

item in the accounts.

Multiple Choice Questions

Pick up the correct answer from the given choices:

- Purposes of an accounting system include all the following except.
 - Interpret and record the effects of business transaction.
 - Classify the effects of transactions to facilitate the preparation of reports.
 - Summarize and communicate information to decision makers.
 - Dictate the specific types of business enterprise transactions that the enterprises may engage in.
- All of the following are functions of Accounting except
 - Decision making
 - Measurement
 - Forecasting
 - Ledger posting
- Which of the following is not a subfield of accounting?
 - Management accounting
 - Cost accounting
 - Financial accounting
 - Book-keeping.
- Financial statements are part of
 - Accounting
 - Book-keeping
 - All of the above
 - None of above
- Users of accounting information include
 - Suppliers
 - Lenders
 - Customers
 - All of the above
- Financial statements do not consider
 - Assets expressed in monetary terms.
 - Liabilities expressed in monetary terms.
 - Only assets expressed in non-monetary terms.
 - Assets and liabilities expressed in non-monetary terms
- All the following items are classified as fundamental accounting assumptions except
 - Consistency
 - Relevance
 - Going concern
 - Accrual
- Two primary qualitative characteristics of financial statements are
 - Understandability and materiality
 - Relevance and reliability
 - Neutrality and understandability
 - Materiality and reliability
- Alpha Co. Ltd. follows the written down value method of depreciating furniture year after year due to
 - Comparability
 - Convenience
 - Consistency
 - All of the above
- Mohan purchased goods for Rs. 15,000 and sold $\frac{4}{5}$ th of the goods amounting Rs. 18,000 and met expenses amounting Rs. 2,500 during the year, 2018. He counted net profit as Rs. 3,500. Which of the accounting concept was followed by him?
 - Entity
 - Periodicity
 - Matching
 - Conservatism
- A businessman purchased goods for Rs. 25,000 and sold 80% of such goods during the accounting year ended 31st Dec, 2018. The market value of the remaining goods was Rs. 4,000. He valued the closing Inventory at cost. He violated the concept of
 - Money measurement
 - Conservatism
 - Cost
 - Periodicity
- Revenue from sale of products, in generally, realized in the period in which
 - Cash is collected
 - Sale is made
 - Products are manufactured
 - None of the above
- The concept of conservatism when applied to the balance sheet results in
 - Understatement of assets
 - Overstatement of assets
 - Overstatement of capital
 - None of the above
- Decrease in the amount of trade payables results in
 - Increase in cash
 - Decrease in bank loan
 - Decrease in assets
 - No change in assets
- The determination of expenses for accounting period is based on the principle of
 - Objectivity
 - Materiality
 - Matching
 - Periodicity
- Economic life of an enterprise is split the periodic interval to measure its performance is as per
 - Entity
 - Matching
 - Periodicity
 - Accrual

17. If an individual asset is increased, there will be a corresponding
- Increase of another asset or increase of capital.
 - Decrease of another asset or increase of liability.
 - Decrease of specific liability or decrease of capital.
 - Increase of drawings and liability.
18. Purchase of machinery for cash
- Decreases total assets
 - Increases total assets
 - Retains total assets unchanged
 - Decreases total liabilities.
19. Consider the following data pertaining to A Ltd.
- | Particulars | |
|------------------------------------------------------------|-----------|
| Cost of machinery purchased on 1 st April, 2018 | 10,00,000 |
| Installation charges | 1,00,000 |
| Market value as on 31 st March, 2019 | 12,00,000 |
- While finalizing the annual accounts, if the company values the machinery at Rs. 12,00,000 which of the following concepts is violated by the A Ltd?
- Cost
 - Matching
 - Accrual
 - Periodicity
20. A proprietor, Mr. A has reported a profit of Rs. 1,25,000 at the end of the financial year after taking into consideration the following amount:
- The cost of an asset of Rs. 25,000 has been taken as an expense.
 - Mr. A is anticipating a profit of Rs. 10,000 on the future sale of a car shown as an asset in his books.
 - Salary of Rs. 7,000 payable in the financial year has not been taken into account.
 - Mr. A purchased an asset for Rs. 75,000 but its fair value on the date of purchase was Rs. 85,000. Mr. A recorded the value of asset in his books by Rs. 85,000.
- On the basis of the above facts answer the following questions from the given choices:
- Which measurement base should be followed in the statement (D)?
 - Historical cost
 - Current cost #
 - Replacement cost
 - Present value
 - Which concept should be followed in the statement (B)?
 - Conservatism
 - Materiality
 - Historical cost
 - Accrual
 - Which concept should be followed in the statement (C)?
 - Materiality
 - Historical cost
 - Current cost
 - Accrual
21. Accounting Standards in Nepal are issued by
- Government of Nepal
 - Province Government
 - Institute of Chartered Accountants of Nepal
 - Office of the Auditor General of Nepal
22. Accounting Standards
- Harmonize accounting policies.
 - Eliminate the non-comparability of financial statements.
 - Improve the reliability of financial statements
 - All of the above.
23. Financial position of the business is ascertained on the basis of
- Records prepared under book-keeping process.
 - Trial balance.
 - Accounting reports.
 - None of the above.
24. It is essential to standardize the accounting principles and policies in order to ensure
- Transparency
 - Consistency
 - Comparability
 - All of the above
25. All of the following are limitations of Accounting Standards except
- The choice between different alternative accounting treatments is difficult.
 - There may be trend towards rigidity.
 - Accounting Standards cannot override the statute
 - All of the above
26. A change in accounting policy is justified
- To comply with accounting standard
 - To ensure more appropriate presentation of the financial statement of the enterprise.
 - To comply with law
 - All of the above
27. Accounting policy for inventories of Yeti Ltd. states that inventories are valued at the lower of cost determined on weighted average basis or not realizable value. Which accounting policy is followed in adopting the above policy?
- Materiality
 - Prudence
 - Substance over form
 - All of the above
28. The areas wherein different accounting policies can be adopted are
- Providing depreciation
 - Valuation of inventories
 - Valuation of investments
 - All of the above
29. Selection of an inappropriate accounting policy decision may
- Overstate the performance and financial position of a business entity.
 - Understate/overstate the performance and financial position of a business entity.
 - Overstate the performance a business entity
 - Understate financial position a business entity.
30. Accounting policies refer to specific accounting
- Principles
 - Methods of applying those principles
 - Both a. and b
 - None of the above

Answer to the Multiple Choice Questions

1.	d	2.	d	3.	d	4.	a	5.	d	6.	d	7.	b	8.	b	9.	c	10.	c
11.	b	12.	b	13.	a	14.	c	15.	c	16.	c	17.	b	18.	c	19.	a	20i.	a
ii.	a	iii.	d	21.	c	22.	d	23.	c	24.	d	25.	d	26.	d	27.	b	28.	d
29.	b	30.	c																

