CORE IV -FINANCIAL ACCOUTING

For Off Campus BTS Programme

1. Which of the following statement is correct

1. Book-keeping is very old

2. The work of book-keeping is usually entrusted to junior employees

3. Function of the book-keeping is performed by the book-keeper

4. **All of the above**

2. `Accounting is the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are of a financial character and interpreting the results thereof`. This definition is __________

1. **American Institute of Certified Public Accountants**

2. J. Betty

3. Gestonburg

4. None of the above

3. Accounting principles are divided into two types. These are

1. Accounting concepts

2. Accounting conventions

3. Accounting standard

4. **1 and 3 both**

4. Accounting is the language of

1. **Business**

2. Books of Accounts

3. Accountant
4. None of the above

5. Which of the following is not included under Accounting Concepts
1. Money measurement concept
2. Business Entity Concept
3. Continuity Concept
4. **None of the above**

6. Which of the following is not related with Money Measurement Concept
1. All business transaction should be expressed only in money
2. The transactions which cannot be expressed in money will not be recorded in accounting books
3. Business is treated as separate from the proprietor
4. **Only 2**

7. Which of the following is not an example of Money Measurement Concept
1. Raw material Rs. 5000 loss by thief
2. Labour management relation
3. Sales promotion policy
4. Labour unrest
5. **2, 3, and 4**

8. Which of the following equation is related with Dual Aspect Concept
1. Total assets=total liabilities
2. Total assets=capital + outsider`s liabilities

3. Capital =total assets-outsider`s liabilities

4. **All of the above**

9. Which expenses is a capital nature

1. **Depreciation**

2. Wages

3. Salary

4. Stationary

10. Depreciation is a charge against

1. **Profit**

2. Assets

3. Company

4. Books of A/c

11. General reserve created from

1. Capital profit

2. **Revenue profit**

3. Only profit

4. By sale of Assets

12. Profits from sale of assets is example for__________

1. Revenue profit

2. **Capital profit**

3. Loss

4. None of these

13. Dividend can be declared from

1. **Revenue profit**

2. Capital profit

3. Secret Reserve

4. All of the above

14. The term current assets does not include __________

1. Debtors

2. B/R

3. Stock

4. **Goodwill**

15. The term fixed assets does not include

1. Plant

2. Furniture

3. **Prepaid expenses**

4. Land and building

16. If the total assets of a company amount to Rs.1,50,000 and owner`s equity is Rs.70,000, the amount of liabilities will be

1. Rs.70,000

2. **Rs. 80,000**

3. Rs. 90,000

4. Rs. 1,00,000

17. Balance is a statement of __________

1. **Sundry debtors**
2. B/R
3. Creditors
4. B/P

18. Owner`s equity could be understood as comprising __________ and __________

1. Contributed capital
2. Retained earnings
3. Liabilities
4. **1 and 2**

19. In case of Joint Stock Company, Financial Statement refer to__________

1. Balance Sheet
2. Trial balance and P&L A/c
3. Profit and Loss A/c
4. **Balance sheet, P&L A/c and P&L Appropriation A/c**

20. Cost of sales in the case of trading company is equal to__________

1. Sales-Gross profit
2. Opening stock + purchases + incidental expenses-closing stock
3. Sales – closing stock
4. **Only 1 and 2**

21. Which of the following statement is true

1. The statement disclosing status of investment is known as Balance Sheet
2. The statement showing the result is known as Profit and Loss Account
3. The preparation of the financial statement is the responsibility of top management
4. The Balance Sheet comprises of a list of assets, liabilities, and capital as given date
5. **All of the above**

22. Which of the following importance is provided by Balance Sheet

1. It gives a concise summary of the concern`s resources and liabilities and owner`s equity
2. It is a measure of the firm`s liquidity
3. It is a measure of the firm`s solvency
4. **All of the above**

