

Solved by ABr & Chanda Rehman

Final MCQs

It is supposed that on 31st December, 2007, the sundry debtors are amounted to Rs. 40,000. On the basis of past experience, it is estimated that 10% of the sundry debtors are doubtful. Actual bad debts are Rs. 1600. What amount of new provision for doubtful debts will be credited in profit & loss account

▶ Rs. 3,600

▶ **Rs. 4,000 correct**

▶ Rs. 1,600

▶ Rs. 2,400

Explanation:

40,000 x 10% = 4000

NOTE: 1600 are already declared as ACTUAL BAD DEBTS. only DOUBTFUL debts are required

If Cost of asset = Rs. 100,000, Residual Value (RV) = Rs. 20,000 and Life = 3 years, what will be the rate of depreciation?

10%

22%

42%

52%

$$\text{Rate} = 1 - \sqrt[n]{RV / C}$$

Where:

RV = Residual Value

C = Cost

n = Life of Asset

Calculate the rate if:

Cost = 100,000

Residual Value (RV) = 20,000

Life = 3 years

$$\text{Rate} = 1 - \sqrt[3]{20000/100000}$$

= 42%

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ▶ Rs.89, 700
- ▶ Rs.94, 700
- ▶ **Rs.95, 300**
- ▶ Rs.100, 300

profit 95000

less capital interest 2500
add drawing interest 2800
95300

Question No: 27 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.42,350
- ▶ **Rs.44,150**
- ▶ Rs.41,600
- ▶ Rs.40,850

Profit = 85000
Add markup on drawings = 1500 + 1800 = 3300
Total net profit = 88300
Profit share of B = 88300/2 = 44150

Question No: 28 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.85,000. What will be the profit share of Mr. B?

- ▶ Rs.40,000
- ▶ **Rs.43,000**
- ▶ Rs.130,000
- ▶ Rs.133,000

Net Profit = 85000
Add markup on Drawings = 3000
Less markup on Capital = 2000
Total Profit of the firm = 85000 + 3000 - 2000 = 86000
Profit of B = 86000 / 2 = 43000

Question No: 23 (Marks: 1) - Please choose one

Accumulated depreciation is a _____ account?

- ▶ Fixed asset
- ▶ Current asset
- ▶ **Contra asset**
- ▶ Liability

Question No: 28 (Marks: 1) - Please choose one

Which of the following statement is not true regarding the objective of statement of cash flows?

- ▶ It is helpful for decision making by management
- ▶ **It is used for reporting the net profit of the period**
- ▶ It can be used for estimations for cash flows in future
- ▶ It is used to determine the liquidity of the business

Question No: 30 (Marks: 1) - Please choose one

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ▶ Receivables
- ▶ Receipts from Capital
- ▶ Current and intangible assets
- ▶ **Cash equivalents**

Question No: 46 (Marks: 1) - Please choose one

Which of the following is an example of cash outflow for a company?

- ▶ Cash collected from customers
- ▶ **Cash paid for merchandise inventory**
- ▶ Writing off an uncollectible accounts receivable
- ▶ Reclassifying accounts payable to notes payable

Question No: 10 (Marks: 1) - Please choose one

When the capitals are fixed, which of the following account will be debited for drawings made by a partner?

- ▶ **Individual Partner's Current Account**
- ▶ Partner's Cash Account
- ▶ Partner's Bank Account
- ▶ Partners Capital Account

Question No: 42 (Marks: 1) - Please choose one

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ▶ **Cost of goods sold**
- ▶ Indirect cost
- ▶ Selling cost
- ▶ Factory over head cost

Question No: 41 (Marks: 1) - Please choose one

XYZ Company has paid up capital of 20,000 shares of Rs. 100 each. The company offers to existing shareholders the right to buy 3 shares of Rs. 100 each at Rs. 125 for every 5 shares held. What would be the number of right shares?

- ▶ 120 right shares
- ▶ **12,000 right shares**
- ▶ 15,000 right shares
- ▶ 25,000 right shares

Total shares = 20000

5 existing shares can buy = 3 new shares

1 existing share can buy = 3/5 new shares

20000 existing shares can buy = 20000 * 3/5 = 12000 new shares = right shares

Question No: 46 (Marks: 1) - Please choose one

Which of the following is an example of Cash flow from operating activities?