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. In Double Entry System of Book keeping every business transaction affects:
 - a. Two accounts
 - b. Two sides of the same account
 - c. The same account on two different dates
 - d. All of the above
2. On January 1, Ram paid rent expenses of Rs. 5,000. This can be classified as
 - a. An event
 - b. A transaction
 - c. A transaction as well as an event
 - d. Neither a transaction nor an event.
3. On March 31, 2019 after sale of goods worth Rs. 2,000, he is left with the closing inventory of Rs. 10,000. This is
 - a. An event
 - b. A transaction
 - c. A transaction as well as an event.
 - d. Neither a transaction nor an event.
4. Classify each of the following items under:
 - i. Prepaid salary account
 - a. Personal
 - b. Real
 - c. Nominal
 - d. None of the above
 - ii. Bill payable account
 - a. Personal
 - b. Real
 - c. Nominal
 - d. None of the above
 - iii. Rent expenses account
 - a. Personal
 - b. Real
 - c. Nominal
 - d. None of the above
 - iv. Proprietor's account
 - a. Personal
 - b. Real
 - c. Nominal
 - d. None of the above
 - v. Patents account
 - a. Personal
 - b. Real
 - c. Nominal
 - d. None of the above
 - vi. Salaries paid
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
 - vii. Equipment
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
 - viii. Accounts payable
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
 - ix. Membership fees earned
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
 - x. Inventory
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
 - xi. Accounts receivable
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
- xii. Building
 - a. revenue
 - b. expense
 - c. asset
 - d. liability
- xiii. Profits
 - a. revenue
 - b. expense
 - c. asset
 - d. owner's capital (OC) items.
5. The rent paid to landlord is credited to
 - a. Landlord's account
 - b. Rent account
 - c. Cash account
 - d. None of the above
6. In case of a debt becoming bad, the amount should be credited to
 - a. Trade receivable account
 - b. Bad debts account
 - c. Cash account
 - d. Sales account
7. Sunset Tours has a Rs. 3,500 account receivable from Mohan. On January 20, the Rotary makes a partial payment of Rs. 2,100 to Sunset Tours. The journal entry made on January 20 by Sunset Tours to record this transaction includes:
 - a. A credit to the cash received account of Rs. 2,100.
 - b. A credit to the Accounts receivable account of Rs. 2,100.
 - c. A debit to the cash account of Rs. 1,400.
 - d. A debit to the Accounts receivable account of Rs. 1,400.
8. Which account is the odd one out?
 - a. Office furniture and equipment
 - b. Freehold land and Buildings
 - c. Inventory of materials
 - d. Plant and Machinery
9. The debts written off as bad, if recovered subsequently are
 - a. Credited to Bad Debts Recovered Account
 - b. Credited to Trade receivables Account
 - c. Debited to Profit and Loss Account
 - d. None of the above
10. A sale of goods to Ram for cash should be debited to:
 - a. Ram's account
 - b. Cash account
 - c. Sales account
 - d. Capital account
11. A withdrawal of cash from business by the proprietor should be credited to:
 - a. Drawing account
 - b. Capital account
 - c. Cash account
 - d. Purchase account
12. The process of transferring the debit and credit items from a journal to their respective accounts in the ledger is termed as
 - a. Posting
 - b. Balancing of an account
 - c. Purchase
 - d. Arithmetically accuracy test
13. The technique of finding the net balance of an account after considering the totals of both debits and credits appearing in the account is known as
 - a. Posting
 - b. Balancing of an account
 - c. Purchase
 - d. Arithmetically accuracy test

14. Journal and ledger records transaction in
- A chronological order and analytical order respectively*
 - An analytical order and chronological order respectively.*
 - A chronological order only*
 - An analytical order only*
15. Ledger book is popularly known as
- Secondary book of accounts*
 - Principal book of accounts*
 - Subsidiary book of accounts*
 - None of the above*
16. At the end of the accounting year all the nominal accounts of the ledger book are
- Balanced but not transferred to profit and loss account*
 - Not balanced and also the balance is not transferred to the profit and loss account*
 - Balanced and the balance is transferred to the balance sheet*
 - Not balanced and their balance is transferred to the profit and loss account.*
17. A purchased a car for Rs. 5,00,000, making a down payment of Rs. 1,00,000 and signing a Rs. 4,00,000 notes payable due in 60 days. As a result of this transaction.
- Total assets increased by Rs. 5,00,000*
 - Total liabilities increased by Rs. 4,00,000*
 - Total assets increased by Rs. 4,00,000*
 - Total assets increased by Rs. 4,00,000 with corresponding increase in liabilities by Rs. 4,00,000*
18. Capital brought in by the proprietor is an example of
- Increase in asset and increase in liability*
 - Increase in liability and decrease in asset.*
 - Increase in asset and decrease in liability.*
 - Increase in one asset and decrease in another asset.*
19. Assets are held in the business for the purpose of
- Resale*
 - Conversion into cash*
 - Earning revenue*
 - None of the above*

Answer to the Multiple Choice Questions

1.	a	2.	b	3.	a	4.i.	a	ii.	a	iii.	c	iv.	a	v.	b	vi.	b	vii.	c
viii.	d	ix.	a	x.	c	xi.	c	xii.	c	xiii.	d	5.	c	6.	a	7.	b	8.	c
9.	a	10.	a	11.	c	12.	a	13.	b	14.	a	15.	b	16.	d	17.	d	18.	a
19.	c																		

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. Credit purchase of goods worth Rs. 5,000 from suppliers
 - a. Purchase Book
 - b. Sales Book
 - c. Cash Book
 - d. Journal Proper (General Journal)
2. Purchased goods from Gopal worth Rs. 5,000 on credit basis.
 - a. Bills Receivable book
 - b. Purchases Book
 - c. Journal Proper (General Journal)
 - d. Purchases Return
3. Good Outward Journal is meant for recording all returns of goods
 - a. Sold on credit
 - b. Purchased on credit
 - c. Purchased on cash
 - d. None of the above
4. The total of the purchases day book is posted periodically to the debit of:
 - a. Purchases account
 - b. Cash book
 - c. Journal proper
 - d. None of these
5. Purchases day book records:
 - a. All cash purchases
 - b. All credit purchases
 - c. Credit purchases of good in trade.
 - d. None of the above
6. In purchase Book the record is in respect of
 - a. Cash purchase of goods,
 - b. Credit purchase of goods dealt in
 - c. All purchases of goods
7. The weekly or monthly total of the Purchase Book is
 - a. Posted to the debit of the Purchases Account,
 - b. Posted to the debit of the Sales Account,
 - c. Posted to the credit of the Purchases Account
8. Goods were sold on credit basis to A Brothers for Rs. 10,000.
 - a. Cash Book
 - b. Journal Proper (General Journal)
 - c. Sales Book
 - d. Bills Receivable Book
9. Unpaid salary for Rs. 340 is to be provided for in the accounts.
 - a. Bills Receivable Book
 - b. Purchases Book
 - c. General journal
 - d. Purchases Return
10. The Sales Book
 - a. Is a part of journal
 - b. Is a part of the ledger
 - c. Is a part of the balance sheet
11. The total of the Sales Book is posted to
 - a. The credit of the Sales Account,
 - b. Credit of the Purchases Account,
 - c. Credit of the Capital Account
12. The debit note issued are used to prepare
 - a. Sales return book
 - b. Purchase return book
 - c. Sales book
 - d. Purchases book
13. A second hand computer was purchased on credit from B Brothers for Rs. 10,000.
 - a. Sales Book
 - b. Cash Book
 - c. Purchase Book
 - d. None of above
14. A debit note for Rs. 2,000 issued to Mr. Shankar for goods returned by us is to be accounted for
 - a. Bills Receivable Book
 - b. Purchases Book
 - c. Journal Proper (General Journal)
 - d. Purchases Return
15. The Sales Returns Book records
 - a. The return of goods purchased
 - b. Return of anything purchased
 - c. Return of goods sold
16. Discount of Rs. 50 was allowed for an early payment of cash of Rs. 1,050.
 - a. Sales book
 - b. Cash Book
 - c. Journal Proper (General Journal)
 - d. Purchase Book
17. Accounting for partial recovery from Mr. Trilok of an amount of Rs. 2,000 earlier written off as bad debt.
 - a. Journal Proper (General Journal)
 - b. Sales Book
 - c. Purchase Book
 - d. Cash Book
18. The total of discounts column on the debit side of the cash book, recording cash discount deducted by customers when paying their accounts, is posted to the
 - a. Credit of the discount allowed account.
 - b. Debit of the discount received account.
 - c. Credit of the discount received account
 - d. Debit of the discount allowed account.

