

 <b>XLRI Jamshedpur</b> School of Business & Human Resources		<b>Management Accounting Course for PGCBM Batch 18</b>	
<b>End Term Re Examination</b>			
<b>Weightage</b>		<b>45%</b>	
<b>Duration</b>		<b>90 minutes</b>	

Name \_\_\_\_\_

Roll No. \_\_\_\_\_

**INSTRUCTIONS**

- 1. It is Closed Book Examination**
- 2. Answer all questions.**
- 3. Students cannot use laptop.**
- 4. Students cannot bring their mobiles inside exam room.**

You are not allowed to borrow book, paper, calculators, etc.

Anyone who resorts to unfair practices, as judged by the examiner, the minimum penalty will be zero in this segment of evaluation, while the maximum penalty could be expulsion from the institute. There will be no further warnings.

**[Each Correct Answer: + ½ mark; Each Wrong Answer & Each No Attempt: – ½ mark]**

- 1) Accounting is a:
  - a. Language of business.
  - b. Used by investors, government, and non-profit organizations.
  - c. Both (a) and (b).
  - d. All of the above.
  - e. No choice
  - f. No choice
  
- 2) Financial Accounting information is:
  - a. A summary of historical events
  - b. The result obtained from inexact and appropriate measures.
  - c. Enhanced by management's explanation.
  - d. None of the above.
  - e. No choice
  - f. No choice
  
- 3) Management accounting information is irrelevant to the:
  - a. Competitors.

- b. Chief Executive Officer.
  - c. Chief Financial Officer.
  - d. Creditor.
  - e. No choice
  - f. No choice
- 4) Which of the following you do not agree to:
- a. The auditor is the chief accounting officer of a firm.
  - b. Book keeping involves measuring and recording business transactions.
  - c. Gains or losses in a series of transaction(s) is an event.
  - d. SEBI is the capital market regulatory authority prescribing its own compliance guidelines to firms under its jurisdiction.
  - e. No choice
  - f. No choice
- 5) Which of the following is an analytical aspect of the accounting profession:
- a. Designing systems that provide information to decision makers.
  - b. Forecasting the probable results of the future operations.
  - c. Evaluating an organization's operational efficiency.
  - d. All of the above.
  - e. No choice
  - f. No choice
- 6) Depreciation is related to
- a. Evaluating the efficiency of an asset.
  - b. Valuing the asset.
  - c. Distributing the cost of the asset over its useful life.
  - d. None of the above.
  - e. No choice
  - f. No choice
- 7) In case of depletion method, the amount of depreciation
- a. Decreases every year.
  - b. Increases every year.
  - c. Remains the same every year.
  - d. Can't say.
  - e. No choice
  - f. No choice
- 8) Depletion method of depreciation is most apt for
- a. Service Industry.
  - b. Natural Resources.
  - c. Good Will.
  - d. All of the above.
  - e. None of the above.
  - f. No choice

- 9) LIFO method of inventory valuation on cost basis is suitable for items that are
- Perishable.
  - Expensive.
  - Non perishable.
  - None of the above.
  - No choice
  - No choice
- 10) An inventory is valued at lower of cost or 'net realisable value' because of the principle of
- Consistency.
  - Going concern.
  - Realisation.
  - All of the above.
  - None of the above.
  - No choice
- 11) A person drawing a bill of exchange is known as the
- Writer.
  - Drawer.
  - Payee.
  - None of the above.
  - No choice
  - No choice
- 12) Inventory accounts should be classified under which section of a balance sheet?
- Investments.
  - Fixed Assets.
  - Other Assets.
  - None of the above.
  - No choice
  - No choice
- 13) Jo Jo Company wants to know the effect of the different inventory methods on its financial statements. Given below is information the about beginning inventory and purchases for the current year.
- January 2 - Beginning Inventory 500 units at Rs 3.00  
April 7 - Purchased 1,100 units at Rs 3.20  
June 30 - Purchased 400 units at Rs 4.00  
December 7 - Purchased 1,600 units at Rs 4.40
- Sales during the year were 2,700 units at Rs 5.00. If Jo Jo used the first-in, first-out method, ending inventory would be:
- Rs 2,780.
  - Rs 3,960.
  - Rs 9,700.
  - None of the above.
  - No choice
  - No choice

