

171/2015

Maximum : 100 marks

Time : 1 hour and 15 minutes

1. Which of the following is not the objective of internal check?
 - (A) Division of work among the staff
 - (B) Error and fraud are automatically detected
 - (C) Prevention of error and frauds
 - (D) Allow the staff to do any single work from beginning to end

2. Right shares enjoy preferential right as regards :
 - (A) Payment of retained earnings
 - (B) Payment of dividend
 - (C) Payment of capital
 - (D) None of the above

3. Which of the following methods of inventory valuation result in higher valuation of inventory when there is a decreasing trend in prices?
 - (A) FIFO
 - (B) LIFO
 - (C) HIFO
 - (D) NIFO

4. The amount of depreciation charged under annuity method :
 - (A) remains fixed for all years
 - (B) decreases every year
 - (C) increases every year
 - (D) recalculated every year

5. The debit balance in the bank column of cash book indicates :
 - (A) The amount withdrawn from bank
 - (B) Total amount deposited in bank
 - (C) Cash at bank
 - (D) Bank overdraft

6. At the end of the accounting year nominal accounts are :
 - (A) Balanced and transferred to the P & L a/c
 - (B) Not balanced and transferred to the P & L a/c
 - (C) Not balanced and transferred to balance sheet
 - (D) Balanced and transferred to balance sheet

7. Premium on redemption of debenture is _____ a/c.
 - (A) Personal
 - (B) Nominal
 - (C) Real
 - (D) None of the above

8. If the shares are forfeited, the share capital a/c is debited by :
- | | |
|-----------------------------|-----------------------------|
| (A) call up value of shares | (B) paid up value of shares |
| (C) face value of shares | (D) issue price of shares |
9. The process of recording financial data upto trial balance is :
- | | |
|------------------|-----------------|
| (A) Book keeping | (B) Classifying |
| (C) Summarising | (D) Analysing |
10. Average profit = 3,72,000, Normal rate of return = 12%, Total asset = 68,00,000, outside liabilities = 42,00,000. Calculate the value of goodwill under capitalisation method.
- | | |
|--------------|--------------|
| (A) 5,00,000 | (B) 6,00,000 |
| (C) 7,00,000 | (D) 8,00,000 |
11. The maximum number of partners is mentioned in :
- | | |
|-----------------------------|---------------------|
| (A) Companies Act | (B) Partnership Act |
| (C) Limited Partnership Act | (D) None |
12. An accounting system which presents the balance sheet into two parts is called :
- | | |
|-------------------------|---------------------------|
| (A) Double entry system | (B) Double Account system |
| (C) Single entry system | (D) Statement of Affairs |
13. Voyage account is _____ account.
- | | |
|--------------|-------------------|
| (A) Real | (B) Nominal |
| (C) Personal | (D) None of these |
14. In self balancing, bought ledger adjustment account is opened in :
- | | |
|--------------------|-------------------|
| (A) Bought ledger | (B) Sold ledger |
| (C) General ledger | (D) None of these |
15. Manufacturing a/c is prepared to find out :
- | | |
|------------------------|----------------------------|
| (A) Cost of goods sold | (B) Cost of goods produced |
| (C) Net profit | (D) Work in progress |
16. The amount paid to an author for the use of copyright is called :
- | | |
|------------------|----------------|
| (A) Minimum rent | (B) Commission |
| (C) Patent | (D) Royalty |
17. Where the loss of an asset has been identified by the bank, but the amount has not been written off wholly or partly is known as :
- | | |
|----------------|------------------------|
| (A) Bad-debt | (B) Sub-standard asset |
| (C) Loss asset | (D) Doubtful asset |

