book, that is used to record the goods purchased on cash that are sent back to the suppliers on account of non-confirmation to the specifications, is the Returns Outward Book also known as Purchases Returns Book (b) is the correct answer. Returns inward book (a) is not the correct answer because; the sales returns are recorded in the Returns Inward Book. Cash book (c) is not the correct answer because, the transactions involving either the receipt or payment of cash is recorded in the cash book. Journal Proper (d) is not the correct answer because the Journal Proper is meant to record the transactions which do not find place in any other subsidiary book. Thus, (b) is the correct answer.]

**55. If Office Equipment is purchased for cash, what effect will this transaction have on the financial position of the company?**

- (a) There is no change in the Assets, Liabilities and Owners' Equity
- (b) There is a decrease in Assets, increase in Liabilities and no change in Owners' Equity
- (c) There is a decrease in Assets, no change in Liabilities and a decrease in Owners' Equity
- (d) There is an increase in Assets, decrease in Liabilities and no change in Owners' Equity

[Hints: (a) When Office Equipment is purchased for cash, there is no change in the assets, liabilities and owner's equity. Thus, the alternative (a) is the correct answer. The cash on hand is used for purchase of furniture and it is only a change in the composition of the assets. The other alternatives (b), (c) and (d), which indicate a change either an increase or a decrease in assets/ liabilities/owners equity are not the correct answers. Hence (a) is the correct answer.]

**56. The periodical total of discount column on receipts side of a Triple Column Cash Book is recorded to the**

- (a) Credit side of Discount Account
- (b) Credit side of provision for Discount Account
- (c) Debit side of Discount Account
- (d) Credit side of Debtor's Account

[Hints: (c) The periodical total of discount column on receipts side of a Triple Column Cash Book is recorded to the debit side of Discount Account. Receipts side of a Triple Column Cash Book indicates the debit side and the debit in case of a Nominal Account is an expenditure and the discount entered on the receipt side of Triple Column Cash Book indicates the discount allowed and posted to the debit side of the Discount Account in the ledger. Thus, (c) is the correct answer. Since it is not an income it is not credited to Discount Account and alternative (a) is not the correct answer. It is not the discount to be credited to provision for Discount Account on debtors (b) and it is not the correct answer. The periodical total is not credited to Debtor's Account as only the individual amount of discount is credited to respective Debtor's Account and not the periodical total is credited to Debtor's Account and alternative (d) is not the correct answer. Thus, alternative (c) is the correct answer.]

57. Which of the following statements is false?

- (a) Credit side total of Discount column of Cash Book is an income
- (b) Credit balance of Bank Pass Book is an overdraft
- (c) Debit balance of Bank column of Cash Book is an Asset
- (d) Debit balance of Cash column of Cash Book is an Asset

[Hints: (b) Credit balance of Bank Pass book is an overdraft (b) is a false statement because credit balance as per Pass book indicates the favourable balance and it is an asset. Credit balance of discount column of Cash Book is an income (a) is true. Debit balance of bank column of Cash Book is an asset (c). Debit balance of cash column of Cash Book is an asset (d) is the true statement and the alternatives are not the correct answers. Thus, (b) is the correct answer.]

58. Purchase of Fixed Assets on credit is originally recorded in

- (a) Purchases Book
- (b) Ledger
- (c) Cash Book
- (d) Journal Proper

[Hints: (d) Purchase of fixed assets on credit is entered in journal proper and subsequently posted into the ledger. It is not recorded in Purchases Book as only purchase of goods will be recorded in Purchases Book. In Cash Book, only cash transactions will be recorded. As the fixed assets were purchased on credit, this transaction will not be recorded in the Cash Book.]

59. If you start with cash book favorable balance in Bank Reconciliation Statement, which item will be added?

- (a) Cheque deposited but not credited by the bank
- (b) Cheques omitted to be deposited into bank
- (c) Any amount directly collected by bank on behalf of customer but not recorded in cash book
- (d) Debit side of cash book was overcast

60. The amount of Owners' equity in a business is not affected by

- (a) The percentage of Total Assets held in cash
- (b) Investments made in the business by the owner
- (c) The profitability of the business
- (d) The amount of dividends paid to Stock holders

[Hints: (a) Owners' equity in a business is the amount of funds belonging to the owners. The composition of assets does not affect the owners' equity. Hence, the percentage of total assets held in cash does not affect the owners' equity. On the other hand it indicates the liquidity position of the business. Owners' equity represents investments made in the business by the owners (b), the profits of the business (c) and the owners' equity is affected by a change in any of these items. The amount of dividends paid to stockholders (d) affects the owners' equity in the business with a corresponding decrease in the equity. Hence, transaction in alternative (d) adversely affects the owners' equity in a business. Thus, correct answer is (a) which does not affect the owners' equity.]

61. When a Fixed Asset is obtained as a gift, the account to be credited is

- (a) Goodwill A/c
- (b) Capital Reserve A/c
- (c) Donor's A/c
- (d) General Reserve A/c

[Hints: (b) Fixed assets received as a gift implies the asset account should be debited and the corresponding credit is given to Capital Reserve Account, since it is a capital asset.]

62. Which of the following is/are fixed asset(s)?

- (a) Closing inventory
- (b) Fixed Deposits in a bank
- (c) Patents
- (d) Prepaid expenses

[Hints: (c) Fixed assets are for use over relatively long period and they are not meant for resales. Patents (c) satisfy the characteristics of fixed assets and are shown under the category of Fixed assets. Closing inventory (a) Fixed deposits in bank (b) and Prepaid expenses (d) are current assets. Thus (c) is the correct answer.

**63. Bank Overdraft is shown as a**

- (a) Current Liability ; (b) Contingent Liability ; (c) Unsecured Loan ; (d) Provision

**64. Which of the following is NOT a characteristic of Cash Book?**

- (a) It has two identical sides—left hand side, the debit side and right hand side, the credit side  
(b) It verifies the arithmetic accuracy of posting of entries from the Journal to the Ledger  
(c) The difference between the total of two sides of cash book shows cash in hand  
(d) It always shows debit balance. It can never show credit balance

**65. If Machinery Account is debited with the amount of repairs incurred on the machine, this is an example of**

- (a) Compensating error  
(b) Error of principle  
(c) Error of commission  
(d) Error of omission

[Hints: (b) Error of principle denotes wrong classification of expenditure or revenue. If a company pays for repairs on a machine, it should be debited to Repairs Account. If it is charged to machinery account, it is an error of principle. Compensating error (a) is the one where one error is compensated by another error or series of errors and the debit to Machinery Account on account of repairs is neither compensated by another error or by series of errors and hence it is incorrect. Error of commission (c) is incorrect because this is an error made in recording the amount involved in a transaction while journalizing or posting to ledger accounts. Error of omission (d) may be partial or complete. Under completed omission, the recording of an entry is completely omitted and error of partial omission is result of omission one aspect of a transaction and it is incorrect answer. Thus, (b) is the correct answer.]

**66. Which of the following is true?**

- (a) Bank Account is a Personal Account  
(b) Stock of stationery Account is a Nominal Account  
(c) Returns Inward Account is a Personal Account  
(d) Outstanding rent Account is a Nominal Account

[Hints: (a) Bank Account is a Personal Account is a correct statement. Alternative (b) is incorrect because, Stock of stationery Account is a Real Account, which indicates the value of stationery in stock. Returns Inward Account (c) is a Nominal Account which indicates the sales returns and to be reflected in the Trading Account of a business. Outstanding Rent account (d) is a representative Personal Account and not Nominal Account. Thus (a) is the correct answer.]

**67. Which of the following is a liability of a firm?**

- (a) Debit balance of analytical Petty Cash Book  
(b) Credit balance of Bank Pass book  
(c) Debit balance of Bank column of Cash Book  
(d) Credit balance of Bank column of Cash Book

[Hints: (d) Bank balances and cash balances represent Real Accounts and the debit balances in bank column and cash column represent assets and the credit balances represent liabilities to a firm. But credit balance in cash column is only hypothetical and it never happens in practical life. The credit balance in bank column of cash book represents overdraft and it is a liability of a business.]

**68. Which of the following errors is an error of principle?**

- (a) Total sales figure was taken as ₹ 19,373 instead of ₹ 19,733  
(b) A discount of ₹ 30 allowed to Mr. A was not recorded in the discount allowed account  
(c) Legal charges for acquisition of building for ₹ 500 was entered in the Legal Expenses Account

(d) ₹ 1,000 received from Mr. X was posted to the credit of Mr. M

[Hints: (c) An error of principle involves an incorrect allocation of expenditure or receipt between capital and revenue.]

69. **The book which all accounts of the firm are maintained is known as**  
(a) Cash book ; (b) Ledger ; (c) Journal ; (d) Daybook
70. **₹ 500 paid as cartage on new Plant and Machinery, this was debited to Carriage Inward A/c. This is an error of-**  
(a) Principle ; (b) Omission ; (c) Commission ; (d) Compensating
71. **₹ 4,500 paid to Madan as salary for the month of December'12, this was debited to his A/c, this is a/an .....** error.  
(a) Principle ; (b) Omission ; (c) Commission ; (d) Compensating
72. **While checking the accounts of ABC the following discrepancies were noticed, even though the Trial Balance was made to balance by putting the difference to Suspense A/c.**  
(i) **Sales day book for the month of June'12 was found overcast by ₹ 7,000.**  
(ii) **A credit purchase of ₹ 3,000 was omitted to be recorded in the days book.**  
(iii) **₹ 4,300. Received from A credited to A A/c ₹ 3,400.**  
(iv) **Purchase of Office Equipment worth ₹ 5,000 included in trading purchases.**
- From the above details what would have been the difference in Trial Balance which was made to balance by opening Suspense A/c.**  
(a) Debit side short by ₹ 9,100 ; (b) Credit side short by ₹ 9,100 ;  
(c) Debit side more by ₹ 7,900 ; (d) Credit side more by ₹ 6,100
73. **Cash Account is a –**  
(a) Personal A/c ; (b) Nominal A/c ; (c) Real A/c ; (d) Dummy A/c
74. **Rent outstanding for the month of December'12 will appear on-**  
(a) Debit side of Cash Book ; (b) Credit side of Cash Book ; (c) Either side ; (d) Nowhere
75. **Goods worth ₹ 5,000 purchased from A on credit will be recorded on-**  
(a) Debit side of Cash Book ; (b) Credit side of Cash Book ; (c) Nowhere in the Cash Book ;  
(d) Either (a) or (b)
76. **Which column of Cash Book is never balanced.**  
(a) Discount Column ; (b) Cash ; (c) Bank ; (d) Petty Cash
77. **The total of debit side of discount column of Cash Book is-**  
(a) Balanced with credit side of discount column ; (b) Posted to Discount Allowed A/c ;  
(c) Posted to Discount Received A/c ; (d) Posted to Profit & Loss A/c
78. **Prepaid rent is a –**  
(a) Nominal A/c ; (b) Representative Personal A/c ; (c) Tangible Assets A/c ; (d) None
79. **Which of the following assets is a fictitious asset**  
(a) Goodwill A/c ; (b) Prepaid Rent A/c ; (c) Outstanding Salary A/c ;  
(d) Preliminary expenses A/c
80. **Nominal A/c represents-**  
(a) Profit/Gain ; (b) Loss/Expenses ; (c) None ; (d) Both (a) and (b)
81. **SBI A/c is a –**

- (a) Nominal A/c ; (b) Artificial Personal A/c ; (c) Representative Personal A/c ; (d) None
82. **Liability A/c has..... Balance**  
(a) Debit ; (b) Credit ; (c) No balance ; (d) Either (a) or (b)
83. **The Sales Returns Day Book would include:**  
(a) Goods bought on credit ; (b) Fixed Assets bought that are inappropriate for business ;  
(c) Stock that customers have returned ; (d) Goods bought on credit that are returned to the original supplier
84. **An Investment in one asset A/c may lead to –**  
(a) Increase in liability A/c ; (b) Decrease in A/c asset ; (c) Each a or b ; (d) Both a/b.
85. **The process of recording business transaction in a book of original entry is known as-**  
(a) Journals ; (b) Balance ; (c) Posting ; (d) None
86. **The type of A/c with a named credit balance is-**  
(a) Expenses A/c ; (b) Assets A/c ; (c) Revenue A/c ; (d) Suspense A/c
87. **Overcasting of purchases journal would affect**  
(a) Sales account ; (b) Purchase account ; (c) Supplier's account and purchase account  
(d) None of these
88. **Any income or profit derived by carrying on the business or during the course of business is called-**  
(a) Capital Receipt ; (b) Revenue Receipt ; (c) Revenue Gain ; (d) Capital Gain
89. **Amount received from the proprietors as capital or loan receipt is treated as-**  
(a) Capital Receipt ; (b) Revenue Receipt ; (c) Revenue Income ; (d) Capital Income
90. **When the benefits of revenue expenditure is available for a period of two or three years, the expenditure is known as-**  
(a) Revenue Expenditure ; (b) Deferred Revenue Expenditure ; (c) Capital Expenditure ;  
(d) Depreciation.
91. **Endowment fund receipt is treated as-**  
(a) Casual Receipt ; (b) Revenue Receipt ; (c) Loss ; (d) Expenses
92. **Legacy are generally-**  
(a) Capitalized ; (b) Treated Loss ; (c) Revenue Expenses ; (d) Deferred Revenue expenses.
93. **Interest Account will have-**  
(a) Debit balance only ; (b) Credit balance only ; (c) Debit or Credit balance ;  
(d) No balance at all
94. **Purchase A/c will have-**  
(a) No balance at all ; (b) Debit balance ; (c) Credit balance ; (d) Debit or Credit
95. **Which of the following voucher is used to record transactions that do not affect bank & cash?**  
(a) Journal Voucher ; (b) Receipt Voucher ; (c) Payment Voucher ; (d) Nominal Voucher
96. **Opening entries are generally passed through-**  
(a) General Journal ; (b) Purchase Journal ; (c) Profit and Loss A/c ; (d) Suspense A/c
97. **Purchases made on credit not recorded at all would affect**  
(a) Purchases account ; (b) Supplier's account ; (c) Purchases account and supplier's account (d)

None of these

**98. Which of the following is the example of contingencies?**

- (a) Compulsory acquisition of part of land of the company by the Government
- (b) A suit filed by the employee against the company
- (c) A debtor of the company is declared insolvent, resulting in bad debts to the company
- (d) All of (a), (b) and (c) above.

[Hints: (d) The Standard defines contingency as "a condition or situation the ultimate outcome of which gain or loss, will be known or determined only on the occurrence, or non- occurrence, of one or more uncertain future events". All the choices satisfy the criteria of contingency.]

**99. Which of the following is not a contingent liability?**

- (a) Claims against the company not acknowledged as debts
- (b) Debts included on debtors which are doubtful in nature
- (c) Uncalled liability on partly paid shares
- (d) Arrears of cumulative fixed dividends

[Hints: (b) A contingent liability is the loss which will be known or determined only on the occurrence or non-occurrence of one or more future uncertain events. Debts of debtors is not an uncertain event but only the realization of a part of the debt is doubtful for which provision must be provided, and hence it is not a contingent liability.]

**100. In an account if debit side > credit side, the balance is known as the:**

- (a) Negative Balance ; (b) Debit balance ; (c) Positive Balance ; (c) Credit balance

**101. Total depreciation of an asset cannot exceed its:**

- (a) Scrap value ; (b) Residual value ; (c) Market value ; (d) Depreciable value

**102. Amount paid to Gagan posted to the credit side of his account would affect**

- (a) Gagan's account ; (b) Cash account ; (c) Cash account and Gagan's account ;
- (d) None of these

**103. Which of the following statements is/are true ?**

- (a) A sale of an asset is recorded in the Sales Book
- (b) Total of Return Outward Book is debited to Return Outward Account
- (c) The balance of Petty Cash Book is a liability
- (d) Cash Book is a subsidiary book as well as a ledger

[Hints: (d) The sale of an asset is recorded in the Asset Account and not in the Sales book (which pertains to sale of goods). Statement (a) is false.

Total of Return Outwards book (being purchase return) has a credit balance. The total is transferred at the end of the period to the credit of the Purchase Account and not debited to Return Outwards Account. Statement (b) is false.

The balance of Petty Cash book is not a liability, it is an asset as it is the balance of cash left with the petty cashier. Statement (c) is incorrect.

Cash Book is both a subsidiary book or book of original entry where all cash transactions are directly recorded and a ledger, it plays the role as a Cash Account (a ledger). Hence statement (d) is true.

**104. Which of the following is true regarding closing entries?**

- (a) They must be followed by reversing entries
- (b) They transfer the balances in all of the Nominal Accounts to the Trading and Profit and Loss Account
- (c) They must be made after the reversing entries but before the adjusting entries
- (d) They must be made after the adjusting entries but before the reversing entries

[Hints: (d) Closing entries are required to transfer the nominal accounts to the Profit & Loss Account and the Trading account. Real accounts and personal account are not closed to Profit & Loss Account or Trading Account. Their balance is carried in the Balance Sheet and appears as opening Balance in the next accounting period.]

**105. Closing stock is generally valued at**

- (a) Cost Price
- (b) Market Price
- (c) Cost price or Market price whichever is higher
- (d) Cost price or Market price whichever is lower

[Hints: (d) Para 5, of AS-2 states that inventories should be valued at the lower of cost and net realizable value.]

**106. Which of the following assets is/are to be valued at the lower of cost and net realizable value?**

- (a) Goodwill
- (b) Inventories
- (c) Investments
- (d) Both (b) and (c) above.

[Hints: (b) Inventories (b) are to be valued at the lower of cost and net realizable value. All the other assets stated in other alternatives are valued as per the cost concept. Goodwill (a) is a fixed intangible asset and is shown at the cost of its acquisition. Investments (c) are valued at cost or market value whichever is less. The combination of (b) and (c) is incorrect because a correct answer with incorrect answer is an incorrect answer. Thus, the correct answer is (b).]

**107. A few errors committed in Ahhiwalia's books of account are given below. State which errors would affect the Trial Balance.**

- (a) Sales of ₹950 to Ram completely omitted from books of account
  - (b) Purchases of ₹720 from Shyam entered in the purchases journal as ₹700
  - (c) Purchases Journal is overcast by ₹1,000
  - (d) Sales returns journal is undercast by ₹200
  - (e) Amount paid to Agarwal wrongly posted to the debit to Mittal's account
  - (f) Bank overdraft shown under debit column in the Trial Balance
  - (g) Sales of ₹500 to Sadiq entered in sales journal as sales to Mushtaq
  - (h) Wages paid for installation of machinery debited to wages account
- (a) a, c and g
  - (b) c, d and f
  - (c) c, d, e and h
  - (d) c, d, f and h

**108. Which of the following methods is not a practical way of realizing revenue?**

- (a) Delivery method
- (b) Percentage-of-completion method
- (c) Production method
- (d) Moving average method

[Hints: (d) The following methods are the practical ways of realizing revenue applying the conservatism concept and realization concept and the (a) Delivery method in case of sale of goods, (b) Percentage-of-completion method in case of rendering of services and (c) Production method in case of agriculture produce. Thus, these are the various ways of recognizing revenue and the methods adopted to recognize revenue. Moving average method (d) is the method of valuing inventory and it is not the method adopted to recognize revenue. Thus, (d) is the correct answer.]