- 14) Continuing our discussion on the previous question. if the sales of Jo Jo Company during the year were 2,700 units at Rs 5.00 and if Jo Jo used the periodic LIFO method, cost of goods sold would be:
- Rs 2,780.
  - Rs 3,960.
  - Rs 9,700.
  - None of the above.
  - No choice
  - No choice
- 15) [Continue from Questions 8,9 and 10] If Jo Jo Company wants to know the effect of the different inventory methods on its financial statements and Jo Jo were to use the weighted average method, then the gross profit would be:
- Rs 3,255.
  - Rs 3,415.
  - Rs 10,245.
  - Rs 13,500.
  - None of the above.
  - No choice
- 16) An inventory pricing procedure in which the oldest costs incurred rarely have an effect on the ending inventory valuation is:
- FIFO.
  - LIFO.
  - Weighted-average.
  - Can't say.
  - No choice
  - No choice
- 17) Bharat Company recently experienced a fire which destroyed its entire inventory. The following data has been reconstructed from the partial accounting information, and pertain to the year up to the date of the fire.
- Beginning inventory - Rs 20,000  
Net purchases - Rs 45,000  
Sales - Rs 80,000  
Gross profit rate - 40%
- Using the gross profit method, estimate the amount of inventory which was destroyed in the fire.
- Rs 17,000.
  - Rs 33,000.
  - Rs 48,000.
  - Rs 65,000.
  - No choice
  - No choice
- 18) Bheesma Department Store's beginning inventory cost was Rs 1,40,000 and it was retailed for Rs 2,80,000. Purchases for the period amounted to Rs 3,90,000 and were priced to sell at twice that amount.

Sales for the period, all at normal retail, were Rs 6,00,000. How much is the cost of Bheesma's estimated ending inventory?

- a. Rs 115,000.
- b. Rs 150,000.
- c. Rs 230,000.
- d. Rs 300,000.
- e. No choice
- f. No choice

19) An error in determining the year-end inventory will cause a misstatement of:

- a. cost of goods sold.
- b. gross profit.
- c. net income.
- d. all of the above.
- e. none of the above.
- f. No choice

20) Swati & Sons purchased a new vehicle on January 1, 20X2. The vehicle cost Rs 1,00,000, has a five-year life, and a Rs 20,000 residual value. The company follows a March year-end. If the company depreciates the truck by the declining balance method, how much should be recorded as depreciation expense during 20X7?

- a. Rs 8,000.
- b. Rs 1,600.
- c. Rs 8,640.
- d. None of the Above.

21) On July 1, 20X6, Jhinjhin Company purchased factory equipment for Rs 50,000. The residual value was estimated to be Rs 2,000. The equipment will be depreciated over ten years using the sum-of-the-years'-digits depreciation method. Jhinjhin has a December 31 year-end, and during 20X6, one-half of a year's depreciation expense was already taken. How much depreciation expense should be recorded for 20X7?

- a. Rs 7,855.
- b. Rs 8,291.
- c. Rs 8,636.
- d. Rs 8,727.
- e. No choice
- f. No choice

22) In 1999, an equipment owner sold a front end loader for Rs 75,000. The loader had a book value of Rs 1,00,000 and accumulated depreciation of Rs 70,000. What is the accounting gain/loss on the sale of the loader?

- a. Rs 25,000.
- b. Rs 30,000.
- c. Rs 75,000.
- d. Rs 45,000.
- e. No choice
- f. No choice

- 23) What is the purpose of providing depreciation for fixed assets in accounts?
- To manipulate the profit.
  - To allocate the cost of fixed assets to the periods expected to benefit from their use.
  - To build up funds to replace fixed assets as they become fully depreciated.
  - To record the losses due to decreases in market values.
  - No choice
  - No choice
- 24) Monaco Ltd. purchased a motor vehicle for Rs 3,00,000 on April 1, 2003. The residual value of the motor vehicle is Rs 30,000 and its estimated life is six years. What is the net book value of the motor vehicle at the end of March 31, 2005, after recording depreciation for the year using the straight-line method?
- Rs 210,000.
  - Rs 180,000.
  - Rs 165,000.
  - Rs 135,000.
  - No choice
  - No choice
- 25) S N Jha was having his first corporate experience, and the job involved making accounting entries. He wanted to make adjustment entries for the recently completed accounting period. During the accounting period no bad debt took place but provision for bad & doubtful debts was to be created. In such a scenario, which of the following entries would be appropriate? [hint- see relevant foot note]
- Suggested Journal Entry<sup>1</sup>:  
Prov. For Doubtful Debt A/s Debit ( Revenue Item)  
Prov. For Doubtful Debt A/s Credit ( Liability Item)
  - Suggested Journal Entry<sup>2</sup>:  
Dr. Doubtful Debt account  
Cr. Provision for Doubtful Debt account.  
Followed by another entry ...  
Dr. P&L Account debit  
Cr. Doubtful debts account
  - Both (a) and (b)
  - None of the above
  - No choice
  - No choice
- 26) Financial ratios help to identify some of the financial strengths and weaknesses of a company. What are the two ways that the ratios provide for making meaningful comparisons of a firm's financial data?
- The current ratio and the acid-test ratio.
  - How long it takes to collect the firm's receivables and how long it takes to pay its accounts payables.
  - The return on assets versus the return on equity.