- ▶ Cash payment to acquired fixed assets
- ▶ Issuing stock
- ▶ Cash collection as a result of machinery sold
- ▶ **Cash payment to suppliers for goods and services**

Question No: 9 (Marks: 1) - Please choose one

Which of the following statement is **TRUE** about the Accounts receivable?

- ▶ Accounts receivable arises when a company buys goods or services from another party on credit
- ▶ **Accounts receivable is a miscellaneous category that may include loans to employees**
- ▶ Accounts receivable are more formal than notes receivable
- ▶ Accounts receivable are often called trade receivables

Question No: 11 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as a cash outflow?

- ▶ **The payments for purchases made during the year**
- ▶ A decrease in trade debtors over the course of an accounting period
- ▶ Money received as a result of issuing new shares
- ▶ Money received as result of selling fixed assets

Question No: 13 (Marks: 1) - Please choose one

The beginning balance of retained earnings was Rs. 7,500. The dividends paid to stockholders' were Rs.1, 500. The ending balance of retained earnings is Rs. 5,000. What was the net income or net loss for the accounting period?

- ▶ **Net loss of Rs.1, 000**
- ▶ Net income of Rs. 1,000
- ▶ Net loss of Rs. 2,000
- ▶ Net income of Rs. 2,500

Question No: 35 (Marks: 1) - Please choose one

Which one of the following cost is **NOT** attributable to the fixed assets?

- ▶ Costs of site preparation
- ▶ **Administration and other general overhead cost**
- ▶ Initial delivery and handling charges
- ▶ Installation and assembly costs

Question No: 44 (Marks: 1) - Please choose one

A company is said to have been registered when:

- ▶ **It gets certificate of incorporation from registrar of Companies**
- ▶ It gets certificate of commencement of business from registrar of Companies
- ▶ It actually starts its business
- ▶ It filed with the Registrar of Companies certain documents, like memorandum and articles of association

Question No: 10 (Marks: 1) - Please choose one

Notes to the accounts explain which of the followings

Nature of business of the company
Accounting Policies of the company

Details and explanation of items given in the Profit and Loss Account and Balance Sheet

All of the given options <http://www.vustudents.net>

Question No: 6 (Marks: 1) - Please choose one

Cash flow from operating activities is generated from:

.
The cash receipts and payments that arise from Fixed and Long Term assets of the organization.

.
Cash generated from daily operations of organization

The cash receipts and payments that arise from Owners of the business and other long term liabilities of the organization

None of the given options

Question No: 47 (Marks: 1) - Please choose one

Particulars	Rs.
Debentures	1, 50,000
Equity Capital	2, 00,000
General Reserve	90, 000
Accumulated profit	60,000

What is debt equity ratio ?

15: 20 (or 3:4)

15:24 (or 5: 8)

15:29

15:35 (or 3: 7)

Total Debt = Debentures = 150000

**Total Equity = Equity capital + General Reserve + Accumulated profit
= 200000 + 90000 + 60000 = 350000**

Debt: Equity

150000: 350000

15: 35

3:7

Question No: 48 (Marks: 1) - Please choose one

In which situation(s) Partnership is dissolved?

In case of death of partner

At the admission of new partner

If any partner resigned from partnership

All of the given options

Depreciation arises because of:

- ▶ Fall in the market value of an asset
- ▶ Fall in the value of money
- ▶ **Physical wear and tear**
- ▶ All of the given options

Question No: 50 (Marks: 1) - Please choose one

Which one of the following is equal to the carrying cost of an asset?

- ▶ **Original cost minus Accumulated depreciation**
- ▶ Original cost plus Accumulated depreciation
- ▶ Original cost minus Residual value
- ▶ Written down value minus Accumulated depreciation

\ Question No: 25 (Marks: 1) - Please choose one

Which of the following is an example of operating expense?