**109. The amount payable to a person as consideration for the use of rights vested in him is**

- (a) Dividend
- (b) Royalty
- (c) Purchase consideration
- (d) Installment

[Hints: (b) The amount paid to the landlord for use of rights vested in him is the royalty. Dividend is the amount paid for the investment made in an enterprise and is not the correct answer. Purchase consideration is the price paid for receiving a title of a property moveable and immoveable and is not the correct answer. Installment is the payment of amount in stages and is not the amount paid for using the rights vested in the landlord and is not the correct answer.]

110. **Buildings account is debited with an amount towards repairs. This is an example of**

- (a) Error of commission
- (b) Error of principle
- (c) Error of omission
- (d) Compensating error

[Hints: (b) Buildings account debited with an amount towards repairs is an error of principle. Error of principle is a wrong classification of expenditure or receipt.]

111. **The concept of conservatism will have the effect of**

- (a) Overstatement of Assets
- (b) Understatement of Assets
- (c) Overstatement of Liabilities
- (d) Understatement of Liabilities

[Hints: (b) The concept of conservatism will have the effect of understatement of assets since the financial statements are usually drawn up on rather a conservative basis. Window-dressing i.e., showing a position better than what it is, is not permitted.]

112. **During the year 2011-2012, the value of closing inventory was overstated by ₹ 25,000. Which of the following is true?**

- (a) The cost of goods sold was overstated during 2011-2012 and income will be understated during 2012-2013
- (b) The income was overstated during 2011-12 and closing inventory will be overstated during 2012-2013
- (c) The retained earnings was overstated during 2011-2012 and retained earnings will be understated during 2012-2013
- (d) The cost of goods sold was understated during 2011-2012 but retained earnings will not be affected during 2012-2013

[Hints: (c) Closing Stock's overstatement increases the profit of the current period and results in the increase of retained earnings relating to the current accounting period. It decreases the profit and thereby retained earnings of the next accounting period since the closing stock of the current accounting period becomes the opening stock of the next accounting period, the overstatement of which has the effect of decreasing the profits and retained earnings.]

113. **Which of the following errors is an error of omission?**

- (a) Sale of ₹ 100 was recorded in the Purchases Journal
- (b) Wages paid to Mohan have been debited to his account
- (c) The total of the sales journal has not been posted to the Sales Account
- (d) Repairs to buildings have been debited to buildings account

[Hints: (c) Error of omission occurs when a transaction is entirely omitted from record in the original books partially omitted while posting. Therefore, omission of posting of the sales journal to the Sales Account is an error of omission.]

114. **Which of the following statements is /are true?**

- (a) Entering wrong amount in the subsidiary book affects the agreement of the Trial Balance
- (b) Undercasting or overcasting of a subsidiary book is an example or error of commission
- (c) Errors of principle do not affect the agreement of Trial Balance
- (d) Both (b) and (c) above

[Hints: (d) Entering wrong amount in the subsidiary book does not affect the agreement of the Trial Balance as the same amount is posted in both the accounts affected. Undercasting or overcasting

of a subsidiary book is an error of commission. Errors of principle do not affect the agreement of the Trial Balance. Hence both (b) and (c) options are true.]

**115. Which of the following is true?**

- (a) Error of casting affects personal accounts
- (b) Omission of a transaction from a subsidiary record affects only one account
- (c) Error of carry forward affects two accounts
- (d) Error of principle involves an incorrect allocation of expenditure or receipt between capital and revenue

[Hints: (d) Errors of casting can appear in any account and not personal accounts alone. Hence statements (a) is false. Omission of a transaction from subsidiary affects two accounts are subsidiary books are books of original entry hence posting in two accounts is omitted. Statement (b) is false. Error of carry forward affects only one account i.e., the account in whose an error has been made. Statement (c) is false. Errors of principle involve incorrect allocation of an item between capital and revenue. Hence statement (d) is true.]

**116. Journal proper is meant for recording**

- (a) Credit purchase of fixed assets ; (b) Return of goods
- (b) All such transactions for which no special journal has been kept by the business
- (d) None of these

**117. Closing stock in the Trial Balance implies that**

- (a) It is already adjusted in the opening stock
- (b) It is adjusted in the Purchase A/c
- (c) It is adjusted in the Cost of Sale A/c
- (d) It is adjusted in the Profit & Loss A/c

[Hints: (b) Closing Stock appearing in the Trial Balance implies that it has already been adjusted in the Purchases Account and hence appears as an asset in the Balance Sheet.]

**118. Which of the following statements is true?**

- (a) If a Trial Balance tallies, it always means that none of the transactions has been completely omitted
- (b) A Trial Balance will not tally if a transaction is omitted
- (c) A customer to whom goods have been sold on credit cannot avail himself of a cash discount
- (d) A credit balance in the Pass Book indicates excess of deposits over withdrawals

[Hints: (d) A credit balance in the Pass Book implies a favourable balance indicates excess of deposits over withdrawals and a debit balance in the Pass Book implies unfavorable balance i.e., a overdraft. Hence statement (d) is the true statement.]

**119. The adjustment to be made for income received in advance is:**

- (a) Add income received in advance to respective income and show it as a liability
- (b) Deduct income received in advance from respective income and show it as a liability
- (c) Add income received in advance to respective income and show it as asset
- (d) Deduct income received in advance from respective income and show it as an asset in the Balance Sheet

[Hints: (b) Income received in advance given as an adjustment requires a deduction of the same from the income amount and disclosure of the same as a liability in the Balance Sheet]

**120. Which of the following statements is correct?**

- (a) The Trial Balance is prepared after preparing the Profit and Loss Account
- (b) The Trial Balance shows only balances of Assets and Liabilities
- (c) The Trial Balance shows only nominal account balances
- (d) The Trial Balance has no statutory importance from the point of view of law

[Hints: (d) A Trial Balance is a summary of all General Ledger Balances outstanding as on a particular date. All the debit balances from the ledger are shown on one side and all the credit balances are

shown on the other side. A Trial Balance is prepared before Final Accounts are prepared. From the point of view of law, a Trial Balance has no statutory importance.]

121. **While finalizing the current year's accounts, the company realized that an error was made in the calculation of closing stock of the previous year. In the previous year, closing stock was valued more by ₹ 50,000. As a result**

- (a) Previous year's profit is overstated and current year's profit is also overstated.
- (b) Previous year's profit is understated and current year's profit is overstated.
- (c) Previous year's profit is overstated and current year's profit is understated.
- (d) There will be no impact on the profit of either the previous year or the current year.

[Hints: (c) Closing stock overstatement and opening stock understatement increases the profits and vice versa is also equally true.]

122. **Which of the following is not correct?**

- (a) Errors which affect one account can be errors of posting
- (b) Errors of omission arise when any transaction is left to be recorded
- (c) Errors of carry forward from one year to another year affect both Personal and Real A/c
- (d) Errors of commission arise when any transaction is recorded in a fundamentally incorrect manner

[Hints: (d) Error of Commission arises because of wrong recording, wrong casting, wrong carry forward, wrong posting, wrong balancing etc.]

123. **Which of the following errors is an error of omission?**

- (a) Purchase of ₹ 2,000 has been recorded in the Sales Return Book
- (b) Repairs to machinery has been debited to Machinery Accounts
- (c) The total of purchase journal has not been posted to the Purchase Account
- (d) Legal charges paid to Mr. Lawyer have been debited to his account

[Hints: (c) Error of complete omission arises when a particular transaction is completely or partially omitted to be recorded in the books of accounts.]

124. **If goods worth ₹ 1,750 returned to a supplier is wrongly entered in sales return book as ₹ 1,570 , then**

- (a) Net Profit will decrease by ₹ 3,140 ; (b) Gross Profit will increase by ₹ 3,320
- (c) Gross Profit will decrease by ₹ 3,500 ; (d) Gross Profit will decrease by ₹ 3,320

125. **For the past 3 years, DK Ltd. has failed to accrue unpaid wages earned by workers during the last week of the year. The amounts omitted, which were considered material, were as follows:**

**March 31, 2010 - ₹ 56,000**

**March 31, 2011 - ₹ 51,000**

**March 31, 2012 - ₹ 64,000**

**The entry on March 31, 2012 to rectify these omissions would include a**

- (a) Credit to wage expense for ₹ 64,000
- (b) Debit to wage expense for ₹ 64,000
- (c) Debit to wage expense for ₹ 51,000
- (d) Debit to wage expense for ₹ 13,000

126. **Purchase journal is kept to record**

- (a) All purchases of goods ; (b) All credit purchases of goods ; (c) All credit purchases;
- (d) None of these

127. **The beginnings inventory of the current year is overstated by ₹ 5,000 and closing inventory is overstated by ₹ 12,000.**

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

- (a) ₹ 17,000 (overstated)
- (b) ₹ 12,000 (understated)
- (c) ₹ 7,000 (overstated)

(d) ₹ 7,000 (understated)

[Hints: (c) Overstatement of closing stock results in overstatement of profit and overstatement of opening stock results in understatement of profit. In the instant case, there will be overstatement of profit by ₹ 12,000 - ₹ 5,000= ₹ 7,000.]

128. **The accountant of Leo Ltd. recorded a payment by cheque to a creditor for supply of materials as ₹ 1,340.56. The bank recorded the cheque at its correct amount of ₹ 3,140.56. The Company has not passed any rectification entries and the error is not detected through the bank reconciliation. The impact of this error is**

- (a) The Trial Balance will not agree
- (b) The balance of creditors is understated
- (c) The purchases are understated
- (d) The favorable bank balance as per Pass Book is less than the Bank balance as per Cash book

[Hints: (d) The favourable bank balance as per Pass Book will be less than the bank balance as per Cash Book, since the debit in the bank account is more than the debit in the Cash Book (d). As debit and credit are for equal amount there is no disagreement of the Trial Balance; Creditors balance is overstated but not understated: The favourable bank balance as per Pass Book will be less than the Bank balance as per Cash Book, since the debit in the Bank Account is more than the debit in the Cash book. Purchases are not affected, as it is a payment to the creditor. Thus, the correct answer is (d).]

129. **Which of the following errors affects the agreement of a Trial Balance?**

- (a) Mistake in balancing an account
- (b) Omitting to record a transaction entirely in the subsidiary books
- (c) Recording of a wrong entry in the subsidiary books
- (d) Posting an entry on the correct side but in the wrong account

[Hints: (a) The mistake in balancing an account affects the agreement of a Trial Balance (a) is the correct answer. The other mistakes do not affect the agreement of Trial Balance. The omission to record a transaction entirely in the subsidiary books (b) will not affect the agreement of a Trial Balance because both the aspects of a transaction are omitted to be recorded. Recording of a wrong entry in the subsidiary books (c ) will not cause disagreement of a Trial Balance because, the wrong entry so recorded has the effect of posting the transaction in the manner it is recorded. Posting an entry on the correct side in the wrong account (d) does not affect the tallying of a Trial Balance because the aspect of the transaction is posted to the correct side of an account. Thus (a) is the correct answer.]

130. **Which of the following statements is/are true?**

- (i) **An error in casting the subsidiary books is an error of commission**
- (ii) **An error in wrong casting of the sales day book will not affect the personal accounts of debtors**
- (iii) **Mistake in transferring the balance of an account to the Trial Balance will not affect the agreement of the Trial Balance**
- (iv) **The mistake of treating a liability as an income or vice versa will not affect the agreement of a Trial Balance**

- (a) Only (i) above
- (b) Only (ii) above
- (c) Both (i) and (ii) above
- (d) (i),(ii) and (iv) above

[Hints: (d) An error in casting the subsidiary books is an error of commissions (i), an error in wrong casting of the sales day book will not affect the personal accounts of debtors (ii) and the mistake of treating a liability as an income or vice versa will not affect the agreement of a Trial Balance (iv) are the true statements and the combination of these statements alternatives (d) is the correct answer. The other alternatives are incurrance because (a) states only the statement in (i); (b) states only the statement (ii) and the alternative (c) is the combination of (i) and (ii) which is incomplete. Thus, the correct answer is (d).]

131. **Which of the following should not be treated as revenue expenditure?**

- (a) Interest on loans and debentures
- (b) Annual fire insurance premiums on Plant and Equipment
- (c) Sales tax paid in connection with the purchase of office equipment
- (d) Small expenditures on long-lived assets, such as ₹ 20 for a paper weight.

[Hints: (c) A revenue expenditure is an expenditure whose benefit expires within the current accounting period and is in the nature of recurring and is therefore written off to P&L A/c. Sales tax paid in connection with the purchase of office equipment is a non-recurring expenditure whose benefit is going to last for more than one accounting period and hence not a revenue expenditure.]

**132. Capital expenditure is an expenditure which**

- (a) Benefits the current accounting period
- (b) Will benefit the next accounting period
- (c) Results in the acquisition of a permanent asset
- (d) Results in the acquisition of a current asset

[Hints: (c) A capital expenditure is a non-recurring expenditure whose benefit lasts for more than one accounting period. Example is the acquisition of a fixed or permanent assets.]

**133. Which of the following is not a deferred revenue expenditure?**

- (a) Expenses in connection with issue of equity shares
- (b) Preoperative expenses
- (c) Heavy advertising expenses to introduce a new product
- (d) Legal expenses incurred in defending a suit for breach of contract to supply goods

[Hints: (d) Deferred revenue expenditure is a revenue expenditure whose benefit lasts for more than one accounting period and is therefore written off during the periods over which the benefit lasts (However, AS 26 requires that Deferred revenue expenditure is expensed wholly in the year of incurrence). Legal expenses incurred in defending a suit for breach of contract for supply of goods does not satisfy the prerequisites of a deferred revenue expenditure.]

**134. Any donation received for a specific purpose is a**

- (a) Liability ; (b) Assets ; (c) Revenue receipts ; (d) Capital receipts

**135. Which of the following is an item of capital expenditure?**

- (a) Research and development costs during the year
- (b) Interest on borrowed fund utilized for acquisition of Office Furniture
- (c) Installation charges paid in conjunction with the purchase of Office Equipment
- (d) Monthly rent of a machinery used in the business

[Hints: (c) A capital expenditure is a non-recurring expenditure whose benefit lasts for more than one accounting period. Installation charges paid in conjunction with the purchase of office equipment is an one-time expenditure whose benefit lasts for more than one accounting period.]

**136. Which of the following statements is true?**

- (a) Provision for doubtful debts represents the amount that cannot be collected
- (b) The distinction between capital and revenue items is important because it is of fundamental importance to the determination of profits
- (c) Goods lost by fire need not be accounted for since they are not sales
- (d) Free samples received are business gains

**137. The balance of which of the following accounts do not disappear, once they are debited/credited to Trading Account.**

- (a) Sales
- (b) Purchases
- (c) Inward returns
- (d) Closing stock

[Hints: (d) The closing stock (d) is the value of goods which remain unsold at the end of the period whose balance appears once in Trading Account and once in Balance Sheet of the business. All other accounts sales (a), purchases (b) and Inward Returns (c) are closed once they are absorbed by the Trading Account. Thus (d) is the correct answer.]

138. **Which one of the following should be considered a revenue expenditure?**
- (a) ₹1000 paid for the execution of a new plant
  - (b) Loss of ₹10,000 incurred in increasing the sitting accommodation of a hotel
  - (c) Damage paid on account of breach of a contract to supply certain goods
  - (d) Repair to machinery purchased, second hand.

139. **Which of the following statements are / is true? "Events after Balance Sheet" are**
- (a) All the significant events after the Balance Sheet date
  - (b) The events after Balance Sheet date but before submitting it to the Registrar of Companies
  - (c) The events after Balance Sheet date but before its approval by the board
  - (d) All changes after Balance Sheet date before its approval

[Hints: (c) Events occurring after the Balance Sheet date are those significant events, both favourable and unfavourable, that **occur between** the Balance Sheet date and the date on which the financial statements are approved by the Board of Directors in the case of a company, and by the corresponding approving authority in the case of any other entity.]

140. **Which one of the following is a capital expenditure?**
- (a) Compensation paid to Directors on termination of their services
  - (b) Expenditure incurred in connection with the renewal of a Trade Mark.
  - (c) Gratuities paid to Directors on termination of their services.
  - (d) Royalty paid in installments for the purchase of rights to manufacture and sell patent medicines.

141. **Which of the following enhances the earning capacity of an asset?**
- (a) Increase in working capacity of an asset
  - (b) Reduction in operating costs
  - (c) Replacing damaged parts of an asset
  - (d) Both (a) and (c) above

[Hints: (d) Enhancement of earning capacity can be by way of replacement of worn out or damaged parts which retarded the earning capacity and increase in the working capacity increases the earning capacity of the asset.]

142. **Which of the following items should not be capitalized relating to fixed assets?**
- (a) Interest payable on loans or deferred credits taken for the acquisition or construction of fixed assets before they are ready for use
  - (b) Stand by equipment and servicing equipment
  - (c) Expenditure incurred on test runs and experimental production
  - (d) Administration and general expenses

[Hints: (d) Only those expenses which relate to and specifically attributable to the asset are capitalized. Administration and general expenses cannot be specifically attributable to the asset and hence cannot be capitalized.]