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<sup>1</sup> European Style: This is nothing but you are treating one account as expense on one hand (so, no need to debit the P & L Account) and on the other it has to be shown in the balance sheet (under the liabilities side as provision made for the period).

<sup>2</sup> Accordingly, the doubtful debts account is shown on the Dr. side of the trial balance (as we show the normal business expense) and Provision for doubtful debts account is shown on the credit side (as we show the normal business liabilities).

- d. Examining ratios across time to identify trends and comparing the firm's ratios with those of other firms.
  - e. No choice
  - f. No choice
- 27) The taxable income for a company is based on:
- a. Gross income less dividends.
  - b. Gross income less the cost of producing the product.
  - c. Gross income less tax-deductible expenses.
  - d. Gross income less depreciation expenses.
  - e. No choice
  - f. No choice
- 28) Which of the following is NOT one of the questions used as a map in analysing financial ratios?
- a. How liquid is the firm?
  - b. Is management generating adequate operating profits on the firm's assets?
  - c. How much should the firm invest in new equipment next year?
  - d. How is the firm financing its assets?
  - e. Are the owners (stockholders) receiving an adequate return on their investment?
  - f. No choice
  - g. No choice
- 29) The short-term solvency ratios examine how quickly a firm's assets can be converted into cash. The quick ratio is computed by what formula?
- a. Current assets/Current liabilities.
  - b. (Current assets-Stock)/Current liabilities.
  - c. (Current assets - inventories)/Current liabilities.
  - d. (Current assets - accounts receivable)/(Current liabilities - cash).
  - e. No choice
  - f. No choice
- 30) Which of the following is NOT included in the calculation of the quick ratio?
- a. Accounts receivable
  - b. Fixed assets
  - c. Accounts payable
  - d. Cash
  - e. No choice
  - f. No choice
- 31) An increase in the average collection period could have been caused by:
- a. Customers quickly paying off their accounts.
  - b. Management carefully enforcing its collection policies.
  - c. Management extending longer credit terms to customers.
  - d. All of the above.
  - e. None of the above.
  - f. No choice

- 32) Which of the following is not affected by how a firm is financed, whether with debt or equity?
- Balance sheet.
  - Income statement.
  - Operating income.
  - Net income.
  - No choice
  - No choice
- 33) An approach to calculating the liquidity involves determining the firm's ability to convert its accounts receivable and inventory into cash, on a timely basis. The receivables turnover ratio indicates how rapidly the firm is collecting its credit accounts, as measured by the number of times its accounts receivable are collected or 'rolled over' during the year. What is the formula for the accounts receivable turnover ratio?
- $(\text{Total annual sales} - \text{cash}) / \text{Accounts receivable}$ .
  - $\text{Total annual sales} / \text{Accounts receivable}$ .
  - $\text{Credit sales} / \text{Accounts receivable}$ .
  - None of the above.
  - No choice
  - No choice
- 34) Which financial statement measures the amount of profits generated by a firm over a given period of time?
- Statement of cash flow.
  - Balance sheet.
  - Income statement, or profit and loss statement.
  - Operating income statement.
  - No choice
  - No choice
- 35) A firm might also want to know how rapidly it is turning over its inventories during the year, so as to gain some insight about the liquidity of inventories. What is the formula for calculating the inventory turnover ratio?
- $\text{Total annual sales} / \text{Inventory}$ .
  - $\text{Credit sales} / \text{Inventory}$ .
  - $\text{Cost of goods sold} / \text{Inventory}$ .
  - None of the above.
  - No choice
  - No choice
- 36) Holding all other variables constant, an increase in \_\_\_\_\_ would increase the operating income return on investment (OIROI).
- Operating income
  - Total assets
  - Marketing expenses
  - Interest expenses
  - No choice
  - No choice