- ▶ Purchasing operating equipment
- ▶ **Purchasing cleaning services**
- ▶ Purchasing an investment in another company
- ▶ Purchasing a computer for the accounting office

Question No: 45 (Marks: 1) - Please choose one

The amount of share premium can be utilized EXCEPT:

- ▶ To write off preliminary expenses
- ▶ **To meet the expenses of issue of shares**
- ▶ To distribute among the shareholders
- ▶ To issue bonus shares

Question No: 46 (Marks: 1) - Please choose one

A company pays cash to purchase the stock of another company in an unrelated industry. The cash outflow can be considered as an:

- ▶ Operating activity that will appear on the statement of cash flows
- ▶ Operating activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry

▶ **Investing activity that will appear on the statement of cash flows**

- ▶ Investing activity that will not appear on the statement of cash flows due to the fact of stock from a company in an unrelated industry

Question No: 35 (Marks: 1) - Please choose one

Which of the following is TRUE about capital receipt?

- ▶ **It decreases value of property or increases value of liability**
- ▶ It is shown in the income and expenditure account
- ▶ It is recurring in nature
- ▶ It is not shown in the statement of financial positions

A private limited company can commence its business:

- ▶ **Immediately on receiving a certificate of incorporation**
- ▶ Without receiving a certificate of incorporation
- ▶ Only when it receives certificate of commencement of business
- ▶ Only when it receives both, the certificate of incorporation as well as certificate of commencement of business

The persons who sign articles and memorandum of the company and contribute in the initial share capital of the company are called:

▶ **Subscribers**

- ▶ Shareholders
- ▶ Managers
- ▶ Directors

Question No: 38 (Marks: 1) - Please choose one

Find out the missing value of an Accounting Equation with the help of given data:

Cash	Rs. 22,500
Debtors	Rs. 500
Total Assets	Rs. 80,385
Accounts payable	Rs. 1,000
Total liabilities	Rs. 20,000

- ▶ **Rs. 60,385 owner's equity**
- ▶ Rs. 61,385 owner's equity
- ▶ Rs. 99,885 owner's equity
- ▶ Rs. 99,385 owner's equity

Identify that which of the following particular(s) would **NOT** be shown in the format of a Cash Book?

- (1) Cheque number
- (2) Date of transaction
- (3) Amount of transaction

▶ **(1) only**

- ▶ (1) & (2) only
- ▶ (1) & (3) only
- ▶ (2) & (3) only

Question No: 50 (Marks: 1) - Please choose one

Economic resources owned by a business and expected to benefit for the future operations are called:

▶ Expenses

▶ **Assets**

▶ Capital

▶ Liabilities **Question No: 45 (Marks: 1) - Please choose one**

If the cost of sales is Rs. 60,000, sales are Rs. 95,000 and operating expenses are Rs. 20,000 during the year, what would be the value of Gross Profit?

▶ Rs. 15,000

▶ **Rs. 35,000**

▶ Rs. 55,000

▶ Rs. 60,000

Question No: 41 (Marks: 1) - Please choose one

Particulars	Rs.
Opening stock of raw material	100,000
Closing stock of raw material	85,000
Purchases of raw material during the period	200,000
Cost of Material Consumed	?

▶ Rs. 205,000

▶ **Rs. 215,000**

▶ Rs. 220,000

▶ Rs. 225,000

Question No: 43 (Marks: 1) - Please choose one

What would be the value of total factory cost, if the cost of material consumed during the month is Rs. 6,000, labor cost incurred is Rs. 2,000 and the factory over head cost is Rs. 2,500?

▶ Rs. 6,000

▶ Rs. 8,000

- ▶ Rs. 4,500
- ▶ **Rs. 10,500**

Question No: 40 (Marks: 1) - Please choose one

Consider the following inventory record:

Date	Item	Quantity	Cost/Unit	Total
2007Jan. 2	Opening inventory	100	Rs.18.00	Rs.1,800
Mar. 4	Purchase	400	19.00	7,600
May 8	Purchase	800	20.00	16,000
Nov. 3	Purchase	500	21.00	10,500

Four hundred units are unsold, Use the FIFO method of inventory costing and determine the value assigned to the 400 units on hand at the end of the period.