19. Which of the following is the kind of a cash book?
- a. Simple column cash book
 - b. Double - column cash book
 - c. Three - column cash book
 - d. All of the above
20. Cash book is a type of ... but treated as a ... of accounts.
- a. Subsidiary book, principal book
 - b. Principal book, subsidiary book
 - c. Subsidiary book, subsidiary book
 - d. Principal book, subsidiary book
21. Which of the following is not a column of a three - column cash book?
- a. Cash column
 - b. Bank column
 - c. Petty cash column
 - d. Discount column
22. Salaries due for the month of March will appear
- a. On the receipt side of the cash book
 - b. On the payment side of the cash book
 - c. As a contra entry
 - d. Nowhere in the cash book
23. Contra entries are passed only when
- a. Cash and discount - column cash book is prepared
 - b. Three - column cash book is prepared
 - c. Simple cash book is prepared
 - d. None of the above
24. The cash book records
- a. All cash receipts
 - b. All cash payments
 - c. All cash receipts and payments
 - d. Cash and credit sale of goods
25. If Ram has sold goods for cash, the entry will be recorded
- a. In the cash book
 - b. In the sales book
 - c. In the journal
 - d. In the inventory book

Answer to the Multiple Choice Questions

1.	a	2.	b	3.	b	4.	a	5.	c	6.	b	7.	a	8.	c	9.	c	10.	a
11.	a	12.	b	13.	d	14.	d	15.	c	16.	b	17.	d	18.	d	19.	d	20.	a
21.	c	22.	d	23.	b	24.	c	25.	a										

Multiple Choice Questions

Pick up the correct answer from the given choices:

- After the preparation of ledgers, the next step is the preparation of
 - Trading accounts
 - Trial balance
 - Profit and loss account
 - None of the above
- After preparing the trial balance, the accountant finds that the total of debit side is short by Rs. 1,500. This difference will be
 - Credited to suspense account
 - Debited to suspense account
 - Adjusted to any of the debit balance account
 - Adjusted to any of the credit balance account
- Rs. 200 paid as wages for erecting a machine should be debited to
 - Repair account
 - Machine account
 - Capital account
 - Furniture account
- On purchase of old furniture, the amount of Rs. 1,000 spent on its repair should be debited to
 - Repair account
 - Furniture account
 - Cash account
 - Bank account
- Goods worth Rs. 50 given as charity should be credited to
 - Charity account
 - Sales account
 - Purchase account
 - Cash account
- Good worth Rs. 100 taken by proprietor for domestic use should be credited to
 - Sales account
 - Drawing account
 - Purchases account
 - Expenses account
- The preparation of a trial balance is for:
 - Locating errors of commission:
 - Locating errors of principle:
 - Locating clerical errors
 - All of the above
- Rs. 200 received from Bishal whose account, was written off as a bad debt should be credited to:
 - Bad Debts Recovered account
 - Bishal's account
 - Cash account
 - Bad debts account
- A trial balance will not balance if
 - Correct journal entry is posted twice.
 - The purchase on credit basis is debited to purchases and credited to cash.
 - Rs. 500 cash payment to creditor is debited to Trade payables for Rs. 50 and credited to cash as Rs. 500
 - None of above
- Rs. 1,500 received from sub-tenant for rent and entered correctly in the cash book is posted to the debit of the rent account. In the trial balance
 - The debit total will be greater by Rs. 3,000 that the credit total.
 - The debit total will be greater by Rs. 1,500 than the credit total.
 - Subject to other entries being correct the total will agree.
 - None of the above
- Goods purchased from A for Rs. 10,000 passed through the sales book. The error will result in
 - Increase in gross profit
 - Decrease in gross profit
 - No effect on gross profit
 - Either a. or b.
- If a purchase return Rs. 1,000 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the suppliers' account, the total of the
 - Trial balance would show the debit side to be Rs. 1,000 more than the credit
 - Trial balance would show the credit side to be Rs. 1,000 more than the debit.
 - The debit side of the trial balance will be Rs. 2,000 more than the debit side.
 - The credit side of the trial balance will be Rs. 2,000 more than the debit side.
- If the amount is posted in the wrong account or its written on the wrong side of the account, it is called
 - Error of omission
 - Error of commission
 - Error of principle
 - Compensating error.
- Errors of commission do not permit:
 - Correct totaling of the balance sheet
 - None of the above
 - The trial balance to agree
- Purchase of office furniture Rs. 1,200 has been debited to general expense account is:
 - A clerical error
 - An error of principle
 - An error of omission
 - Compensating error
- Sales of office furniture should be credited to
 - Sales Account
 - Furniture Account
 - Purchase Account
 - Cash Account
- Which of the following errors will not be revealed by the Trial Balance
 - Compensating error
 - Errors of principle
 - Wrong balancing of an account
 - Wrong totaling of an account
- Which of the following errors will be revealed by the Trial Balance
 - Compensating error
 - Errors of principle
 - Wrong balancing of an account
 - Wrong totaling of an account

Answer to the Multiple Choice Questions

1.	b	2.	b	3.	b	4.	b	5.	c	6.	c	7.	c	8.	a	9.	c
10.	a	11.	a	12.	c	13.	b	14.	c	15.	b	16.	b	17.	a & b	18.	c & d

