

Quiz Paper

Multiple Choice Questions (1/2 marks each)

1. Which of the following is a contingent liability:
 - a) Claims against the entity not acknowledged as debt
 - b) Statutory liabilities under dispute
 - c) Guarantees given in respect of a third party
 - d) All of the above**
 - e) None of the above

2. “*Capital contributed by the owner cannot be distributed*” – is based on the following founding idea of accounting:
 - a) Idea of productive capital
 - b) Idea of profitable operations
 - c) Idea of consistency
 - d) All of the above
 - e) None of the above**

3. Which of the following is correct?
 - a) An enterprise presents revenue in the profit and loss account at the net amount received or receivable. Similarly, it recognizes other income and gains at the net amount.
 - b) An enterprise presents revenue in the profit and loss account at the gross amount received or receivable. Similarly, it recognizes other income and gains at the gross amount.
 - c) An enterprise presents revenue in the profit and loss account at the net amount received or receivable. On the other hand, it recognizes other income and gains at the gross amount.
 - d) All of the above
 - e) None of the above**

4. An educational institute, at the year end, had leftover Stamps worth rupees eleven thousand. The accounts department was however caught by the auditors for giving the wrong treatment to the stock discussed in financial statements. You being a financial expert are requested to identify the treatment if any to be given through undermentioned choices:
 - a) Cash & Cash equivalents
 - b) Cash flow to financing activity
 - c) Cash flow to investing activity
 - d) Cash flow to operating activity**
 - e) None of the above

5. Cheques in transit will be part of:
 - a) Cash & Bank Balances**
 - b) Loans & Advances
 - c) Marketable Securities
 - d) All of the above
 - e) None of the above

6. The energy internally consumed by NTPC (for powering its own colonies, establishments, etc.) will be reflected in the income statement as
- Dividend
 - Cost of Goods Sold**
 - Income
 - All of the above
 - None of the above
7. If BHEL (erstwhile name, Bharat Heavy Electricals Limited) makes a Boiler for using it in for running the canteen effectively in long run then it shall be treated as:
- Capital Expenditure**
 - Deferred Revenue Expenditure
 - Operating Expenditure
 - Selling and Distribution Expenditure
 - Cost of Goods Sold
8. Provision for Employees Retirement Benefits would be due to the following concept:
- Conditional Conservation
 - Unconditional Conservation**
 - Timeliness
 - Realisation
 - Materiality
9. The profit retained by any entity is categorised as part of:
- Owners equity
 - Revenue reserves
 - Total shareholders' funds
 - All of the above**
 - None of the above
10. Pre-commissioning expenses of a plant & equipment for a footwear producer would be part of:
- Fixed assets**
 - Current assets
 - Current liabilities
 - Deferred revenue expenditure
 - None of the above
11. Papers or documents that evidence of the transaction or event should support each entry in the journal are known as:
- Bill
 - Receipt
 - Voucher**
 - All of the above

e) None of the above

12. As part of its long-term capital employed, a public company cannot have which of these instruments:

- a) Irredeemable cumulative non-convertible participating preference shares
- b) Convertible non-cumulative preference shares
- c) **Secured cumulative redeemable non-convertible preference shares**
- d) All of the above
- e) None of the above

13. One of the basic purpose of an accounting system is to:

- a) Provide useful information to decision makers as much as possible, regardless of cost
- b) Prepare financial statements in conformity with generally accepted accounting principles
- c) Give an understanding of the basis of the existing accounting concepts, postulates, principles and standards
- d) **Meet an organization's need for accounting information as efficiently as possible**
- e) None of the above

14. Which of the following is true about a partnership?

- a) All partners have invested an equal amount of capital
- b) **All partners are personally liable for the debts of the business**
- c) Partnerships do not get favorable tax treatment compared to companies
- d) In a partnership, a partner is entitled to all the profits of the entity and is also responsible for all of its debts
- e) None of the above

Case based question

Ram decides to start a business in the local vegetable market of Jamshedpur. The case below is completely based on your roll number (Z being the last three digits of your registration number at XLRI) and day of birth (Y) as per your records at XLRI.

Example 1:

If your SID is FB15008 and Date of Birth is 22-Jun-98 then Z will be '008' and Y will be '22'.

Example 2:

If your SID is BM15209 and Date of Birth is 01-Dec-99 then Z will be '209' and Y will be '01'.

We provide the transactions and events against each date for Ram Traders below. You are required to prepare the position statement of the organization.