- ▶ Rs.7, 500
- ▶ Rs.7, 978
- ▶ Rs.8, 000
- ▶ **Rs.8, 400**

Question No: 34 (Marks: 1) - Please choose one

If Bad Debts written off are given in adjustment, then which of the following entry for bad debts written off is **CORRECT**?

- ▶ Bad debts a/c (Dr) and Trading a/c (Cr)
- ▶ Provision for Bad and Doubtful debts a/c (Dr) and Bad debts a/c(Cr)
- ▶ **Bad debts a/c (Dr) and debtors a/c (Cr)**
- ▶ Trading a/c (Dr) and Bad debts a/c (Cr)

Question No: 35 (Marks: 1) - Please choose one

Consider the following data:

Provision created in 2006	Rs. 2,500
Bad debts in 2007	Rs. 1,500
Sundry debtors on 31-12- 2007 were Rs. 40,000 and provision is created @ 5%.	
Which journal entry is Correct for the provision for doubtful debts for the year 2007.	

- ▶ Provision for doubtful debts a/c Rs. 1,000 (Dr) & Profit & Loss a/c Rs. 1,000 (Cr)
- ▶ **Profit & Loss a/c Rs. 2,000 (Dr) & Provision for doubtful debts a/c Rs. 2,000 (Cr)**
- ▶ Provision for doubtful debts a/c Rs. 2,000 (Dr) & Profit & Loss a/c Rs. 2,000 (Cr)
- ▶ Profit & Loss a/c Rs. 1,000 (Dr) & Provision for doubtful debts a/c Rs. 1,000 (Cr)

Question No: 31 (Marks: 1) - Please choose one

Which of the following is shown on credit side of creditors control account?

- ▶ Bills Receivable
- ▶ **Return inwards**
- ▶ Credit purchases
- ▶ Discount allowed

Question No: 26 (Marks: 1) - Please choose one

Which of the following is **NOT** correct about income tax?

- ▶ Different companies pay tax on different rates
- ▶ It is treated as an expense and debited in Profit & Loss account
- ▶ When financial statements are prepared, an estimate of expected tax liability is made

▶ **It is treated as an expense and credited in Profit & Loss account**

Question No: 27 (Marks: 1) - Please choose one

Following information are extracted from books of Mr. XYZ

Particulars	Rs.
Closing value of stock	40,000
Write off Bad debts (given in adjustments)	2,400
Sundry Debtors (given in trial balance)	33,200
Provision is created on Debtors at 10%	

Identify the Total amount deducted from Sundry debtors.

- ▶ Rs. 460
- ▶ Rs. 2,400
- ▶ Rs. 3,080
- ▶ **Rs. 5,480**

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Question No: 25 (Marks: 1) - Please choose one

A financial statement that indicates the success or failure of a business, over a period of time is called:

- ▶ A cash flow statement
- ▶ A retained earnings statement
- ▶ **An income statement**
- ▶ A balance sheet

Question No: 20 (Marks: 1) - Please choose one

When closing stock is given in trial balance, then it will effect:

- ▶ Trading account only
- ▶ **Balance sheet only**
- ▶ Owner's equity only
- ▶ Both Trading account and Balance sheet

Question No: 11 (Marks: 1) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period then it had at the beginning. Which of the followings, on its own, could explain this?

- ▶ Not paying invoices received from creditors
- ▶ The sale of fixed assets during the period
- ▶ **An increase in trade debtors over the course of the period**
- ▶ An increase in the depreciation charge relative to the previous accounting period

Question No: 54 (Marks: 1) - Please choos

What is the reason that some short term creditors prefer quick ratio over current ratio as a measure of short-term liquidity?

- ▶ Short operating cycle of the company
- ▶ Long operating cycle of the company
- ▶ Liquidity is not affected by operating cycle
- ▶ It is the creditor's choice

Question No: 45 (Marks: 1) - Please choose one

The amount of prepaid insurance that expired in the current accounting period should be reported as _____.

- ▶ Prepaid insurance
- ▶ Insurance expense
- ▶ Insurance payable
- ▶ Insurance paid

Question No: 41 (Marks: 1) - Please choose one

Which of the following statement is correct? If a company fails to record estimated bad debts expense,

- ▶ Net realizable value is understated
- ▶ Expenses are understated
- ▶ Revenues are understated
- ▶ Receivables are understated

Which of the following is not a cause of difference in balances as per pass book and cash book?