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. Classify the following expenditures and receipts as capital or revenue:
 - i. Money spent Rs. 10,000 as traveling expenses of the directors on trips abroad for purchase of capital assets is
 - a. Capital expenditures
 - b. Revenue expenses
 - c. Deferred Revenue expenses
 - d. None of the above
 - ii. Amount of Rs. 5,000 spent as lawyers' fee to defend a suit claiming that the firm's factory site belonged to the plaintiff's land is
 - a. Capital expenditures
 - b. Revenue expenses
 - c. Deferred Revenue expenses
 - d. None of the above
 - iii. Entrance fee of Rs. 2,000 received by Ram and Shyam Social Club is
 - a. Capital receipt
 - b. Revenue receipt
 - c. Capital expenditures
 - d. Revenue expenses
 - iv. Insurance claim received on account of machinery damaged completely by fire is
 - a. Capital receipt
 - b. Revenue receipt
 - c. Capital expenditures
 - d. Revenue expenses
 - v. Interest on investments received is
 - a. Capital receipt
 - b. Revenue receipt
 - c. Capital expenditures
 - d. Revenue expenses
 - vi. Amount received from bank as a medium term loan for augmenting working capital is
 - a. Capital expenditures
 - b. Revenue expenses
 - c. Capital receipt
 - d. Revenue receipt
 - vii. A bad debt recovered during the year will be
 - a. Capital expenditures
 - b. Revenue expenses
 - c. Capital receipt
 - d. Revenue receipt
 - viii. A second hand car is purchased for Rs. 10,000 the amount of Rs. 1,000 is spent on its repairs, Rs. 500 is incurred to get the car registered in owner's name and Rs. 1,200 is paid as dealer's commission. The amount debited to car account will be
 - a. Rs. 10,000
 - b. Rs. 10,500
 - c. Rs. 11,500
 - d. Rs. 12,700
 - ix. Revenue from sale of products, ordinarily, reported as part of the earning in the period which
 - a. The sale is made
 - b. The cash is collected
 - c. The products are manufactured
 - d. The planning takes place
 - x. If repair cost is Rs. 25,000, whitewash expenses are Rs. 5,000, cost of extension of building is Rs. 2,50,000 and cost of improvement in electrical wiring system is Rs. 19,000; the amount to be expensed is
 - a. Rs. 2,99,000
 - b. Rs. 44,000
 - c. Rs. 30,000
 - d. Rs. 49,000
2. Out of the following which are (1) capital expenditure; (2) revenue expense; and (3) deferred revenue expense?
 - i. Rs. 1,200 spent on the repairs of machine is
 - a. Capital expenditure
 - b. Revenue expense
 - c. Deferred Revenue expense
 - d. None of the above
 - ii. Rs. 2,500 spent on the overhaul of machines purchased second - hand is
 - a. Capital expenditure
 - b. Revenue expense
 - c. Deferred Revenue expense
 - d. None of the above
 - iii. Whitewashing expenses are
 - a. Capital expenditure
 - b. Revenue expense
 - c. Deferred Revenue expense
 - d. None of the above
 - iv. Paper purchased for use as stationery is
 - a. Capital expenditure
 - b. Revenue expense
 - c. Deferred Revenue expense
 - d. None of the above
 3. Contingent asset usually arises from unplanned or unexpected events that give rise to
 - a. The possibility of an inflow of economic benefits to the business entity

- b. *The possibility of an outflow of economic benefits to the business entity*
- c. *Either (a) or (b)*
- d. *None of the above*

4. *If an inflow of economic benefits is probable then a contingent asset is disclosed*

- a. *In the financial statements*
- b. *In the report of the approving authority*
- c. *In the cash flow statement*
- d. *None of the above*

5. **In the financial statement, contingent liability is**

- a. *Recognized*
- b. *Not recognized*
- c. *Adjusted*
- d. *None of the above*

Answer to the Multiple Choice Questions

1.i.	a.	ii.	b.	iii.	a.	iv.	a.	v.	b.	vi.	c.	vii.	d.	viii.	d.	ix.	a.	x.	c.
2.i.	b.	ii.	a.	iii.	b.	iv.	b.	3.	a.	4.	b.	5.	b.						

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. A Bank Reconciliation Statement is a

- a. Part of Cash Book
- b. Part of Bank Account
- c. Part of financial statements
- d. None of the above

2. A bank reconciliation statement is prepared with the help of:

- a. Bank statement and bank column of the Cash Book
- b. Bank statement and cash column of the Cash Book
- c. Bank column of the Cash Book and cash column of the Cash Book
- d. None of the above

3. A debit balance in the depositor's cash book will be shown as:

- a. A debit balance in the Bank Statement

- b. A credit balance in the Bank Statement
- c. An overdrawn balance in the Bank Statement
- d. None of the above

4. A Bank Reconciliation Statement is prepared to know the causes for the difference between

- a. The balances as per cash column of Cash Book and the Pass Book.
- b. The balance as per bank column of Cash Book and the Pass Book.
- c. The balance as per bank column of Cash Book and balances as per cash column of Cash Book
- d. Neither of the above

5. A bank reconciliation statement is prepared by

- a. The Bank
- b. The Government,
- c. The Bank Account holder
- d. The user financial statements

6. A bank statement is a copy of
- Cash column of the cash book
 - Bank column of the cash book
 - A Customer's account in the bank's book
 - None of the above
7. The difference in the balances of both the cash - book and the pass - book can be because of
- Errors in recording the entries either in the cash-book or pass-book.
 - Omission of same entry in both cash - book and pass - book.
 - Debit balance of cash book is the debit balance of pass book
 - None of above
8. When the balance as per cash book is the starting point, direct deposits by customers in bank are:
- Added
 - Subtracted
 - Not required to be adjusted
 - None of the these
9. When balance as per pass book is the starting point, interest allowed by Bank is
- Added
 - Subtracted
 - Not required to be adjusted
 - None of the above
10. Debit balance as per cash book of ABC Co. as on 31.3.2011 is Rs. 1,500. Cheques deposited but not cleared amounts to Rs. 100 and Cheques issued but not presented of Rs. 150. The bank allowed interest amounting Rs. 50 and collected dividend Rs. 50 on behalf of ABC Co. Balance as per pass book should be
- Rs. 1,600
 - Rs. 1,450
 - Rs. 1,850
 - Rs. 1,650
11. The cash book showed an overdraft of Rs. 1,500 but the pass book made up to the same date showed that cheques of Rs. 400 paid into bank had not been cleared. The balance/overdraft as per the pass book will be
- Rs. 1,100
 - Rs. 2,100
 - Rs. 1,900
 - Rs. 1,300
12. When drawing up a bank reconciliation statement, if you start with a debit balance as per the Bank Statement, the unpresented cheques should be.
- Added
 - Deducted
 - Not required to be adjusted
 - None of these
13. When preparing a bank reconciliation statement, if you start with a debit balance as per the Cash Book, cheques issued but not presented within the period should be:
- Added
 - Deducted
14. When the balance as per pass book is the starting point, direct payment by bank are:
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above
15. When balance as per cash book is the starting point, uncollected cheques are:
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above.
16. When the balance as per pass book is the starting point, uncollected cheques are:
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above
17. When balance as per cash book is the starting point, interest charged by Bank is:
- Added in the bank reconciliation statement
 - Subtracted in the bank reconciliation statement
 - Not required to be adjusted in the bank reconciliation statement
 - Neither of the above
18. Direct payment to the third party on behalf of the account holder is entered in
- The cash-book when the amount is paid by the bank
 - The cash-book when the entry is posted in the pass-book
 - The pass-book when the entry is posted in the pass-book
 - None of the above
19. Payment done by the account holder through issuing a cheque is entered in
- The pass-book at the time of issuing the cheque
 - The cash-book at the time of presenting the cheque to the bank for payment
 - The pass - book at the time of presenting the cheque to the bank for payment
 - The cash-book when informed by the third party.
20. Which of the following is not the salient feature of bank reconciliation statement?
- Any undue delay in the clearance of cheques is shown up by the reconciliation
 - Reconciliation statement will help in finding the fraud doing any fraud
 - Reconciliation is done by the bankers
 - It helps in finding out the actual position of the balance.

Answer to the Multiple Choice Questions

1.	d	2.	a	3.	b	4.	b	5.	c	6.	c	7.	a	8.	a	9.	b	10.	d
11.	c	12.	a	13.	a	14.	a	15.	b	16.	a	17.	b	18.	b	19.	c	20.	c

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. Which of the following statements is/are false?