143. **Which of these errors affect only one account**
- (a) Errors of casting ; (b) Errors of carry forward ; (c) Errors of posting ; (d) All the three

144. **Which of these errors affect two or more accounts**
- (a) Errors of complete omission ; (b) Errors of principle ; (c) Errors of posting to wrong account;
  - (d) All the three

145. **Which of the following error is an error of principle**
- (a) ₹ 5,000 received from Sham credited to Ram A/c
  - (b) ₹ 5,000 incurred on installation of new plant debited to travelling expenses A/c

- (c) ₹ 500 paid for wages debited to salary A/c  
(d) ₹ 500 being purchase of raw material debited to purchase A/c ₹ 50
146. **Which of the following is an one sided error**  
(a) ₹ 500 purchase of old equipment not recorded in the books of A/c at all;  
(b) ₹ 500 being expense on travelling expense credited to travelling expenses;  
(c) Both ; (d) None
147. **Any gain on the sale of non-current assets should be \_\_\_\_\_ from the net profit and the loss must be \_\_\_\_\_ to the net profit in determining fund from operation**  
(a) Added, Reduced ; (b) Added, Added ; (c) Deducted, Added ; (d) Deducted, Deducted
148. **Cash book records—**  
(a) Only cash sales ; (b) All types of cash receipts and payments ; (c) Only revenue receipts  
(d) Only capital receipts
149. **In a three column cash book ----- does not exist**  
(a) Cash column ; (b) Bank column ; (c) Petty cash column ; (d) Discount column
150. **Which of these transactions will not be recorded in cash book—**  
(a) Cash received from debtors ; (b) Cash paid to creditors ; (c) Salary remained outstanding  
(d) Cash deposited with bank
151. **The closing balance of a petty cash book is a / an —**  
(a) Liability ; (b) Gain ; (c) Assets ; (d) Loss
152. **Which column of a cash book will not have credit balance —**  
(a) Bank column ; (b) Discount column ; (c) Cash column ; (d) None
153. **Petty cash balance is a/an —**  
(a) Assets ; (b) Expenditure ; (b) Liability ; (d) None
154. **Which of these is a Part of cash in hand**  
(a) Postage stamps ; (b) B/R ; (c) Cheque Deposited with Bank ; (d) B/R endorsed
155. **Which of the following is a Real A/c**  
(a) Salary A/c ; (b) Bank A/c ; (c) Building A/c ; (d) Goodwill A/c
156. **Which of the following is a Personal A/c**  
(a) Outstanding Salary A/c ; (b) Rent A/c ; (c) SBI A/c ; (d) Bad debts A/c
157. **Which of the following is a representative Personal A/c**  
(a) Outstanding Salary A/c ; (b) Rent A/c ; (c) SBI A/c ; (d) Bad debts A/c
158. **Which of the following is a Nominal A/c**  
(a) Outstanding Salary A/c ; (b) Rent A/c ; (c) SBI A/c ; (d) Debtors A/c
159. **Goodwill A/c is a/an —**  
(a) Nominal A/c ; (b) Tangible Asset ; (c) Intangible Asset ; (d) Fictitious Asset
160. **Posting is the process of —**  
(a) Posting the letters in drop box ; (b) Posting suitable person to a suitable job;  
(c) Entering in the ledger the information contained in the ledger ; (d) All the three
161. **A book wherein various accounts are opened is called—**

- (a) Subsidiary books ; (b) Journal ; (c) Ledger ; (d) Trial Balance
162. **Which of these is not a special purpose journal**  
(a) Cash journal ; (b) Purchase journal ; (c) Debtors journal ; (d) Sales journal
163. **The periodic total of sales day book is posted to —**  
(a) Sales A/c ; (b) Cash sales A/c ; (c) Sales return A/c ; (d) Credit sales A/c
164. **The periodic total of purchase day book is posted to —**  
(a) Purchase register ; (b) Purchase A/c ; (c) Cash purchase A/c ; (d) Credit purchase A/c
165. **Capital expenses are shown in —**  
(a) Balance Sheet ; (b) Profit and Loss A/c ; (c) Trading A/c ; (d) None of these
166. **Revenue receipts are shown in —**  
(a) Balance Sheet ; (b) Profit and Loss appropriation A/c ; (c) Manufacturing A/c ;  
(d) Trading and Profit and Loss A/c
167. **Revenue is generally recognised as being earned at that point of time when**  
(a) sale is effected ; (b) cash is received ; (c) production is completed ;  
(d) debts are collected
168. **Which of the following is a revenue expenses**  
(a) Raw material consumed ; (b) Plant purchased ; (c) Long term loan raised from bank ;  
(d) Share Capital
169. **Which of the following is a capital expenditure**  
(a) Repair of plant and machinery ; (b) Salary paid to workers ;(c) Cost of stand by equipment ;  
(d) Annual whitewash of the office building
170. **Which of these types of expenditure would not be treated as a Capital Expenditure**  
(a) Acquisition of an Asset ; (b) Extension of an Asset ; (c) Improvement of the existing Asset ;  
(d) Maintenance of the Asset
171. **Expenses of the following nature are treated as a Revenue expenses except —**  
(a) Expenses for day to day running of the business ; (b) Putting the new asset in working condition ;  
(c) Depreciation ; (d) Purchase of raw material
172. **Cash received from debtors would be deemed as ..... of funds.**  
(a) No flow ; (b) Sources ; (c) Uses ; (d) Gain
173. **Purchase day book records**  
(a) All cash purchases ; (b) All credit purchases ; (c) Only credit purchase of raw material or goods  
purchased for resale ; (d) All purchases
174. **Journal is also known by —**  
(a) Memorandum A/c ; (b) Kaccha books ; (c) Books of original entry ; (d) Proper books
175. **Generally the term fund is used to mean the difference between**  
(a) Current assets and current liabilities ; (b) Profit and loss A/C and Balance sheet ;  
(c) Current assets and non-current liabilities ;(d) Current liabilities and non-current liabilities
176. **The periodic total of purchase day book is posted to —**  
(a) Creditors A/c ; (b) Debtors A/c ; (c) Purchase A/c ; (d) None

177. **Which of these documents is not required for Bank Reconciliation**  
(a) Bank column of Cash Book ; (b) Bank Pass Book ; (c) Bank Statement ; (d) Trial Balance
178. **Which of these will not affect Bank and Cash balance**  
(a) Cash received from X credited to Y;  
(b) Cheques issued to A but debited to B;  
(c) Cheques deposited and cleared on the same date ; (d) All the three
179. **Which of these items are taken into consideration for preparation of adjusted Cash Book**  
(a) Mistake in Cash Book ; (b) Mistake in Pass Book ;  
(c) Cheque issued but not presented for payment ; (d) Cheques deposited but not cleared
180. **Credit balance as per Cash Book mean-**  
(a) Surplus cash ; (b) Bank overdraft ; (c) Terms deposits with bank ; (d) None of these
181. **Debit side of Bank Pass book corresponds to –**  
(a) Credit side of Cash Book ; (b) Debit side of Cash Book ; (c) Debit side of Trial Balance  
(d) Credit side of Balance Sheet

182. **Difference in Bank Balance as per Pass Book and Cash Book may arise on account of**

- (a) Cheque issued but not presented  
(b) Cheque issued but dishonoured  
(c) Cheque deposited and credited by bank  
(d) All of (a) and (b) above

[Hints: (d) Differences in Bank Balance as per Bank Pass Book and Cash Book arise due to many reasons. Few of them are Cheques issued (a credit entry in Cash Book made) but not presented for payment (so no corresponding entry in Pass Book).

Cheques issued (a credit entry in Cash Book made) but dishonoured (so no corresponding entry made in Pass Book).

In case of cheques deposited and credited by bank, entries in both Cash Book and the Bank Pass book are made, hence no difference arises.

Hence option (d) is the right option. Only in situations (a) and (b) result in difference.]

183. **Which of the following statements is/are true?**

- (a) When there are cheques deposited but not collected by the banker, overdraft balance as per Pass Book will be less than that as per Cash Book  
(b) When the payment side of the Cash Book is undercast, overdraft balance as per Cash Book will be more than overdraft balance as per Pass Book  
(c) When reconciliation is to be done with the extracts of the Cash Book and Pass Book relating to the same period, the transactions which do not figure in one of the extracts are to be noted  
(d) Bank interest debited in the Pass Book is to be added to Overdraft Balance as per Pass Book to arrive at the Overdraft balance as per Cash Book

[Hints: (c) Statement (a) is false, since when cheques are deposited at bank, the existing overdraft balance as per Cash Book decreases whereas when the cheques have not been collected the overdraft balance as per Pass book is more than that of Cash book.

Statement (b) is false, when the payments side of the Cash Book is undercast results in undercasting of overdraft balance, hence the overdraft balance as per Cash Book will be less, than the overdraft balance as per Pass Book.

Statement (c) is true, since when extracts of Cash Book and extracts of the Pass Book relating to same period are taken and compared, the entries which do not figure in both the extracts imply that these entries create the difference in the balances, hence are to be noted for the preparation of reconciliation statement.

Statement (d) is false, since Bank interest debited in the Pass Book increases the overdraft balance hence to arrive at the balance as per cash, since the above corresponding entry is not made in the Cash Book, the interest amount is to be deducted from the overdraft balance as per Bank Pass Book.

Hence only option (c) is true, all other options are false.]

**184. The Bank Reconciliation Statement is prepared**

- (a) To rectify the mistakes in the Cash Book
- (b) To arrive at the Bank Balance
- (c) To arrive at the Cash Balance
- (d) To bring out the reasons for the difference between the Balance as per Cash Book and the Balance as per Bank Statement

[Hints: (d) The basic objective of the preparation of the Bank Reconciliation Statement is to locate the reasons for differences between the balance as per Cash book and the balance as per Bank Statement. The ancillary benefits during this process of preparation can be said to be rectification of mistakes in cash book, rectification of mistake in bank statement etc. Hence option (d) is the right choice.]

**185. Which of the following statements is false?**

- (a) When the bank column of a Cash Book shows a credit balance, it means an amount is due to the bank
- (b) When Pass Book shows a debit balance, it means overdraft as per Pass Book
- (c) While preparing Bank Reconciliation Statement, cheques paid into bank but not yet cleared are deducted from the Debit balance as per Cash Book to arrive at the balance as per Pass Book
- (d) A Bank Reconciliation Statement is a part of Pass Book

[Hints: (d) A credit balance in the Cash Book(bank column) denotes an overdraft balance. It implies that the business is due to the bank respect of that amount it has overdrawn. Hence option (a) is true. A credit balance in the Pass book refers to favourable balance and a debit balance in the pass book refers to Unfavorable balance or overdraft. Hence option (b) is true.

When preparing a BRS, where there is a debit balance or favourable balance in the Cash book (bank column), cheques paid into bank but not yet cleared are deducted from the cash book (bank column) balance to arrive at the balance in the bank Pass book. Hence statement (c) is true.

A Bank Reconciliation Statement does not form part of pass book. It is prepared by the business to reconcile the balances as per Pass Book or Bank Statement and the Cash Book (bank column). Hence statement (d) is false.]

**186. Which of the following statements is true?**

- (a) Bank charges increase debit balance shown as per Bank Column of the Cash Book.
- (b) Bank charges increase debit balance as per Bank pass book.
- (c) A cash sale of a non-trading asset is recorded in the journal proper.
- (d) Cash discount allowed by the business will appear on the debit side of the debtor's account.

[Hints: (b) Bank charges increase debit balance as per Bank Pass Book (b) is the correct answer. The debit balance as per Bank Pass Book indicates the overdraft balance and the bank charges being the expenditure increase the debit balance. The alternative (a) is incorrect because the bank charges decrease the debit balance shown as per Bank column of the Cash Book and do not increase the debit balance as per Cash Book signifies the favourable balance. A cash sale of a non-trading asset is recorded in the Journal Proper is incorrect (c) because all in transactions involving cash receipts and payments are recorded in the Cash book cash discount allowed by the business will appear on the debit side of the debtor's account (d) is incorrect because, the cash discount allowed is a reduction in the balance of a debtor's account which appears on the credit side. Thus (b) is the correct answer.]

**187. Bank reconciliation is a statement prepared to reconcile—**

- (a) Trial balance ; (b) Cash book ; (c) Bank A/c;
- (d) Cash as per cash book with bank balance as per bank pass book

**188. Bank reconciliation statement is a part of —**

(a) Cash book ; (b) Trial balance ; (c) Auditors report ; (d) None of these

189. **Benefits of preparing Bank Reconciliation Statement includes —**

- (a) It bring out any errors committed in preparation of Cash book / Bank Pass Book
- (b) Highlights under delay in clearance of cheques deposited but not credited
- (c) Help know actual bank balance ; (d) All the three

190. **Debit balance as per bank pass book mean —**

- (a) Surplus cash ; (b) Bank Overdraft ; (c) Terms deposits with bank ; (d) None of these

191. **Which of the following is not a cause of difference in balance as per cash book and balance as per bank pass book—**

- (a) Errors in cash book ; (b) Errors in pass book ; (c) Cheques deposited and cleared;
- (d) Cheques issued but not presented for payment

192. **Provision is created for —**

- (a) Unknown Liabilities ; (b) Known Liabilities ; (c) Creation of Secret Reserves ; (d) All the Three

193. **Which of the following is not a method of charging depreciation**

- (a) Straight line Method ; (b) Written down value Method ;
- (c) Discounted present value Method ; (d) Sum of digits Method

194. **A second hand car is purchased for ₹ 2,00,000 and sold at ₹ 1,40,000 after two years. If depreciation is charged @ 10% on SLM method, find the profit or loss on sale of the car.**

- (a) ₹ 20,000 Loss ; (b) ₹ 20,000 Profit ; (c) ₹ 10,000 Loss ; (d) ₹ 10,000 Profit

195. **In the above question if the depreciation is charged @10% on written down value method, find the profit or loss on sale of the Second hand car.**

- (a) Loss of ₹ 20,000 ; (b) Loss of ₹ 22,000 ; (c) Loss of ₹ 11,000 ; (d) Profit of ₹ 11,000

196. **The term “ Reserve” has been defined in ----- of the Companies Act, 1956**

- (a) Part III Schedule VI ; (b) Part III Schedule V ; (c) Part II Schedule VI ; (d) Part I Schedule I

197. **Which of the following is true with respect to providing depreciation under diminishing balance method?**

- (a) The amount of depreciation keeps increasing every year while the rate of depreciation keeps decreasing
- (b) The amount of depreciation and the rate of depreciation decrease every year
- (c) The amount of depreciation decreases while the rate of depreciation remains the same
- (d) The amount of depreciation and the rate of depreciation increases every year

[Hints: (c) Under the written down value method of depreciation, the rate of percentage of depreciation is fixed, but it applies to the value of the asset at which the asset stands in the books in the beginning of the year. Therefore, the amount of depreciation decreases as the fixed rate of depreciation is charged on written down values of the asset.]

198. **Which of the following statements best describes the purpose of depreciation?**

- (a) Regular reduction of asset value to correspond to changes in market value as the asset ages
- (b) A process of correlating the market value of an asset with its gradual decline in physical efficiency
- (c) Allocation of cost in a manner that will ensure that Plant and Equipment items are not carried on the Balance Sheet in excess of net realizable value
- (d) Allocation of the cost of an asset to the periods in which services are received from the asset

[Hints: (d) AS-6 defines depreciation as a measure of the wearing out, consumption or other loss of value of a depreciable asset arising from use, effluxion of time or obsolescence through technology

and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of assets whose useful life is predetermined.

The ultimate outcome of accounting for depreciation is cash available to replace the asset; however this cannot be the purpose of depreciation.]

**199. The main objective of providing depreciation is to**

- (a) Calculate the true profit
- (b) Show the true financial position in the Balance Sheet
- (c) Provide funds for replacement of fixed assets
- (d) Both (a) and (b) above

[Hints: (d) The main objective of providing depreciation is to find out the true Net Profit or Loss for an accounting period and to present a true and fair view of the state of affairs of the business. Providing funds for replacement is only an ancillary objective and not the main objective.]

**200. Depreciation is a process of**

- (a) Valuation
- (b) Valuation and allocation
- (c) Allocation
- (d) Appropriation

[Hints: (c) AS-6 on depreciation accounting defines 'depreciation' as the measure of wearing out, consumption or other loss of a value of a depreciable asset arising from use, effluxion of time or obsolescence through technology and market changes. Depreciation is allocated so as to charge a fair proportion of the depreciable amount in each accounting period during the expected useful life of the asset. Depreciation includes amortization of assets whose useful life is predetermined.]

**201. The portion of the acquisition cost of the asset yet to be allocated is known as**

- (a) Written down value
- (b) Accumulated value
- (c) Salvage value
- (d) Residual Value

[Hints: (a) The portion of the acquisition cost of the asset yet to be allocated is known as written down value (a). Accumulated value (b) is the value of a thing accumulated over a period of time and not the correct answer. Salvage value (c) is the value of an asset that remains as scrap value after its usage over a period of time and is not the correct answer. Residual value (d) is the value remaining residue and is not the correct answer. Alternative (a) is the correct answer.]

**202. Which of the following statements is true with regard to written down value method of depreciation?**

- i. The rate at which the asset is written off reduces year after year
  - ii. The amount of depreciation provided reduces from year to year
  - iii. The rate of depreciation as well as the amount of depreciation reduce year after year
  - iv. The value of the asset gets reduced to zero over a period of time
- (a) Only (i) above
  - (b) Only (ii) above
  - (c) Both (i) and (ii) above
  - (d) (i),(ii) and (iii) above

[Hints: (b) Under written down value method of depreciation, the amount on which depreciation is provided reduces from year to year. Thus the statement under alternative (b) is the correct answer. The statements in other alternatives are incorrect because, the rate of depreciation does not change year after year it remains fixed (a). The rate of depreciation and the amount of depreciation reduce from year to year is incorrect because only the amount of depreciation reduces and not the rate. Thus, the alternative with the combination of statements (i) and (iii) is incorrect. Under diminishing balance method of depreciation, the amount of the asset never becomes to zero over a period of time. Thus, the alternatives (a),(c), (d) and (e) are incorrect.]

203. **The accounting process of gradually converting the unexpired cost of fixed assets into expenses over a series of accounting periods is**

- (a) Depreciation
- (b) Physical deterioration of the asset
- (c) Decrease in market value of the asset
- (d) Valuation of an asset at a point of time

[Hints: (a) The accounting process of gradually converting the unexpired cost of fixed assets into expenses over a series of accounting periods is called depreciation (a). Physical deterioration of the asset (b) is the wear and tear of the asset on account of its usage and it is not any accounting process involved in it and it is not the correct answer. Decrease in market value of the asset (c) is not the accounting process and is not the correct answer. The allotment of cost of an asset over its estimated useful life is not the valuation of an asset (d) at a point of time is not the correct answer. Thus, (a) is the correct answer.]

204. **Which of the following factors are primarily considered to determine the economic life of an asset?**

- (a) Passage of time, asset usage, and obsolescence
- (b) Tax regulations and SEBI guidelines
- (c) Tax regulations and asset usage
- (d) SEBI guidelines and Asset usage

[Hints: (a) The economic life of an asset should be estimated on the basis of passage of time, asset usage and obsolescence of the asset. It will not consider the factors like tax regulations, SEBI guidelines, management and external factors. Hence (a) is true.]

205. **In which of the following methods, the cost of the asset is spread over in equal proportion during its useful economic life?**

- (a) Straight-line method
- (b) Written down value method
- (c) Units-of-production method
- (d) Sum-of-the years'-digits method

[Hints: (a) Under straight line method of depreciation, the depreciable asset whether tangible or intangible is depreciated over its useful life with an equal amount of depreciation in each period. This is the widely used approach of recognizing an equal amount of depreciation expense in each period of a depreciable asset's useful life. Thus, alternative (a) is the correct answer. Alternative (b) Written down value method is incorrect because where the asset is depreciated on diminishing balance of the asset where in the depreciation expense is not equal in each period. Alternative (c) double declining method is incorrect because, under this method depreciation expenses is not equal like under written down value method and it is more in the initial stages of the acquisition of the asset and less in the later periods. The method of recording depreciation under sum of the years' digits method (d) is not equal in each period it is also more in the early periods of acquisition of the asset and less in the later periods.]

206. **Which of the following statements is correct?**

- (a) Depreciation cannot be provided in case of loss in a financial year
- (b) Depreciation is a charge against profit
- (c) Depreciation is provided in the books only when there is profit
- (d) Depreciation is an appropriation of profit

[Hints: (b) Depreciation is provided as a charge against profits. It is not an appropriation of profit. It is provided irrespective of whether the business is making a loss or a profit. Hence statement (b) is a true statement.]