- ▶ Error in cash book
- ▶ Error in pass book
- ▶ Direct deposit
- ▶ Un credited cheques

Question No: 31 (Marks: 1) - Please choose one

Particulars	
Nominal value of each share	Rs.10
No of shares issued	10,000 shares
Net profit	Rs. 20,000
Divided paid	10%
What is the EPS	?

- ▶ Rs. 1.00
- ▶ Rs. 2.00
- ▶ Rs. 3.00
- ▶ Rs. 4.00

Question No: 28 (Marks: 1) - Please choose one

Which of the following is (are) **NOT** example(s) of distributable profit?

- ▶ None of the given options
- ▶ General reserve
- ▶ Accumulated profit and loss (credit balance)
- ▶ Revaluation reserves

Question No: 10 (Marks: 1) - Please choose one

The Primary objective of providing depreciation is:

- ▶ To calculate true profit
- ▶ To show the asset on market value
- ▶ To reduce tax Burdon
- ▶ To provide funds for replacement

Question No: 5 (Marks: 1) - Please choose one

Which of the following summarizes the cash movements during a specified period?

- ▶ Trading account
- ▶ Profit & Loss account
- ▶ Receipts & Payments account
- ▶ Balance Sheet

Question No: 49 (Marks: 1) - Please choose one

Sanders Construction sold a plant asset that originally cost Rs.80,000 for Rs.52,000 cash. If Sanders correctly reports a Rs.5,000 gain on this sale, the accumulated depreciation on the asset at the date of sale must have been:

- ▶ Rs.23,000
- ▶ Rs.28,000
- ▶ **Rs.33,000**
- ▶ Some other amount

Question No: 34 (Marks: 1) - Please choose one

A company is said to have been registered when:

- ▶ It gets certificate of incorporation from registrar of Companies
- ▶ It gets certificate of commencement of business from registrar of Companies
- ▶ It actually starts its business
- ▶ It filed with the Registrar of Companies articles certain documents, like memorandum and articles of association

In Income Statement, both beginning inventory and ending inventory appear in the section of:

- ▶ **Cost of good sold**
- ▶ Indirect cost
- ▶ Selling cost
- ▶ Factory over head cost

Question No: 13 (Marks: 1) - Please choose one

The Primary objective of providing depreciation is:

- ▶ To calculate true profit
- ▶ To show the asset on market value
- ▶ To reduce tax Burdon
- ▶ To provide funds for replacement

Question No: 23 (Marks: 1) - Please choose one

Which of the following value of the share is authorized by the memorandum of association?

- ▶ Par value
- ▶ Face value
- ▶ Nominal value
- ▶ All of the given options

Question No: 54 (Marks: 1) - Please choose one

Which of the following is one of the major factors affecting the market value of a company's shares?

- ▶ Current ratio
- ▶ Earning per share
- ▶ Return on investment
- ▶ Return on asset

Question No: 47 (Marks: 1) - Please choose one

Deferred revenues will become revenue when they are:

- ▶ Realized
- ▶ Earned
- ▶ Incurred
- ▶ Paid

Question No: 50 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. B?

- ▶ Rs.52,500
- ▶ Rs.42,500
- ▶ Rs.41,500
- ▶ Rs.50,500

Question No: 47 (Marks: 1) - Please choose one

Adjusting costs are reported as:

- ▶ Revenues
- ▶ Expenses

- ▶ Assets
- ▶ Net Income

Question No: 48 (Marks: 1) - Please choose one

Which of the following is also affected when an adjusting entry is passed to accrue an incurred expense?

- ▶ Total assets
- ▶ Total liabilities
- ▶ Current assets
- ▶ Total income

Question No: 36 (Marks: 1) - Please choose one

The statement of changes in equity basically shows the movement of:

- ▶ share capital during the year
- ▶ Capital reserves during the year
- ▶ Revenue Reserves during the year
- ▶ All of the given options

Question No: 54 (Marks: 1) - Please choose one

In statement of cash flows, interest payment made on loan from bank is related to:

- ▶ Investing activity
- ▶ Financing activity
- ▶ Operating activity
- ▶ Net changes in working capital

Question No: 52 (Marks: 1) - Please choose one

Which of the following financial statement is helpful for the investors and creditors to assess the cash and non cash aspects of operating, investing and financing transactions on an entity's financial position?