- The term 'depreciation', depletion and 'amortization' convey the same meaning.
- Provision for depreciation A/c is debited when provision for depreciation A/c is created.
- The main purpose of charging the profit and loss A/c with the amount of depreciation is to spread the cost of an asset over its useful life for the purpose of income determination.
 - Only (I) above
 - Only (II) above
 - Only (III) above
 - All (I) and (II) above

2. Which of the following is not true with regard to fixed assets?

- They are acquired for using them in the conduct of business operations
- They are not meant for resale to earn profit
- They can easily be converted into cash
- Depreciation at specified rates is to be charged on most of the fixed assets

3. Which of the following expenses is not included in the acquisition cost of a plant and equipment?

- Cost of site preparation
- Delivery and handling charges
- Installation costs
- Financing costs incurred subsequent to the period after plant and equipment is put to use.

4. Obsolescence of a depreciable asset may be caused by

- Technological changes.
- Improvement in production method.
- Change in market demand for the product or service output
- Legal or other restrictions

- Only (I) above
- Both (I) and (II) above
- All (I), (II), (III) and (IV) above
- Only (IV) above

5. For charging depreciation, on which of the following assets is adopted?

- Plant and machinery
- Land
- Goodwill
- Inventory

6. In which of the following methods, is the cost of the asset written off in equal proportion, during its useful economic life?

- Straight line method
- Written down value method
- Units of production method
- Sum-of-the-year-digits method

7. The portion of the acquisition cost of the asset, yet to be allocated is known as

- Written down value
- Accumulated value
- Realisable value
- Salvage value

8. Original cost = Rs. 1,26,000. Salvage value = 6,000. Useful Life = 6 years. Annual depreciation under SLM =

- Rs. 21,000
- Rs. 20,000
- Rs. 15,000
- Rs. 14,000

9. Original cost = Rs. 1,26,000; Salvage value = Nil; Useful life = 6 years. Depreciation for the first year under straight line method will be

- Rs. 6,000
- Rs. 21,000
- Rs. 18,000
- Rs. 36,000

10. Original cost = RS. 1,26,000. Salvage value = 6,000. Depreciation for 2nd year @10% P.A. under WDV method =

- Rs. 10,800
- Rs. 11,340
- Rs. 15,000
- Rs. 14,000

11. On the basis of the information given below answer questions (i) and (ii).

Original Cost = Rs. 1,00,000. Life = 5 years.
Expected salvage value = Rs. 2,000.

- Depreciation for 3rd year as per straight line method is
 - Rs. 12,8000
 - Rs. 19,600
 - Rs. 20,000
 - Rs. 20,400

- ii. Rate of depreciation p.a. = _____.
- a. 20.0% b. 19.8%
- c. 19.6% d. 19.4%

12. Original cost = Rs. 1,26,000; Salving value = Nil; Useful life = 6 years. Depreciation for the fourth year under original cost method will be

- a. Rs. 6,000 b. Rs. 12,000
- c. Rs. 18,000 d. Rs. 21,000

13. Consider the following data pertaining to M/s. A Ltd. who constructed a corporate house:

Particulars	Rs.
Cost of second hand furniture	90,000
Cost of repainting the furniture	10,000
Wages paid to employees for fixing the furniture	2,000
Fire insurance premium	1,000

The amount debited to furniture account is

- a. Rs. 90,000 b. Rs. 91,000
- c. Rs. 1,00,000 d. Rs. 1,02,000

14. In the year 2018 - 2019, C Ltd. purchased a new machine and made the following payments in relation to it:

Cost as per supplier's list	Rs. 5,20,000	
Less: Agreed discount	Rs. 50,000	4,70,000
Delivery charges		10,000
Erection charges		20,000
Annual maintenance charges		30,000
Additional components to increase capacity of the machine		40,000
Annual insurance premium		5,000

i. The cost of the machine is

- a. Rs. 5,40,000 b. Rs. 5,45,000
- c. Rs. 4,70,000 d. Rs. 5,50,000

ii. In depreciation is provided @ 10% p.a. SLM, depreciation for 3rd year will be

- a. Rs. 54,000 b. Rs. 54,500
- c. Rs. 47,000 d. Rs. 55,000

iii. If depreciation is provided @ 10% p.a. WDV, depreciation for 3rd year is

- a. Rs. 43,740 b. Rs. 44,145
- c. Rs. 38,070 d. Rs. 44,550

Answer to the Multiple Choice Questions

1.	b	2.	c	3.	d	4.	c	5.	a	6.	a	7.	a	8.	b	9.	b	10.	b
11.i.	b	ii.	c	12.	d	13.	d	14.i.	a	ii.	a	iii.	a						

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. The amount of purchase if cost of goods sold is Rs. 80,700; opening inventory is Rs. 5,800 and closing inventory is Rs. 6,000

a. Rs. 80,500
b. Rs. 74,900
c. Rs. 74,700
d. Rs. 80,900

2. Average Inventory is Rs. 12,000. Closing Inventory is Rs. 3,000 more than opening Inventory. The value of closing Inventory is ...

a. Rs. 12,000
b. Rs. 24,000
c. Rs. 10,500
d. Rs. 13,500

3. Goods purchased Rs. 1,00,000. Sales Rs. 90,000. Margin 20% on cost. Closing Inventory = ?

a. Rs. 20,000
b. Rs. 10,000
c. Rs. 25,000
d. Rs. 28,000

4. A company is following weighted average cost method for valuing its inventory. The details of its purchase and issue of raw materials during the week are as follows:

- 1.12.2011 Opening inventory 50 units for Rs. 2,200.
- 2.12.2011 Purchased 100 units @ Rs. 47
- 4.12.2011 Issued 50 units.
- 5.12.2011 Purchased 200 units @ Rs. 48.

The value of inventory at the end of the week and the unit weighted average costs is

a. Rs. 14,200 – Rs. 47.33
b. Rs. 14,300 – Rs. 47.67
c. Rs. 14,000 – Rs. 46.66
d. Rs. 14,400 – Rs. 48.00

5. A company follows weighted average cost method for the valuation of its inventory. The details of purchase and issue of raw - materials pertaining to the company during the week April 01, 2011 to April 07, 2011 are as follows:

Date	Particulars	Purchases (Units)	Issues (Units)	Rate per Unit (Rs.)
April 01	Opening Inventory	50		44
April 02		100		47
April 04			50	-

The value of inventory at the end of the week under weighted average method is

a. Rs. 4,600
b. Rs. 4,550
c. Rs. 4,700
d. Rs. 4,400

6. O Ltd. maintains the inventory records under perpetual system of inventory. Consider the following data pertaining to inventory of O Ltd. held for the month of March 2011:

Date	Particulars	Quantity	Cost Per unit (Rs.)
Mar. 1	Opening Inventory	15	400
Mar. 4	Purchases	20	450
Mar. 6	Purchases	10	460

If the company sold 32 units on March 24, 2011, closing inventory under FIFO method is

a. Rs. 5,200
b. Rs. 5,681
c. Rs. 5,800
d. Rs. 5,950

7. From the given information, choose the most appropriate answer:

Date	Particulars	Units	Rate Rs.
01.03.2009	Opening Inventory	100	1.75
05.03.2009	Purchased	150	1.50
12.03.2009	Purchased	300	1.60
08.03.2009	Issued	200	-
18.03.2009	Issued	250	-