207. **Depreciation is calculated on the**

- (a) Cost price of asset ; (b) Market price ; (c) Cost+ Transport+ Installation expenses;
- (d) Cost or market values whichever is less

208. **Which of the following is an external cause of depreciation**

- (a) Routine repair and maintenance ; (b) Misuse ; (c) Obsolescence ; (d) Wear and tear

209. **Depreciation is a process of —**  
(a) Valuation of fixed assets ; (b) Allocation of cost over the useful life of assets  
(c) Generating funds replacements of the assets ; (d) Avoidance of tax
210. **Which of the following is not depreciated**  
(a) Building ; (b) Land ; (c) Plant and Machinery ; (d) Office equipment
211. **Schedule XIV of the Companies Act specifies \_\_\_\_\_ as minimum rate of depreciation (WDV) on ship fishing vessels**  
(a) 27% ; (b) 33% ; (c) 10% ; (d) 15%
212. \_\_\_\_\_ **is also known as Appraisal system of depreciation**  
(a) Inventory system ; (b) Survey system ; (c) Annuity system ; (d) Insurance
213. **Bad debts recovered account will be transferred to**  
(a) Debtor's Account  
(b) Profit and Loss Account  
(c) Provision for Doubtful Debt Account  
(d) Either (b) or (c) above  
[Hints: (d) When Bad debts are recovered the entry is  
Cash A/c .....Dr.  
To Bad debts recovered A/c  
This A/c can either be transferred to P& L A/c or Provisions for Doubtful Debts A/c.]
214. **The entry for creating a Provision for bad debts is**  
(a) Debit Provision for Bad Debts A/c and credit Debtors A/c  
(b) Debit Debtors A/c and credit Provision for Bad Debts A/c  
(c) Debit Provision for Bad Debts A/c and credit Profit & Loss A/c  
(d) Debit Profit and Loss A/c and credit Provision for Bad Debts A/c.  
[Hints: (d) Provision for bad debt is a charge against profit and therefore, the entry for creating provision for bad debts is done by debiting P&L A/c and crediting provision for bad debts account.]
215. **When a person purchasing goods on credit he becomes a..... in the books of the seller-**  
(a) Debtor ; (b) Creditor ; (c) Defaulter ; (d) Offender
216. **Which of these is not a Business expense-**  
(a) Fire Insurance of other building ; (b) LIC Premium of proprietor ; (c) Interest on Capital  
(d) Commission on sales
217. **Cost of goods sold excludes-**  
(a) Opening Stock ; (b) Carriage inward ; (c) Wages & Salary ; (d) Postage & Stamps
218. **Tax deducted at source A/c appears in-**  
(a) Assets side ; (b) Liability side ; (c) Profit & Loss A/c ; (d) Debited to Capital A/c
219. **Investment in own share A/c appears in –**  
(a) Asset side ; (b) Liability side ; (c) Netted from Capital ; (d) Profit & Loss A/c
220. **Payments received in advance from a customer for a contract can be**  
(a) Shown as a deduction from contract work-in-progress on asset side  
(b) Shown as a liability  
(c) Credited to P&L A/c  
(d) Either (a) or (b) above

[Hints: (d) Progress payments and advances received from customers in respect of construction contracts in relation to the work performed thereon are disclosed in financial statements either as a liability or shown as a deduction from the amount of contract work-in-progress. In case progress payments and advances received from customers in respect of construction contracts are not in relation to work performed thereon, these are shown as a liability. Amounts retained by customers until the satisfaction of conditions specified in the contract for release of such amounts are either recognized in financial statements as receivables or alternatively indicated by way of a note.]

221. **If a company has contingent liabilities, they appear in the**

- (a) Balance Sheet
- (b) Directors' report
- (c) Notes on account to Balance Sheet
- (d) Chairman's report

[Hints: (c) Contingent liabilities are disclosed in the notes to Balance Sheet.]

222. **Recent developments have made much of a company's inventory obsolete. This obsolete inventory should be**

- (a) Written down to zero or its scrap value
- (b) Shown in the Balance Sheet at its replacement cost
- (c) Shown in the Balance Sheet at cost, but classified as a non-current asset
- (d) Carried in the accounting records at cost until it is sold

[Hints: (a) The cost of inventories may not be recoverable if the inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs necessary to make the sale have increased. The practice of writing down inventories below cost to net realizable value is consistent with the view that assets should not be carried in excess of amounts expected to be realized from their sale or use. Hence, the obsolete inventory must be written-down to zero or scrap value.]

223. **Which of the following is not classified as inventory in the financial statements?**

- (a) Finished goods ; (b) Work-in-process ; (c) Stores and spares
- (d) Advance payments made to suppliers for raw materials

[Hints: (d) Advance payment made to suppliers for materials is not classified as inventory. Other items mentioned in (a), (b) and (c) are classified as inventory in the financial statements as they are the components of inventory.]

224. **Which of the following statements is true?**

- (a) Inventory valuation affects only the income statement
- (b) Undercasting or overcasting of subsidiary book is an example of error of commission
- (c) Capital expenditure wrongly treated as revenue is an example of error of commission
- (d) Inventories should be valued at lower of historical cost and current replacement cost

[Hints: (b) Inventory valuation affects not only income statement, Balance Sheet also. If capital expenditure is treated as Revenue Expenditure, it is an error of principle but not the error of commission. Journal entry is required for any bill endorsement. Inventories should be valued at lower of historical cost and market value but not replacement cost. All these statements given in (a), (c) and (d) are false. But undercasting or over casting of subsidiary book is the example of error of commission. Hence (b) is correct.]

225. **Which of the following statements is / are not correct?**

- (a) Provision for bad debts appears as a liability on the Balance Sheet
- (b) The provision for bad debts is owed to the proprietor
- (c) Bad debts could be less than the provision for bad debts
- (d) Bad debts could exceed the provision for bad debts

[Hints: (b) Provision for bad debts is created to adjust the loss of future bad debts. This account is created by a debit to the Profit & Loss Account i.e., a charge against profits. This account shows a

credit balance and appears on the liabilities side of the Balance Sheet. Actual bad debts for a particular period may exceed the provision provided or may be less than the provision made.]

**226. If actual bad debts are more than the provision for bad debts, then there will be a**

- (a) Credit balance of Provision for Bad Debts Account
- (b) Debit balance of Provision for Bad Debts Account
- (c) Debit balance of Bad Debts Account
- (d) Debit balance of Discount on Debtors Account

[Hints: (b) Provision for Bad Debts Account is created for writing off bad debts. Since the provision for bad debts is a credit balance account, If the actual bad debts exceed the provision created then there will be debit balance of provision for bad debts account.]

**227. The creation of provision for doubtful debts given as an adjustment requires**

- (a) Debit Profit and Loss Account and deduct the provision from debtors
- (b) Credit Profit & Loss Account and deduct the provision from debtors
- (c) Credit Profit and Loss Account and add the provision to debtors
- (d) Debit Profit & Loss Account and add the provision to debtors

[Hints: (a) The adjustment for provision for bad debts account given in the adjustments is to debit P&L A/c and deduct from Sundry Debtors, the amount of provision for bad debts. Provision for bad debts is created against Sundry Debtors and therefore deducted from Sundry Debtors and Debited to P&L A/c as it is a charge against P&L A/c.]

**228. Under the direct write-off method of recognizing a bad debt expense. Which of the following statements is/are true?**

- (a) The bad debt expense is not matched with the related sales
- (b) Revenue is overstated in the year of sales
- (c) It violates the matching principle of accounting
- (d) All of the above

[Hints: (d) Under the direct write off method of recognizing a bad debt expense, the alternative (d) is the correct answer which the combination of the following statements (a) The bad debt expense is not matched with the related sales because the expense is written off in the year of occurrence and it is not matching with the related sales. (b) Revenue is overstated in the year of Sales as a result not making any provision for possible loss on account of non- recoverable account. (c) It violates the matching principle of accounting as the expense of bad debt is not matched for the same period of income. Thus, (d) is the correct answer.]

**229. At the time of preparation of financial accounts, bad debt recovered account will be transferred to**

- (a) Debtors A/c
- (b) Profit & Loss A/c
- (c) Profit & Loss Adjustment A/c
- (d) Profit & Loss Appropriation A/c

[Hints: (b) Bad debt recovered is a windfall gain and it is transferred to Profit & Loss Account at the time of preparation of Final Accounts. If provisions account is there in the books it will be transferred to Provision A/c and the balance if any in the provision account will be transferred to Profit & Loss Account. It is recovery of bad debt written off and hence it is not transferred to Debtors Account. It is not transferred to Profit & Loss Adjustment Account. It is not an appropriation to be transferred to Profit & Loss Appropriation Account. Thus, the answer is (b).]

**230. The balance of Revaluation Reserve pertaining to an asset that has been disposed off or retired can be transferred to**

- (a) General Reserve A/c
- (b) Profit & Loss A/c
- (c) Asset A/c
- (d) Capital Reserve A/c

[Hints: (d) According to AS-10 on disposal of a previously revalued item of fixed asset, the difference between net disposal proceeds and the net book value should be charged or credited to the Profit &

Loss Statement except that to the extent that such a loss is related to an increase which was previously recorded as a credit to revaluation reserve and which has not been subsequently reversed or utilized, it may be charged directly to that account.  
This balance (no longer needed) being of capital nature should be transferred to Capital Reserve Account.]

**231. Property, Plant and Equipment are conventionally presented in the Balance Sheet at**

- (a) Replacement cost – Accumulated Depreciation
- (b) Historical cost – Salvage Value
- (c) Historical cost – Depreciation portion thereof
- (d) Original cost adjusted for general price-level changes

[Hints: (c) As per AS-10 on fixed assets, property plant equipment should be presented in the Balance Sheet at historical cost (gross book value) less depreciation = net book value.]

**232. Outstanding salaries is shown as**

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

[Hints: (d) Outstanding salaries is the expense relating to the current accounting period but has not been paid yet and therefore, it is a current liability.]

**233. Insurance prepaid is shown as**

- (a) Current Asset
- (b) Current Liability
- (c) Fixed Asset
- (d) Income

[Hints: (a) Prepaid insurance is the expense relating to the next accounting period but has been paid in the current accounting period and hence it is a current asset. The adjustment would be to deduct it from the respective expense account in the P&L A/c and show it as a current asset in the Balance Sheet.]

**234. Depreciation appearing in the Trial Balance should be**

- (a) Debited to P&L A/c
- (b) Shown as liability in Balance Sheet
- (c) Reduced from related asset in Balance Sheet
- (d) Both (a) and (c) above

[Hints: (a) Any item appearing in the Trial Balance will have one effect i.e., depreciation appearing in the Trial Balance will be debited to the Profit & Loss Account. However, if depreciation is given in the adjustments, it will have double effect i.e., it should be debited to P&L A/c and deducted from the gross fixed asset block in the Balance Sheet also.]

**235. A club paid subscription fees of ₹1,400. Out of which ₹ 200 is prepaid. In such case**

- (a) P&L A/C is debited with ₹ 1,400
- (b) P&L A/C is debited with ₹ 1,200
- (c) ₹ 200 is shown as current asset
- (d) Both (b) and (c) above

[Hints: (d) Adjustments for prepaid subscription fees:

P & L A/c Extract	
Total subscription fees paid	1,400
Less: Subscription fees prepaid	
Relating to next A/c period	<u>200</u>
Subscription fees	<u>1200</u>

The prepaid subscription fees of ₹ 200 will be shown as a current asset in the Balance Sheet as it is an expense relating to the next accounting period but has been paid in the current accounting period.]

**236. Bad debts recovered is**

- (a) Credited to P&L A/c
- (b) Debited to P&L A/c
- (c) Reduced from debtors in Balance Sheet
- (d) Added to debtors in Balance Sheet

[Hints: (a) Bad debts earlier written-off and later recovered is a profit to the firm and hence they are transferred to Profit & loss Account.]

**237. The adjustment to be made for prepaid expenses is**

- (a) Add prepaid expenses to respective expenses and show it as an asset
- (b) Deduct prepaid expenses from respective expenses and show it as an asset
- (c) Add prepaid expenses to respective expenses and show it as a liability
- (d) Deduct prepaid expenses from respective expenses and show it as a liability

[Hints: (b) Prepaid expense is an expense relating to the next accounting period but has been paid in the current accounting period and hence it is a current asset. The adjustment would be to deduct it from the respective expense account in the P&L A/c and show it as a current asset in the Balance Sheet.]

**238. On scrutiny of a firm's books of accounts, it was observed that the following errors have occurred in the previous years but have not yet been rectified.**

- i. Depreciation for 2011-2012- ₹ 7,000 understated
- ii. Accrued expenses as at March 31, 2013 - ₹ 10,000 understated

**The impact of this on the reported net income for the year ending March 31, 2013 is**

- (a) ₹ 7,000 Overstated
- (b) ₹ 10,000 Overstated
- (c) ₹ 17,000 Understated
- (d) ₹ 17,000 Overstated

[Hints: (b) Net income will be overstated by ₹ 10,000 because the accrued expense are understated. Under/ Overstatement of depreciation of the year 2011-2012 does not affect the net income of current year i.e., 2012-13.]

**239. Which of the following entries is correct in respect of reserve for discounts on accounts payable?**

- (a) Debit P&L A/c and Credit Reserve for Discount on Accounts Payable A/c
- (b) Debit Accounts Payable A/c and Credit P&L A/c
- (c) Debit Reserve for Discount on Accounts Payable A/c and Credit P&L A/c
- (d) Debit Reserve for Discount on Accounts Payable A/c and credit Accounts Payable A/c

[Hints: (c) The entry will be as follows:

Reserve for Discount on Creditors A/c..... Dr.  
To Profit & Loss A/c

It will be shown on the credit side as a separate item and will be shown on the Liabilities side by way of deduction from the Sundry Creditors.]

**240. Sundry debtors as per Trial Balance is ₹ 43,000 which includes ₹ 2,200 due from 'H' in respect of goods sent to him on approval basis, the cost price of which is ₹ 1,800. Rectification would involve:**

- (a) Adding ₹ 2,200 to closing stock
- (b) Deducting ₹ 1,800 from closing stock and deducting ₹ 2,200 each from debtors and sales
- (c) Adding ₹ 1,800 to closing stock and deducting ₹ 2,200 each from debtors and sales
- (d) Deducting ₹ 1,800 from debtors

**241. Goods in stock worth ₹ 800 are destroyed by fire and the Insurance Co. is accepted the claim for ₹ 600. Adjustment would involve:**

- (a) Debit of ₹ 800 to Trading Account and credit of ₹ 600 and ₹ 200 to insurance company and Profit and Loss Account respectively
- (b) Deduct the ₹ 800 from closing stock in the Trading Account

- (c) Credit insurance company for ₹ 600
- (d) Debit of ₹ 600 and ₹ 200 to insurance company and Profit and Loss Account respectively and credit of ₹ 800 to Trading Account

**242. Prepaid expenses are valued on the Balance Sheet at**

- (a) Replacement cost
- (b) Current cost
- (c) Cost to acquire less accumulated amortization
- (d) Cost less expired portion

[Hints: (d) Prepaid expenses are the expenses which relate to the unexpired portion of the benefit of the expense. Hence, these are valued on the Balance Sheet at the cost less expired portion.]

**243. Which of the following relationships is/are false?**

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

[Hints: (d) Net Profit= Gross Profit- Administration and other expenses. Hence option (b) is false. Opening stock+ Purchases-Closing stock= Cost of material consumed not cost of sales. Option (c) is false.]

**244. Gross Profit is equal to**

- (a) Sales – Cost of goods sold ; (b) Sales – Closing Stock + Purchases
- (c) Opening Stock + Purchases – Closing Stock ; (d) None of the above

**245. Which of the following shall not be deducted from net profit while calculating managerial remuneration?**

- (a) Loss on sale of undertaking
- (b) Debts considered bad and written off
- (c) Liability arising from a breach of contract
- (d) Director's remuneration

[Hints: (d) Director's remuneration shall not be deducted from net profit while calculating managerial remuneration.]

**246. Which of the following equations is correct?**

- (a) Gross Profit+ Sales+ Direct expenses+ Purchases+ Closing stock = Opening stock
- (b) Gross Profit+ Sales+ Direct expenses+ Purchases- Closing stock = Opening Stock
- (c) Gross Profit + Opening Stock + Direct expenses + Purchases- Closing stock = Sales
- (d) Gross Profit – Opening Stock + Direct expenses + Purchases +Closing stock = Sales

**247. Which of the following is not true with regard to preparation of Profit & Loss Account?**

- (a) Profit & Loss Account is prepared for a certain period and hence it is an interim statement
- (b) Profit & Loss Account does not disclose the effect of non-financial items
- (c) Net Profits are ascertained on the basis of current costs
- (d) Net Profits as disclosed by P&L Account is not absolute

**248. The Profit and Loss Account shows the**

- (a) Financial results of the concern for a period
- (b) Financial position of the concern on a particular date
- (c) Financial results of the concern on a particular date
- (d) Cost of goods sold during the period

[Hints: (a) A profit and Loss Account is prepared for the period ending which shows the financial or operating results of the concern for a period.]

249. Which of the following statements is true?

- (a) Provision for doubtful debts represents the amount that cannot be collected
- (b) Cash balance on hand shows whether the business has earned Profit or Loss
- (c) Free samples received are business gains
- (d) The WDV of an asset depreciated on the reducing balance method can never become zero

250. Cash Profit is

- (a) Net profit – Non-trading Profit – Depreciation and provision
- (b) Gross Profit – Non-trading Profit + Depreciation and provision
- (c) Net Profit + Depreciation and provision
- (d) Gross Profit – Operational expenses

[Hints: (c) Cash Profit is the Net Profit + Depreciation and Provision. Depreciation is a non-cash outflow which is deducted from the profit and therefore, it is added back to the net profit to arrive at the net cash profit.]

251. Which of the following statements is false?

- (a) Provision for discount on debtors can be estimated only after computing the provision for doubtful debts
- (b) All pre-received incomes under the cash system of accounting are current gains
- (c) Cash balance on hand shows whether the business has earned Profit or Loss
- (d) Capital expenditure should be shown in the books by debiting asset account and crediting supplier or cash account

252. Which of the following will not appear in Profit and Loss Account of a business?

- (a) Drawings
- (b) Bad debts
- (c) Accrued expenses
- (d) Reserve for discount on Sundry Creditors

[Hints: (a) Profit and Loss Account is an income statement which depicts all incomes/gains and expenses/losses during an accounting period. Drawings are neither an income nor an expense to be recorded in Profit and Loss Account. Thus (a) is the correct answer. The items in other alternatives are either expenses or accrued expenses or probable income of discount on sundry creditors. The depreciation, bad debts and provision for doubtful debts and accrued expenses appear in the Profit and Loss Account and provision for income i.e., provision for discount on sundry creditors. Hence (a) is the correct answer.]

253. Which of the following is not a financial statement?

- (a) Profit and Loss Account
- (b) Balance Sheet
- (c) Funds Flow Statement
- (d) Trial Balance

[Hints: (d) Trial Balance (d) is not a financial statement. It is a list of all accounts showing outstanding balances at the end of the accounting period. It helps in the preparation of financial statements. The Profit and Loss Account (a); Balance Sheet (b) and Funds Flow statement (c) are the financial statements prepared by a business entity. Funds flow statement though categorized as one of the financial statements, its preparation is not mandatory. Thus (d) is the correct answer.]

254. If unexpired insurance appears in the Trial Balance, it should be

- (a) Credited to the Profit & Loss Account
- (b) Debited to the Profit & Loss Account
- (c) Shown on the liabilities side of the Balance Sheet
- (d) Shown on the assets side of the Balance Sheet

[Hints: (d) Unexpired insurance or prepaid insurance must be shown on the assets side of the Balance Sheet, because it is an asset. It cannot be shown on the liabilities side of the Balance Sheet. It cannot be debited to Profit & Loss A/c. Also it cannot be credited to Profit & Loss A/c. Hence (d) is true.]