- 37) The debt ratio indicates how much debt is used to finance a firm's assets and provides an indication of how a firm is financed. What is the formula for calculating the debt ratio?
- Long-term debt/Total assets.
  - Total debt/Total assets.
  - Total debt/Shareholders' equity.
  - None of the above.
  - No choice
  - No choice
- 38) The DuPont analysis is an approach to evaluate a firm's profitability and return on equity. What is the correct formula for calculating the DuPont equation?
- Return on equity = Net profit margin x Asset utilisation ratio x Equity Multiplier.
  - Return on equity = Net profit margin x (1 <-> Total debt) Total assets.
  - Return on equity = Operating profit margin X Total asset turnover.
  - None of the above.
  - No choice
  - No choice
- 39) Which of the following would increase cash flows from financing? An increase in:
- Dividends.
  - Short-term notes.
  - Interest expense.
  - Operating income.
  - No choice
  - No choice
- 40) Payment of interest on unsecured debentures does not have a priority over the payment of
- Dividend to equity shareholders.
  - Dividend to preference shareholders.
  - Interest on Secured Loans
  - None of the above.
  - No choice
  - No choice
- 41) Which of the following is a hybrid security?
- Common equity shares.
  - Secured Loan.
  - Unsecured Loan.
  - Convertible Debentures.
  - None of the above.
  - No choice
- 42) Registered debentures have the characteristic of
- Priority in repayment.
  - Convertibility into equity shares.
  - Convertibility into preference shares.
  - Transferability upon execution of proper transfer deed.

- e. No choice
- f. No choice

43) Preference shares have preference over equity shares with regards to

- a. Payment of dividend.
- b. Repayment of capital.
- c. Both of the above.
- d. None of the above.
- e. No choice
- f. No choice

44) Which of the following statements is TRUE?

- a. Companies can only issue ordinary shares.
- b. Companies can only issue preference shares.
- c. The holders of the shares in a company have a limited liability.
- d. The holders of shares in a company are liable for all debts of the company.
- e. None of the above.
- f. No choice

45) Shares are issued at a premium to ensure:

- a. That the company can buy more assets.
- b. Equity between old and new shareholders.
- c. Shares trade on the stock market at a higher price.
- d. Existing shareholders cannot afford to buy them.
- e. No choice
- f. No choice

46) The capital and reserves of a company represent:

- a. Profits for the year.
- b. Net assets.
- c. Unrealised profits.
- d. Fixed assets less long-term liabilities.
- e. No choice
- f. No choice

47) Reserves of a company:

- a. are funds which can be distributed to shareholders in the form of dividends.
- b. are cash in the bank available for the company to spend.
- c. are funds set aside for the purchase of new assets.
- d. consist of capital and revenue reserves.
- e. No choice
- f. No choice

48) On January 18, Tina Company, an entertainment company, issues 50,000 shares of Rs 2 par value, for Rs 7.00 per share. The January 18 entry to record this transaction includes:

- a. credit to Retained Earnings for Rs. 350,000.
- b. debit to Paid-in Capital (Common) for Rs 350,000.

- c. credit to Paid-in Capital (Common) for Rs 350,000.
  - d. credit to Common Stock for Rs 350,000
  - e. None of the above.
  - f. No choice
- 49) Corporations share their wealth with stockholders through dividends. To pay a dividend, the corporation:
- a. must have enough cash to pay the dividend.
  - b. must have enough retained earnings to declare the dividend and it must have enough cash to pay the dividend.
  - c. must have enough retained earnings to declare the dividend.
  - d. must have sufficient paid-in capital to declare the dividend.
  - e. No choice
  - f. No choice
- 50) There are several dates that are relevant when a company pays a dividend. Which date is irrelevant when a company pays a dividend?
- a. (a) Date of the financial statements.
  - b. (b) Date of record.
  - c. (c) Payment date.
  - d. (d) Declaration date.
  - e. No choice
  - f. No choice
- 51) When a dividend is declared by a company:
- a. Retained Earnings is debited for the amount of the dividend.
  - b. Cash is credited for the amount of the dividend.
  - c. Dividends Payable is debited for the amount of the dividend.
  - d. Accounts Payable is credited for the amount of the dividend.
  - e. No choice
  - f. No choice
- 52) Udita Retailers Limited has 10,000 shares of common shares and 5,000 shares of 6percent preference shares outstanding. The preference share has Rs 50 par value. On September 10, the company's board of directors declared its annual cash dividend of Rs 12,500, payable on September 30. How much will the common and preference shareholders receive in dividends on September 30?
- a. Equity shareholders will receive nothing; preference shareholders will receive Rs 12,500.
  - b. Both equity and preference shareholders will receive 83 cents for each share of share owned.
  - c. Equity shareholders will receive Rs 8,333; preference shareholders will receive Rs 4,167.
  - d. Equity shareholders will receive Rs 12,500; preference shareholders will receive nothing.
  - e. No choice
  - f. No choice
- 53) Asterix Company has 10,000 shares of common stock and 5,000 shares of 6percent cumulative redeemable preference stock outstanding. The preference share has a Rs 50 par value. In the prior year, the board of directors passed its annual dividend. On September Asterix's board of directors declared its annual cash dividend of Rs 32,500, payable on September 30. How much will the common and preference shareholders receive in dividends on September 30?