23. Which one of the following is not an example of intangible Assets

1. Patents and Trade Marks

3. Copyright

3. Sologan

4. **Land**

24. Cost of intangible fixed assets are ___________over their useful lives

1. Depreciated
2. **Amortised**
3. Charged
4. Allocated

25. Which one of the equation is correct

1. Total Assets = Current liabilities

2. Total Assets =Long term liabilities

3. Total Assets = Fixed Assets

4. **Total Assets = Total liabilities + Owner`s equity**

26. The minimum number of partner must be for partnership firm`s

1. 4

2. 3

3. **2**

4. 1

27. Which one of the following is not part of Partnership Firm`s goodwill

1. Institutional Goodwill

2. Personal Goodwill

3. Goodwill Related to Casual event

4. **Implied Goodwill**

28. Unrecorded liability, when paid by a firm on its dissolution is debited to__________

1. Partner`s capital account

2. Unrecorded liability account

3**. Realisation account**

4. None of the above

29. The profit ration of A,B,C who are partners in a firm is 4:3:2. After D is admitted, their sacrificing ratio will be

1. Equal

2. **4:3:2**

3. 3:2:1

4. 5:3:2

30. Which of the following statements about the admission of a new partner to a firm is true

1. In case memorandum account is opened, the assets and liabilities appear in the new Balance sheet at their revised values

2. **In case the newly admitted partner pays cash for his share of goodwill. It will be credited to old partners capital account in their sacrificing ration**

3. All accumulated profits and reserves are to be transferred to the profit and loss adjustment account on admission of a new partner

4. None of the above

31. When any partner retires and the remaining partners carry on the business with the firm`s property without any final settlement of accounts the outgoing partner is entitled to __________

1. Interest @6% per annum of the amount due to him

2. Such share of the profits as may be proportionate to his share of the firm`s property

3. **Interest at mutually agreed rate**

4. None of the above

32. When interest is to be allowed on the capitals of the partners, it is generally calculated on

1. **Capital in the beginning of the year**

2. Capital in the end of the year

3. Average capital

4. None of the above

33. A company can purchase its own __________

1. Equity shares

2. Preference shares

3. **Debentures**

4. All of the above

34. The minimum amount that should be called by a company with application for its shares is the following percent of face value of shares

1. 2%

2. **5%**

3. 10%

4. 15%

35. After reissue of forfeited shares the balances of share forfeited account will be transferred to

1. Share capital account

2. **Capital reserve account**

3. Shareholder`s account

4. General reserve account

36. The rate of commission payable on the issue of shares should not be more than the following

1. 2%

2. 3%

3. 4%

4. **5%**

36. A company cannot issue

1. **Redeemable equity shares**
2. Redeemable preference shares
3. Redeemable debentures
4. None of the above

37. Premium received on the issue of shares is shown in

1. Debit side of Profit and Loss Account
2. Credit side of Profit and Loss Account
3. Assets side of the balance sheet
4. **Liabilities side of the balance sheet**

38. In case the shares are forfeited, the capital account is debited by

1. Nominal values of shares
2. Paid up amount on shares
3. **Called up amount on shares**
4. Uncalled up amount on share

39. Redeemable preference share of Rs.100,000 are redeemed at a premium of 5% for which fresh equity shares of Rs. 40,000 are issues iat par. What amount should be transferred to Capital Redemption Reserve Account

1. Rs. 1,05,000
2. **Rs. 60,000**
3. Rs. 40,000
4. Nil

40. Which of the following is not included in calculation of purchase consideration

1. Net Assets Method
2. Payment Method
3. Lump Sum Method
4. **None of the above**

41. The fair value of share is the average of __________

1. Par value and market value
2. Intrinsic value and par value
3. **Intrinsic value and yield value**
4. Par value and yield value

42. In holding companies dividends received out of profits of the subsidiary companies must be

1. Debited to investment account
2. Credited to investment account
3. Debited to Revenue account
4. **Credited to Revenue account**