255. **Which of the following are/is not a fixed asset?**  
(a) Stock ; (b) Vehicle ; (c) Fixed deposit in bank ; (d) Both (a) and (c) above
256. **Which of the following are/is a current asset?**  
(a) Sundry Debtors ; (b) Stock ; (c) Prepaid insurance ; (d) All of (a), (b) and (c) above
257. **Tax deducted at source appears in the Balance Sheet**  
(a) On the assets side under current assets  
(b) On the assets side under loans and advances  
(c) On the liabilities side under current liabilities  
(d) On the liabilities side under provisions
258. **Which of the following statements is false?**  
(a) Balance Sheet discloses financial position of the business  
(b) A person who owes to the business is called Debtor  
(c) Decrease in the value of the asset could decrease the value of a liability  
(d) Assets are to be shown in the Balance Sheet at the realizable value  
[Hints: (d) AS-10 on Accounting for Fixed Assets states that fixed assets are to be shown in the Balance Sheet at their actual cost.]
259. **Which of the following statements is true?**  
(a) The balance of the goods account shows the value of stock in hand;  
(b) Balancing of all accounts must be done at the end of each day;  
(c) Assets which are to remain in business for continuous use and not meant for conversion into cash are fixed assets ; (d) Balance Sheet discloses income position of the business
260. **The Balance Sheet gives information regarding the**  
(a) Results of operations for a particular period  
(b) Financial position during a particular period  
(c) Profit earning capacity for a particular period  
(d) Financial position as on a particular date
261. **Which of the following accounts appear(s) in the Balance Sheet of a business?**  
i. **Stock at the end of the financial year**  
ii. **Stock at the beginning of the financial year**  
iii. **Drawings**  
iv. **Prepaid Rent**  
v. **Interest received but not yet earned**  
(a) Only (i) above  
(b) Only (iii) above  
(c) Both (i) and (iii) above  
(d) (i), (iii), (iv) and (v) above  
[Hints: (d) Stock at the end of the financial year is the closing stock, drawings are the amounts withdrawn by the owner of the business for personal use; and prepaid rent is the amount of rent which is paid in advance of the current financial year and interest received but not yet earned is the amount of interest received which does not pertain to the current year are the items that appear in the Balance Sheet of a business. Stock at the beginning of the financial year is the opening stock that appears in Trading Account of a business and not in the Balance Sheet. Thus (d), the combination of all the accounts in alternatives (i), (iii), (iv) and (v) is the correct answer.]
262. **Computers taken on hire by a business for a period of twelve months should be classified as**  
(a) Current assets  
(b) Intangible assets  
(c) Deferred revenue expenditure

(d) Not an asset

[Hints: (d) Computers taken on hire by a business for a period of twelve months is not an asset because it is not owned by the business to be classified as asset. Thus, the correct answer is (d). Since it is not an asset it cannot be classified as any asset and other alternatives are not the correct answers.]

**263. Which of the following is not an intangible asset?**

- (a) Trade mark
- (b) Franchise
- (c) Accounts Receivable
- (d) Secret Profit

[Hints: (c) An accounts receivable is not an intangible asset. It is the amount that the business has to receive from its debtors. The other assets mentioned in alternatives a, b, and d- trademark, franchises and secret processes are intangible assets. Hence, the correct answer is (c).]

**264. Which of the following is a current liability?**

- (a) Prepaid expenses
- (b) Trademark
- (c) Discount on issue of shares
- (d) Outstanding Salaries

[Hints: (d) Outstanding salaries are short term obligations expected to be paid off during the short period of time. So, it is a current liability. Prepaid expenses, trademark and discount on issue of shares are assets. Hence, (d) is correct answer.]

**265. Based on which of the following concepts, is Share Capital Account shown on the liabilities side of a Balance Sheet?**

- (a) Business entity concept
- (b) Money measurement concept
- (c) Going concern concept
- (d) Matching concept

[Hints: (a) Share capital is the contribution made by the owner(s) and is regarded as a liability to the business in the nature of owner's equity. The underlying feature for this treatment is the distinction between the owner(s) and that of the business owned by them. According to business entry concept whenever an owner brings capital into the business, the business in turn is deemed to owe the capital to the owner. As such the share capital account is treated as a liability to the business and shown under liabilities. The other concepts are not correct because,

(b) Money measurement concept explains that in financial accountancy, a record is made only of information that can be expressed in monetary terms and ignores other events, however significant they may be. It is silent about the treatment of share capital account.

(c) Going concern concept explains that the resources of the concern would continue to be used for the purposes for which they are meant to be used. The very categorization of assets into fixed and current presupposes the going concern concept. It does not deal about the treatment of share capital account.

(d) Conservatism concept: The theme behind this principle is that recognition of revenue requires better evidence than recognition of expenses. It deals with revenues and expenses and not the share capital account.]

**266. Which of the following is not a contingent liability?**

- (a) Debts included in Sundry Debtors which are doubtful in nature
- (b) Uncalled liability on partly paid shares
- (c) Claims against the company not acknowledged as debts
- (d) Arrears of fixed cumulative dividend

[Hints: (a) A contingent liability is the loss which will be known or determined only on the occurrence or non- occurrence of one or more future uncertain events. Debts of debtors is not an uncertain event but only the realization of a part of the debt in doubtful for which provision must be provided and hence it is not a contingent liability. Items in other alternatives uncalled liability on partly paid shares

(b) may be called up in the event of necessity, claims against the company not acknowledged as

debts (c) they may or may not turn out to be debts in future. Arrears of cumulative fixed dividend (d) are contingent liabilities.]

267. Which of the following are current assets of a business?

- i. Income received in advance
- ii. Stock
- iii. Debtors
- iv. Pre-paid expenses
- v. Accrued income

- (a) Both (i) and (iv) above
- (b) Both (ii) and (iii) above
- (c) (i),(ii) and (iii) above
- (d) (ii),(iii),(iv) and (v) above

268. Which of the following statements is true?

- (a) Bad Debts Recovered Account is transferred to Sundry Debtors Account
- (b) Bill of exchange is drawn by the purchaser
- (c) Trial Balance establishes the arithmetical accuracy of the accounting records
- (d) A well maintained asset need not be depreciated

[Hints: (c) Bad debts recovery amount will be transferred to Profit & Loss Account and not to Sundry Debtors Account. Hence (a) is not correct. Bill of exchange is drawn by the drawer i.e., the seller and not the purchaser. According to Companies Act, all assets must be depreciated. Hence (a), (b) and (d) are not true. By tallying Trial Balance always proves the arithmetical accuracy of the accounting records. Hence (c) is correct.]

269. Closing entries are generally passed —

- (a) At the time of opening new books of account ; (b) At the time of closing the accounts;
- (c) During the course of accounting period any time ; (d) After certification of accounts

270. Closing stock appearing in the Trial Balance is shown in —

- (a) Trading A/c and Balance Sheet ; (b) Profit and Loss A/c ; (c) Balance Sheet only
- (d) Trading A/c only

271. Depreciation Account appearing in the Trial Balance is shown in —

- (a) Profit and Loss A/c ; (b) Trading A/c ; (c) Deducted from the concerned assets A/c;
- (d) Shown on the liability side

272. Profit on sale of old plant is shown —

- (a) In Trading A/c ; (b) In Profit and Loss Appropriation A/c ; (c) Profit and Loss A/c
- (d) Being a non operating item ignored

273. Carriage on goods purchased is shown in —

- (a) Profit and Loss A/c ; (b) Capitalized with work in progress ; (c) Trading A/c;
- (d) Shown in Balance Sheet

274. Which of these is not an operating income

- (a) Income from sale of trading goods ; (b) Bad debts recovered ; (c) Interest on FDs ;
- (d) None

275. ABC holds an average inventory of ₹ 36,000(CP) with an inventory turnover of 5 times. If the firm makes a gross profit of 25% on sales, find the total sales of the company

- (a) ₹ 2,40,000 ; (b) ₹ 2,10,000 ; (c) ₹ 2,00,000 ; (d) ₹ 1,80,000

276. From the following details what will be the partners' commission?

**Net profit before charging partners' commission ₹65,000. Partners' commission @ 11% after charging such commission**

(a) 6441 ; (b) 5431 ; (c) 7654 ; (d) 9876

277. **From the following details what will be the partners' commission?**

**Net profit before charging partners' commission ₹65,000. Partners' commission 11% before charging such commission**

(a) 6441 ; (b) 5431 ; (c) 7150 ; (d) 5876

278. **Arrangement of Balance Sheet in a logical order is known as —**

(a) Dressing Balance Sheet ; (b) Marshalling Balance Sheet;  
(c) Formatting Balance Sheet ; (d) Make up of Balance Sheet

279. **Improper valuation of inventory effects—**

(a) Profitability ; (b) Financial position ; (c) Both ; (d) Cash inflows

280. **Find the cost of goods sold if goods are sold for ₹ 2,000 at 25% profit on cost**

(a) ₹ 1,600 ; (b) ₹ 1,500 ; (c) ₹ 1,000 ; (d) ₹ 1,800

281. **Find the value of opening stock from the following data.**

**Purchases ₹ 1,50,000, Closing stock ₹ 30,000 , Sales ₹2,20,000, Gross profit ₹ 40,000.**

(a) ₹ 50,000 ; (b) ₹ 55,000 ; (c) ₹ 60,000 ; (d) ₹ 65,000

282. **A Bill of Exchange is drawn on 1<sup>st</sup> April, 2012 payable after 3 months. The due date of the bill is**

(a) 30<sup>th</sup> June,2012

(b) 1<sup>st</sup> July,2012

(c) 4<sup>th</sup> July,2012

(d) 4<sup>th</sup> August,2012

[Hints: (d) Bill drawn on 1<sup>st</sup> April, 2012 payable after 3 months. The due date is 1<sup>st</sup> April, 2012 + 3 months + 3 days of grace = 4<sup>th</sup> July, 2012.]

283. **Which of the following statements is/are true?**

(a) Noting charges are paid by the holder of the bill on the date of default

(b) A bill can be endorsed only thrice

(c) On renewal of bill the old bill is canceled

(d) Both (a) and (c) above

[Hints: (d) Noting charges are paid by the holder of the bill to get the bill noted for dishonour on the date of its dishonour. Statement (a) is true.

A bill can be endorsed any number of times, there is no limit to the number of endorsements. Statement (b) is false.

Renewal of bill takes place when the acceptor requests the drawer to cancel the old bill and draw a new bill. Hence statement (c) is true.

Hence option (d) stating that statement (a) and (c) are the right choice.]

284. **When bill discounted with the bank is dishonoured?**

(a) Acceptor's Account is debited in the books of drawer

(b) Bills Receivable Account is credited in the books of drawer

(c) Bank Account is debited in the books of drawer

(d) Bills Payable Account is debited in the books of drawer

[Hints: (a) When a bill discounted with bank has been dishonoured, the drawer debits the Acceptors Account (restores the acceptor status a debtor for the amount due) and credits the Bank Account or Cash Account (the amount he pays to bank).

The acceptor debits the Bills Payable Account, the noting charges and credits the Drawer's Account (Restores the status quo of the creditor to whom he is due to pay).

Hence option (a) is correct. All other options are incorrect.]

285. Which of the following statements is/are false?

- (a) Accommodation bills are drawn for the benefit of drawer only
- (b) Bills sent for collection is an asset
- (c) Bills of exchange cannot be drawn on a banker
- (d) Both (a) and (c) above

[Hints: (d) Accommodation bills are drawn for the benefit of both the parties to the bill. Hence statement (a) is false.

Bills sent for collection in the books of the drawer is an asset replacing the Bills Receivable (asset).

A cheque is a bill of exchange which is drawn on a banker, payable at sight. Hence option (c) is false.

Hence option (d) the statements (a) and (c) are false, is the right choice.]

286. In the books of the drawer, the accounting treatment involved on receipt of a bill of exchange duly accepted by the drawee is

- i. Debit Bills Receivable Account
- ii. Debit Drawee's Account
- iii. Credit Drawee's Account
- iv. Credit Sales Account

- (a) Only (i) above
- (b) Both (ii) and (iv) above
- (c) Both (i) and (iii) above
- (d) Both (i) and (iv) above

[Hints: (c) In the books of the drawer, the accounting treatment involved on receipt of a bill of exchange duly accepted by the drawee is debit Bills Receivable Account and credit Drawee's Account .i.e., the combination of statements in (i) and (iii) alternative (c) is the correct answer. The other alternatives are incorrect because the combination of one correct answer with the statement of incorrect answer. Drawee's Account is debited (ii) as soon as a sale is made or any advances is made and Drawee's Account is not debited when the bill of exchange is accepted and sales is credited (iv) when the sale is made and not at the time of acceptance of bill of exchange. Thus, the alternatives (a), statement (i) (b), combination of (ii) and (iv) (d) combination of (i) and (iv) are incorrect.]

287. The noting charges levied on dishonour of an endorsed bill by the Notary Public are to be borne by

- (a) The drawer of the bill
- (b) The person responsible for dishonour
- (c) The holder of the bill
- (d) The endorser of the bill

[Hints: (b) The noting charges are the charges paid to Notary Public for presenting a bill for payment and to note the fact of dishonour. The charges are to be borne by the person responsible for dishonour who is none other than the drawee. Thus, the correct answer is (b).

The drawer of the bill (a) is incorrect answer because the drawer may pay the charges initially but ultimately they are to be borne by the drawee. The holder of the (c) is entitled to receive the payment of the bill and to bear the noting charges on the bill. The endorser (d) may be the drawer of the bill in which case he will recover the noting charges from the drawee of the bill. Thus (b) is the correct answer.]

288. The drawer of a trade bill passes relevant entries with regard to the transaction involved in it. But, in case of an accommodation bill, he passes an entry in addition to the usual entries. The additional entry so passed is with respect to

- (a) Discounting of the bill with the bank
- (b) Payment of the bill on due date
- (c) Remitting or receiving the amount
- (d) Sending the bill to bank for collection

[Hints: (c) In case of accommodation bills, the additional entry that is to be passed other than the usual entries passed with regard to trade bills in the books of the drawer is in respect of (c) remitting or receiving the amount at the time of discounting the bill and honouring the bill at maturity. The entries

passed are the same in case of discounting the bill with the bank (a) and no additional entry is passed except for sending the share of proceeds to the drawee. On payment of the bill on due date (b) no additional entry is passed in the books of the drawer. If the bill is sent to the bank for collection, (d) the purpose behind the accommodation bill is defeated. However, no additional entry is required to be passed at the time of sending the bill to the bank for collection (d). Thus, (c) is the correct answer.]

**289. Under which of the following situations, is journal entry not passed in the books of the drawer?**

- (a) When a discounted bill is honoured by the drawee on the due date
- (b) When a bill is sent to the bank for collection
- (c) When a bill is renewed at the request of the drawee
- (d) When a debtor accepts a bill drawn by the drawer

[Hints: (a) When a discounted bill is honoured by the drawee on the due date, (a) no journal entry is passed in the books of the drawer. The entry is passed at the time of discounting of the bill itself and no entry is required if the discounted bill is honoured on due date. Hence, (a) is the correct answer. The other alternatives are incorrect because, when a bill is sent to the bank for collection (b) a journal entry debiting bills sent to bank for collection and crediting Bills Receivable is passed. When a bill is renewed at the request of the drawee (c) a journal entry is passed canceling the old bill and raising a new bill with interest. When a debtor accepts a bill drawn by the drawer (d) when a debtor is converted to bills receivable and debtors balance is reduced and Bills Receivable account is increased to extent of the amount passing a journal entry to that effect. Thus, (a) is the correct answer.]

**290. Which of the following is not a feature of a promissory note?**

- (a) It must be in writing
- (b) It contains an unconditional promise to pay
- (c) It is payable to the bearer
- (d) It must be signed by the maker

[Hints: (c) According to the Negotiable Instrument Act, promissory note is not payable to the bearer. It must contain an order to pay. So this is not the characteristic of promissory note. Other options are the characteristics of promissory note.]

**291. How many parties are generally found in a Bill of Exchange**

- (a) 4 ; (b) 2 ; (c) 3 ; (d) 5

**292. X draws a Bill of Exchange on Y for ₹ 10,000 on 1-1-2013 for 3 months. The due date of the bill will be —**

- (a) 4-4-2013 ; (b) 3-4-2013 ; (c) 1-4-2013 ; (d) 31-3-2013

**293. When a B/R is endorsed by the Drawer what entry is passed by the Drawee—**

- (a) B/R A/c Dr. to Drawer A/c Cr. ; (b) B/P A/c Dr. to Drawer A/c Cr.
- (c) 3<sup>rd</sup> Party's A/c Dr. to B/P A/c Cr. ; (d) No entry at all

**294. When a B/R is discounted, what entry is passed by the Drawee—**

- (a) Bank A/c Dr. to B/R Cr. ; (b) Drawer A/c Dr. to B/R A/c Cr.
- (c) B/R A/c Dr. to B/P A/c Cr. ; (d) No entry

**295. Noting charges are ultimately borne by—**

- (a) Drawee ; (b) Drawer ; (c) Payee ; (d) None

**296. Negotiable Instrument Act was enacted in—**

- (a) 1981 ; (b) 1881 ; (c) 1871 ; (d) 2001

**297. Which of these is not an essential feature of a bill of exchange**

- (a) Unconditional ; (b) Certainty of amount ; (c) In writing;
- (d) Amount to be paid in foreign currency

**298. A foreign bill of exchange is generally drawn up in —**

- (a) Triplicate ; (b) Duplicate ; (c) Single ; (d) Quadruplicate
299. **Which of these are not required in a promissory note**  
(a) Acceptance ; (b) Unconditional promise to pay ; (c) Properly stamped;  
(d) Payment to be made legal currency
300. **Accommodation bills are generally for —**  
(a) Genuine trade reasons ; (b) For mutual financial accommodation;  
(c) To help augment money supply ; (d) All the three
301. **Which of these is not true about a promissory note**  
(a) Unconditional promise ; (b) Crossing ; (c) Certainty of amount ;  
(d) Payee to a certain person
302. **Drawee means a person who —**  
(a) Makes the order ; (b) Accepts it ; (c) Takes the payment on due date ; (d) Creditor
303. **Retirement of a bill of exchange means —**  
(a) Cancellation of bill ; (b) Premature payment of bill ; (c) Discounting of bill;  
(d) Endorsement of bill
304. **Early payment of a Bill of Exchange is known as —**  
(a) Retirement ; (b) Renewal ; (c) Discount ; (d) Endorsement
305. **On early retirement of a B/E who suffers loss of interest —**  
(a) Drawee ; (b) Drawer ; (c) Payee ; (d) None
306. **Sudhir of Simla consigned 100kg of vegetables to D of Delhi for ₹ 1500. He spent ₹ 75 on transportation. 10kg were found unfit for resale due to weather conditions and of the remaining 85 kg were sold for ₹ 1675. Find the value of closing stock.**  
(a) ₹ 87.50 ; (b) ₹ 75.00 ; (c) ₹ 80.00 ; (d) ₹ 90.00
307. **Sudhir of Simla consigned 100kg of vegetables to D of Delhi for ₹ 1500. He spent ₹ 75 on transportation. 10kg were found stolen during transit and of the remaining 85 kg were sold for ₹ 1675. Find the value of closing stock.**  
(a) ₹ 87.50 ; (b) ₹ 78.75 ; (c) ₹ 80.00 ; (d) ₹ 90.00
308. **Loss of goods in transit is borne by—**  
(a) Consignee ; (b) Consignor ; (c) Both (a) and (b) proportionately ; (d) Insurance company
309. **A consignor is entitled to —————**  
(a) Profit on consignment ; (b) Commission on Sales ; (c) Reimbursement of expenses  
(d) Interest on capital
310. **A consignee is entitled to —————**  
(a) Commission on sales ; (b) Reimbursement of the expenses ; (c) Del credere commission;  
(d) All of these
311. **Consignment Account is a ————— A/c**  
(a) Personal ; (b) Nominal ; (c) Real ; (d) Dummy
312. **Which of these is a normal loss —**  
(a) Loss in weight due to weather conditions ; (b) Shortage during transit ;  
(c) Breakage during handling ; (d) Loss in value due to market conditions