- i. What is the value of closing inventory using FIFO method:

a. Rs. 170
b. Rs. 160
c. Rs. 150
d. Rs. 180

- ii. Using the information given in the problem, the value of COGS using FIFO method:

a. Rs. 700
b. Rs. 580
c. Rs. 650
d. Rs. 720

- iii. Using the information given in problem, the value of closing inventory as per LIFO method:

a. Rs. 172.50
b. Rs. 225
c. Rs. 160
d. Rs. 167.50

- iv. Using the information given in problem, the value of COGS using LIFO method:

a. Rs. 172.50
b. Rs. 515.50
c. Rs. 620
d. Rs. 575.50

- v. Using the information given in problem, the value of closing inventory as per weighted average method:

a. Rs. 160
b. Rs. 175.50
c. Rs. 150
d. Rs. 225.50

- vi. Using the information given in problem, the value of COGS using weighted average method:

a. Rs. 600.50
b. Rs. 580
c. Rs. 620
d. Rs. 720

8. From the given information, choose the most appropriate answer:

Date	Receipts (Units)	Price per unit (Rs.)	Issues (Units)
0.1.12.2011	2,000 (Opening)	5.00	
07.12.2011	1,000	6.00	
10.12.2011	-	-	2,500
15.12.2011	2,000	6.50	
31.12.2011	-	-	2,200

On 31.12.2011, a shortage of 100 units was found.

- i. Find the value of closing inventory using LIFO principle.

a. Rs. 1,900
b. Rs. 2,400
c. Rs. 2,000
d. Rs. 1,500

- ii. Using the data given in problem, the value of COGS in the month of December 2011 using LIFO principle.

a. Rs. 35,000
b. Rs. 27,500
c. Rs. 20,000
d. Rs. 65,000

Answer to the Multiple Choice Questions

1.	d	2.	d	3.	c	4.	a	5.	a	6.	d	7. i.	b	ii.	d	iii.	d
iv	a	v.	a	vi.	d	8. i.	d	ii.	b	iii.	c	iv	a				

Multiple Choice Questions

Pick up the correct answer from the given choices:

- The manufacturing account is prepared
 - To ascertain the profit or loss on the goods produced
 - To ascertain the cost of the manufactured goods
 - To show the sale proceeds from the goods produced during the year.
 - Both (b) and (c).
- Sales is equal to
 - Cost of goods and - Gross profit
 - Cost of good sold + Gross profit
 - Gross profit - Cost of goods sold
 - Cost of goods sold + Net profit.
- If sales revenues are Rs. 4,00,000; cost of goods sold is Rs. 3,10,000 and operating expenses are Rs. 60,000, the gross profit is
 - Rs. 30,000
 - Rs. 90,000
 - Rs. 3,40,000
 - Rs. 60,000
- If sales is Rs. 2,000 and the rate of gross profit on cost of goods sold is 25%, then the cost of goods sold will be
 - Rs. 2,000
 - Rs. 1,500
 - Rs. 1,600
 - None of above
- A company wishes to earn a 20% profit margin on selling price. Which of the following is the profit mark up on cost, which will achieve the required profit margin?
 - 33%
 - 25%
 - 20%
 - None of the above
- A new firm commenced business on 1st January, 2019 and purchased goods costing Rs. 90,000 during the year. A sum of Rs. 6,000 was spent on freight inwards. At the end of the year the cost of goods still unsold was Rs. 12,000. Sales during the

year Rs. 1,20,000. What is the gross profit earned by the firm?

- a. Rs. 36,000
- c. Rs. 42,000

- b. Rs. 30,000
- d. Rs. 38,000

7. From the following figures ascertain the gross profit

Opening Inventory (1.1.2018)	25,000
Goods purchased during the year	1,30,000
Freight and packing on above	5,000
Closing Inventory (31. 12. 2018)	15,000
Sales	1,90,000
Selling expenses on sales	9,000

- a. Rs. 36,000
- c. Rs. 50,000

- b. Rs. 45,000
- d. Rs. 59,000

8. From the given information, choose the most appropriate answer:

Opening Inventory	Rs. 20,000
Closing Inventory	Rs. 18,000
Purchases	Rs. 85,800
Carriage on purchases	2,300
Carriage on sales	Rs. 3,000
Rent of Office	5,000
Sales	1,40,700

Gross profit will be

- a. Rs. 50,000
- c. Rs. 42,600

- b. Rs. 47,600
- d. Rs. 50,600

9. From the given information, choose the most appropriate answer:

Sales	Rs. 15,000
Opening inventory	Rs. 6,000
Purchases	Rs. 10,000
Cost of goods sold	Rs. 9,000
Selling Expenses	Rs. 4,000

i. The value of closing inventory is

- a. Rs. 9,000
- c. Rs. 8,000

- b. Rs. 4,000
- d. Rs. 7,000

ii. Gross profit will be

- a. Rs. 6,000
- c. Rs. 8,000

- b. Rs. 5,000
- d. Rs. 7,000

iii. Net profit will be

- a. Rs. 42,600
- c. Rs. 45,600

- b. Rs. 50,600
- d. Rs. 50,600

iv. Net profit will be

- a. Rs. 6,000
- c. Rs. 2,000

- b. Rs. 5,000
- d. Rs. 7,000

10. The balance of cash is

- a. An expense
- c. An asset

- b. An income
- d. A liability

11. Fixed assets are

- a. Kept in the business for use over a long time for earning income
- b. Meant for resale
- c. Meant for conversion into cash as quickly as possible
- d. All of the above

12. Goodwill is

- a. A current asset
- c. A tangible fixed assets

- b. An intangible fixed asset
- d. An investment.

13. Inventory is:

- a. Included in the category of fixed assets
- b. An investment
- c. A part of current assets
- d. An intangible fixed assets

14. The capital of a sole trader would change as a result of

- a. A creditor being paid his account by cheque.
- b. Raw materials being purchased on credit.
- c. Fixed assets being purchased on credit.
- d. Wages being paid in cash.

15. A prepayment of insurance premium will appear in the Balance Sheet and in the Insurance Account respectively as

- a. A liability and a debit balance
- b. An assets and debit balance
- c. An assets and a credit balance
- d. None of the above

16. A decrease in the provision for doubtful debts would result in

- a. An increase in liabilities
- b. A decrease in working capital
- c. A decrease in net profit
- d. An increase in net profit.