43. If Earnings Price (EP) ratio is 0.5 and Earning Per Share(EPS) is Rs.8, the market price of the share will be

1. Rs. 40
2. Rs. 100
3. **Rs. 160.**
4. Rs. 0.40

44. Accounting standard -14 is related with__________

1. Amalgamation

2. **Valuation of stock**

3. Depreciation Accounting

4. Valuation of Assets

45. Which one of the not way of Internal Reconstruction?

1. By alteration in share capital of company

2. By reduction in share capital

3. By agreement with companies creditors

4. **By sale of assets**

46. The basic purpose of funds flow statement is to indicate the following__________

1. Financial position

2. increase or decrease in assets

3. increase or decrease in liabilities

4. **increase or decrease in working capital**

47. Which one of the following is Liverage Ration?

1. **Debt Enquity Ratio**

2. Current Ratio

3. Operating Ratio

4. Inventory Ratio

48. Which of the following statement is correct?

1. Debit equity ratio is Solvency Ratio

2. R.O.I. measures overall profitability

3. Low gearing is preferable to high gearing

4. **All of the above**

49. Liquid Ratio will be__________

1. **1:5:1**

2. 1:2:1

3. 1:5:0:5

4. 1:5

50. Debt Equity Ratio is __________

1. **37.5%**

2. 60.70%

3. 40%

4. 37%

51. Solvency Ratio will be__________

1. 72%

2. **72.72%**

3. 10%

4. 70%

52. Stock-Working Capital Ratio is __________

1. **100%**

2. 110%

3. 120%

4. 130%

53. Long term Solvency is indicated by __________

1. Rate or Return
2. Liquid Ratio
3. **Debt Equity Ratio**
4. Capital Gearing Ratio

54. R.O.I. Ratio is calculated to measure the following

1. Long term solvency of business
2. **Earning power of net assets of business**
3. Short-term liquidity position of business
4. The relationship between goods sold and inventory level

55. If the cost of goods sold is Rs. 1 lakh, the value of opening and closing stock is Rs. 20,000 and Rs. 30,000 respectively, the stock turnover ratio will be

1. 3.3 times
2. **4 times**
3. 5 times
4. 5.5 times

56. Average payment period 2.4 months hence creditors turnover will be

1. 6 months
2. 3 months
3. **5 months**
4. 7 months

57. Which one of the following items represent a potential use of working capital?

1. Goodwill amortization
2. Sale of fixed assets at loss
3. **Net loss from operations**
4. Declaration of share dividend

58. Which of the following is not normally paid from the working capital?

1. Payment of wages
2. Payment to creditors
3. **Redemption of debentures**
4. Purchase of raw materials

59. Which of the following will result in flow of funds?

1. Appreciation in value of buildings
2. Depreciation of Assets
3. **Purchase of furniture**
4. Writing off goodwill

60. Which of the following is not a source of `funds`?

1. **Purchase of machinery**
2. Profit earned during the year
3. Issue of share capital
4. Long term loan raised

61. Cash from operation is equal to __________

1. Net profit + increase in current assets

2. Net profit + decrease in current liabilities

3. **Net profit + Non cash expenses + decrease in current assets**

4. Net profit after tax

62. Sales for the year Rs. 40,000, purchase Rs. 30,000, expenses Rs. 5,000. Creditors at the start Rs. 10,000. Creditors at the end Rs. 15,000, cash from operation will be__________

1. Rs. 20,000

2. Rs. 5000

3. **Rs. 10,000**

4. Rs. 15,000

63. Net profit for the year Rs.13,000. Interest received in advance on 1-1-2011 Rs.1000 and 31-12-2011 Rs. 2000. Cash from operation will be

1. **Rs. 12,000**

2. Rs. 8000

3. Rs. 14,000

4. Rs. 10,000

64. Net profit Rs.70,000, opening balance of income received in advance Rs.30,000. Closing balance of income received in advance Rs. 40,000. Find out cash from operation

1. Rs. 70,000

2. **Rs. 80,000**

3. Rs. 75,000

4. Rs. 72,000

65. Net profit = Rs. 50,000, opening creditors Rs. 10,000, closing creditors Rs. 15,000. Find out cash from operation

1. **Rs. 55,000**

2. Rs. 50,000

3. Rs. 45,000

4. Rs. 40,000

66. The amount of fixed cost__________

1. **Rs. 80,000**

2. Rs. 70, 000

3. Rs. 75, 000

4. Rs. 72,000

67. The number of units to break even__________

1. **8,000 units**

2. 7,000 units

3. 7,500 units

4. 17,000 units

68. The number of units to earn a profit of Rs. 50,000__________

1. 14,000 units

2. **13, 000 units**

3. 13, 500 units

4. 15, 000 units

69. Profit will be the same under Absorption Costing and Marginal Costing only when

1. **There is no opening or closing stocks**

2. There is only closing stocks

3. There is only opening stocks

4. Opening stocks are lower than closing stocks

70. Contribution is __________

1. Sales – Total cost

2. **Sales – variable cost**

3. Sales – Fixed cost

4. None of the above

71. Which one of the following statement is incorrect

1. Fixed costs are not included in the valuaton of stock under Marginal Costing

2. The technique of marginal costing is also known as variable costing

3. Contribution is also known as marginal income

4. **Absorption costing is more suitable for decision taking than marginal costing**