- a. Preference shareholders will receive Rs 32,000; common shareholders will get nothing.
  - b. Preference shareholders will receive Rs 15,000; common shareholders will receive Rs 17,000.
  - c. Preference shareholders will receive Rs 30,000; common shareholders will receive Rs 2,000.
  - d. Both common and preference shareholders will receive a dividend of Rs 2.17 per share.
  - e. None of the above.
  - f. No choice
- 54) Which of the following is a disadvantage of operating a business as a company?
- a. No mutual agency of shareholders.
  - b. Government regulation.
  - c. Ability to raise substantial amounts of capital.
  - d. Continuous life.
  - e. No choice
  - f. No choice
- 55) A newly formed company has had a successful first year of operations and posted net income on its books. The accounting records reflect this fact because:
- a. the Retained Earnings account has a credit balance.
  - b. expenses are closed to the Income Summary with a credit.
  - c. the Retained Earnings account has a debit balance.
  - d. Sales Revenue is closed to the Income Summary with a debit.
  - e. No choice
  - f. No choice
- 56) The ownership of share entitles the shareholder to several basic rights (unless specifically withheld by contract). Which of the following is not a basic shareholder right?
- a. Preemption.
  - b. Liquidation.
  - c. Right to vote.
  - d. All of these answers are correct.
  - e. No choice
  - f. No choice
- 57) Preference shareholders enjoy certain advantages over common equity shareholders. Which of the following is not an advantage of owning a preference share?
- a. No voting rights.
  - b. Dividend amounts are fixed for preference shares.
  - c. The right to receive assets before common shareholders if liquidation occurs.
  - d. The right to receive dividends before common shareholders.
  - e. No choice
  - f. No choice
- 58) Which of the following is an example of revenue expenditure?
- a. Spending on new plant and machinery.
  - b. Spending on new computer hardware.
  - c. Spending on wages and salaries.
  - d. Spending on new buildings.

- e. Spending on land development.
- f. Spending on advertisements.

- 59) If a sole trader operating as a florist, purchases a van for Rs 25,000 for business use, paying by cheque, when completing his double entry accounts he will:
- a. Credit van account and debit bank account.
  - b. Debit van account and credit bank account.
  - c. Debit van account and credit cash account.
  - d. Debit purchases account and credit bank account.
  - e. No choice
  - f. No choice
- 60) A creditor account of Rs 1,500 in the double entry system represents:
- a. An asset of the business.
  - b. A liability of the business.
  - c. An item of income for the business.
  - d. An expense of the business.
  - e. None of the above.
  - f. No choice
- 61) If a trial balance, extracted from the double entry system of a sole trader, shows that total debits equals total credits then:
- a. The business is profitable.
  - b. An equal debit for every credit will have been posted and the accounts correctly added.
  - c. No errors will have been made in posting the transactions of the business.
  - d. The books are correct.
  - e. No choice
  - f. No choice
- 62) The need to provide for accruals and prepayments in the double entry system arises from the:
- a. Duality concept.
  - b. Prudence concept.
  - c. Matching concept.
  - d. Going concern concept.
  - e. No choice
  - f. No choice
- 63) Which of the following is NOT true?
- a. An accrual is a liability; a prepayment is an asset.
  - b. An accrual is a current liability; a prepayment is a current asset.
  - c. An accrual is a liability; a prepayment is a fixed asset.
  - d. An accrual is an amount owing at the end of a period; a prepayment is an amount paid in advance.
  - e. No choice
  - f. No choice
- 64) An accrual is:

- a. An expense relating to the current year but not paid in the current year.
  - b. An expense relating to next year and already paid in the current year.
  - c. An expense relating to the current year and paid within the current year.
  - d. None of the above.
  - e. No choice
  - f. No choice
- 65) Prepaid expenses require an adjustment to be made to the double entry accounts as follows:
- a. Credit relevant expense account with prepayment before balancing off account; debit prepayment to same account after balancing off.
  - b. Debit relevant expense account with prepayment before balancing off account; credit prepayment to same account after balancing off.
  - c. Credit relevant expense account with prepayment before balancing off account; debit profit and loss account.
  - d. Debit relevant expense account with prepayment before balancing off account; credit profit and loss account.
  - e. No choice
  - f. No choice
- 66) A trial balance will not reveal the following error:
- a. A credit sale of Rs 100 to Udit debited to Udit account only.
  - b. A credit sale of Rs 100 made to Udit, posted as debit in the sale account Rs 100 and credit Udit account Rs 100.
  - c. A cash sale of Rs 100 posted as credit sale of Rs 100, debit cash Rs 10.
  - d. A cash sale of Rs 100 posted to the sales account only.
  - e. No choice
  - f. No choice
- 67) Double entry accounting reflects:
- a. The matching concept.
  - b. The prudence concept.
  - c. The accruals concept.
  - d. All of the above.
  - e. None of the above
  - f. No choice
- 68) A balance sheet is best described as:
- a. a summary of what happened last year.
  - b. a summary of all assets, expenses, liabilities and revenues.
  - c. a listing of money received and paid during the past year.
  - d. a summary of the position of an organisation.
  - e. No choice
  - f. No choice
- 69) An asset is:
- a. an expense that will recur in more than one year.
  - b. something that will last for more than one year.

- c. something giving control of future benefits.
- d. the obligation to transfer benefits as a result of past transactions.
- e. No choice
- f. No choice

70) The balance sheet equation is:

- a.  $A - C = L$ .
- b.  $L + C = A$ .
- c.  $A - L = C$ .
- d. None of the above.
- e. No choice
- f. No choice

71) If sales are Rs 80,000, cost of sales is Rs 55,000, selling expenses are Rs 20,000 and administration expenses are Rs 16,000, the net result will be:

- a. a profit of Rs 21,000.
- b. a profit of Rs 11,000.
- c. a loss of Rs 21,000.
- d. a loss of Rs 11,000.
- e. No choice
- f. No choice

72) The prudence idea states that, where uncertainty results in a choice of accounting treatments, we can obtain the most reliable accounting by choosing the one that:

- a. results in the lowest profit or valuation.
- b. best matches costs and benefits in the profit and loss account.
- c. values assets at what they originally cost.
- d. most objectively measures the item in money terms.
- e. No choice
- f. No choice

73) Given fixed assets of Rs 40,000, current assets of Rs 12,000, current liabilities of Rs 5,000 and a long-term loan of Rs 10,000, owners' equity will be:

- a. Rs 57,000.
- b. Rs 47,000.
- c. Rs 67,000.
- d. Rs 37,000.
- e. No choice
- f. No choice

74) Which of the following statements IS true?

- a. Ledger accounts balances brought down are shown in the profit and loss account.
- b. Ledger accounts are written up using the consistency concept.
- c. Ledger accounts balances brought down are shown in the balance sheet.
- d. Ledger accounts are required for expenses and incomes only in a business.
- e. No choice
- f. No choice