18. Accounting principles are based on :
- | | |
|--------------------|------------------|
| (A) Objectivity | (B) Convenience |
| (C) Practicability | (D) Subjectivity |
19. Valuation and presentation of inventory is :
- | | |
|-----------|-----------|
| (A) IAS 5 | (B) IAS 4 |
| (C) IAS 1 | (D) IAS 2 |
20. Find the odd one :
- | | |
|--------------------------|----------------|
| (A) Purchase book | (B) Sales book |
| (C) Purchase return book | (D) Cash book |
21. If sales is ₹ 2,40,000, percentage of gross profit on sales 20%, purchase ₹ 1,75,000, closing stock ₹ 30,000. Then opening stock will be :
- | | |
|------------|------------|
| (A) 47,000 | (B) 60,000 |
| (C) 50,000 | (D) 67,000 |
22. If cost of an asset is ₹ 60,000 and life period is 4 years. The rate of depreciation is :
- | | |
|---------|---------|
| (A) 20% | (B) 30% |
| (C) 25% | (D) 33% |
23. _____ is against the principle of convention of conservation.
- | | |
|---|---------------------------------------|
| (A) Provision for bad-debts | (B) Provision for discount on debtors |
| (C) Provision for discount on creditors | (D) Provision for depreciation |
24. The term is used to write off the value of lease hold properties :
- | | |
|------------------|------------------|
| (A) Amortization | (B) Depreciation |
| (C) Obsolescence | (D) Depletion |
25. Ram sends 50 table fan to Rahim costing ₹ 300 per table fan to be sold at 20% above cost price. Sales will be :
- | | |
|------------|------------|
| (A) 18,000 | (B) 15,000 |
| (C) 20,000 | (D) 22,000 |
26. Acid test is same as :
- | | |
|--------------------|-----------------------|
| (A) Turn over test | (B) Quick test |
| (C) Liquid test | (D) None of the above |

27. Deferred cost is a :
- | | |
|-------------|-------------------|
| (A) Capital | (B) Liability |
| (C) Asset | (D) None of these |
28. The sale of a business asset on credit is recorded in :
- | | |
|--------------------------|---------------------|
| (A) Sales journal | (B) General journal |
| (C) Cash receipt journal | (D) None of these |
29. Marshalling of balance sheet means :
- (A) The totalling of its assets and liabilities
 (B) Excess of assets over liabilities
 (C) The order in which assets and liabilities are shown
 (D) None of these
30. Which one of the following is not considered the permanent part of the accounting record?
- | | |
|-------------------|-------------------|
| (A) Journal | (B) Trial balance |
| (C) Balance sheet | (D) Final a/c |
31. Error due to wrong allocation as expenditure between capital and revenue is regarded as :
- | | |
|-------------------------|-------------------------|
| (A) Error of omission | (B) Compensation errors |
| (C) Error of commission | (D) Error of principle |
32. Depreciation in spirit is similar to :
- | | |
|------------------|------------------|
| (A) Depletion | (B) Depression |
| (C) Amortisation | (D) Obsolescence |
33. The main object of an audit is :
- (A) expression of opinion
 (B) detection and prevention of fraud and error
 (C) both (A) and (B)
 (D) to verify the account and to report whether account have been drawn properly
34. A sale of ₹ 50,000 to A was entered as a sale to B. This is an example of :
- | | |
|------------------------|-------------------------|
| (A) Error of omission | (B) Error of commission |
| (C) Compensating error | (D) Error of principle |
35. Auditing standards differ from audit procedures relate to :
- | | |
|-----------------------|--------------------------|
| (A) audit assumptions | (B) acts to be performed |
| (C) quality criterion | (D) methods of work |