72. Which one of the following statement is incorrect?

1. **Marginal costing is a method of ascertaining cost**

3. Marginal costing technique is used by the management for decision making

3. In marginal costing, cost are classified into variable and fixed cost

4. Sales above break-even point indicate profit

73. Which one of the following statement is incorrect?

1. P/V ratio indicates profitability

2. **Sales below break-even point means profit**

3. Margin of safety indicate profit

4. Contribution margin = Sales x P/V Ratio

74. Material cost variance is due to __________

1. Change in price of material

2. Change in quantity used

3. Change in material mix

4. **All of the above**

75. Variance is the difference between __________

1. Budgeted and actual level of activity

2. Standard and actual level of activity

3. Actual and fixed level of activity

4. **Both 1 and 2**

76. Labour rate variance is due to __________

1. **Overtime allowance**

2. Defective materials

3. Poor working conditions

4. None of the above

77. When the actual cost incurred is more than the __________, there is variance known as __________

1. Standard cost

2. Favourable

3. Unfavourable

4. **Standard cost and favourable**

78. Standard cost is a tool of cost control and cost__________

1. **Reduction**

2. Management

3. Planning

4. Co-ordination

79. A budget is a detailed plan of operation for specific __________ period

1. **Future**

2. Present

3. Past

4. None of these

80. Which of the following component is not part of Budgetary control?

1. Targets

2. Compare actual with budgets

3. Variance

4. Action

5. **None of the above**

81. Which of the following is characteristics of the Budgetary Control?

1. Establishment

2. Co-ordination

3. Continuous comparison

4. **None of the above**

82. Budgetary control is a tool of decision making. State this statement is true or false

1. **True**

2. False

83. Which one on the ratio is not included under the Budgetary Control Ratio?

1. Activity Ratio

2. Capacity Ratio

3. Productivity Ratio

4. **Cash Ratio**

84. Master budget is prepared by the ___________

1. **Committee**

2. Manager

3. Employee

4. None of these

85. Which one of the following statement is not correct?

1. All cost concepts are not relevant in decision making

2. A manager is frequently required to make decision which involve alternative choices

3. Decision making is a future oriented activity

4. **All cost are relevant in decision making**

86. Which of the cost is related with decision making?

1. Fixed cost
2. **Marginal cost**
3. Full cost
4. None of these

87. Which one of the factor is not influencing pricing decision?

1. Market force
2. Trade customs
3. Management`s pricing strategy
4. **Orders**

88. The net profit will be maximized when contribution is __________

1. **Maximised**
2. Minimised
3. Equal
4. None of these

89. Responsibility accounting seeks to establish a relationship between Planning and Controlling by __________

1. Establishing a system of collective responsibility
2. **Fixing organizational responsibilities for profit planning and control**
3. Dividing standards of work performance
4. Controlling cost and performance

90. Which one of the centre is not part of Responsibility Centre?

1. Expense centre
2. Revenue centre
3. Profit centre
4. **Stock centre**

91. Responsibility accounting is a system of __________where responsibility is assigned for the control cost

1. **Control**
2. Management
3. Reduce
4. All of the these

92. Each responsibility centre is put under the charge of a responsible

1. **Manager**
2. Accountant
3. Employee
4. All of these

93. Which one of the following is not kinds of Partnership?

1. Limited and Unlimited Partnership
2. Partnership at Will and particular partnership
3. Fixed Term and Non-fixed Term partnership
4. **Constructive partnership**

94. Which one of the following is not essential for a sound system of budgetary contol?

1. Chart

2. Budget Centre

3. Budget

4. Flexibility

95. The system of recording transactions base don dual aspect concept is called__________

1. Double account system

2. **Double entry system**

3. Single entry system

4. None of the above

96. According to money measurement concept, the following will be recorded in the books of account of the business

1. Health of the manager of the company

2. Quality of company`s product

3. **Value of furniture**

4. None of the above

97. Which one of the item is not capital nature?

1. Money raised by issue of equity shares

2. Expenditure incurred on issue of equity shares

3. Cost of formation of a new company

4. **Carriage paid on goods purchased**

98. Rs. 10,000 spent on replacement of worn out part of the machine will be charged as__________

1. Capital expenditure

2. Revenue expenditure

3. **Deferred revenue expenditure**

4. All of the above

99. Depreciation of fixed assets is an example of __________

1. **Revenue expenditure**

2. Capital expenditure

3. Deferred revenue expenditure

4. None of the above

100. In the event of death of a partner, the accumulated profit and losses are shared by the partners

1. **Old profit sharing ratio**

2. New profit sharing ratio

3. Capital ratio

4. None of the above