- 75) Which of the following statements is FALSE? An extended trial balance is:
- A technique that adjusts the ledger accounts.
  - A working paper from which adjustments to double entry accounts will be made.
  - A working paper drawn up by some people, prior to the amendment of the ledgers for the period end adjustments.
  - A technique to speed up the process of producing a profit and loss account.
  - No choice
  - No choice
- 76) Which of the following spending is capital expenditure?
- Wages and Salaries.
  - Machine Maintenance.
  - Factory Equipment.
  - Raw Materials.
  - Purchasing an Elephant.
  - No choice
- 77) An employee of Khosla Ka Ghosla Films Limited, named, Abhishek Khosla embezzled Rs 6,300 during the year ended 31st March 20X7. The company instead of treating this amount as a loss, showed it as recoverable from balance sheet. The net profit of the company for the year was Rs 6,572,225,506. Which of the following qualitative characteristics would you use to defend this assessment of the company?
- Understandability
  - Relevance
  - Reliability
  - None of the above
  - No choice
  - No choice
- 78) The CFO of Nutan Textiles, Ms. Mumtaj Begum wanted her company to finalize the last accounting period's financial statements fast. Which of the following qualitative characteristics would you use to defend her assessment of the company?
- Understandability
  - Relevance
  - Reliability
  - None of the above
  - No choice
  - No choice
- 79) Which of the following is a contingent liability:
- Claims against the entity not acknowledged as debt
  - Statutory liabilities under dispute
  - Guarantees given in respect of a third party
  - All of the above
  - None of the above
  - No choice



- 80) Capital contributed by the owner can never be distributed – is based on the following:
- Idea of productive capital
  - Idea of profitable operations
  - Idea of capital maintenance
  - None of the above
  - No choice
  - No choice
- 81) Which of the following is correct?
- An enterprise presents revenue in the profit and loss account at the gross amount received or receivable. On the other hand, it recognizes other income and gains at the net amount.
  - 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.
  - 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.
  - 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.
  - All of the above.
  - No choice
- 82) Stores and spare parts the use of which is irregular and which can be used only in connection with an item of machinery are accounted for as:
- Inventory
  - Expenses
  - Fixed assets
  - Can't say
  - No choice
  - No choice
- 83) Prayrita and Kartikeyan start a cooperative bank, known as, Sakchi Vegetable Sellers Cooperative Bank (SVSCB). The bank purchases treasury securities from a securities dealer, Ashutosh Securities. SVSCB also enters into an agreement that Ashutosh Securities will repurchase them at a specified price on the expiry of six days from the date of purchase (the transaction is known as six-day REPO i.e., Repurchase Agreement). Ashutosh Securities obligation under the REPO is a:
- Long-term Liability
  - Contingent Liability
  - Current Liability
  - Current Expense
  - Can't say
  - No choice
- 84) From a real life perspective, usually, Unsecured Liabilities are either:
- Interest free loans from organizations directors and friends
  - High interest i.e., costly loans from private bankers and non-banking financial services
  - Both (a) and (b)
  - None of the above
  - No choice

- f. No choice
- 85) Papers or documents that evidence of the transaction or event should support each entry in the journal are known as:
- Bill
  - Receipt
  - Voucher
  - None of the above
  - No choice
  - No choice
- 86) The CEO of Reliable Petroleum Limited, Fr. Moses Ambani, was weak in finance. On the last day of the year i.e., 31st March 20X7, he stood before his CFO demanding that the firm give the financial statements of the company without any delay (being the last day). The CFO was not able to comply with this request of CEO. Which of the following could be a strong reason for the CFO to defend his decision?
- Computers not working on the last working day
  - Creating Primary Accounting Records
  - Creating Adjustment Entries
  - None of the above
  - No choice
  - No choice
- 87) The ease with which an asset can be converted to cash is referred to as:
- Spread
  - Liquidity
  - Both (a) and (b)
  - None of the above
  - No choice
  - No choice
- 88) The decrease in the economic utility of a tangible fixed asset (say, due to wearing out or using up) is best known as:
- Devaluation
  - Utilisation
  - Depreciation
  - None of the above
  - No choice
  - No choice
- 89) Which of the following costs are generally allowed to be included in the computation of the cost of a plant and machinery?
- Cost of installation
  - Taxes and Import Duties Paid
  - Transportation Costs
  - All of the above
  - None of the above
  - No choice

- 90) Aniket Pizza Limited has current assets worth Rs 5,275,000, current liabilities worth Rs 1,000,000, zero long-term liabilities, and shareholders equity totaling Rs 5,000,000. The total assets of the company would be:
- Equal to Rs 6,000,000
  - Less than Rs 6,000,000
  - More than Rs. 6,000,000
  - Insufficient information
  - No choice
  - No choice
- 91) A company's total liabilities and shareholders' equity amount to Rs 850,000, long term assets to Rs 500,000, accounts receivable to Rs 50,000 and inventory to Rs 100,000. The only other current asset account shown on the balance sheet is cash. The value of the cash would be:
- Rs 100,000
  - Rs 150,000
  - Rs 200,000
  - Rs 250,000
  - No choice
  - No choice