36. Professional skepticism requires that the auditor assume that management is :
 (A) Neither honest nor dishonest (B) Reasonably honest
 (C) Not necessarily honest (D) Dishonest unless proved otherwise
37. Audit of banks is an example of :
 (A) Statutory audit (B) Balance sheet audit
 (C) Concurrent audit (D) All of the above
38. Which of the following schedule of the Companies Act, 1956 deals with depreciation?
 (A) Schedule XIV (B) Schedule V
 (C) Schedule XIII (D) Schedule X
39. Which of the following auditing assurance standard deals with audit planning?
 (A) AAS-7 (B) AAS-8
 (C) AAS-9 (D) AAS-3
40. Concurrent audit is a part of :
 (A) Internal check system (B) Continuous audit
 (C) Internal audit system (D) None
41. Which of the following is a revenue reserve?
 (A) Capital redemption reserve (B) Security premium account
 (C) Debenture redemption reserve (D) Capital reserve
42. Who out of the following cannot be appointed as a statutory auditor of the company?
 (A) Erstwhile Director (B) Internal Auditor
 (C) Relative of a Director (D) Only (B) and (C)
43. The branch auditor is appointed by :
 (A) Shareholders in an AGM (B) Shareholders in GM
 (C) Board of directors in board meeting (D) Any of the above
44. The statutory auditor of a government company submits his report to :
 (A) The Board of Directors of the Company
 (B) The C & AG
 (C) The Legislature
 (D) The Company Secretary

45. The auditor is most likely to examine related party transactions very carefully while vouching :
- (A) credit sales (B) sales return
(C) credit purchases (D) cash purchase
46. The creditors accounts, generally, have credit balance. Debit balance may be due to :
- (A) Advance paid against an order (B) Goods returned
(C) Wrong debit to supplier a/c (D) Any of these
47. The time lag between indenting and receiving material is called :
- (A) Lead time (B) Idle time
(C) Stock out time (D) None of these
48. Depreciation is based on :
- (A) Economic life of asset (B) Declared life of asset by supplier
(C) Normal life of asset (D) None of these
49. An endowment insurance policy can be taken in respect of :
- (A) Fire insurance (B) Accident insurance
(C) Life insurance (D) None of these
50. Double entry book-keeping was fathered by :
- (A) F.W. Taylor (B) Henry Fayol
(C) Luca Pocioli (D) James Watt
51. Which of the following ways can be used to create 'Secret Reserves'?
- (A) Writing off excessive depreciation
(B) Charging capital expenditure to profit and loss a/c
(C) Showing contingent liability as an actual liability
(D) All of above
52. Which one of the following will lead to understatement of net profit?
- (A) Amortization of fictitious assets
(B) Treating capital expenditure as revenue expenditure
(C) Treating revenue expenditure as capital expenditure
(D) Creation of general reserve
53. The word 'credit' has been derived from the Latin word 'credere' which means :
- (A) 'to-owe' (B) 'to-give'
(C) 'to-take' (D) 'to-believe'

54. By-products should be valued at :
- (A) Cost
 - (B) Cost or net realizable value whichever is more
 - (C) Net realizable value
 - (D) Cost or market value whichever is less
55. Which account is to be prepared when revised values are not to appear in the new balance sheet framed after the retirement or death of a partner?
- (A) Memorandum Revaluation Account
 - (B) Revaluation Account
 - (C) Profit and Loss Adjustment Account
 - (D) Profit and Loss Appropriation Account
56. Payment of the trade creditors would :
- (A) increase the current ratio, but the acid test ratio would not be affected
 - (B) increase both the current and acid test ratios
 - (C) decrease both the current and acid test ratios
 - (D) have no effect on the current and acid test ratios
57. Which of the following results in the flow of funds?
- (A) Creditors issued bills payable
 - (B) Loss on the sale of machinery
 - (C) Transfer to general reserve
 - (D) Building sold on cash
58. The balance sheet is related to the income statement in the same way that :
- (A) A period in time is related to a period of time
 - (B) A period of time is related to a point of time
 - (C) A point in time is related to another point in time
 - (D) A period of time is related to another period of time
59. Which of the following is the most important reason for studying accounting?
- (A) The information provided by accounting is useful in making many economic decisions
 - (B) Accounting plays an important role in society
 - (C) The study of accounting could lead to a challenging career
 - (D) All of the above
60. The difference between the balance of a fixed asset a/c and the related accumulated depreciation a/c is termed as :
- (A) Liability
 - (B) Contra asset
 - (C) Book value
 - (D) Market value