313. **Del credere commission is allowed to —**  
(a) Consignee ; (b) Consignor ; (c) Agent of consignee ; (d) Debt collection agency
314. **Balance left in Consignment A/c shows —**  
(a) Profit or loss on consignment ; (b) Stock lying with the consignee ;  
(c) Stock lying with the debtors ; (d) Stock awaiting approval
315. **If the consignee is allowed del credere commission, then he bears —**  
(a) All sales promotion expenses ; (b) Loss due to bad debts ;  
(c) Loss due shortage of goods ; (d) All routine expenses in connection with the goods
316. **On 1<sup>st</sup> April 2013 Abhay of Patna consigned goods costing ₹7500 to Bholu of Ranchi at a proforma invoice price of 25% profit on sales. The Consignment A/c will be credited for stock loading by –**  
(a) ₹ 2500 ; (b) ₹ 1875 ; (c) ₹ 2000 ; (d) ₹ 1500
317. **As per Partnership Act, which of these rights are available to a partner —**  
(a) Bonus ; (b) Salary ; (c) Commission ; (d) Equal profit
318. **What does the balance in Memorandum Joint Venture A/c shows—**  
(a) Profit or Loss ; (b) Closing Stock ; (c) Balance due from other Co-venturer  
(d) Difference in Trial Balance
319. **Which of these is not a part of double entry system**  
(a) Joint Bank A/c ; (b) Memorandum A/c ; (c) Joint Venture A/c ;  
(d) Joint Venture with other co-venturer A/c
320. **Loss on Joint venture is —**  
(a) Credited to Profit and Loss A/c ; (b) Debited to co-venturers capital A/c ;  
(c) Credited to Capital Fund A/c ; (d) Debited to Suspense A/c
321. **Stock left over taken by a Co- venturer is—**  
(a) Debited to Joint Venture A/c ; (b) Credited to Co-venturer A/c ;  
(c) Credited to Joint Venture A/c ; (d) Credited to Joint Bank A/c
322. **Joint Bank A/c is a —**  
(a) Nominal A/c ; (b) Personal A/c ; (c) Real A/c ; (d) Dummy A/c
323. **Joint Venture is a —**  
(a) Personal A/c ; (b) Nominal A/c ; (c) Real A/c ; (d) Memorandum A/c
324. **Joint Venture with.....(another co-venturer) A/c is a —**  
(a) Personal A/c ; (b) Nominal A/c ; (c) Real A/c ; (d) Memorandum A/c
325. **Which of these is not a feature of a Joint venture**  
(a) Continuing business ; (b) No firm name ; (c) Partners called co-venturer ;  
(d) Partnership for limited purpose
326. **Which of these accounts are not opened in a joint venture**  
(a) Stock reserve ; (b) Joint bank A/c ; (c) Joint venture A/c ; (d) Co-venturers personal A/c
327. **Profit or loss on joint venture business is shared by the co-venturers —**  
(a) Equally ; (b) In the ratio of capital contributed ; (c) In the agreed upon ratio ;  
(d) A per seniority

328. **Professional bodies of which of the following countries is not a founding member of IASC —**  
(a) Australia ; (b) India ; (c) Japan ; (d) USA
329. **Professional bodies of which of these countries are founding member of IASC —**  
(a) UK ; (b) Canada ; (c) Germany ; (d) All the three
330. **Professional bodies of how many countries founded IASC in 1973**  
(a) 8 ; (b) 9 ; (c) 7 ; (d) 10
331. **Which of the following bodies is presented in ASB**  
(a) CBI ; (b) CAG ; (c) RBI ; (d) Trade union
332. **The Accounting Standards are issued for the purpose of —**  
(a) For improving the reliability of financial statements  
(b) Harmonizing accounting policies  
(c) Elimination of non-comparability between financial statements  
(d) All the three
333. **So far ——— AS have been issued by IASB**  
(a) 40 ; (b) 42 ; (c) 39 ; (d) 41
334. **AS ——— replaced AS 8**  
(a) 29 ; (b) 30 ; (c) 28 ; (d) 26
335. **IASB stands for —**  
(a) International Accounting Standard Board ; (b) Indian Accounting Standard Board;  
(c) Institution of Accounting School Board ; ; (d) None
336. **In Indian Accounting Standards are mandatory for —**  
(a) Corporate bodies ; (b) Proprietorship concerns ; (c) Co-operative societies  
(d) All the three
337. **AS 10 is not applicable to —**  
(a) Natural resource ; (b) Live Stock ; (c) Forest and plantation produced ; (d) All the three
338. **A change in Depreciation Method under AS-6 is treated —**  
(a) Change in Accounting Policy ; (b) Prior-Period Adjusting ;  
(c) Change in Accounting Standards ; (d) All the three
339. **Which of these is an appropriation of profit —**  
(a) Provision for payment of bonus ; (b) Provision for depreciation ;  
(c) Provision for dividend ; (d) Provision for doubtful debts
340. **Current Liabilities mean —**  
(a) Liabilities which are payable within 12 months  
(b) Liabilities which are payable immediately  
(c) Liabilities which payable after one accounting year  
(d) Liabilities which are readable within 3 months
341. **AS 30 deals with**  
(a) Accounting Policy  
(b) Financial Investment presentation  
(c) Financial Investment Reinvestment Measurement  
(d) Financial Investment disclosure

342. **Expenses A/c will always have —**  
 (a) Debit balance ; (b) Credit balance ; (c) Either (a) or (b) ; (d) No balance at all

343. **Which of these is not a cause of depreciation**  
 (a) Usage ; (b) Passage of time ; (c) Fall in market demand ; (d) Wear and tear

344. **Tick the correct match**

A		B	
1.	Current Asset	1.	Depreciation
2.	Nominal A/c	2.	Land
3.	Non Depreciable Asset	3.	Insurance A/c
4.	Non Cash Expense	4.	Prepaid Rent A/c

- (a) (1,2), (2,3), (3,4), (4,1)  
 (b) (1,3), (2,1), (3,4), (4,2)  
 (c) (1,4), (2,2), (3,1), (4,3)  
 (d) (1,4), (2,3) (3,2), (4,1)

345. **Revenues affect net income —**  
 (a) in the period during which they are earned  
 (b) in the period when they are collected  
 (c) in the period when they are accounted for  
 (d) any of the above three which occur first

346. **Which of these Accounts are not closed in a Trading A/c**  
 (a) Sales A/c ; (b) Purchase A/c ; (c) Wages A/c ; (d) Depreciation A/c

347. **Undercasting of the total of Sales A/c will affect —**  
 (a) Gross Profit and Loss ; (b) Debtors A/c ; (c) Closing Stock ; (d) Working Capital

348. **₹ 5,500 incurred on sundry expenses inadvertently recorded in the books of account as ₹ 550. This is an example of —**  
 (a) Fraud ; (b) Error of Commission ; (c) Error of Principle ; (d) Compensatory Error

349. **How does depreciation effect basic accounting equation**  
 (a) Leads to decreases in assets and shareholders equity  
 (b) Leads to decrease in asset only  
 (c) Leads to increase in liability and decrease in assets  
 (d) Leads to decrease in shareholders equity

350. **—— Principle specifies that cost or expenses should be recorded at the same time as the revenue to which they correspond**  
 (a) Going run concern ; (b) Matching ; (c) Historical Cost ; (d) Prudence

351. **X a debtor is declared insolvent and only 25 paise in a rupee is recovered from his estate. If X owes ₹ 5,000 to Y, Y would debit Cash A/c by —**  
 (a) ₹ 5,000 ; (b) ₹ 25 ; (c) ₹ 1,250 ; (d) ₹ 2,500

352. **In question no. 351, Bad Debts A/c would be debited by —**  
 (a) ₹ 3,600 ; (b) ₹ 3,750 ; (c) ₹ 1,250 ; (d) ₹ 4,000

353. It is supposed that on 31-12-2012, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 5 % of the sundry debtors are doubtful. It is also suppose that during the year 2013 actual bad debts were Rs. 1,600. What entry will pass to create provision for doubtful debts?  
 (a) Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)  
 (b) Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)  
 (c) Provision for doubtful debts a/c Rs. 1,600 (Dr) & Profit & Loss a/c Rs. 1,600 (Cr)  
 (d) Profit & Loss a/c Rs. 1,600 (Dr) & Provision for doubtful debts a/c Rs. 1,600 (Cr)
354. Opening Stock ₹ 15,000, Closing Stock ₹ 6,000, Total Purchase during the year ₹ 30,000. Given that Opening Stock inadvertently includes postage stamps of ₹ 1,500. Find the cost of goods sold  
 (a) ₹ 40,000 ; (b) ₹ 39,000 ; (c) ₹ 37,500 ; (d) ₹ 36,000
355. From the following details estimate the capital as on 1.1.2012, Capital as on 31.12.2012 ₹ 2,40,000, drawing ₹ 20,000, Profit during the year ₹ 25,000  
 (a) ₹ 2,35,000 ; (b) ₹ 2,25,000 ; (c) ₹ 2,20,000 ; (d) ₹ 2,00,000
356. ₹ 1,250 paid for the residential telephone bill of the proprietor which of these accounts will be detailed  
 (a) Household A/c ; (b) Drawing A/c ; (c) Telephone A/c ; (d) None
357. When a large number of articles are sent on a sale or return basis,, it is necessary to maintain  
 (a) Sale journal  
 (b) Goods returned journal  
 (c) Sale or return journal  
 (d) None of the above.  
 [Hint : Sales journal and Goods return journal is maintained in the normal course of business. When the transactions on Sale or return basis are high, it is necessary to maintain a dedicated journal to record these transactions.]
358. ABC Industries Ltd. purchased a new Machinery on 1.1.2008 for ₹ 2,75,000 and spent ₹ 25,000 on its installation. The Machine is subject to 10% depreciation on the original cost. The company sold the Machinery on 31.12.2012 for ₹ 1,45,000. Find the accumulated depreciation on the Machine as on 31.12.2012 —  
 (a) ₹ 1,25,000 ; (b) ₹ 1,35,000 ; (c) ₹ 1,05,000 ; (d) ₹ 1,50,000
359. Consider the following data and identify the amount which will be deducted from Sundry Debtors in Balance Sheet.
- | Particulars                        | ₹     |
|------------------------------------|-------|
| Bad debts (from trial balance)     | 1,600 |
| Provision for doubtful debts (old) | 2,000 |
| Current year's provision (new)     | 800   |
- (a) ₹ 400  
 (b) ₹ 800  
 (c) ₹ 2,000  
 (d) ₹ 2,400
360. On 31st March, goods sold at a sale price of ₹ 30,000 were lying with customer, Mohan to whom these goods were sold on 'sale or return basis' and recorded as actual sales. Since' no consent was received from Mohan, the adjustment entry was made presuming goods were sent on approval at a profit of cost plus 20%. In the balance sheet, the stock with customers account will be shown at ₹  
 (a) 30,000.  
 (b) 24,000.  
 (c) 20,000.  
 (d) 25,000.  
 [Hint : If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. As the transaction has been treated as actual sale, the profit margin needs to be reversed and the stock is to be shown in Balance sheet at its cost.

Profit = 20% of cost = 1/5th of cost = 1/6th of Sale = 1/6 X 30,000 = Rs. 5,000 Thus the goods to be shown in balance sheet = 30,000-5,000 =25,000]

361. XYZ send goods worth ₹ 1,00,000 to Y on consignment basis at 20% above the cost price. The goods are sold by the consignee on a mark of 15% on invoice price. Find the total mark up % over the cost price of the goods —  
 (a) 30% ; (b) 38% ; (c) 35% ; (d) 25%
362. In question no. 361 above find the total profit on consignment if the consignee expenses amounted to ₹ 8,000  
 (a) ₹ 30,000 ; (b) ₹ 28,000 ; (c) ₹ 25,000 ; (d) ₹ 38,000

363. From the following details ascertain net profit of ABC club for the period ending on 31.03.2013 under accrual system

Items	31.03.2012	31.03.2013
Net profit as per Cash Basis		10,750
Accrual Subscription	550	450
Subscription received in advance	250	100
Salary outstanding	300	50
Prepaid rent	600	150

- (a) ₹ 11,000 ; (b) ₹ 10,450 ; (c) ₹ 10,750 ; (d) ₹ 11,050
364. From the following details ascertain the adjusted Bank balance as per Cash Book —  
 Overdraft as per Cash Book ₹ 80,000; Cheque received entered twice in the Cash Book ₹ 5,000; Credit side of bank column cast short by ₹ 500; Bank charges amounting to ₹ 200 entered twice; Cheque issued but dishonoured ₹ 2,000  
 (a) ₹ 80,500 ; (b) ₹ 85,500 ; (c) ₹ 85,000 ; (d) ₹ 85,300
365. From the following details calculate the net profit for the year ending 31.03.2013  
 Opening Stock ₹ 1,50,000; Purchase ₹ 2,50,000; Manufacturing Expenses ₹ 80,000; Selling Expenses ₹ 20,000; Administration Expenses ₹ 10,000; Financial Charges ₹ 5,000; Sales ₹ 5,55,000 which includes damaged goods sold for ₹ 5,000 against the cost price of ₹ 12,000. Gross profit margin on normal sales is 20% on the sales  
 (a) ₹ 65,000 ; (b) ₹ 68,000 ; (c) ₹ 70,000 ; (d) ₹ 77,000
366. L of Lucknow consigned goods costing ₹ 60,000 to A of Allahabad at an invoice price bearing 33 1/3 % mark up on the cost price. Goods costing ₹ 15,000 were damaged in the transit and the insurance company admitted the claim in full. Expenses incurred by the consignor on loading and transportation of the goods amounted to ₹ 1,800. The consignee incurred ₹ 200 on cartage and ₹ 6,000 as Godown Rent and sold 2/3 of the goods received by him at the invoice price. He is entitled to 5% normal commission and 2.5% del credere commission. Find the value of goods sold  
 (a) ₹ 60,000 ; (b) ₹ 40,000 ; (c) ₹ 55,000 ; (d) ₹ 50,000
367. Based on the facts given in question no. 366 above find the total commission payable to the Consignee  
 (a) ₹ 2,000 ; (b) ₹ 3,000 ; (c) ₹ 1,000 ; (d) ₹ 1,500
368. Based on the facts given in question no. 366 find the value of abnormal loss  
 (a) ₹ 15,000 ; (b) ₹ 16,500 ; (c) ₹ 15,500 ; (d) ₹ 15,750
369. Research and Development Cost A/c appearing in Balance Sheet is a —  
 (a) Real A/c ; (b) Intangible Asset A/c ; (c) Tangible Asset A/c ; (d) Personal A/c

370. **Endowfund received by a club is a —**  
(a) Revenue Receipt ; (b) Capital Receipt ; (b) Advance Payment ; (d) Revenue Payment
371. **A trade purchase of ₹ 5,500 from Y was passed through Sales Day Book as ₹ 550, what rectification entry would be passed if the mistake is detected before preparation of Trading and Profit & Loss A/c**  
(a) Sales A/c ....Dr. ₹ 550, Purchase A/c ....Dr. ₹ 5,500, Y's A/c Cr. ₹ 6,050  
(b) Profit and Loss Adjustment A/c ....Dr. ₹ 6,050, Y's A/c Cr. ₹ 6,050  
(c) Sales A/c ....Dr. ₹ 550, Purchase A/c ....Dr. ₹ 5,500, Suspense A/c Cr. ₹ 6,050  
(d) None
372. **Which of these document is a replica of customer's account in the books of a bank**  
(a) Pass Book ; (b) Debit Note ; (d) Credit Note ; (d) Cash Book
373. **Huge expenditure incurred at the time of launching of a new product in market is a/an —**  
(a) Revenue Expenditure ; (b) Capital Expenditure ; (c) Loss ;  
(d) Deferred Revenue Expenditure
374. **The Primary objective of providing depreciation is:**  
(a) To calculate true profit ; (b) To show the asset on market value ;  
(c) To reduce tax Burdon ; (d) To provide funds for replacement
375. **Find the closing stock from the following details.**  
**Opening Stock ₹ 80,000, Purchases ₹ 1,40,000, Wages ₹ 60,000, Sales ₹ 3,20,000, GP on sales 25%**  
(a) ₹ 60,000 ; (b) ₹ 40,000 ; (c) ₹ 45,000 ; (d) ₹ 30,000
376. **Sinking Fund is created for which of these purposes**  
(a) To repay or redeem a long term fixed liability ; (b) To replace a wasting asset ;  
(c) To replace a depreciable asset ; (d) All the three
377. **Tick the correct statement**  
(a) Petty cash is an expense ; (b) Balance Sheet is also known as a positional statement ;  
(c) Revaluation A/c is Real A/c ; (d) Depreciation is a process of valuation
378. **A B C are three partners sharing profit and loss in the ration of 2:2:1, B recently obtained MBA degree from Oxford University, accordingly the partner decided to give him a guaranteed profit of ₹ 60,000. Find the share of profit of B if the firm made a net profit of ₹ 1,25,000 during 2012-13**  
(a) ₹ 60,000 ; (b) ₹ 50,000 ; (c) ₹ 25,000 ; (d) ₹ 40,000
379. **Revenue is said to have been earned when —**  
(a) Sale is made ; (b) Cash is received ; (d) Goods are manufactured ;  
(d) When accounted for
380. **A firm has a policy of changing depreciation on Plant and Machinery @ 10% under WDV Method. If the book value of Plant and Machinery was ₹ 81,000 on 31.03.2013. Find the original cost of the plant if the same was purchased on 01.04.2011**  
(a) ₹ 80,000 ; (b) ₹ 1,00,000 ; (c) ₹ 81,000 ; (d) ₹ 1,20,000
381. **Which of these items will appear in a Manufacturing A/c**  
(a) Power and Steam A/c ; (b) Salary and Wages A/c ; (d) Carriage Outward ;  
(d) Goodwill written off
382. **Closing Stock lying unsold with the consignee is valued at—**  
(a) Cost Price ; (b) Market Price ; (c) Realizable Price ; (d) Least of cost or net realizable value

383. Goods lying with the consignee are shown as—  
 (a) Closing Stock ; (b) Work in Progress ; (c) Stock in Transit ; (d) Suspense A/c
384. Credit balance in Cash Book means—  
 (a) Bank overdraft ; (b) Bank deposit ; (c) FD with Bank ; (d) Cash embezzlement
385. AB are two partners in a firm, as per the terms of agreement partners drawing will carry interest @ 10%. If A has drawn funds from business as per the details given below. Find the interest for the year ended 31.12.2012  
 01.04.2012 ₹ 20,000  
 01.06.2012 ₹ 10,000  
 01.09.2012 ₹ 20,000  
 (a) ₹ 2,500  
 (b) ₹ 2,750  
 (c) ₹ 1,417  
 (d) ₹ 2,000