Date Transaction/Event

- ◆ **1-Jun** Ram starts a trading entity (Ram Traders) with capital Rs "2Z+1" Thousand
- ◆ **1-Jun** Ram borrows Rs "Y" Thousand from Champa (interest will be at Simple Interest @ 12% p.a. payable at end of the month)

- ◆ **2-Jun** Ram takes on hire a "small shop" (i.e., shed or gmooty) in Bistupur Sabji Bazaar (i.e., vegetable market) on a daily rent of Rs "Z+1" per day (pays an adjustable deposit of Rs "Z+1" hundred)
- ◆ **2-Jun** Ram purchases "Y+1" Bags of Red Chilies (i.e., Lal Mirchi) from Pappu at the rate of Rs "Z+1" per Kilogram (remember 1 red chili bag = 20 Kgs)
- ◆ **5-Jun** Ram purchases "Z+1" Bags of Green Chilies (i.e., Hari Mirchi) on Credit from Laddu at the rate of Rs "Y+1" per Kilogram (remember 1 green chili bag = 40 Kgs)
- ◆ **6-Jun** Ram spends Rs 1000 on sales promotion (such as pamphlets, advertisement on local cable network)
- ◆ Tennis Player Sania Mirza, Prime Minister Narendra Modi, Film Star Shah Rukh Khan & Rajnikanth, Bollywood Beauty Anushka Sharma, Delhi Tiger Virat Kohli and opposition party leader like Sonia Gandhi, Amma J. Jayalaitha jointly launch a vigorous campaign to promote the health benefits of eating Chili (as part of Healthy India Campaign using funds from the Government Budget Allocation)
- ◆ Every day Ram Traders sells some Green Chilies and Red Chilies. Due to the high Demand Ram starts Rationing of Chili and selling only 1 Kg per customer.
- ◆ Ram while watching "F" TV channel, comes to know of a new combo flavor (some kind of mixture prepared by using both red & green chilly) being more popular these days. Hence the trading entity lends 1 kilo each of red & green chilly to his mother-in-law for making research on the combo flavor.
- ◆ Ram completes reading a book titled "Thought Leaders for the Future Generation" by Harvard Guru Pankaj Ghemawat. He decides to re-write the book in Maithili and the local language i.e., Santhali
- ◆ **23-Jun** A customer hits Ram with a Stone (on some petty argument). Ram is injured. Ram Trader's employee Raju puts 1-gram chili on the customer's eyes. Finally, both settle the matter and become good friends by hiring each other.
- ◆ **24-Jun** Ram sells 80% of the purchased Red Chili at an average price of Rs 150 per Kg. He sells 90% of the purchased Green Chili at a average price of Rs 100 per Kg
- ◆ **25-Jun** Ram celebrates his wife's Birthday. He gifts her 1 Kg of Green Chili and 1 Kgs of Red Chili. His wife goes ecstatic.
- ◆ Due to high volatility in Chili prices, Ram gets heart attack. Based on Medical advice, Ram decides to close the shop for the next one week.
- ◆ **30-Jun** Ram pays up the interest to his friend (if any)
- ◆ **30-Jun** Ram knows that his employee Raju has to collect this month's salary of Rs 1000. He finds Raju to be absent that day. Ram decides to pay him on the next working day.
- ◆ **30-Jun** Ram Traders purchases shop furniture worth Rs "Y + 1" hundred on credit from Green Plywoods. Delivery of furniture is done on the same day. Ram promises to make payment in 21 days.
- ◆ **30-Jun** Ram decides to compute the position statement of his organization.
- ◆ **30-Jun** Ram provides for the 40% prorated Income tax based on the prevalent taxation norms.

Please fill in the blanks **as on 30th June** (all figures in Rs.)

Balance Sheet

1. Cash Balance
2. Total Asset
3. Total Liabilities

4. Owners Equity
5. Inventory
6. Prepaid Rent (Deposit)

Profit & Loss account

1. Total Sales
2. Gross Profit
3. Operating Profit
4. Corporate Income Tax
5. Net Profit (PAT)
6. S, G & A Expenses

Cash Flow Statement

1. Cash Inflows from Operating Activities
2. Cash Outflows from Operating Activities
3. Cash Inflows from Investing Activities
4. Cash Outflows from Investing Activities
5. Cash Inflows from Financing Activities
6. Cash Outflows from Financing Activities