- ▶ Balance Sheet
- ▶ Income Statement
- ▶ Statement of cash flows

- ▶ Statement of changes in equity

Question No: 32 (Marks: 1) - Please choose one

The primary purpose of preparing a cash flow statement for an entity is to provide information about:

- ▶ Its financial position at the end of an accounting period
- ▶ Its cash receipts and cash payments during an accounting period
- ▶ Its financial position at the start of an accounting period
- ▶ None of the given options

Question No: 27 (Marks: 1) - Please choose one

Capital account of sole proprietors is affected by which of the following items?

- Profit & Loss account
- Drawings account
- Balances of capital account

- ▶ a,b
- ▶ b,c
- ▶ a,c
- ▶ a,b,c

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Question No: 52 (Marks: 1) - Please choose one

According to the statement of cash flows following are the examples of investing activities except:

- ▶ Sales of machinery
- ▶ Capital invested by the owners
- ▶ Purchase of building for the business use
- ▶ Cash received from the disposal of equipment

Question No: 46 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,500 and markup on drawings of Mr. B is Rs.2,800. The net income for the year is Rs.95,000. What will be the amount of distributable profit?

- ▶ Rs.89,700
- ▶ Rs.94,700
- ▶ Rs.95,300
- ▶ Rs.100,300

Question No: 44 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal share in profit or loss. The agreement provides that Mr. A will receive Rs.10,000 and Mr. B will receive Rs.8,000 as salary allowance. The net income for the year is Rs.85,000. What will be the total share of Mr. A?

- ▶ Rs.52,500
- ▶ Rs.42,500
- ▶ Rs.43,500
- ▶ Rs.50,500

Question No: 26 (Marks: 1) - Please choose one
Which of the following is an example of operating expense?

- ▶ Purchasing operating equipment
- ▶ **Purchasing cleaning services**
- ▶ Purchasing an investment in another company
- ▶ Purchasing a computer for the accounting office

Question No: 3 (Marks: 1) - Please choose one
According to the double entry system of accounting, an account that obtains benefit is:

- ▶ Debit
- ▶ **Credit**
- ▶ Income
- ▶ No need to show as accounting record

Question No: 54 (Marks: 1) - Please choose one

Which of the following is a detailed record of an individual account in case of large business?

Control Account

Subsidiary Ledger

Balance Sheet

Trial Balance Question No: 43 (Marks: 1) - Please choose one

A firm may earn profit during an accounting period but have less money in the bank at the end of the period than it had at the beginning. Which of the followings, on its own, could explain this?

Not paying invoices received from creditors

The sale of fixed assets during the period

An increase in trade debtors over the course of the period

An increase in the depreciation charge relative to the previous accounting Period

Question No: 2 (Marks: 1) - Please choose one

What does a credit balance in a partner's current account represent to a business?

- ▶ Current Assets
- ▶ Current Liability
- ▶ **Long-term liability**
- ▶ Share of profit

Question No: 3 (Marks: 1) - Please choose one

Which of the following ratio tells about "How a company would repay its loans"

- ▶ **Mark up cover ratio**
- ▶ Acid test ratio

- ▶ Current ratio
- ▶ Debt Equity ratio

Question No: 54 (Marks: 1) - Please choose one

Which of the following is NOT based on the concept of double entry book keeping system?

- ▶ **Subsidiary Ledgers**
- ▶ Creditors Control Accounts
- ▶ Debtors Control Accounts
- ▶ All of the given options

Question No: 44 (Marks: 1) - Please choose one

Deferred cost is classified as:

- ▶ Current liability
- ▶ Current asset
- ▶ **Non-current asset**
- ▶ Non-current liability

A deferred cost can be a liability or expenditure not recorded as a cost of operation for the period in which it was incurred, but to be written off on a later date. Deferred costs can also be prescribed to assets that cannot be reliably recognized as such, but need to be deferred to be matched with future income in order to avoid a distorted net income.