386. From the following abstract of Trial Balance, estimate the profit and loss for the year ended 31.03.2013

Debit balance	₹	Credit balance	₹
Assets excluding closing stock	7,500	Capital and Reserve	9,000
Expenses	6,500	Liabilities	1,000
Prepaid Expenses	2,000	Revenue	6,500
Interest	500		
Total	16,500	Total	16,500

Closing stock was ₹ 600

- (a) ₹ 100 ; (b) ₹ 550 ; (c) ₹ 1,500 ; (d) ₹ 250
387. ₹ 5,000 paid as local cartage on material purchased. However this amount was booked under Miscellaneous Expenses A/c instead of on Carriage Inward. Due to this error net profit and loss will—  
 (a) Increase by ₹ 5,000 ; (b) Decrease by ₹ 5,000 ; (c) Increase by ₹ 10,000 ;  
 (d) not be affected at all

388. Tick the correct match

A		B	
1.	Wages and Salary	1.	Trial balance
2.	AS 10	2.	Depreciation accounting
3.	Process of spreading cost	3.	Profit and Loss A/c
4.	Check arithmetic accuracy	4.	Accounting for Fixed Asset

- (a) (1, 2), (2, 3), (3, 4), (4,1)  
 (b) (1, 3), (2, 4), (3, 2), (4, 1)  
 (c) (1, 4) (2, 2) (3, 1), (4, 3)  
 (d) (1, 4), (2, 3), (3, 2), (4, 1)
389. If outside liabilities and owners' equity are added we get.....  
 (a) Total Liabilities ; (b) Net worth ; (c) Shareholders Fund ; (d) Gross Block
390. Business expenses excludes...  
 (a) Fire insurance premium of office building ; (b) LIC premium on the life of proprietor ;  
 (c) Interest on capital ; (d) Repair of office furniture
391. Goods received from other co-venturer is debited to .....  
 (a) Joint Venture A/c ; (b) Joint Bank A/c ; (c) Memorandum Joint Venture A/c ;  
 (d) Other Co- venture A/c

392. Which of these is not a function of Financial Accounting

- (a) To provide financial information to the users of the financial statements  
(b) To portray gloomy picture of the business in order to evade tax liabilities  
(c) To keep a systematic record of business transactions  
(d) To depict a true and fair view of the financial position of the business
393. **Drawee is the person.....**  
(a) Who draw a bill of exchange ; (b) Who presents the bill of exchange for payment ;  
(c) Who accepts the bill of exchange ; (d) Who holds the bill of exchange till maturity
394. **Accounting is a/ an –**  
(a) Science ; (b) Art ; (c) Subject matter of sociology ; (d) Subject matter of philosophy
395. **Trial Balance is prepared to....**  
(a) Check true and fair view of Balance Sheet ; (b) To check arithmetic accuracy of A/cs ;  
(c) To ensure legal compliance ; (d) To ensure compliance to IFRS
396. **The term PBIT stands for:-**  
(a) Profit before Income Tax ; (b) Profit before Interest and Tax ;  
(c) Profit before Internal Transfers ; (d) Profit by Income Tax
397. **..... is a secret reserve usually created to provide for the loss by way of fluctuation in the value of investment**  
(a) Investment Fluctuation Reserve ; (b) Foreign Exchange Fluctuation Fund ;  
(c) General Reserve ; (d) Capital Reserve
398. **As per the Companies Act, 1956 which of these are allowed to create secret reserves in their books of account**  
(a) Banking Companies ; (b) Insurance Companies ; (c) Electricity Companies ;  
(d) All the three
399. **An increase in one liability may lead to**  
(a) Increase in another asset ; (b) Decrease in liability ; (c) Both (a) and (b) ; (d) Either (a) or (b)
400. **X draws a 3 months bill of exchange for ₹ 25,000 upon Y on 23-10-12. Find the due date of the bill.**  
(a) 24-01-13 ; (b) 25-01-13 ; (c) 26-01-13 ; (d) 23-01-13
401. **A is entitled to 10% partner's commission before charging such commission. Find the commission payable to A if the net profit before charging such commission amounted to ₹ 60,000**  
(a) ₹ 5,900 ; (b) ₹ 6,000 ; (c) ₹ 5,000 ; (d) ₹ 5,050
402. **Over statement of sales may lead to-**  
(a) Over statement of profit of current year;  
(b) Over statements of profit of next year;  
(c) Under statement of profit of current year ; (d) All the three
403. **When Bills Receivable is returned dishonoured by the drawee, which of these A/c is debited by the drawee**  
(a) Drawer A/c ; (b) Bank A/c ; (c) BP A/c ; (d) BR A/c

404. A second hand truck was purchased for ₹75,000, ₹10,000 was spent on its repair, ₹2,000 to get the truck registered in the name of the firm and ₹1,000 as dealers commission. The capitalized value of truck will be-  
(a) ₹ 88,000 ; (b) ₹ 87,000 ; (c) ₹ 85,000 ; (d) ₹ 75,000
405. Narrations are usually given at the end of  
(a) Each journal entry ; (b) Each page ; (c) Each column ; (d) Each account
406. Under which method of depreciation annual depreciation goes on decreasing  
(a) Reducing balance method ; (b) Straight line method ; (c) Annuity method ; (d) None
407. Choose the true statement-  
(a) Income and gain A/cs shows increase on credit side  
(b) Expenses and losses A/cs shows reduction in balance on debit side  
(c) Assets A/c can have credit balance also ; (d) Debtors are the owing of the business
408. Which of these is an example of accelerate method of depreciation  
(a) Written down value method ; (b) Straight line method ; (c) Sinking fund method ;  
(d) Annuity method
409. Which of these items will not be capitalized along with the Asset  
(a) Installation charges ; (b) Annual repair and maintenance ; (c) Statutory levies ;  
(d) Freight and insurance
410. On the debit side of a Sales A/c entry can be for which of these reasons  
(a) Sales returns ; (b) Discount allowed ; (c) Both ; (d) Additional sales
411. The term Imprest system is related to.....  
(a) Petty cash ; (b) Inventory valuation ; (c) Classification of assets ; (d) None
412. An office equipment is purchased on 1.1.12 for ₹1,10,000 having working life of 4 years at the end of which it is expected to have a scrap value of ₹10,000. Find the difference in depreciation as per Sum of years digit methods and reducing balance method (25% WDV) for the year ending on 31<sup>st</sup> December 12  
(a) ₹ 25,000 ; (b) ₹ 40,000 ; (c) ₹ 15,000 ; (d) ₹ 10,000
413. M draw a 3 months bill of exchange of ₹ 20,000 on T on 1<sup>st</sup> April 07. On due date T paid ₹ 4,000 and requested M to draw another bill of exchange for 2 months. On the due date of second bill of exchange T is declared insolvency and a dividend of 25 paise in a rupee is expedited to be realized from his assets. Find the amount receivable from T in respect of the outstanding bill of exchange  
(a) ₹ 5,000 ; (b) ₹ 4,000 ; (c) ₹ 16,000 ; (d) ₹ 20,000
414. Suspense A/c is generally opened to rectify —  
(a) Errors of principle ; (b) One sided errors ; (c) Compensating errors ; (b) All types of errors
415. A sends goods costing ₹ 1,00,000 on consignment to yield a profit of 20% on cost. What is the invoice price  
(a) 1,37,500 ; (b) 1,25,000 ; (c) 1,20,000 ; (d) None
416. From the following estimate total sales —  
Cash sales ₹20,000, cash collection from debtors ₹130,000, Bad debts during the year 15,000, cash discount to debtors ₹5000. Debtors as on 1.1.12 ₹25,000 Debtors as on 31.12.12 ₹55,000  
(a) ₹ 1,50,000 ; (b) ₹ 1,80,000 ; (c) ₹ 2,00,000 ; (d) ₹ 1,90,000

417. Under which method of depreciation annual depreciation fluctuate with the volume of production  
(a) Sum of Years' Digit Method ; (b) Production Method ; (c) Written Down Value Method ;  
(d) None
418. On 01.04.2012 Novel industries purchased a new office equipment for ₹1,50,000 with a working life of 10 years. The estimated scrap value at the end of 10 year is estimated to be ₹20,000. Find the depreciation for the 10 th years under straight line method,  
(a) 15,000 ; (b) 13,000 ; (c) 12,000 ; (d) 10,000
419. Who bears noting charges in case of dishonor of a bill of exchange.  
(a) Drawer ; (b) Drawee ; (c) Both ; (d) Bank
420. When the goods are returned by the customers within the specified time, they are recorded  
(a) Initially in the Sale or Return Ledger. Thereafter, in the Sale or Return Day Book  
(b) Initially in the Sale or Return Day Book. Thereafter, in the Sale or Return Ledger  
(c) Only in the Sale or Return Day Book  
(d) Only in the Sale or Return Ledger  
[Hint : When the separate set of books are maintained for sale or return transactions, Sale or Return Day Book is maintained which is the book of primary entry and Sale or Return Ledger is maintained which is the book of secondary entry.]
421. A sent some goods costing ₹ 3,500 at a profit of 25% to B on sale or return basis. B returned goods costing ₹ 800. At the end of the accounting period i.e. on 31st March, the remaining goods were neither returned nor were approved by him. The stock on approval will be shown in the balance sheet at ₹  
(a) 2,000.  
(b) 2,700.  
(c) 2,700 less 25% of 2,700.  
(d) 3,500.  
[Hint : If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. Thus the goods to be shown in balance sheet = 3,500 -800 = 2,700]
422. An amount of ₹6,000 is credited twice in the bank column of cash book. Taking credit balances as per pass book as the starting point what adjustment needs to be done to arrive at the balance as per cash book  
(a) ₹12,000 add to the balance as per pass book  
(b) Add ₹8,000 to the balance as per cash book  
(c) Deduct ₹6,000 from the balance as per pass book  
(d) Add ₹4,000 to the balance as per pass book
423. From the following details calculate net profit under accrual basis of accounting  
Goods sold for cash ₹5,00,000, credit sales ₹25,000  
Cash purchases ₹4,00,000, credit purchases ₹50,000  
Wages paid ₹20,000, outstanding expenses ₹10,000  
Rent paid ₹5,000, Rent outstanding ₹2,000 Depreciation on building ₹10,000  
Loss on sales of fixed assets ₹1,000  
(a) ₹ 75,000 ; (b) ₹ 27,000 ; (c) ₹ 32,000 ; (d) ₹ 40,000
424. Long term assets being ₹3,00,000, current Assets ₹80,000, outside liabilities ₹1,20,000. Find owners equity-  
(a) ₹ 3,50,000 ; (b) ₹ 2,60,000 ; (c) ₹ 2,00,000 ; (d) None
425. A merchant sends out his goods casually to his dealers on approval basis. All such transactions are, however, recorded as actual sales and are passed through the sales book. On 31st March, it was found that 100 articles at a sale price of ₹ 200 each sent on approval basis were recorded as actual

sales at that price. The sale price was made at cost plus 25%. The amount of stock on approval will be amounting

- (a) ₹ 16,000.
- (b) ₹ 20,000.
- (c) ₹ 15,000.
- (d) None of the above.

[Hint : If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. Stock at sale value =  $100 \times 200 = 20,000$

Profit = 25% of cost =  $1/4$ th of cost =  $1/5$ th of sale =  $1/5 \times 20,000 = 4,000$

Thus the goods to be shown in balance sheet =  $20,000 - 4,000 = 16,000$ ]

426. From the following details calculate annual depreciation on the coal mine  
Coal mine purchased ₹10,50,000. Additional expenses incurred on development of coal mine ₹2,00,000. Total coal expected from the coal mine 1,00,000 Mt. Expected value of coal mine after exhausting coal resources ₹50,000. Coal production during 2012-13 was 5000Mt.  
(a) ₹ 60,000 ; (b) ₹ 1,00,000 ; (c) ₹ 1,20,000 ; (d) ₹ 1,00,000
427. In the Sale or Return Ledger  
(a) All the customers are individually debited and the sale or return account is credited with the periodical total of the Sale or Return Day Book,  
(b) All the customers are debited in total and the sale or return account is credited with the periodical total of the Sale or Return Day Book.  
(c) All the customers are individually debited and the sale or return account is also credited with the individual total of the Sale or Return Day Book.  
(d) None of the above.  
[Hint : In sale or return ledger the transactions of all the customers are recorded individually. Also the information about the sales made by them is recorded periodically.]
428. All revenue receipts and expenditure are shown in –  
(a) Balance Sheet ; (b) Trading and Profit and Loss A/c ; (c) Cash Flow Statement ;  
(d) Statement of Affairs
429. On 1<sup>st</sup> January 2013 X paid ₹120,000 being rent upto 31.12.2013. If the accounts are closed on 31.03.12. ₹90,000 will be shown as –  
(a) Accrued rent ; (b) Prepaid rent / Expenses ; (c) Accrued expenses ; (d) Accrued income
430. Choose the true statement—  
(a) Accrued income represent income unearned but realized in cash  
(b) Accrued income represent income earned but not realized in cash  
(c) Accrued income A/c is shown on the liability side ;  
(d) No tax is payable on accrued income
431. Which of these will cause change in working capital  
(a) Payment of Creditors in cash  
(b) Realization of amount due from the Debtors  
(c) Sale of office equipment for cash  
(d) Providing depreciation on Plant and Machinery
432. Sale or Return Day Book and Sale or Return Ledger are known as  
(a) Principal books ; (b) Subsidiary books ; (b) Memorandum books ; (d) None of the above  
[Hint : The books maintained to record the transactions related to sale or return are Memorandum books.]
433. Which of the following is true when a debtor pays his dues?  
(a) The asset side of the Balance Sheet will decrease  
(b) The asset side of the Balance Sheet will increase  
(c) The liability side of the Balance Sheet will increase

(d) There is no change in total assets or total liabilities

434. Consider the following data pertaining to a firm:  
Credit balance as per bank column of cash book ₹13,000; Bank interest on overdraft appeared only in the pass book ₹2,600; Cheques deposited but not collected by the bank ₹ 5,000. The balance as per pass book is  
(a) ₹ 20,600 (Dr. balance) ; (b) ₹ 18,500 (Dr. balance) ; (c) ₹ 18,500 (Cr. balance) ;  
(d) ₹ 15,600 (Dr. balance)
435. Consider the following data pertaining to a company for the year 2011-2012 :  
Opening balance of sundry debtors ₹ 40,000; Credit sales ₹4,30,000; Cash sales ₹ 20,000; Cash collected from debtors ₹4,00,000; Closing balance of sundry debtors ₹ 50,000  
The bad debts of the company during the year are  
(a) ₹40,000 ; (b) ₹35,000 ; (c) ₹30,000 ; (d) ₹20,000
436. The opening stock of a company is ₹60,000 and the closing stock is ₹70,000. If the purchases during the year are ₹2,00,000 the cost of goods sold will be  
(a) ₹2,10,000 ; (b) ₹2,00,000 ; (c) ₹1,90,000 ; (d) ₹1,80,000
437. The balance as per bank statement of a company is ₹12,000 (Dr.). The company deposited two cheques worth ₹9,500, out of which one cheque for ₹2,300 was dishonoured which was not entered in the cash book. The credit balance as per cash book is  
(a) ₹21,000 ; (b) ₹15,300 ; (c) ₹23,800 ; (d) ₹9,700
438. During the year 2012-13, the profit of a business before charging Sales Manager's commission was ₹1,89,000. If the Sales Manager's commission is 5% on profit after charging his commission, then the total amount of commission payable to manager is  
(a) ₹10,000 ; (b) ₹9,450 ; (c) ₹9,000 ; (d) ₹8,500
439. Which of the following is not a main column of sales or return journal?  
(a) Goods sent on approval column ; (b) Goods returned column  
(c) Goods approved column ; (d) Purchase column  
[Hint : In sale or return journal, the information about the purchases is not important.]
440. Which of the following accounting treatments is/are true in respect of accrued commission appearing on the debit side of a Trial Balance?  
(a) It is shown on the debit side of the Profit and Loss Account  
(b) It is shown on the credit side of the Profit and Loss Account  
(c) It is shown on the liabilities side of the Balance Sheet  
(d) It is shown on the assets side of the Balance Sheet
441. If a bill is endorsed to a third party, the accounting entry in the books of the endorser, at the time of endorsement involves  
(a) Credit Endorsee's Account  
(b) Debit Endorsee's Account  
(c) Debit Bills Receivable Account  
(d) Credit Bills Payable Account  
[Hints: (b) A bill of exchange is treated as a Bills Receivable by the party who draws the bill and is entitled to receive payment and he can endorse the bill to a third party before the due date and become an endorser. The accounting treatment for endorsement in the books of endorser will be  
Endorsee's A/c.....Dr.  
To Bills Receivable A/c  
Hence, the endorsee's Account will be debited.  
The other alternatives are not correct because,  
(a) As per the accounting principle of personal accounts 'debit the receiver and credit the giver' here the endorsee is the receiver and his account cannot be credited.  
(c) 'Bills Receivable Account' is a real account and as per the accounting principle of real account 'debit what comes in and credit what goes out'. Bills Receivable is parted with on endorsement and hence it cannot be debited.

(d) A bill of exchange is a Bill Receivable to the endorser and Bills Payable Account does not reflect in his books.]