Answer to the Multiple Choice Questions

i.	b	2.	b	3.	b	4.	c	5.	b	6.	a	7.	b	8.	d	9.	d
ii.	a	iii.	a	iv.	c	10.	c	11.	a	12.	b	13.	c	14.	d	15.	c
16.	d																

Multiple Choice Questions

Pick up the correct answer from the given choices:

1. Which of the following statements is not a feature of a company?
 - a. Separate legal entity
 - b. Common seal
 - c. Perpetual succession
 - d. Members have unlimited liability
2. In a government company, the holding of the central government in paid-up capital should not be less than
 - a. 25%
 - b. 50%
 - c. 51%
 - d. 75%
3. Which of the following statement is true in case of a foreign company?
 - a. A company incorporated in Nepal and has place of business outside Nepal.
 - b. A company incorporated outside Nepal and has place of business in Nepal.
 - c. A company incorporated in Nepal and has a place of business in Nepal.
 - d. A company incorporated outside Nepal and also has a place of business outside Nepal.
4. Public Companies should have a minimum ... number of promoter shareholders at the time of formation.
 - a. 7
 - b. 14
 - c. 21
 - d. 18
5. Private company should have a minimum ... number of promoter shareholders at the time of formation
6. Which of the following statements is not a feature of a private company?
 - a. Restricts the rights of members to transfer its shares.
 - b. Prohibits any invitation to the public to subscribe its shares or debentures.
 - c. Do not involve participation of public in general.
 - d. Do not restrict on the number of its members to any limit.
7. When its is not related to financial statement
 - a. income statement
 - b. balance sheet
 - c. ledger balance
 - d. cash flow statement
8. Financial statement is combination of ...
 - a. profitability and solvency of company
 - b. performance and market coverage of company
 - c. performance and management's capability
 - d. debt and equity of the company
9. Income statement determined
 - a. position of the organization
 - b. performance of the organization
 - c. skills of management of the organization
 - d. cash flow of the organization
10. Which is not the current assets?
 - a. investment in subsidiary company
 - b. cash at bank
 - c. inventory
 - d. accounts receivable
11. Cost of goods sold means
 - a. Sales - Gross profit
 - b. Purchase - Gross profit

- c. *Purchase – Opening stock*
- d. *Opening stock – Closing stock*

12. EBIT stands for

- a. *Earnings before interest and tax*
- b. *Earnings before income and tax*
- c. *Expenses before interest and time*
- d. *Expenses before income and tax*

13. Extra ordinary items includes

- a. *frequent and usual items*
- b. *in frequent and usual items*
- c. *in frequent in nature and unusual items*
- d. *frequent and unusual items*

14. Shareholder equity includes

- a. *owner's capital + dividend*
- b. *owner's capital + long-term debt*
- c. *owner's capital + current liabilities*
- d. *owner's capital + retained earnings*

15. Fictitious assets is not related with

- a. *underwriting commission*
- b. *preliminary expense*
- c. *goodwill*
- d. *accumulated loss*

Answer to the Multiple Choice Questions

1.	d	2.	c	3.	b	4.	a	5.	a	6.	d	7.	c	8.	a
9.	b	10.	a	11.	a	12.	b	13.	c	14.	d	15.	c		

Multiple Choice Questions

Pick up the correct answer from the given choices:

- The document inviting offers from public to subscribe for the debentures or shares of deposits of a body corporate is known as:
 - Share certificate
 - Stock invest
 - Fixed deposit receipt
 - Prospectus
- The maximum capital beyond which a company is not allowed to raise funds, by issue of shares is its:
 - Issued share capital
 - Reserve share capital
 - Authorized share capital
 - Subscribed share capital
- Which of the following statements is false?
 - Shares can be issued for cash or any other consideration.
 - In the event of over subscription, excess amount has to be refunded or a pro rata allotment is to be made
 - The share application money is automatically converted to share capital.
- Which of the following statements is false?
 - The shares should not be issued at a premium
 - Share premium should not be debited with the amount of premium received
 - Public Ltd. Company generally issues shares for cash
 - Securities premium account cannot be utilized to redeem preference shares
- The excess price received over the par value of shares, should be credited to.
 - Calls-in-advance account
 - Share capital account
 - Reserve capital account
 - Securities premium account
- When shares are issued to promoters for the services offered by them, the account that will be debited with the nominal value of shares is:
 - Preliminary expenses account
 - Goodwill account
 - Asset account
 - Share capital account
- The Securities Premium amount may be utilized by a company for.
 - Writing off any loss on sale of fixed asset
 - Writing off any loss of revenue nature
 - Payment of dividends
 - Writing off the expenses/discount on the issue of debentures.
- The following statements apply to equity/preference shareholders. Which one of them applies only to Preference Shareholders?
 - Shareholders risk the loss of investment
 - Shareholders bear the risk of no dividends in the event of losses
 - Shareholders usually have the right to vote
 - Dividends are usually a fixed amount in every financial year
- The excess price received over the par value of shares, should be credited to.
 - Calls-in-advance account
 - Share capital account
 - Reserve capital account
 - Securities premium account
- Which type of the following shares have the right to receive dividends unpaid in prior years, whenever earnings become adequate?
 - Cumulative preference shares
 - Participating preference shares
 - Convertible preference shares
 - Callable preference shares
- Dividends are usually paid as a percentage of.
 - Authorized share capital
 - Net profit
 - Paid-up capital
 - Called-up capital
- Which of the following should be deducted from the called - up share capital to find out paid - up capital?
 - Calls - in - advance
 - Calls - in - arrears
 - Share forfeiture
 - None of these
- If a shareholder does not pay his dues on allotment, for the amount due, there will be a:
 - Credit balance in the share allotment account
 - Debit balance in the share forfeiture account
 - Credit balance in the share forfeiture account
 - Debit balance in the share allotment account
- Capital reserves are credited out of
 - Balance in profit and loss account
 - Capital profits
 - Reserve profits
 - Provisions
- Which of the following statements is false?
 - A company can redeem its preference shares
 - Preference shareholders are Creditors of a company
 - The part of the authorized capital which can be called up only in the event of liquidation of a company is called reserve capital
 - Capital redemption reserve can be utilized for issuing fully paid bonus shares