Question No: 4 (Marks: 1) - Please choose one

When preparing cash flow statements, the repayments of a loan during the year should be included under which of the following heading?

- ▶ Operating activities
- ▶ **Financing activities**
- ▶ Investing activities
- ▶ None of the given options

Question No: 44 (Marks: 1) - Please choose one

The company ABC purchased an asset for Rs. 40,000, paying 30,000 in cash and issuing a long term note payable for remaining balance. The amount will be recorded in statement of cash flows as:

- ▶ Rs. 40,000 cash outflow as investing activity
- ▶ **Rs. 30,000 cash outflow as investing activity**
- ▶ Rs. 10,000 cash inflow as investing activity
- ▶ Rs. 70,000 cash inflow as investing activity

Question No: 38 (Marks: 1) - Please choose one

What is the treatment of Accumulated Depreciation in Balance Sheet?

- ▶ It may treated as a deficit
- ▶ It may treated as a surplus
- ▶ It may treated as a revenue
- ▶ **None of the given options**

Question No: 32 (Marks: 1) - Please choose one

An example of financing activities in the context of cash flow statement is:

- ▶ Capital expenditures on purchase of fixed assets
- ▶ Long-term deposit
- ▶ **Financial charges paid**
- ▶ Dividend paid

Question No: 36 (Marks: 1) - Please choose one

What is the treatment of Accumulated Depreciation in Balance Sheet?

- ▶ It may treated as a deficit
- ▶ It may treated as a surplus
- ▶ It may treated as a revenue
- ▶ **None of the given options**

Question No: 47 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership with an equal investment and equal share in profit or loss. Markup on capital of Mr. A is Rs.2,000 and markup on drawings of Mr. B is Rs.3,000. The net income for the year is Rs.50,000. What will be the profit share of Mr. A?

- ▶ Rs.22, 500
- ▶ **Rs.25, 500**
- ▶ Rs.27, 500
- ▶ Rs.55, 000

Question No: 40 (Marks: 1) - Please choose one

In cash flow statements, which of the following would appear as an inflow of cash?

- ▶ The repayments of a bank loan
- ▶ Dividend issue in the current year
- ▶ **Money received as result of selling fixed assets**
- ▶ The difference between the valuations of old and new fixed assets

Question No: 54 (Marks: 1) - Please choose one

Which of the following ratio cannot be computed for a period in which the company incurs a net loss?

- ▶ Acid-test ratio doubted
- ▶ **Return on investment**
- ▶ Price-earning ratio
- ▶ None of the given options

Question No: 45 (Marks: 1) - Please choose one

Expenditures incurred annually on renewal of patent are known as:

- ▶ **Revenue Expenditures**
- ▶ Capital Expenditures
- ▶ Deferred Expenditures

- ▶ None of the given options

Question No: 38 (Marks: 1) - Please choose one

How dividend declared is treated in the Balance Sheet of the company?

- ▶ Provision
- ▶ **Current liability**
- ▶ Reserves and surplus
- ▶ Current assets

Question No: 54 (Marks: 1) - Please choose one

Short term investments in marketable securities and treasury bills that will mature within ninety days from the date of acquisition, must be classified as:

- ▶ Receivables
- ▶ Receipts from Capital
- ▶ Current and intangible assets
- ▶ **Cash equivalents**

Question No: 49 (Marks: 1) - Please choose one

Mr. A & B entered into a partnership invested Rs.50,000 and Rs.65,000 with an equal share in profit or loss. Markup on drawings of Mr. A is Rs.1,500 and of Mr. B is Rs.1,800. The net income for the year is Rs.85,000. What will be the amount of distributable profit?

- ▶ Rs.81,700
- ▶ **Rs.88,300**
- ▶ Rs.131,700
- ▶ Rs.146,700

Question No: 36 (Marks: 1) - Please choose one

Which of the following accounts would be increased with a debit?

Contributed Capital
Retained Purchases returns account and sales account
Sales account, **purchase account** and A s account
Both of Mr. P's & Mr.Q's Account

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