442. \_\_\_\_\_ is the date on which a bill falls due for payment  
(a) Settlement Date ; (b) Maturity Date ; (c) Payment Date ; (d) Due Date
443. Joint Venture is a partnership —  
(a) With no firm name ; (b) For indefinite period ; (c) Formed for 5 years ; (d) All the three
444. Depreciation amount of a fixed asset represents —  
(a) Historical cost less residual value ; (b) Historical cost ; (c) Historical cost less cost of disposal;  
(d) Book Value less scrap value
445. When benefit of a revenue expense extend beyond an accounting year, it is called  
(a) Revenue Expenditure ; (b) Capital expenditure ; (c) Deferred Revenue Expenditure;  
(d) Recurring profit
446. The convention that states that the accounting practice should be followed consistently over the years  
(a) Consistency ; (b) Conservation ; (c) Materiality ; (d) Disclosure
447. Which of the following is a non-monetary asset?  
(a) Account Receivable ; (b) Account Payable ; (c) Demand Bank Deposits ;  
(d) Patents and Trademarks
448. This is more of a convention than a concept, it proposes that while accounting for various transactions, only those which may have material effect on profitability or financial status of the business should have special consideration for reporting, this concept is known as  
(a) Concept of Consistency ; (b) Concept of Conservation ; (c) Concept of Materiality ;  
(d) Concept of Disclosure
449. Accounting for Fixed Assets is related to  
(a) AS 7 ; (b) AS 14 ; (c) AS 10 ; (d) AS 21
450. The maximum amount beyond which a company is not allowed to raise funds, by issue of share is  
(a) Issued Capital ; (b) Reserve Capital ; (c) Subscribed Capital ; (d) Authorised Capital
451. Accounts dealing with transaction relating to persons or an organization is called  
(a) Personal Account ; (b) Nominal Account ; (c) Real Account ;  
(d) Representative Personal Account
452. An account is said to have a debit balance if —  
(a) The amount of the debits exceeds the amount of the credits  
(b) There are more entries on the debit side than on the credit side  
(c) Its normal balance is debit without regard to the amounts or number of entries on the debit side ;  
(d) The last entry of the accounting period was posted on the debit side
453. Residual value is the —  
(a) value of the asset when it is purchased  
(b) value of the asset at the end of its useful life  
(c) cost of the asset ; (d) allocation of the cost
454. From the books of Mr. N , it was observed that cheques amounting to ₹ 2,40,000 were deposited in the bank, out of which cheques worth ₹ 20,000 were dishonoured and cheques worth ₹ 40,000 are still in the process of collection. The treatment of this while preparing Bank Reconciliation Statement is  
(a) Deduct ₹ 60,000 from bank balance as per pass book  
(b) Add ₹ 20,000 and deduct ₹ 40,000 from overdraft balance as per cash book  
(c) Deduct ₹ 60,000 from overdraft balance as per pass book

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(d) Add ₹ 60,000 from overdraft balance as per pass book

455. X draws a trade bill of ₹ 25,000 for 6 months on Y. After holding the bill for 1.5 months, X discounts the bill with bank @ 10% p.a. The amount of discount on bill is  
(a) ₹ 937.50 ; (b) ₹ 625 ; (c) ₹ 1350 ; (d) ₹ 612.50
456. X acquired an equipment for ₹80,000 with an expected useful life of five years and ₹ 4,000 expected residual value. Straight line method of depreciation was used. The equipment was sold at the end of 4th year for ₹ 30,000. The gain /loss on sale is :  
(a) ₹ 12,000 (gain) ; (b) ₹ 10,800(loss) ; (c) ₹ 10,800(gain) ; (d) ₹ 12,000(loss)
457. For difference between invoice price and the cost price of the entire consignment, the entry in books of consigner will be  
(a) Debit Goods sent on Consignment A/c, credit Consignment A/c  
(b) Credit Goods sent on Consignment A/c, debit Consignment A/c  
(c) Credit Consignment Stock Reserve A/c, debit Consignment A/c  
(d) Debit Consignment Stock Reserve A/c, credit Consignment A/c

458. Umesh sends goods on approval basis as follows:

Date January, 2013	Customer	Sale price of Goods Sent ₹	Goods Accepted ₹	Goods Returned ₹
8	Anna	3,500	3,000	500
10	Babu	2,800	2,800	-
15	Chandra	3,680	-	3,680
22	Desai	1,260	1,000	260

The stock of goods sent on approval basis on 31st January will be

- (a) ₹ 300.  
(b) Nil.  
(c) ₹ 260.  
(d) None of the above.  
[Hint : As the entire stock is either sold or returned, there is no stock that has been sent on sale or return basis.]
459. Under sales on return or approval basis, when transactions are few and the seller at the end of the accounting year reverse the sale entry, then what will be the accounting treatment for the goods returned by the customers on a subsequent date?  
(a) No entry will be passed for such return of goods  
(b) Entry for return of goods is passed by the seller  
(c) Only the stock account will be adjusted  
(d) None of the above  
[Hint : When the goods sent on sale or approval basis are treated as sale, for the goods not yet approved, the sale entry is reversed at the year end. As the sales are already adjusted by reversing the entry, no further entry is required.]
460. Which of these A/c appearing in Trial Balance is not transferred to Income Statement  
(a) Salary A/c ; (b) Purchase A/c ; (c) Accumulated Depreciation A/c ; (d) Bad Debts A/c
461. A Customer returning the goods purchased on credit, may inform the seller by sending  
(a) Debit Note ; (b) Credit Note ; (c) Court Notice ; (d) Return Invoice
462. Credit balance in which of these A/c indicate error in the A/c  
(a) Cash in Hand A/c ; (b) Sales A/c ; (c) Capital A/c ; (d) Bank A/c
463. Under sales on return or approval basis, when transactions are few, the seller, while sending the goods, treats them as  
(a) An ordinary sale but no entry is passed in the books  
(b) An ordinary sale and entry for normal sale is passed in the books  
(c) Approval sale and no entry is passed

(d) None of the above

[Hint : When the transactions of sending the goods on sale or return basis are few, the seller may treat it as normal sale and record it in the books accordingly. However, if the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost.]

464. **The document listing the latest balances of all Real and Personal A/c in the ledger on a given date is known as —**  
(a) Trial Balance ; (b) Positional Statement ; (c) Income Statement ; (d) Charter of Accounts
465. **A sent some goods to B to be sold on consignment basis. 1/10 of the goods valued ₹ 25,000 were lost in transit. Find the value of goods sent of consignment basis —**  
(a) ₹ 2,50,000 ; (b) ₹ 25,000 ; (c) ₹ 2,500 ; (d) None
466. **A company sends its cars to dealers on 'sale or return' basis. All such transactions are however treated like actual sales and are passed through the sales day book. Just before the end of the financial year, two cars which had cost ₹ 55,000 each have been sent on sale or return and have been debited to customers at ₹ 75,000 each, cost of goods lying with the customers will be**  
(a) ₹ 1,10,000.  
(b) ₹ 35,000.  
(c) ₹ 75,000.  
(d) None of the above.  
[Hint : If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. Thus the stock = ₹ 55,000 X 2 cars = ₹ 1,10,000]
467. **From the following details estimate the capital as on 31.03.2013, Capital as on 01.04.2012 ₹ 2,05,000. Drawing ₹ 20,000, Profit during the year ₹ 25,000**  
(a) ₹ 2,05,000 ; (b) ₹ 2,25,000 ; (c) ₹ 2,10,000 ; (d) ₹ 2,00,000
468. **Goods worth ₹ 10,000 were purchased by B on which the traders allowed ₹ 500 trade discount and offer to give 5% cash discount if immediate payment is made. The Purchase A/c will be debited by —**  
(a) ₹ 10,000 ; (b) ₹ 9,800 ; (c) ₹ 9,000 ; (d) ₹ 9,500
469. **S issued cheque worth ₹ 35,000 in March 2013 out of which cheques worth ₹ 15,000 were presented for payment after by 31<sup>st</sup> march, 2013. What amount should be added to balance as per pass book**  
(a) ₹ 15,000 ; (b) ₹ 10,000 ; (c) ₹ 25,000 ; (d) None of the above
470. **Owing of the business are called —**  
(a) Liabilities ; (b) Capital ; (c) Net Worth ; (d) Assets
471. **₹ 8,000 is spent of travelling expenses of the partner to a foreign trip for purchased of an asset to be used for the business is a/an —**  
(a) Capital Expenditure ; (b) Revenue Expenditure ; (c) Revenue Loss ; (d) Capital Loss
472. **The Capital of X Ltd. was ₹ 55,000 as on 01.04.2012 which fell to ₹ 25,000 by the end of 31.03.2013. Find the value of goods sent of consignment basis —**  
(a) Drawings ; (b) Business losses during the period ; (c) Both ; (d) Introduction of new capital
473. **A trader has credited certain items of sales on approval aggregating ₹ 60,000 to Sales Account. Of these, goods of the value of ₹16,000 have been returned and taken into stock at cost ₹ 8,000 though the record of return was omitted in the accounts. In respect of another parcel of ₹ 12,000 (cost being ₹6,000) the period of approval did not expire on the closing date. Cost of goods lying with customers should be**  
(a) ₹ 12,000.  
(b) ₹ 54,000.  
(c) ₹ 6,000.  
(d) None of the above.  
[Hint : If the goods are sent on sale or return basis, the unsold goods must be included in the stock at cost. The stock / parcel with the customer costs ₹ 6,000.]

474. **Cash sales will be recorded in —**  
 (a) Sales Day Book ; (b) Cash Book ; (c) Purchase Book ; (d) Return in Ward Book
475. **Cost of goods sold excludes —**  
 (a) Opening Stock ; (b) Closing Stock ; (c) Wages and Salary ; (d) Salesmen Commission
476. **A firm purchased goods costing ₹ 1,00,000. He sold goods costing ₹ 50,000 at ₹ 75,000 and the remaining were sold to a customer cooperative society at the same GP as in the case of direct sales less 20%. Find the total sales of the firm**  
 (a) ₹ 1,35,000 ; (b) ₹ 90,000 ; (c) ₹ 1,50,000 ; (d) ₹ 1,40,000
477. **From the following details find out the amount to be debited to Profit and Loss A/c as fresh provision for doubtful debts during 2012-13**  
**Debtors ₹ 30,000 as on 31.03.2013; Bad debt during the year ₹ 1,500; Provision for bad debts as on 01.04.2012 ₹ 2,000; Provision for doubtful debts to be kept at 5% of total debtors**  
 (a) ₹ 1,500 ; (b) ₹ 1,000 ; (c) ₹ 3,000 ; (d) ₹ 2,000
478. **A of Assam sent goods costing ₹ 45,000 to K of Kolkata at cost plus 33 1/3%. 1/5 of the goods were lost in transit and the remaining was sold at profit of 20% on invoice price. Find the value of sales —**  
 (a) ₹ 54,500 ; (b) ₹ 60,000 ; (c) ₹ 57,600 ; (d) ₹ 55,000
479. **Two primary qualitative characteristics of Financial Statements are —**  
 (a) Understandability and Materiality ; (b) Relevance and Reliability ;  
 (c) Relevance and Understandability ; (d) Materiality and Reliability
480. **Profit and loss on Depreciation Investment Fund A/c is transferred to —**  
 (a) Profit and Loss A/c ; (b) General Reserve A/c ; (c) Trading A/c ; (d) Capital Reserve A/c
481. **From the following details ascertain net profit of Q Club for the period ended on 31.03.2013 under cash basis**
- | Items                            | 31.03.2012 | 31.03.2013 |
|----------------------------------|------------|------------|
| Net Profit as per Accrual Basis  |            | 10,800     |
| Accrued Subscription             | 550        | 450        |
| Subscription received in advance | 250        | 100        |
| Salary outstanding               | 300        | 50         |
| Prepaid Rent                     | 600        | 150        |
- (a) ₹ 11,000 ; (b) ₹ 10,800 ; (c) ₹ 10,950 ; (d) ₹ 11,050
482. **Which of these expenses does not result in cash outflow**  
 (a) Depreciation ; (b) Interest on Loan ; (c) Payment on Dividend ; (d) Donation
483. **₹ 10,000 paid to A of Assam, his A/c was credited by ₹ 1,500. To set right A's A/c his account should be —**  
 (a) Debited by ₹ 1,500 ; (b) Credited by ₹ 10,000 ; (c) Credited by ₹ 15,000 ;  
 (d) Debited by ₹ 11,500
484. **AS 31 consulted to IAS —**  
 (a) 30 ; (b) 32 ; (c) 39 ; (d) 40
485. **Which of these term is not found in a Joint Venture business**  
 (a) Del Credere Commission ; (b) Co-venturer ; (c) Joint Bank A/c ;  
 (d) Memorandum Joint Venture A/c
486. **Going run concern concept is not followed in —**  
 (a) Bank Accounts ; (b) Joint Venture Accounting ; (c) Partnership Accounting ;  
 (d) Proprietorship Concerns
487. **Accounting Standard 1 requires the significant Accounting Policies to**

- (a) Be suitable disclosed ; (b) Be circulated to all the shareholders separately ;  
(c) Be notified ; (d) Be changed from time to time
488. **Calculate sales from the following**  
**Opening Stock ₹ 50,000, Closing Stock ₹ 40,000, Purchase less returns ₹ 1,90,000, Profit margin is 16.66% on the sales**  
(a) ₹ 2,20,000 ; (b) ₹ 2,40,000 ; (c) ₹ 1,50,000 ; (d) ₹ 1,90,000
489. **To convert the accounts prepared on cash system of accounting into mercantile system of accounting, which of these adjustments is not necessary**  
(a) Reconciliation of cash with bank  
(b) Adjustment of prepaid expenses and income received in advance  
(c) Adjustment of outstanding expenses and income statement  
(d) Distinction between revenue and capital expenditure/income
490. **Trade discount is given to**  
(a) Boost sales ; (b) Make payment early before due date ; (c) To evade tax ; (d) All the three
491. **Which types of errors will effect net profit**  
(a) Affecting Nominal Account ; (b) Affecting Personal Account ; (c) Affecting Real Account  
(d) None
492. **Raw material and components purchased and used at the time of installation of new Plant and Machinery will be debited to**  
(a) Plant and Machinery A/c ; (b) Raw Material Consumed A/c ; (c) Purchase A/c ; (d) Profit ;and Loss A/c
493. **Under estimation of useful life of a depreciable asset will lead to —**  
(a) Overstatement of profit ; (b) Excess charging of depreciation every year ;  
(c) Over valuation of assets in Balance Sheet ; (d) Short charging of depreciation every year
494. **Which of these expenses are not included in valuation of closing stock lying with the consignee**  
(a) Freight and insurance ; (b) Loading and unloading incurred ; (c) Godown rent ;  
(d) Custom duties
495. **X purchased a new plant and machinery for ₹ 50,000 on 01.01.2012. The machinery was received in the factory on 10.01.2012 and was installed and put to use on 18.01.2012. Depreciation on the plant and machinery will commence from**  
(a) 01.04.2011 ; (b) 01.04.2012 ; (c) 01.01.2012 ; (d) 18.01.2012
496. **Under sales on return or approval basis, the ownership of goods is passed only**  
(a) When the retailer gives his approval  
(b) If the goods are not returned within specified period.  
(c) Both (a) and (b)  
(d) None of the above  
[Hint: Under sale on return or approval basis, the ownership is passed when the seller gives his approval / acceptance, if he sells it to 3rd party. Also when the seller does not return the goods in specified time the goods are deemed to be accepted.
497. **To obtain the amount of credit sales made during an accounting period, which account is generally used in single entry and incomplete records?**  
(a) Payable Account ; (b) Total Revenue Account ; (c) Debtors Account ; (d) Stock Account
498. **The receipts and payments account of a non-profit organization is a**  
(a) Nominal Account ; (b) Real Account ; (c) Income Statement Account ;  
(d) Financial Account
499. **The capital of a non-profit organization is generally known as**  
(a) Equity ; (b) Accumulated Fund ; (c) Finance Reserve ; (d) Cash Fund

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500. The inter se relations of the partners between themselves is that of a  
 (a) Family friends ; (b) Business associates ; (c) Agents of each other ; (d) Close relatives

F A

1	b	2	a	3	c	4	d	5	d	6	d	7	c
8	c	9	d	10	c	11	c	12	b	13	d	14	c
15	c	16	c	17	d	18	a	19	b	20	b	21	a
22	c	23	c	24	d	25	c	26	c	27	b	28	d
29	c	30	a	31	b	32	a	33	d	34	c	35	d
36	c	37	b	38	a	39	d	40	d	41	d	42	b
43	c	44	b	45	c	46	b	47	c	48	c	49	a
50	b	51	b	52	c	53	d	54	b	55	a	56	c
57	b	58	d	59	c	60	a	61	b	62	c	63	a
64	d	65	b	66	a	67	d	68	c	69	b	70	a
71	c	72	d	73	c	74	d	75	c	76	a	77	b
78	b	79	d	80	d	81	b	82	b	83	c	84	c
85	a	86	c	87	b	88	b	89	a	90	b	91	a
92	a	93	c	94	b	95	a	96	a	97	c	98	d
99	b	100	b	101	a	102	a	103	d	104	d	105	d
106	b	107	b	108	d	109	b	110	b	111	b	112	c
113	c	114	d	115	d	116	c	117	b	118	d	119	b
120	d	121	c	122	d	123	c	124	d	125	d	126	b
127	c	128	d	129	a	130	d	131	c	132	c	133	d
134	d	135	c	136	b	137	d	138	c	139	c	140	a
141	d	142	d	143	d	144	d	145	b	146	b	147	c
148	b	149	c	150	c	151	c	152	c	153	a	154	a
155	c	156	c	157	a	158	b	159	c	160	c	161	c
162	c	163	a	164	b	165	a	166	d	167	a	168	a
169	c	170	d	171	b	172	a	173	c	174	c	175	a
176	c	177	d	178	d	179	a	180	b	181	a	182	d
183	c	184	d	185	d	186	b	187	d	188	a	189	d
190	b	191	c	192	b	193	c	194	a	195	b	196	a
197	c	198	d	199	b	200	c	201	a	202	b	203	a
204	a	205	a	206	b	207	c	208	c	209	b	210	b
211	a	212	a	213	d	214	d	215	a	216	b	217	d
218	a	219	a	220	d	221	c	222	a	223	d	224	b
225	b	226	b	227	a	228	d	229	b	230	d	231	c
232	d	233	a	234	a	235	d	236	a	237	b	238	b
239	c	240	c	241	d	242	d	243	d	244	a	245	d
246	c	247	a	248	a	249	d	250	c	251	c	252	a
253	d	254	d	255	d	256	d	257	c	258	d	259	c
260	d	261	d	262	d	263	c	264	d	265	a	266	a
267	d	268	c	269	b	270	c	271	a	272	c	273	c
274	c	275	a	276	a	277	c	278	b	279	c	280	a
281	c	282	c	283	d	284	a	285	d	286	c	287	b
288	c	289	a	290	c	291	c	292	a	293	d	294	d
295	a	296	b	297	d	298	a	299	a	300	b	301	b
302	b	303	b	304	a	305	b	306	a	307	b	308	b
309	a	310	d	311	b	312	a	313	a	314	a	315	b
316	a	317	b	318	a	319	b	320	b	321	c	322	b
323	b	324	b	325	a	326	a	327	c	328	b	329	d
330	b	331	b	332	d	333	d	334	d	335	a	336	a
337	d	338	a	339	c	340	a	341	c	342	a	343	c
344	d	345	a	346	d	347	a	348	b	349	a	350	b

**PAPER 2: FUNDAMENTALS OF ACCOUNTING (SYLLABUS 2012)\_MCQ**

351	c	352	b	353	b	354	c	355	a	356	b	357	c
358	d	359	b	360	d	361	b	362	a	363	b	364	d
365	b	366	b	367	b	368	c	369	b	370	b	371	a
372	a	373	d	374	b	375	b	376	d	377	b	378	a
379	a	380	b	381	a	382	d	383	a	384	a	385	b
386	a	387	d	388	b	389	a	390	b	391	a	392	b
393	c	394	b	395	b	396	b	397	a	398	d	399	d
400	c	401	b	402	a	403	c	404	a	405	a	406	a
407	a	408	a	409	b	410	c	411	a	412	c	413	b
414	b	415	c	416	c	417	b	418	b	419	b	420	b
421	b	422	c	423	b	424	b	425	a	426	a	427	a
428	b	429	b	430	b	431	c	432	c	433	d	434	a
435	d	436	c	437	d	438	c	439	d	440	d	441	b
442	b	443	a	444	a	445	c	446	a	447	d	448	c
449	c	450	d	451	a	452	a	453	b	454	c	455	a
456	c	457	d	458	b	459	a	460	c	461	a	462	a
463	b	464	b	465	a	466	a	467	c	468	d	469	a
470	a	471	a	472	c	473	c	474	b	475	d	476	a
477	b	478	c	479	b	480	a	481	c	482	a	183	d
484	b	485	a	486	b	487	a	488	b	489	a	490	a
491	a	492	a	493	b	494	c	495	d	496	c	497	c
498	b	499	b	500	c								