16. According Companies Act, 2063, the amount in the Securities Premium A/c cannot be used for the purpose of
- Issue of fully paid bonus shares
 - Writing off losses of the company
 - For purchase of own securities
 - Writing off commission o discount on issue of shares
17. Which of the following can be utilized for redemption of preference shares?
- The proceeds of fresh issue of equity shares
 - The proceeds of issue of debentures
 - The proceeds of issue of fixed deposit
 - All of the above
18. Which of the following statements is true?
- Capital redemption reserve cannot be used for writing off miscellaneous expenses and losses
 - Capital profit realized in cash cannot be used for payment of dividend
 - Reserves created by revaluation of fixed assets are not permitted to be capitalized
 - Dividend is payable on the calls paid in advance by shareholders.
19. Which of the following accounts can be used for transfer to capital redemption reserve account?
- General reserve account
 - Forfeited shares account
 - Profit prior to incorporation
 - Securities premium account
20. Securities premium cannot be used to
- Issue bonus shares
 - Redeem preference shares
 - Write - off preliminary expenses
 - Write - off discount on issue of shares
21. Which of the following cannot be used for the purpose of creation of capital redemption reserve account?
- Profit and loss account (credit balance)
 - General reserve account
 - Unclaimed dividend account
 - All of the above
22. Which of the following statements is true?
- A debenture holder is an owner of the company
 - A debenture holder can get his money back only on the liquidation of the company.
 - A debenture issued at a discount can be redeemed at a premium
 - A debenture holder receives interest only in the event of profits
23. Premium on redemption of debentures account appearing in the balance sheet is.
- A real account
 - A nominal account - income
 - A personal account
 - A nominal account - expenditure
24. Which of the following statements is false?
- At maturity, debenture holders get back their money as per the terms and conditions of redemption
 - Debentures can be forfeited for non payment of call money
 - In company's balance sheet, debentures are shown under secured loans
 - Interest on debentures is charged against profits
25. Which of the following statements is false?
- A company can issue convertible debentures
 - Debentures cannot be secured
 - A company can issue redeemable debentures
 - Debentures have no right to participate in profits over and above their fixed interest
26. Debenture interest
- Is payable only in case of profits
 - Accumulates in case of losses or inadequate profits
 - Is payable after the payment of preference dividend but before the payment of equity dividend
 - Is payable before the payment of any dividend on shares.
27. Which of the following is/are true with respect to debentures?
- They can be issued for cash
 - They can be issued for consideration other than cash
 - They cannot be issued as collateral security
 - Both a. and b. above
28. When debentures are issued as collateral security, the final entry for recording the collateral debentures in the books is,
- Credit Debentures A/c and debit Cash A/c.
 - Debit Debenture suspense A/c and credit Cash A/c.
 - Debit Debenture suspense A/c and credit Debentures A/c.
 - Debit cash A/c and credit the loan A/c for which security is given.
29. Which of the following is false?
- A company can issue redeemable debentures
 - A company can issue debentures with voting rights
 - A company can buy its own shares
 - A company can buy its own debentures
30. Which of the following is false with respect to debentures?
- They can be issued for cash
 - They can be issued for consideration other than cash
 - They can be issued as collateral security
 - They can be issued in lieu of divides
31. Which of the following statements is false?
- Debenture is a form of public borrowing
 - It is customary to prefix debentures with the agreed rate of interest in case of fixed interest.
 - Debenture interest is a charge against profits
 - The issue price and redemption value of debentures cannot differ.
32. Interest on debentures is calculate on
- Its face value
 - Its issue price
 - Its market price
 - Its redemption price
33. Discount on issue of debentures is a,
- Revenue loss to be charged in the year of issue
 - Capital loss to be written off from capital reserve
 - Capital loss to be written of over the tenure of the debentures
 - Capital loss to be shown as goodwill
34. When debentures are issued as collateral security against any loan then holder of such debentures is entitled to
- Interest only on the amount of loan
 - Interest only on the face value of debentures
 - Interest both on the amount of the loan and on the debentures
 - None of the above

35. A Ltd. purchased land and building from B Ltd. for a book value of Rs. 2,00,000. The consideration was paid by issue of 12% Debentures of Rs. 100 each at a premium of 25%. The debentures account is credited with.
- a. Rs. 2,60,000 b. Rs. 2,50,000
c. Rs. 2,40,000 d. Rs. 1,60,000
36. A Ltd. issued 5,000, 12% debentures of Rs. 100 each at premium of 10% which are redeemable after 10 years at a premium of 20%. The amount of loss on redemption of debentures to be written off every year = ?
- a. Rs. 80,000 b. Rs. 40,000
c. Rs. 10,000 d. Rs. 8,000

Answer to the Multiple Choice Questions

1.	d	2.	c	3.	c	4.	a	5.	d	6.	b	7.	d	8.	d	9.	d	10.	a
11.	c	12.	b	13.	d	14.	b	15.	b	16.	b	17.	a	18.	a	19.	a	20.	b
21.	c	22.	c	23.	c	24.	b	25.	b	26.	d	27.	d	28.	c	29.	b	30.	d
31.	d	32.	a	33.	c	34.	a	35.	d	36.	c								

Attempt any SIX questions.

1. Following cash and banking transaction of a month are given to you.

1. Balance of cash Rs. 30,000 and bank Rs. 40,000.
2. Purchased goods for Rs. 15,000, paid Rs. 5,000 on cash and balance by cheque after allowing discount of Rs. 500.
15. Rent received Rs. 12,000.
22. Sale of goods Rs. 21,000, received Rs. 5,000 on cash and the balance through cheque after deduction discount of Rs. 1,600.
27. Deposited cash into the bank Rs. 10,000.

Required: Cash book with cash and bank column

12. Following information are given to you.

On 30th Chaitra, the cash book showed debit balance Rs. 16,000

- Cheque sent for collection of Rs. 5,000 but credited by bank only Rs. 2,000.
- Cheque issued of Rs. 4,000 but not presented at bank.
- Bank interest of Rs. 1,000 has been collected by bank but not recorded in cash book.
- Service charges Rs. 200 shown in pass book only.
- A debtor directly deposited Rs. 2000 into bank.

Required: Bank reconciliation statement

13. The transactions related to machinery are as under:

- 01.07.2015 : Purchased a machinery for Rs. 60,000.
- 01.01.2016 : Purchased machinery for Rs. 40,000.
- 30.06.2017 : Sold machinery purchased on 2015 for Rs. 48,235 and purchased next machinery for Rs. 20,000.

Accounts are closed on 31st December and rate of depreciation: @ 10%.

Required: Machinery account for three years under reducing balance method

14. Stores transactions during the month of Magh are as under:

Magh 1 : Opening balance: 500 Units @ Rs. 10 Per Unit

Purchased

Magh 4 : 600 Units @ Rs. 11 Per Unit

Magh 9 : 600 Units @ Rs. 12 Per Unit

Magh 20 : 800 Units @ Rs. 12 Per Unit

Issued

Magh 7 : 500 Unit

Magh 15 : 500 Unit

Magh 25 : 400 Unit

Stock Verification loss

Magh 28 : 20 Unit

Required: Store ledger Under FIFO method

15. Define accounting. Mention any three objective of accounting.

16. What are the various users of accounting information? Explain.

17. Differentiate between Going concern concept and Business entity concept.

Group 'C':

[2×10=20]

Attempt any two questions.

18. Following transactions are provided to you.

- 01 March : Started business with cash Rs. 200,000.
- 04 March : Deposited cash into bank Rs. 50,000.
- 13 March : Purchased goods from creditors for 80,000 and paid cash only 30,000.
- 17 March : Sold goods on cash Rs. 100,000.
- 20 March : Paid salary Rs. 15,000 through cheque.
- 23 March : Received interest Rs. 10,000.
- 30 March : Paid to creditors cash Rs. 18,000 and received discount Rs. 2,000.
- 31 March : Returned goods to creditors of Rs. 5,000.

Required: Journal entries and creditors account

19. The following is the trial balance of a businessman as on 31st December 2017.

Particulars	Dr. Amount	Particulars	Cr. Amount
Opening stock	18,000	Sales	220,000
Purchase.....	71,000	Return outwards	1,500
Return inwards	1,000	Loan.....	20,000
Wages.....	11,000	Bills payable.....	2,500
Carriage on purchase	2,500	Capital	40,000
Printing and stationery	2,000	Discount received	1,000
Salaries	2,800		
Insurance expenses.....	3,000		
Plant & machinery	120,000		
Debtors.....	10,500		
Cash at bank.....	11,600		
Rent expenses.....	6,600		
Drawings	3,000		
Furniture.....	22,000		
	2,85,000		2,85,000

Additional information:

- Closing stock is valued at Rs. 25,000.
- Depreciation on plant & Machinery @ 15% & on Furniture @ 10%
- Outstanding wages Rs. 4,000.
- Prepaid insurance Rs. 500.

Prepare:

- a. Trading account
- b. Profit and loss Account
- c. Balance sheet as on 31st December 2017

20. Define company. Differentiate between private and public company.